

Frequently Asked Questions about LOANS

1. What loans are available for students (name of program, interest rates, and repayment terms)?

The Federal Perkins Loan is awarded to those students who file the FAFSA form and demonstrate financial need. It is awarded to freshmen and sophomores for up to \$1,500. The interest rate is a fixed 5% rate, there are no guarantee fees or origination fees, and repayment of principal and interest begins 9 months after the student graduates or drops below half-time status. The standard repayment period is 10 years but most students pay this loan off sooner than that since there is a minimum monthly payment of \$40.

The Federal Stafford Loan is awarded to those students who file the FAFSA form. The subsidized loan is available to students with financial need and the unsubsidized loan is available to those who don't demonstrate financial need. Some students with low financial need will receive a loan amount split between the two programs. Freshmen can receive up to \$3,500, sophomores can receive up to \$4,500, and juniors and seniors can receive up to \$5,500. The interest rate is a fixed 6.8% rate for loans disbursed during the 06-07 and 07-08 academic years. For the subsidized loan program only, the interest rate for the 08-09 academic year dropped to a fixed 6.0% rate; the interest rate on the unsubsidized loan for 08-09 remained at a fixed rate of 6.8%. **For the 2009 – 2010 academic year the subsidized loan program only, the interest rate will drop to 5.6%. The unsubsidized loan stays the same at a fixed 6.8%.** Lenders may deduct a federal default fee up to 1% and an origination fee up to 1% from your loan principal (which means if you borrow \$3,500 you will only receive \$3,430). You should apply for the full academic year and the loan will be disbursed in equal disbursements for the fall and spring semesters. Repayment begins 6 months after you graduate, or drop below half-time status. The standard repayment period is 10 years.

2. What's the difference between the subsidized and unsubsidized Stafford Loan?

For the subsidized Federal Stafford Loan, the federal government pays the interest on the loan while you are in school and during your six-month grace period after you graduate or drop below half-time status. You are not responsible for any interest on the loan until you actually begin repayment of the loan principal. For the unsubsidized Federal Stafford Loan, you are responsible for the interest on the loan from the date that loan funds are disbursed. While you are in school, you can choose to pay the interest on a quarterly basis or you can choose to have the interest capitalized, or added to the loan principal. If you choose this option, you will pay more overall since you will be paying interest on interest when you begin repayment of the loan principal six months after you graduate or drop below half-time status.

3. How do I apply for the Federal Perkins Loan? How do I electronically sign the promissory note?

Your eligibility for the loan is determined by the FAFSA. If you have been awarded the Federal Perkins Loan, you will electronically sign the promissory note at <https://myfa.taylor.edu> by clicking on the Messages tab. The message regarding the Perkins

has a brief description of the loan and a link to complete the e-signature process. You will need your FAFSA PIN in order to access this website. The promissory note is a legal loan document and must be e-signed by the student borrower.

4. How do I apply for the Federal Stafford Loan?

The student may apply for the Stafford Loan in the student's name and Social Security Number by reviewing the Messages tab of the Financial Aid Award at <https://myfa.taylor.edu>. *The message includes information regarding the loan and a link to apply.* If you are a first-time borrower, you will need to complete entrance counseling as part of the loan application process. Please allow approximately 30 minutes to complete the loan application process. The promissory note is a legal loan document and must be e-signed by the student borrower.

5. Are there loans for parents? How do they apply? When does repayment begin?

The loan in the parent's name is the Federal PLUS Loan. This loan has a fixed interest rate of 8.5%. There is a guarantee fee of 1% and an origination fee of up to 3% (which means if you borrow \$100 you will only receive \$96). Repayment begins within 60 days of the final disbursement for the academic year (typically at the end of March for loans taken at Taylor). The standard repayment period is 10 years. The parent may apply for the PLUS Loan in the parent's name and Social Security Number by reviewing the Messages tab of the Financial Aid Award at <https://myfa.taylor.edu>. The message includes information regarding the loan and a link to apply. The promissory note is a legal loan document and must be e-signed by the parent borrower.

