

Inter American University of Puerto Rico Office of Management Compliance Institutional Financial Aid Office

## **Counseling Information for the**

# Federal Direct Loan Program

2021-2022





## **IMPORTANT:**

To receive loans it is required to complete this counseling session.

To receive the disbursement of the loan you must be registered with a minimum academic load of half-time.



One of the main functions of the Financial Aid Office is to guited the students in the financial aspect of their education. In order to achieve this goal, we have prepared this orientation for the students who are requesting loans. This orientation is going to help you understand the obligations and responsibilities that you acquire when you accept and receive a loan.



- Seeking other alternatives to finance your studies
- Prepare a budget of how much you really need
- Loan Option
- Obligations and responsibilities
- Repayment plans
- Consolidation and loan forgiveness programs
- Deferments and forbearances
- Consequences of not paying your loans
- Federal Regulation Changes
- Glossary
- Loan Counseling Certification



The Department of Education states that it is the primary responsibility of the students and their parents to pay for the post-secondary education. Therefore, it is necessary to explore other sources of aid:

**The first alternative** should be applying for federal, state, institutional, and private grants and scholarships.

• Also, look for donations

For more information about grants and scholarships, you should visit the following websites:

- <u>www.inter.edu</u>
- <u>www.fastweb.com</u>
- <u>www.google.com</u>

#### Search

- Scholarships
- Grants

#### Remember that these are FREE sources of aid.

#### The second alternative should be:

- For you and your parents to use any savings that you may have, and
- We also suggest that you look for a job even if it is only part-time.

If after exploring all of these alternatives, you still need to cover other educational expenses, then you should consider student loans. Loans should be



Check the amount of the loan that you apply:

- Ask for a loan as a last resort and only borrow what you need.
- Is no necessary to apply for the maximum amount of federal loans each year; You can apply fewer amount at your financial aid office.





Under the William D. Ford Federal Direct Loan Program, you have the following loan options:

#### The Direct Stafford Subsidized Loan

applies only to students in undergraduate programs who meet the necessary requirements and demonstrate financial need to cover the costs of higher education at a university. With an interest rate of **3.73**% and an origination fee of **1.057**%. Repayment begins 6 months after you separate from college, whether you finish, drop out, or enroll in less than 6 credits.

#### The Direct Stafford Unsubsidized Loan (Undergraduate Students)

It has a **3.73%** interest rate, and a **1.057%** origination fee. The interest on this type of loan accrues, in other words accumulates, from the time the loan is disbursed. You can choose to pay the interest while you are in school and during grace, deferment or for bearance periods, or you can allow it to accrue interest that will be capitalized. This means that the interests will be added to the principal amount of your loan. If you choose not to pay the interest as it accrues, this will increase the total amount you have to repay because you will be charged interest on a higher principal amount.

#### The Direct PLUS Loan for Parents (PLUS)

This type of loan is available for parents of dependent students. It is based on the parent's credit his tory, and it has an actual approved fixed interest rate of **6.28%** and a **4.228** origination fee.

#### The Direct Stafford Unsubsidized Loan (Graduate Students)

It has a **5.28%** interest rate, and a **1.057%** origination fee. The interest on this type of loan accrues, in other words accumulates, from the time the loan is disbursed. You can choose to pay the interest while you are in school and during grace, deferment or forbear ance periods, or you can allow it to accrue interest that will be capitalized. This means that the interests will be added to the principal amount of your loan. If you choose not to pay the interest as it accrues, this will increase the total amount you have to repay be cause you will be charged interest on a higher principal amount.



#### The Direct Plus Loan for Graduates(Grad Plus)

This loan, like the PLUS Parent loan, has a **6.28%** interest rate and **4.228%** origination fee. The interest starts accumulating from the moment the loan is disbursed. The Grad PLUS loan does not have a grace period, therefore the repayment will start immediately after you graduate, stop attending school, or you enroll in less than half-time.

*Note:* Based on the new federal regulations, graduate students will ONLY be eligible to apply for the last two loan options mentioned above:

#### Unsubsidized and Graduate PLUS loans.

If you are interested in a loan, we advise you to be wise and only request the amount you really need. Remember, loans are a source of aid that must be repaid with interest.

# **Obligations and responsibilities**

Students applying for a student loan for the first time must complete an Entrance Interview and the Master Promissory Note (MPN). You can complete both forms by visiting the following Web page:

#### https://studentloans.gov/

The MPN is a legal document in which you promise to repay your loan and any accrued interest and fees to the Federal Department of Edu cation. It also explains the terms and conditions of your loan. You must repay your loans even if you:

- Do not finish school
- Do not have a job.
- Your income is not enough.
- Enrolled in less than half time.
- Do not receive any repayment notices.

In addition, you commit to contact your loan servicer and notify them if:

- o You graduated
- o Withdrew from school
- o Enrolled at another college or university.
- o Changed your name, address or phone number.

