



Financial Aid & Scholarships Office

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Do You Really Need To Borrow?

This guide provides you with information about the Federal Stafford Loan Program. Please take the time to carefully read and understand this guide. It will help avoid delays in processing your loan.

Evaluate your need and borrow **ONLY** what is essential. **REMEMBER: Loans are monies you must pay back with interest.**



Compared to four year colleges and universities, the cost of education at Cabrillo College is low (especially if you are a CA resident). If you transfer, you will most likely need loans to cover your educational expenses. Therefore, we urge you to seriously consider your need for a loan here at Cabrillo College and the amount you request.

Apply for Scholarships "free money". Visit our online scholarship binder at www.cabrillo.edu/services/finaid/scholarshipbinder.htm.

There is an aggregate loan limit on how much you can borrow in student loans, so be careful not to reach that limit before you are able to complete your educational goal.

A Word of Caution about Student Loans!

Loans can finance an education that might not otherwise be possible. However, student loans are a legal and financial responsibility. If you borrow student loans, **you must pay them back** even if you do not complete your education or cannot find a job. Borrowing money means that you are incurring debt which can limit your flexibility and options later in life. High debt can restrict your ability to get the job of your choice, buy a car, or travel because you cannot afford it. Remember, you will have monthly loan payments in addition to living expenses which may be difficult to pay with a starting salary.

STUDENT LOAN APPLICATION DEADLINES

Fall Semester 2009 — Friday, October 23, 2009

Spring Semester 2010 — Friday, April 09, 2010

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To take out a student loan, you must complete these steps each school year.

Stafford Loan Application Requirements

- ◆ Complete the 2009–10 FAFSA online at www.fafsa.ed.gov
- ◆ Submit all requested documents to the Financial Aid Office
- ◆ Financial aid file has been reviewed
- ◆ Final Eligibility and Academic progress have been determined
- ◆ Receive either an *Award Letter Ready email* or *Not Pell Grant Eligible email*
- ◆ Pass an online Entrance Exam
- ◆ Complete the Loan Request Documents
- ◆ Be enrolled in and attending 6 or more degree applicable units
- ◆ BA students are required to be enrolled in and attending 6 or more degree applicable units from the current Educational Plan they have on file with the Financial Aid Office

Stafford Loan Application Process

- ◆ After you have received either an *Award Letter Ready* or *Not Pell Grant Eligible email* submit **ALL** of the forms listed below to the Financial Aid Office.

1. **Stafford Loan Request Form**
2. **Loan Disclosure and Terms**
3. **Worksheet for Student Borrowers**
4. **Budget Planning Worksheet**
5. **Student Loan Quiz**

Note: All forms must be legible, filled out in BLACK ink and cross-outs must be initialed.

- ◆ You can choose any bank or credit union that processes FFELP loans for your lender. If you have previously borrowed, you should select the same lender for all subsequent loans (Please refer to the enclosed lender list)
- ◆ The Financial Aid Office will determine your eligibility and certify your loan request.
- ◆ EdFund will mail the Master Promissory Note (MPN) to you.
- ◆ You must read, complete, and sign the MPN and mail it to your lender for processing.

The **Master Promissory Note (MPN)** is a legally binding document that obligates you to repay your student loan. Your MPN will be sent to the address we have in our system unless you indicate a different address on the loan request form. If you do not receive your MPN, call your lender.

Note: Incomplete applications and/or failed loan quizzes will be returned and can delay the loan process.

Key Terms

- ◆ **Always notify your lender or servicer** if you change your name, address, telephone number, school, completion date, or financial situation.
- ◆ The **Servicer** is a company hired by a lender or secondary market to manage the day to day details of loan tracking and collection.
- ◆ The **loan guarantor EDFUND** and the federal government insure most Stafford loans.
- ◆ A **defaulted** student loan can result in a negative credit rating, your account can be referred to a collection agency, your wages can be garnished, you may not receive an income tax refund, and you will not be eligible for future financial aid. To avoid loan default, call your lender or servicer to arrange a payment plan that agrees with your budget.
- ◆ A **Deferment** is a temporary postponement of student loan payments. Reasons for deferments include: enrolled in school at least half-time, economic hardship, unemployment, Active Duty.
- ◆ A **Forbearance** is a temporary postponement or reduction of student loan payments at the lender's discretion.
- ◆ **Grace Period** is the period of time (6 months) after graduation, withdrawing, or dropping below half-time enrollment (6 units) and before repayment begins.