6. What if the parent is not able or willing to borrow the parent loan? Are there any other loans for the student?

If the parent applies for and is denied the Federal PLUS Loan, the student is then eligible for an additional unsubsidized Federal Stafford Loan. Freshmen and sophomores can borrow up to \$4,000 and juniors and seniors can borrow up to \$5,000 in addition to the original amounts that they received (see question 1 above).

There are also 'alternative student loans' that are typically loans of last resort. Most of these loans require a co-signer. Alternative loans are not federal loans but are private educational loans offered through various lenders. The interest rates are variable and are higher than the Federal Stafford and Federal PLUS loans. Most of the time the student does not begin repayment until after he/she graduates but the student is responsible for the interest from the date of disbursement and the interest is capitalized, or added to the loan principal. Taylor University offers a list of lender options for this program as well and we are able to process loans through these lenders electronically and receive loan disbursements via EFT providing more efficient service to students. The Bursar's Office will email a receipt once the funds have been credited to the student account. You may choose another lender of your choice but you must submit a paper application to the Financial Aid Office and a paper check will be mailed to the Bursar's Office. The student borrower will be required to sign the paper check in the Bursar's Office.

For more details and to begin the loan application process, go to www.taylor.edu/admissions/finaid/loans.shtml

7. What are Direct to Consumer Loans (DTC)?

Be wary of any loan offer that you do not initiate. Direct to Consumer Loans are generally unsolicited loan offers sent directly to the student or parent. These loans have higher fees and higher interest rates than the federal loan programs, and most likely higher than other school certified alternative loans. **IMPORTANT NOTE:** DTC loans typically do not require school certification; however, once the school is aware of the loan the school is required to include the amount as a resource and this loan will reduce eligibility for more desirable federal, state and institutional aid programs, including the loss of grant aid. It is always wise to contact the Financial Aid Office at 765.998.5358 before pursuing an alternative loan of any kind.

8. Which lender should I use for my Stafford and/or PLUS loan?

The school is not permitted to select a lender for you. We will process a loan with any lender that you choose. We offer a list of lenders for you to consider based on the following factors: these are nationally recognized lenders who have an intent to remain in the education loan business long-term; they offer a high level of customer service both to us as the school and to our students and their families; the benefits they offer result in excellent total value to the borrower; and, all the necessary procedures have been established for electronic application and high-speed electronic transfer of funds so that dollars are available as quickly as possible.

We encourage students and parents to review the lender options we have made available. If you feel that one of these lenders fits your needs, you may apply by following the link associated with each loan from the Messages tab of your award notification at <https://myfa.taylor.edu>. Taylor University electronically transmits loan data and receives your loan disbursements via EFT through any of the lender options we have offered. The Bursar's Office will email a receipt once the funds have been credited to your student account.

If you choose to select a lender of your choice, not on our list, you may do so by contacting the lender for a paper application. You must submit to Taylor the paper application and the School Certification Form with the borrower information complete. This form will be manually completed and mailed to your lender, a paper check mailed to the university and the student will sign the check in the Bursar's Office. If a parent borrows through the PLUS loan, the check will be mailed to Taylor University and Taylor will then mail the check to the parent for endorsement. After endorsing the check, the parent will then return it to the university. As you can tell the paper process may take several weeks as compared to a few days with the electronic process.

9. How much should I borrow?

Only you can determine how much you can afford to borrow to cover your educational costs. Generally, financial planners recommend that you borrow no more than your anticipated annual first year salary or that your anticipated monthly loan repayment not exceed 8-10% of your

anticipated monthly take-home pay. There is a loan repayment calculator at www.finaid.org to assist you in your financial planning.

10. What's the average Taylor student indebtedness at the time of graduation?

For the class of 2007, 57% of the graduates had borrowed from at least one student loan program (Federal Perkins Loan, Federal Stafford Loan, and/or alternative student loan) for a total average indebtedness of \$18,681.