Remember: After you graduate, leave school, or drop below half-time



When it is time to start repaying your student loan(s), you can select a repayment plan that is right for your financial situation. Some of these options are:

#### **Standard Repayment Plan**

With the standard plan, you will pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least \$50, and you will have up to 10 years to repay your loans.

Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For that reason, having a 10-year limit on repayment, you will pay less interest.

#### **Extended Repayment Plan**

Under the extended plan, you will pay a fixed or gradual annual repayment amount over a period not to exceed 25 years. Your fixed monthly payment is lower than it would be under the Standard Plan, but you will pay more for your loan because of the interest that accumulates during the longer repayment period.

This is a good plan if you need to make smaller monthly payments. Because the repayment period will be 25 years, your monthly payments will be less than with the standard plan. However, you may pay more in interest because you're taking longer to repay the loans. Remember that the longer your loans are in repayment, the more interest you will pay. You must have a loan pending balance exceeding \$30,000.

#### **Gradualed Repayment Plan**

With this plan, your payments start out low and increase every two years. The length of your repayment period will be up to ten years. If you expect your income to increase steadily over time, this plan may be right for you. Your monthly payment will never be less than the amount of inter-



#### \* Income Based Repayment Plan (IBR) Effective July 1, 2009

Your monthly payments will be 10 or 15 percent of discretionary income. Payments are recalculated each year and are based on your updated income and family size. If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return.

#### \*Income Contingent Repayment Plan (ICR) (Direct Loans Only)

Your monthly payment will be the lesser of 20 percent of discretionary income, or the amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income.

Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans. If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay your Direct Loans jointly with your spouse.

#### Income-Sensitive Repayment Plan (FFELSM Loans only)

With an income-sensitive plan, your monthly loan payment is based on your annual income. As your income increases or decreases, so do your payments. The maximum repayment period is 10 years. Ask your lender for more information on FFEL Income- Sensitive Repayment Plans.

#### Revised Pay As you earn repayment plan (REPAYE)

Your monthly payments will be 10 percent of discretionary income. Payments are recalculated each year and are based on your updated income and family size. If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions). Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.

\* Students can use the IRS Data Retrieval Tool (DRT) to access the Electronic IDR Plan

Request form to request these options for repayment.

#### Student Consolidation loan forgiveness programs

A Direct Consolidation Loan allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple payments.

By consolidating your loans, you can reduce your monthly payments, and the repayment of your loan could be extended for 30 years.

To obtain a full list of loans that up to consolidated, please contact the loan servicer.

**Important:** Please analyze the advantages and disadvantages, before you decide to consolidate all of your loans. You can do so by contacting the Direct Consolidation Department directly by phone at 1-800-557-7392 or by visiting the web page:

#### https://studentloans.gov/

In 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after:

- You make 120 on-time, full, scheduled, monthly payments on your Direct Loans. Only payments made after October 1, 2007 qualify.
- Make those payments under a qualifying repayment plan,
- and very important when you make each of those payments, you must be working full-time at a qualifying public service organization.

For more information about the loan forgiveness program, please visit: <u>www.studentaid.edgov.</u> If you believe that you meet the requirements, please contact your loan servicer.

# 7 Deferments and forbearances

Your loan servicer could grant you a deferment or forbearance. This is a period in which your payments are temporarily suspended. You must continue to make your payments until your deferment or forbearance is approved. The most common conditions to request a deferment or forbearance are :

- Enrolled at lest half-time
- Unemployment
- Economic Hardship
- Military service
- Medical condition

## **Consequences of not paying your loans**

Finally, we want you to know the consequences of not paying your loans. It is very important for you not to ignore this debt.

If you default, it means you failed to make payments on your student loan according to the terms of your promissory note, the binding legal document you signed at the time you took out your loan. In other words, you failed to make your loan payments as scheduled. Therefore, your school, the financial institution that made or owns your loan, your loan guarantor, and the federal government all can take action to recover the money you owe. Here are some of the consequences of default:

- National credit bureaus can be notified of your default, which will harm your credit rating, making it hard for you to buy a car or a house.
- You will also be ineligible for additional federal student aid if you decide to return to school.
- The loan payments can be deducted from your paycheck.
- Any state and federal income tax refunds can be withheld and applied toward the amount you owe.
- You will have to pay late fees and collection costs on top of what you already owe.
- You can be sued.
- Your wages could be withheld.
- You can be rejected for jobs.
- It could affect future availability of financial aid for other students

Please avoid these consequences. If you do not make any payments during a 270 days time frame, the U.S. Department of Education will report your loan in Default. Do not allow this to happen to you.



**Subsidized Loans:** For undergraduate students that apply for a loan for the first time or have fully paid previous loans.

