

## Loans

Educational loans are low interest loans that must be repaid. Loans are available through the federal government (the William D. Ford Federal Direct Loan Program) in which eligible students borrow directly from the U.S. Department of Education.

Educational loans are also available from state and private lenders, and are known as alternative loans. We encourage you compare the available loan options before choosing a lender and borrow only what you need. Your student loan payments should be only a small percentage of your salary after you graduate.

### **Direct Loans**

#### Direct Subsidized Loans

Eligibility for this loan is based on financial need (as determined by information provided on your FAFSA), with the interest paid by the federal government until you graduate, leave school, or fall below half-time enrollment.

Please Note: The Budget Control Act of 2011 eliminated subsidized loans for graduate students beginning July 1, 2012. Graduate students will be eligible for the full \$20,500 annual amount, but all loans will be completely unsubsidized.

#### Direct Unsubsidized Loans

Eligibility for this loan is not based on financial need (as determined by information provided on your FAFSA), and interest starts to accrue upon disbursement. You have the option to postpone payment of interest which is then capitalized (added to your principal balance).

#### Graduate PLUS Loan

Eligibility for this loan is not based on financial need, but it is also a credit-based loan and a credit check is required. Borrowers who have an adverse credit history may be eligible if you have a creditworthy endorser or cosigner.

#### Annual and Aggregate Loan Limits

The annual loan limit amounts are the maximum yearly amounts you can borrow in both Subsidized and Unsubsidized Direct Loans. You can have one type of loan or a combination of both. Because you can't borrow more than your cost of attendance minus any other financial aid you'll get, you may receive less than the annual maximum amounts. Also, the annual loan limits assume that your program of study is at least a full academic year.

#### **Graduate Students:**

Up to \$20,500 in unsubsidized loans

Up to the cost of attendance in Grad PLUS Loans, minus any other aid, scholarship, or loans

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## Loan Fees and Interest Rates

If you receive a federal student loan (Direct Loan), you will be required to repay that loan with interest. The interest rate for a Direct Loan is fixed, based on the type of loan, either Direct Unsubsidized or Direct PLUS.

Most federal student loans have loan fees that are a percentage of the total loan amount. The loan fee is deducted proportionately from each loan disbursement you receive. This means the money you receive will be less than the amount you actually borrow.

You are responsible for repaying the entire amount you borrowed and not just the amount you received.

## Master Promissory Note (MPN)

You must sign a Direct Loan Master Promissory Note. This will be the only promissory note you will have to sign as long as you continue to attend Baylor. Your FSA ID is required in order to eSign. Go to [studentaid.gov](https://studentaid.gov) and log in with your FSA ID to sign the MPN.

## Right to Decline Loans

You have the right to decline any financial aid that you are offered. You have a number of rights and responsibilities pertaining to borrowing student loans.

## Entrance Counseling

Complete Direct Loan entrance counseling is available one time after you have been offered a Direct Subsidized or Unsubsidized Loan and accepted the offer. Go to [studentaid.gov](https://studentaid.gov) and sign in with your FSA ID to complete entrance counseling.

## Exit Counseling

Exit counseling is required when you cease to be enrolled at least half-time. If you drop below half-time hours, withdraw, graduate, or stop attending, you are required to complete exit counseling by logging in with your FSA ID at [studentaid.gov](https://studentaid.gov). This applies for borrowers under the Federal Perkins Loan Program, William D. Ford Federal Direct Student Loan Program, and under the Federal Stafford Loan Program

## Repayment

When you receive your first Direct Loan, you will be contacted by the servicer for that loan (you repay your loan to the loan servicer). Your loan servicer will provide regular updates on the status of your Direct Loan, and any additional Direct Loans that you receive. If you are not sure who your loan servicer is, you can look it up on [nslds.ed.gov](https://nslds.ed.gov).

After you graduate, leave school, or drop below half-time enrollment, you will have a six-month grace period before you begin repayment.

You do not have to make payments during the grace period (unless you choose to) but the interest will be added (capitalized) to the principal amount of your loan when the grace period ends. During this

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period, you'll receive repayment information from your loan servicer, and you'll be notified of your first payment due date. Payments are usually due monthly.

## **Graduate PLUS Loans**

Direct Grad PLUS Loans are unsubsidized loans for graduate and professional students. Grad PLUS loans help pay for education expenses up to the cost of attendance minus all other financial assistance. Interest is charged during all periods.

### Grad PLUS Application Process

First, complete the Free Application for Federal Student Aid (FAFSA). After you have received an award notification and decided that a Grad PLUS loan is the best fit for you, apply through the U.S. Department of Education by completing the following steps:

- Go to [studentaid.gov](https://studentaid.gov)
- You will be asked to sign in with FSA ID.
- Select "Apply for a Direct Plus Loan".
- Choose the Grad PLUS loan type. Go through the application process (which includes a credit check) to confirm approval or denial of the loan.
- Choose a loan period. You should apply for the academic year, not one semester/quarter. You will have to repeat the application process (and possibly the credit check) if you apply for the fall only and later wish to apply for another semester/quarter.
- Specify a loan amount. If "maximum amount" is selected, we will process the loan for the maximum amount available (cost of attendance minus all other financial aid received.) We encourage you to review your expenses carefully and apply only for the amount necessary.
- If approved, first-time borrowers only must continue by choosing Complete Master Promissory Note. Repeat borrowers have completed the process.
- If denied, you will be presented with several options.
- The Department of Education will send a confirmation of denial to the Hanover College Office of Financial Aid and to you.

