

FLORIDA ATLANTIC UNIVERSITY

Office of Student Financial Aid

Financial Fact Sheet for Subsidized / Unsubsidized Federal Stafford Loan Borrowers

As a student loan borrower, you are making a large investment in your education. With this in mind, it is important that you make informed decisions when borrowing money. Towards this end, this fact sheet has been prepared to provide you information about borrowing through the Federal Stafford Loan Program.

Subsidized vs. Unsubsidized – What’s the Difference?: The primary difference between the Subsidized Federal Stafford Loan and Unsubsidized Federal Stafford Loan is who is deemed to be responsible for paying the interest which accrues on the loan while you are enrolled in school in at least half-time status.

On the **Subsidized Federal Stafford Loan**, the federal government pays the interest which accrues while you are enrolled at least half-time, as well as during the six month grace period after you cease to be enrolled in at least half-time status. At the end of this six month grace period, you will be responsible for any future interest which accrues on the loan and will be expected to start making principal and interest payments on the loan.

On the **Unsubsidized Federal Stafford Loan**, **YOU** are responsible to pay all interest which accrues on the loan from the time it is disbursed. The federal government **DOES NOT** pay the interest. Like the Subsidized Federal Stafford Loan (above), you will be expected to start making principal and interest payments on the loan after you have ceased to be enrolled in at least half-time status for six months. Though you are not mandated to make any payments on your Unsubsidized Federal Stafford Loan while in school, it is *strongly* advised that you make the monthly interest payments while in school to avoid this interest from being capitalized. When interest is capitalized, it is added to the current principal balance and a new principal balance amount is calculated upon which future monthly interest charges are based. What this means is, if you choose to allow your interest to be capitalized, you will ultimately be paying interest on previously accrued interest. Please review the chart below to approximate the monthly interest per \$1,000 of Unsubsidized borrowing.

INTEREST	INTEREST RATE*									
	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Monthly Interest per \$1,000 Unsubsidized Principal Borrowed	\$ 2.92	\$ 3.33	\$ 3.75	\$ 4.17	\$ 4.58	\$ 5.00	\$ 5.42	\$ 5.83	\$ 6.25	\$ 6.67

- For Stafford loans **first disbursed July 1, 2006 and later**, the interest rate is set at a fixed rate of 6.8 percent.
- For Stafford loans **first disbursed prior to July 1, 2006**, the interest rate while in school and grace is a variable rate formula equating to the 91-day Treasury Bill + 1.7%. This rate is capped at 8.25%. For the most recent interest period (07/01/05 – 06/30/06), this rate formula resulted in a interest rate of 4.70%.

Don’t Borrow More Than You Can Afford To Repay : To ensure that your post graduation financial future is successful, it is *very* important that you borrow responsibly while in school. Don’t allow yourself to become one of the many students who graduate with an unmanageable student loan debt. Please review the chart below to approximate your monthly payment per \$1,000 of outstanding principal balance of both Subsidized and Unsubsidized Federal Stafford Loans (be sure to include capitalized interest in your Unsubsidized Federal Stafford Loan principal balance estimate, if applicable):

PAYMENT	INTEREST RATE*									
	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.25%
Monthly Payment per \$1,000 Principal Balance	\$ 10.12	\$10.36	\$ 10.61	\$10.85	\$11.10	\$11.35	\$11.61	\$11.87	\$12.13	\$ 12.27

- The above chart is based on a 10 year Standard Repayment Term.
- For Stafford loans **first disbursed July 1, 2006 and later**, the interest rate is set at a fixed rate of 6.8 percent.
- For Stafford loans **first disbursed prior to July 1, 2006**, the interest rate while in repayment is a variable rate formula equating to the 91-day Treasury Bill + 2.3%. This rate is capped at 8.25%. For the most recent interest period (07/01/05 – 06/30/06), this rate formula resulted in a interest rate of 5.30%.
- The minimum monthly student loan payment is \$50.00 per month. If your principal balance is less than \$4,345, you will be required to pay the minimum \$50.00 per month but likely will be done paying prior to the 10 year term.
- To find out what your current outstanding Federal Stafford Loan principal balance is, visit www.nslds.ed.gov
- A sample loan repayment calculator is available at <http://www.finaid.org/calculators/loanpayments.phtml>.
- When you enter repayment, **MAKE ALL YOUR PAYMENTS ON TIME**. All of FAU’s preferred lenders offer **significant benefits** to borrowers who make their payments on time (and remain on time).

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Lender Designation Form for Federal Stafford Loan Borrowers

If you have not previously borrowed a Federal Stafford Loan through FAU, or if your last Federal Stafford Loan from FAU was borrowed prior to the 2001-2002 academic year, you **MUST** submit this form designating your preferred Federal Stafford Loan lender.

After this form is submitted, all future Federal Stafford Loans processed by FAU will be through your preferred lender. Requests to change your preferred lender must be submitted in writing through a supplemental Lender Designation Form.

Please complete the following:

1. _____
Student's Name

2. _____
Student's Social Security Number

3. _____
Today's Date

DON'T FORGET TO COMPLETE YOUR MPN

All borrowers are required to have a completed Master Promissory Note (MPN) on file with their lender. The MPN is a multi-year promissory note. Once a borrower has a completed MPN on file with their lender, future Stafford loans can be processed without the need of a new MPN as long as the borrower continues to be processed by the same lender and FAU. Each subsequent year, the borrower will be notified of annual loan eligibility via an award notification issued after submitting their Free Application for Federal Student Aid for the respective academic year. Many lenders provide a way for you to complete your MPN via the internet. Contact your lender if you are unclear of your MPN status.

Choosing A Lender

Different lenders offer various incentives to students to choose their institution as a lender. Contact any of FAU's preferred lenders at the telephone numbers listed below to learn more about the borrower incentives they offer. Each lender has also provided a student borrower information page in the Stafford Loan Information section of the FAU Office of Student Financial Aid web site at www.fau.edu/finaid.

PREFERRED LENDER LIST		
The lenders listed below have established a track record of efficient loan processing and timely delivery of funds. Caution: Use of a non-preferred lender may cause a significant delay in the receipt of funds as a manual process may be required.		
<input type="checkbox"/> Chase Education Finance Lender code: 807807 888-272-5543	<input type="checkbox"/> Bank of America Lender code: 806746 888-272-5543	<input type="checkbox"/> Wachovia Lender code: 830005 800-338-2243
<input type="checkbox"/> Wells Fargo Lender code: 807176 800-658-3567	<input type="checkbox"/> Citibank Lender code: 826878 800-967-2400	<input type="checkbox"/> Edamerica Lender code: 831453 800-337-1009
<input type="checkbox"/> Academic Finance Corporation Lender code: 833864 888-272-5543	<input type="checkbox"/> Sallie Mae Education Trust Lender code: 802218 888-272-5543	<input type="checkbox"/> Other: _____ Lender code: _____ Guarantor: _____

IMPORTANT POINTS TO REMEMBER

- **The deadline for submitting loan requests to FAU is two weeks before the end of each semester.**
- Remember that up to 4% of the amount that you requested will be deducted by the lender to cover insurance and processing fees. For example, on a \$3,000 loan, \$120 would be deducted, which means that you would actually receive \$2,880.
- All first-time borrowers must complete **loan entrance counseling** before receiving loan funds. You may meet this requirement online at www.mapping-your-future.org or visit the FAU Financial Aid Office.
- **Avoid default at all costs.** If you are unable to make timely payments, call your lender immediately. They will be happy to explain your options and work with you to protect your credit rating until you are able to resume your normal payment schedule.