Undergraduate students are eligible to receive subsidized loans from the federal goverment up to 150% duration of the study program as published. For this purpose, the time duration of the study program will be measured in years.

| Duration of the Program        |       | Maximun Period of<br>Eligibility |
|--------------------------------|-------|----------------------------------|
| 5 years (Bachelor Degree)*     | X 1.5 | 7.50 years                       |
| 4 years(Bachelor Degree)       | X 1.5 | 6.00 years                       |
| 2 years (Associate Degree)     | X 1.5 | 3.00 years                       |
| 1 years (Certificate Program ) | X 1.5 | 1.50 years                       |

\* Applies to students of Engineering and Aviation

#### **Example A:**

A new borrower receives 2 years of subsidized loans while was enrolled in a 2 year program and transfers to a 4 year program. The borrower has a remaining elegibility of 4 years.

#### **Example B:**

A new borrower receives 3 years of subsidized loans while was enrolled in a 4 year program and transfers to a 2 year program. The borrower has a remaining eligibility of 0 years.

**Accrue** When interest on your loan adds to the amount you owe. The phrase "interest accruing on your loan" means that the amount of interest due on your loan is accumulating.

Capitalization Adding unpaid interest to the loan amount borrowed.

**Consolidation** The process of combining one or more eligible federal education loans into a single new loan.

**Credit** A summary of a person's financial strength, including his or her history of paying bills, routinely used to assess a person's ability to repay future loans. Students often are turned down for private loans because they have not established a credit history and have no income with which to repay debts. People who pay their bills after the due date, have defaulted on debts, or declared bankruptcy are usually judged to have poor credit. Several private companies gather consumers' financial information to create reports used by businesses and lenders to determine how much to lend and how much interest to charge each consumer. Federal law requires credit rating agencies to provide consumers with one free report regarding their credit each year.

**Credit Bureau** Organization that tracks and reports the manner in which borrowers repay their loans (not only student loans).

**Default** Failure to repay a loan according to the terms of the promissory note. There can be serious legal consequences for student-loan defaulters.

**Deferment** A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue for subsidized loans.

**Delinquent** Your loan payments are not received by the due dates. If your accounts have become delinquent and you are unable to make payments consider deferment, forbearance, or switching repayment plans. Accounts remain delinquent until borrowers bring their accounts current with payments, deferment, or forbearance.

**Discretionary Income** For Income-Based Repayment and Pay As You Earn, discretionary income is the difference between your income and 150 percent of the poverty guideline for your family size and state of residence.

10

**Entrance Counseling** An information session which takes place before the loan is disbursed and is required for first-time borrowers. The session explains your responsibilities and rights as a student borrower.

**Exit Counseling** Borrower receives a notice about exit counseling when borrower graduates or attends school less than half-time. At this session, the borrower will be given information on your loans and when repayment begins.

**Forbearance** A period during which your monthly loan payments are temporarily suspended or reduced. You may qualify for forbearance if you are unable to make loan payments due to certain types of financial hardships.

**Grace Period** A six-month period that begins on the day after you, the Stafford Loan Program borrower, cease to be enrolled as at least a half-time student at an eligible institution and ends on the day before the repayment period begins.

**Interest** A loan expense charged by the lender and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the unpaid principal amount (loan amount), which includes the original amount borrowed and any capitalized interest (unpaid interest added to the principal loan amount). Accrued interest is interest that accumulates on the unpaid principal balance of the loan.

**Interest Rate** The current rate at which interest is calculated on your loan(s).

**Lender** The organization that made the loan initially. The lender could be the borrower's school (for Federal Perkins Loans); a bank, credit union, or other lending institution; or the U.S. Department of Education.

**Loan** Money borrowed from a lending institution or the U.S. Department of Education that must be repaid.

**Loan Fee** A fee payable by the borrower that is deducted proportionately from each loan disbursement.

**Loan Servicer** An organization that administers and collects education loans payments on behalf of the lender.

**National Student Loan Data System (NSLDS)** A centralized database that stores information on all Department loans and grants. NSLDS also contains borrowers' school enrollment information. Borrowers can access this information online using their Department of Education FASID at www.nslds.ed.gov.

10

**Past Due** The amount that you were scheduled to pay in previous month(s) but did not. The past due amount is also called the delinquent amount. Your account is considered "delinquent" if you have missed any monthly payments. Past Due amounts are due immediately.

**Prepayment** The amount in excess of the amount due on a loan. If borrowers have more than one federal student loan, they must specify which loan they are prepaying. Like all other federal student loan payments, a prepayment will first be applied to any outstanding fees and charges, next to outstanding interest, and then to the principal balance of the loan(s). There is never a penalty for prepaying principal or interest on federal student loans.