What is a Stafford Loan?

- ◆ It is a form of financial aid that **must be repaid**
- ◆ It is a low-interest rate loan borrowed from a lender, such as a bank or credit union
- ◆ It must be used for **educational expenses only**

To be eligible for a Stafford loan, Cabrillo College borrowers **must be enrolled in and attending six (6) degree-applicable units**, pursuing a Certificate of Achievement, Associate, or Transfer degree and must maintain financial aid Satisfactory Academic Progress requirements.

Types of Stafford Loans offered at Cabrillo College

Subsidized Loans

While you are in school at least half-time and during the grace and any approved deferment periods, the federal government will pay the interest on your Subsidized loans. After you graduate, withdraw from school, or drop below half-time enrollment, there is a six month grace period before repayment of the loans begins. When you enter repayment, you are responsible to begin repaying the amount you borrowed as well as the interest that will accrue during the repayment period. Subsidized loans with a first disbursement from July 1, 2009 to June 30, 2010 will have a fixed interest rate of 5.6%.

Unsubsidized Loans **CAUTION**

THIS SHOULD BE A LOAN OF LAST RESORT—THE FEDERAL GOVERNMENT DOES NOT PAY THE INTEREST ON UNSUBSIDIZED LOANS!

Interest accrues immediately after disbursement. If you borrow Unsubsidized loans, we strongly recommend that you begin making interest payments right after you receive your loan check. If you do not make interest payments while you are in school, the interest continues to accrue and is added (capitalized) to your principal loan balance at repayment. When interest capitalization occurs, you will then be paying interest on top of interest which greatly increases the amount of your loan and the total amount you will be repaying. Unsubsidized loans with a first disbursement on or after July 1, 2006 will have a fixed interest rate of 6.8%. See page 4 for example of capitalization.

PLUS Loans

This loan allows parents with a good credit rating to borrow up to the total cost of their dependent student's education minus any other aid for which the student is eligible. Before a parent can apply for a PLUS loan, the student must have completed all **Stafford Loan Application Requirements** as listed on page 2. The PLUS loan has no grace period and interest will begin to accrue when the loan is first disbursed. This loan is disbursed to the parent, not the student. Repayment of a PLUS loan begins 60 days after final disbursement. Dependent students whose parents do not qualify for a PLUS loan can borrow the same amount as independent students in the form of an Unsubsidized loan. PLUS loans with a first disbursement on or after July 1, 2006 will have a fixed interest rate of 8.5%.

Annual Stafford Loan Limits

Proration

Students attending Cabrillo College for one semester ONLY are subject to prorated loan amounts.

This calculation is the number of units enrolled in divided by 24 and multiplied by grade level loan amounts.

Dependent Students

Grade Level 1 (0–29.9 completed units)

\$3,500 Base year Subsidized and/or Unsubsidized; \$2,000 Additional Unsubsidized

Grade Level 2 (30+ completed units)

\$4,500 Base year Subsidized and/or Unsubsidized; \$2,000 Additional Unsubsidized

Aggregate Borrowing Limits: \$31,000 (no more than \$23,000 Subsidized)

Independent Students

Grade Level 1 (0–29.9 completed units) \$3,500 Subsidized; \$6,000 Unsubsidized; \$9,500 Total

Grade Level 2 (30+ completed units) \$4,500 Subsidized; \$6,000 Unsubsidized; \$10,500 Total

Aggregate Borrowing Limits: \$23,000 Subsidized + \$34,500 Unsubsidized = \$57,500 (includes loans borrowed as a dependent)

Aggregate Loan Limit

A borrower's maximum allowable unpaid principal loan amount throughout their academic career.

Do you know what your total student loan debt is? Check it out: www.nsls.ed.gov

NOTE: Your current loan aggregate and academic history will be carefully reviewed before we consider certifying your loan.

The recommended maximum loan debt at Cabrillo College is \$17,000.

Remember, there is an aggregate and if you plan to transfer, you will most likely need to take out more loans!

