

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.

Student loans are borrowed money that must be repaid, with interest, just like car loans and mortgages. Loans are legal obligations. With this in mind, before you take out a student loan, think about the amount you'll have to repay over the years.

Stafford Loans are available to students admitted to a degree granting program and attending at least half time (see the Terms and Conditions of Awards statement for the qualifying criteria for half-time enrollment).

Subsidized vs. Unsubsidized: A Federal Stafford Loan may be either subsidized or unsubsidized. 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 |

- Stafford Loan interest rates vary based on disbursement date, loan type and student grade level. To find out the interest rates being assessed on your loans, contact your loan servicer.

What determines whether the loan I am awarded is Subsidized or Unsubsidized?: To qualify for a Subsidized Federal Stafford Loan, you must show unmet financial need after all other gift aid and work study is awarded.

NOTE: Per Federal regulations, GRADUATE students will be INELIGIBLE to receive Subsidized Stafford Loan disbursements after June 31, 2012.

Financial need is calculated as the estimated **Cost of Attendance** for the award period you are attending (this is determined by the Financial Aid administration at the school) **minus** your **Expected Family Contribution** for the award period you are attending (this is determined by the U.S. Department of Education based on the information on your FAFSA).

Gift aid is considered to be any assistance program you are receiving towards payment of educational expenses which does not require future repayment by you. Gift aid is viewed as awards which reduce the financial need.

If, after all gift aid and work study is applied, you still show financial need, you may receive a Subsidized Federal Stafford Loan as a means towards funding your remaining financial need. The amount of the loan will still be limited by your annual or aggregate borrowing eligibility (see next section).

How much money can I borrow? There are limits to the amount you may borrow in the Federal Stafford Loan program.

One limit is called an **Annual Limit**. As its name implies, Federal Stafford Loan Annual limits represent the most a student may borrow through the Federal Stafford Loan program in an award year (an award year is commonly defined as the period spanning from the beginning of Fall to the end of the following Summer terms). These limits vary depending on your grade level and dependency status. The annual loan limits are listed below:

| ANNUAL STAFFORD LOAN LIMITS | | | | |
|-----------------------------|----------------------|---------------------------|----------------------|---------------------------|
| Academic Level | Dependent | | Independent* | |
| | Maximum Total Amount | Maximum Subsidized Amount | Maximum Total Amount | Maximum Subsidized Amount |
| Freshmen | \$5,500 | \$3,500 | \$9,500 | \$3,500 |
| Sophomore | \$6,500 | \$4,500 | \$10,500 | \$4,500 |
| Junior | \$7,500 | \$5,500 | \$12,500 | \$5,500 |
| Senior | \$7,500 | \$5,500 | \$12,500 | \$5,500 |
| Second Bachelor | \$7,500 | \$5,500 | \$12,500 | \$5,500 |
| Graduate | | | \$20,500 | \$8500** |

* NOTE: A dependent student whose parent has been denied access to the Federal PLUS program may be eligible to borrow at independent student loan limits.

** NOTE: Graduate students will be ineligible to receive Subsidized Stafford Loan disbursements after June 30, 2012.

A second limit is called an **Aggregate Limit**. As its name implies, Federal Stafford Aggregate limits represent the most a student may borrow for their academic lifetime. These limits vary depending on your classification (graduate or undergraduate) and dependency status. The aggregate loan limits are listed below:

| AGGREGATE LOAN LIMITS – EFFECTIVE FOR DISBURSEMENTS ON AND AFTER 07/01/08 | | | | |
|---|----------------------|---------------------------|----------------------|---------------------------|
| Academic Level | Dependent | | Independent | |
| | Maximum Total Amount | Maximum Subsidized Amount | Maximum Total Amount | Maximum Subsidized Amount |
| Undergraduate | \$31,000 | \$23,000 | \$57,500 | \$23,000 |
| Graduate | \$138,500 | \$65,500 | \$138,500 | \$65,500 |

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.
- Stafford Loan interest rates vary based on disbursement date, loan type and student grade level. To find out the interest rates being assessed on your loans, contact your loan servicer.
- The minimum monthly student loan payment is \$50.00 per month. If you have a low principal balance, 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.nslsds.edu.gov
- A sample loan repayment calculator is available at <http://www.finaid.org/calculators/loanpayments.phtml>.