**Promissory Note** A binding legal document you sign when you get a student loan. It contains the loan terms and conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include deferment and cancellation provisions available to the borrower. It's very important to read and save this document because you'll need to refer to it later when you begin repaying your loan or at other times when you need information about provisions of the loan, such as deferments or forbearances.

**Refund** The total amount of funds returned to the loan program as unused for the student's education expenses.

**Rehabilitation** The process of bringing a loan out of default and removing the default notation on a borrower's credit report. To rehabilitate a Direct or an FFEL Loan, you must make at least nine full payments of an agreed amount within 20 days of their monthly due dates over a 10month period to the U.S. Department of Education. To rehabilitate a Perkins Loan, you must make nine, on-time, monthly payments of an agreed amount to the Department. Rehabilitation terms and conditions vary for other loan types and can be obtained from the loan servicer.

**Repayment Incentive** A benefit that the U.S. Department of Education offers borrowers to encourage them to repay their loans on time. Under a repayment incentive program, the interest rate charged on borrowers' loans might be reduced. Some repayment incentive programs require borrowers to make a certain number of payments on time to keep the benefits of the repayment incentive.

**Repayment Plan** An agreed schedule between a borrower and a lender on repayment of a loan. Changing repayment plans is a good way to manage your loan debt when your financial circumstances change to a less favorable status. For example, you can usually lower your monthly payment by changing to another repayment plan that has a longer term in which to repay the loan. There are no penalties for changing repayment plans.

**Repayment Schedule** A statement provided by the loan servicer to the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

**Repayment Term** The number of months it will take to repay your federal student loans under a specific repayment plan.

**Repayment Schedule** A statement provided by the loan servicer to the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

**Repayment Term** The number of months it will take to repay your federal student loans under a specific repayment plan.

**Total Amount Repaid** The total amount you would be expected to pay over the life of the loan, including principal and interest.



Now, for your loan to be disbursed into your account, you should complete the following forms and return them to your Campus Financial Aid Office:

• Orientation Attendance Certification (next page)

You can send these documents to your Campus address through electronic or air mail.

Students who receive a Direct Stafford Loan for the first time, must complete the following process:

- An Entrance Interview and a Master Promissory Note (MPN) at: <u>https://studentloans.gov/</u>
- Accept your loans by visiting the following website: <u>http://documentos.inter.edu</u>

Inter American University of Puerto Rico Office of Management Compliance Institutional Financial Aid Office

## Loan counseling certification Academic year 2021 - 2021

I, hereby certify I have read the Federal Direct Loan information and understand my responsibilities in accepting student loans.

Full name:

Student ID:

email:

#### Loan Type:

| S         | ubsidized    |          | Amount           | Requested |  |
|-----------|--------------|----------|------------------|-----------|--|
| U         | Insubsidized |          | Amount Requested |           |  |
| Р         | LUS loan     |          | Amount Requested |           |  |
| Grad Plus |              |          | Amount Requested |           |  |
| Term:     | Bimestre     | Semester | Trimester        | Other     |  |

Signature

•

Date:

**Note**: Upon receipt of this certification, we will evaluate your request. Return these documents to your Campus Financial Aid Office.

#### Please refer to the following Campus' Directory, if you want to mail or email these documents.

#### Aguadilla

Gloria Cortés P.O. Box 20000 Aguadilla, PR 00605-2000 edsoto@aguadilla.inter.edu

Barranquitas Ana I Colon P.O. Box 517 Barranquitas, PR 00794-0517 asistenciaeconomica@br.inter.edu

**Fajardo** Marilyn Martínez P.O.Box 70003 Fajardo, PR 00738-7003 aeconomica@fajardo.inter.edu

Metro Lilliam Concepción P.O.BOX 191293 San Juan PR 0091-1293 oficina.asistencia.economica@metro.inter.edu

San Germán Brunilda Ferrer P.O. Box 5100 San Germán, PR 00683-9801 asistenciaeconomica@sg.inter.edu

Escuela de Optometría

Sirimarie Martinez Ramos 500 Ave. John W Harris Bayamón, PR 00957 <u>financialaid@opto.inter.edu</u> Arecibo Ángel Méndez P.O,Box 144050 Arecibo, PR 00614-4050 asistencia.economica@arecibo.inter.edu

**Bayamón** Aurelis Báez Bo. Cerro Gordo 500 Carretera 830 Bayamón, PR 00957-6257 <u>asistencia@bayamon.inter.edu</u>

**Guayama** Eileen Rivera P.O. Box 1004 Guayama PR 00785-4004 <u>asistencia.economica@guayama.inter.edu</u>

Ponce Karen Caquias 104 Parque Industrial Turpó, RDI Mercedita, PR 00715-1602 <u>economicas@ponce.inter.edu</u>

Escuela de Leyes Ricardo Crespo, Director P.O. BOX 70351 San Juan Box 70351 San Juan, PR 00936-8351 <u>asistecon@juris.inter.edu</u>