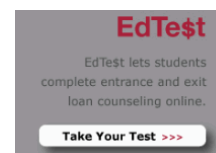
Stafford Loan Funding Process

- ◆ After you submit your paperwork, allow 4-6 weeks to receive your MPN. If you do not receive the MPN, contact your lender.
- ◆ After you return the MPN, the lender will mail you a disclosure statement with disbursement dates. Allow two weeks from the lender disbursement dates for mailing and processing of loan paper check. We do not receive loan funds thru Electronic Funds Transfer (EFT).
- ◆ If you want to decrease or cancel your loan, please notify the Financial Aid Office or your lender.
- ◆ When Cabrillo College receives your check, it is processed and mailed to the address we have on file. Keep your address current.
- ◆ **Allow 6-8 weeks** after you submit your loan request documents to receive your check.
- ◆ If you do not maintain Satisfactory Academic Progress or if you drop below 6 degree applicable units, you will not be eligible to receive your check and your loan will be cancelled.
- ◆ Loan funds are disbursed in two checks for both full-year and one-semester loans. Second disbursements released ONLY after you have passed a Loan Exit Exam. Full year loans are disbursed, once during the Fall semester and once during the Spring semester. One semester loans will be disbursed in two checks. The second check will be disbursed after you have completed half of the semester.
- ◆ You must be enrolled in and attending 6 degree applicable units to receive a loan check. Units from late starting or short-term classes will not be counted unless you are currently attending the class.
- ◆ BA students must be enrolled in and attending 6 degree applicable units listed on their Educational Plan or the loan will be cancelled. Classes enrolled in but not listed on an Educational Plan will not be counted.
- ◆ You must pass a Loan Exit Exam to receive the second disbursement of your loan. You can complete this requirement online at www.edfund.org.

Loan Exit Exam

As a Cabrillo College Stafford loan borrower, **Loan Exit Exams are required** before you:

- ◆ **Receive the second disbursement of your student loan**
- ◆ Graduate
- ◆ Transfer
- ◆ Drop below half-time enrollment (6 units)
- ◆ Withdraw



Click in the EdTe\$t box to take your Exit Exam at www.edfund.org

You can complete the Loan Exit Exam online at www.edfund.org. The Loan Exit Exam offers repayment information and strategies for debt management in order to prevent you from defaulting on your student loan. Deferment, forbearance, and cancellation provisions are also reviewed. You may be eligible for deferments if you return to school at least half-time, are unemployed, or are experiencing economic hardship. You will also be informed about status changes that must be reported to your lender or loan servicer.

Capitalization

Capitalization is a process whereby the unpaid interest on your student UNSUBSIDIZED loan is added to the principal, resulting in a higher loan balance and the possibility of a higher monthly payment.

To illustrate Capitalization, let's use the example of two students, Jack and Kate. Both have \$4,000 in Unsubsidized Stafford loans at 6.8% interest and have opted for a standard repayment plan. Both attended school for 4 years and had a 6 month grace period on their loans. Jack paid the interest- totaling \$1,485- while he was still in school. Kate made no payments, so the total accrued interest of \$1,485 was *capitalized* at the time repayment began. By avoiding capitalization, Jack saved \$745 on the total amount he repaid- enough money to cover a month's rent, or a car payment and a month of auto insurance.

| CASE | Total Principal at repayment | Monthly Payment | # of payments | Interest Paid | Total amount repaid |
|----------------|------------------------------|-----------------|---------------|---------------|---------------------|
| Jack | \$4,000 | \$50 | 107 | \$1,345 | \$6,830 * |
| Kate | \$5,485 | \$63 | 120 | \$2,090 | \$7,575 |
| Savings | \$745 | | | | |

* Includes original \$1,485 paid during school

2009-10 Repayment Chart

When deciding on the amount you need to borrow, it is important that you know how much you have previously borrowed and what you need to borrow in the future. Use the repayment chart below as a guide.