### Amount Available to Borrow

The limit on a Grad PLUS Loan is the student's cost of attendance minus any other financial aid received. You apply for the academic year (fall/spring/summer semesters). Origination fees and interest rates are reviewed and announced by the Department of Education each year. You will receive a statement specific to your loan before your loan is disbursed.

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## Credit Eligibility

Federal regulations define credit eligibility for a Grad PLUS Loan as having no "adverse credit." This term normally means that the applicant has no debt repayment account that is 90 days or more delinquent, has not had any debt discharged in bankruptcy in the last 5 years, and has not been in default on any debt (no foreclosure, tax lien, repossession, wage garnishment, or write-off) in the last 5 years. An applicant will be determined to have an adverse credit history if the total combined outstanding balance of the debts, including debts in collection or charged off during the two years preceding the date of the credit report, is greater than \$2,085.

## Next Steps for Approved Loans

All first-time borrowers must complete the Master Promissory Note (MPN) and Grad PLUS borrowers must also complete entrance counseling at [studentaid.gov](https://studentaid.gov). If the Department of Education approves your loan, the Department of Education will notify Hanover College and will send the loan funds to the school shortly before each semester begins. The funds will first be applied to tuition, fees, and other school charges. If any loan funds remain, they will be disbursed based on your authorization and preference. Grad PLUS Loans require the student be enrolled in at least half-time hours.

## Next Steps for Denied Grad PLUS Borrowers

If you are denied a Grad PLUS loan, you have the option to either appeal the decision, add an endorser, or pursue a private alternative loan. You appeal the decision directly to the Department of Education and might qualify for a loan without passing the credit check if you can demonstrate that extenuating circumstances exist. An endorser is a relative or friend who is able to pass the credit check and agrees to endorse the loan. An endorser promises to repay the loan if you fail to do so.

## Right to Decline

You have the right to decline any financial aid that you are offered. You have a number of rights and responsibilities pertaining to borrowing student loans.

## Entrance Counseling

Regular entrance counseling is required for all first-time Grad PLUS (graduate student) borrowers. Go to [studentaid.gov](https://studentaid.gov) and log in with your FSA ID to complete entrance counseling.

## Exit Counseling

Exit counseling is required for student borrowers (Grad PLUS). Exit counseling is required when you drop below half-time hours, withdraw, graduate, or stop attending. You are required to complete exit counseling by logging in with your FSA ID at [studentaid.gov](https://studentaid.gov).

## Repayment

There is no grace period for a Direct Grad PLUS Loan. You must separately request each deferment period. Generally, you will have from 10 to 25 years to repay your loan, depending on the repayment plan that you choose. The loan servicer will notify you of the date your first payment is due. If you do not choose a repayment plan, you will be placed on the standard plan, with fixed monthly payments for

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up to 10 years. You can change repayment plans at any time by contacting your loan servicer. More detailed information about all repayment plans is available at [studentaid.gov](https://studentaid.gov).

## **Alternative / Private Student Loans**

Alternative Education Loans, also known as Private Education Loans, help bridge the gap between the actual cost of your education and the limited amount the government allows you to borrow in its loan programs. Private loans are offered by private lenders and are not part of any federal financial aid program. Hanover College encourages students and their parents to utilize their federal loan eligibility before considering additional funding through private/alternative programs.

Eligibility for an Alternative / Private Loan

To be eligible, you must:

- Be a U.S. citizen or permanent resident
- Be at least 18 years of age
- Must have a positive credit history and/or a creditworthy co-signer

Lenders may also stipulate other eligibility requirements.

### **• Annual Loan Limits**

Minimum: Varies depending on the lender

Maximum: Cost of education less any financial assistance received

### **• Interest Rate**

Interest rates are dependent on the credit worthiness of the borrower and co-signer.

### **• Payment Terms**

You can defer your loan payments until six months after graduation or six months after you cease to be enrolled at least half time. The repayment period can typically range from 15 - 25 years depending on the amount owed.

### **• Fees**

Fees are dependent on the credit worthiness of the borrower and co-signer.

### **• Disbursement of the Loan**

In most cases the funds will be disbursed to the school electronically (EFT). Proceeds will be applied to any outstanding educational charges including tuition, fees, etc. If the loan proceeds create a credit balance the borrower will need to contact the Business Office to receive a refund, to receive or to instruct them to return loan funds to the lender.

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## **Alternative / Private Student Loan Programs**

Listed below are two application tools that will provide access to multiple lenders. Both INvestEd Marketplace and ELMSelect allow you to compare lenders and rates for possible private loans. Hanover College does not recommend or endorse any private student loan programs. Students can apply with any lender they choose even if not listed in either tool.

- [INvestEd Marketplace](#)
- [ELMSelect](#)