- ◆ If you do not know how much you have borrowed, use your PIN number to log on to: www.nsls.ed.gov
- ◆ If you do not have a PIN, you can obtain one at www.pin.ed.gov
- ◆ If you are not sure how much you can afford to pay at an entry-level salary, go to: www.edwise.org/edwise/edFundFrame.html

| TOTAL AMOUNT BORROWED | 5.60% | 6.80% | 8.25% | 8.50% |
|-----------------------|---------|---------|---------|---------|
| \$1,000 | \$50.00 | \$50.00 | \$50.00 | \$50.00 |
| 1,500 | 50.00 | 50.00 | 50.00 | 50.00 |
| 2,625 | 50.00 | 50.00 | 50.00 | 50.00 |
| 3,500 | 50.00 | 50.00 | 50.00 | 50.00 |
| 4,500 | 50.00 | 50.00 | 55.00 | 56.00 |
| 5,500 | 60.00 | 63.00 | 67.00 | 68.00 |
| 7,000 | 76.00 | 81.00 | 86.00 | 87.00 |
| 8,500 | 93.00 | 98.00 | 104.00 | 105.00 |
| 10,000 | 109.00 | 115.00 | 123.00 | 124.00 |
| 15,000 | 164.00 | 173.00 | 184.00 | 186.00 |
| 18,500 | 202.00 | 213.00 | 227.00 | 229.00 |
| 20,000 | 218.00 | 230.00 | 245.00 | 248.00 |
| 25,000 | 273.00 | 288.00 | 307.00 | 310.00 |
| 30,000 | 327.00 | 345.00 | 368.00 | 372.00 |
| 35,000 | 382.00 | 403.00 | 429.00 | 434.00 |
| 40,000 | 436.00 | 460.00 | 491.00 | 496.00 |
| 45,000 | 491.00 | 518.00 | 552.00 | 558.00 |
| 50,000 | 545.00 | 575.00 | 613.00 | 620.00 |

Note: **Minimum** monthly payment is \$50.00.

Chart is based on 10 year Standard Repayment Plan. Repayment begins after your six-month grace period.

Interest Rates for Stafford Undergraduate Borrowers

Subsidized loans — **5.60%** fixed (loans first disbursed from 7/1/09 – 6/30/10)

Unsubsidized loans — **6.80%** fixed (loans first disbursed on 7/1/06 or after)

Parent PLUS loan (of undergraduate students) — **8.50%** fixed (loans first disbursed on 7/1/06 or after)

Monthly Accrued Interest Chart

Estimate the amount of interest you would accrue on your Unsubsidized federal loan(s) *every month* and your Subsidized loans at the time of repayment.

| TOTAL AMOUNT BORROWED | 5.60% | 6.80% | 8.25% | 8.50% |
|-----------------------|--------|--------|--------|--------|
| \$1,000 | \$4.67 | \$5.67 | \$6.88 | \$7.08 |
| 1,500 | 7.01 | 8.50 | 10.31 | 10.63 |
| 2,625 | 12.26 | 14.88 | 18.05 | 18.59 |
| 3,500 | 16.35 | 19.83 | 24.06 | 24.79 |
| 4,500 | 21.02 | 25.50 | 30.94 | 31.88 |
| 5,500 | 25.69 | 31.17 | 37.81 | 38.96 |
| 6,000 | 28.02 | 34.00 | 41.25 | 42.50 |
| 7,000 | 32.69 | 39.67 | 48.13 | 49.58 |
| 8,500 | 39.70 | 48.17 | 58.44 | 60.21 |
| 10,000 | 46.70 | 56.67 | 68.75 | 70.83 |
| 15,000 | 70.05 | 85.00 | 103.13 | 106.25 |
| 18,500 | 86.40 | 104.83 | 127.19 | 131.04 |
| 20,000 | 93.40 | 113.33 | 137.50 | 141.67 |
| 25,000 | 116.75 | 141.67 | 171.88 | 177.08 |
| 30,000 | 140.10 | 170.00 | 206.25 | 212.50 |
| 35,000 | 163.45 | 198.33 | 240.63 | 247.92 |
| 40,000 | 186.80 | 226.67 | 275.00 | 283.33 |
| 45,000 | 210.15 | 255.00 | 309.38 | 318.75 |
| 50,000 | 233.50 | 283.33 | 343.75 | 354.17 |

Repayment Plans

Several options are available for repayment of your student loan, allowing you to choose the one that best meets your financial needs. If you wish to change the terms of your loan, you may ask your lender for a graduated repayment, income-based repayment, income-sensitive repayment or extended repayment plan. The lender must allow you to change your loan repayment plan at least once a year. For a full description of the Repayment Plans check out the link below. This link is to Edfund's "insight: Undergraduate Loan Counseling Guide". Repayment information starts on page 9.

https://www.edfund.org/pubs_order/epub_GetPdf.cfm?documentId=L%2D80

List of Participating Lenders

The following is a partial list of lenders participating in the Stafford Student Loan Program. These lenders will lend to Cabrillo College students. This list is not inclusive. You have the choice of selecting a lender from this list or **any** lender that offers FFELP student loans for attendance at our institution.

You must select your lender. The Financial Aid Office cannot do this for you.

All student loan lenders are required to follow federal guidelines that regulate the primary features of your student loan, such as your interest rate and when you begin repayment. However, processing times vary and some lenders sell or transfer student loans to companies called secondary markets or servicers; others retain your loans throughout the life of the loan, and most of them offer repayment incentives. Check your prospective lenders website or contact them for the most up-to-date services offered to you.

Continue using the same lender each time you borrow to avoid multiple payments when the loan payment begins.

Always notify your lender if you change your name, address, school or completion date.

| Lender | Contact Information | Lender Code |
|---|---------------------|-------------|
| All Student Loan www.allstudentloan.org | (888) 271-9721 | 833752 |
| Academic Management Services www.amsweb.com | (800) 637-3060 | 833067 |
| ASAP Union Bank & Trust Co. www.asapubt.com | (877) 804-3603 | 830868 |
| Bank of America www.bankofamerica.com/studentloans | (800) 344-8382 | 824421 |
| Discover Student Loans www.discoverstudentloans.com | (877) 728-3030 | 831312 |
| Nelnet www.nelnet.com | (866) 463-5638 | 833669 |
| Sallie Mae www.salliemae.com | (888) 272-5543 | 802218 |
| Wachovia www.wachovia.com/education | (800) 338-2243 | 830005 |
| Wells Fargo www.wellsfargo.com/per/accounts/student | (800) 658-3567 | 807176 |

All lenders reserve the right to discontinue or change program rules and qualifications at any time. Subsequent changes, however, will not affect loans already qualified for savings program(s).

Master Promissory Note

Dear Student Loan Applicant,

This presents an overview of the main features of the MPN that contains some additional rights and responsibilities. It is important that you thoroughly read the entire MPN.

The MPN is a legally binding agreement between you and your lender. Under this contract the lender agrees to lend you money and you agree, among other things, to pay it back with interest. The MPN allows you to borrow student loan funds for the year by signing only one MPN.

After you submit your loan paperwork to our office, allow 4-6 weeks to receive your MPN. If you do not receive the MPN, contact your lender.

It is very important that you understand all of the terms of the MPN before you sign it.

When you sign the MPN you agree that you understand the following:

- ✓ No dollar amount is required to be written on the MPN
- ✓ You can cancel or reduce the amount of any loan by returning all or a portion of the money that is disbursed to you.
- ✓ The MPN becomes inactive if:
 - No money is disbursed to you within 1 year of signing a MPN
 - You write to your lender and indicate that no further funds should be disbursed under this MPN.
- ✓ For a subsidized student loan, the government will pay your loan interest for you while you are in school and during authorized deferment periods.
- ✓ For an unsubsidized student loan, you are responsible, at all times, for paying the loan interest.
 - You can opt to pay the interest while you are in school by checking the box in item 12.
 - You can defer paying interest until you enter the repayment period by leaving Item 12 blank.
- ✓ You must begin repaying your loan 6 months after you leave school or drop below half-time status. Make sure that you know how your school defines half-time status.
- ✓ If you are having a difficult time paying back your loan, contact your lender. If you meet the qualifications, you may be entitled to a deferment or be able to change your monthly repayment schedule.
 - A deferment allows you to temporarily postpone paying back your loan.
 - Most lenders provide a variety of repayment plan options one of which may better suit your needs.

If you don't understand any facet of the MPN please call your Financial Aid Office, or your lender. Remember to carefully track all amounts that you borrow and to update your lender with changes in your name, address, and/or references. Again, congratulations and good luck in your educational pursuits.