

Minnesota Office of Higher Education

# STUDENT LOANS & CONSUMER PROTECTION



MINNESOTA  
OFFICE OF  
HIGHER  
EDUCATION

*reach higher*



# Student Loans and Consumer Protection in Higher Education:

## These are important words to know as you are going through the process of receiving a loan!

- Co-Signer:** A credit-worthy individual, usually a parent or spouse, who has agreed to share the responsibility for repayment with a student.
- Default:** Being delinquent in repaying a student loan more than a predetermined number of days or failure to comply with any of the other terms of the promissory note.
- Deferment:** A postponement of the loan repayment. Conditions for deferment vary by loan program.
- Delinquency:** Missing a scheduled payment on a student loan. If delinquency persists, default will occur.
- Disbursement:** Providing loan funds to the student or to their institution on the student's behalf. A student loan can be disbursed in multiple payments. Disbursements can be sent electronically to the student's school to credit his or her school account.
- Forbearance:** An arrangement to postpone or reduce a borrower's monthly payment amount for a limited and specified amount of time, or to extend the repayment period. The borrower is charged interest during the forbearance.
- Interest:** A fee charged to borrow money. Interest charges are in addition to the principal of the loan.
- Interest Subsidy:** The payment of interest on subsidized loans by the U.S. Department of Education for student borrowers while they are in school.
- Principal:** The amount borrowed by the student before interest is charged.
- Promissory Note:** The legal document signed by the borrower prior to receiving a student loan. Besides containing a promise to repay the loan, it lists the conditions of the loan and terms for repayment.
- Servicer:** A loan servicer sends borrowers bills for payment, collects payment for the lender and maintains the borrower's loan accounts. Lenders pay servicers to provide this function.

# Student Loans are available from the federal and Minnesota state government.

## How to Evaluate a Loan

Each loan has its own characteristics and features.

Here are some great questions to help you compare your options:

- What is the total cost to repay the loan (including the fees, principal and interest)?
- How long it will take to repay the loan?
- How much are the monthly payments?
- What are the late payment penalties?
- Can it be consolidated with other loans?
- Can payments be deferred if you re-enter college?
- Can payments be deferred if you experience financial difficulties?

## Loan Options

### Federal Subsidized and Unsubsidized Direct Loans

The federal government makes Direct, Perkins and PLUS loans directly to students through schools across the country. No banks or guarantee agencies are involved. The U.S. Department of Education is the lender.

**Subsidized Direct Loans are disbursed on a need-based assessment. The federal government pays interest while the student is in school. Unsubsidized Direct Loans are not based on economic need. The student pays the interest while they are in school.**

Interest rates are the same for federal Direct Subsidized and Unsubsidized Loans. For graduate students, the comparable interest rate is 5.84%. Interest rates for new loans from July 1, 2015 to June 30, 2016 are 4.29% for undergraduates. The amount you repay is based on how much you borrow.

## Eligibility Requirements:

You must attend school at least half time, and your school must determine your financial need.

To apply, complete the FAFSA. You will then need to sign a promissory note, agreeing to repay your loan. The loan will be sent to your school. Most loans are disbursed in two or more payments.

Direct Stafford Loan Limits (Subsidized and Unsubsidized)			
	Undergraduate students		Graduate students
	Dependent	Independent	
1st-year	\$5,500 (\$3,500)	\$9,500 (\$3,500)	\$20,500 for each year
2nd-year	\$6,500 (\$4,500)	\$10,500 (\$4,500)	
3rd- and 4th-year	\$7,500 (\$5,500)	\$12,500 (\$5,500)	
Aggregate	\$31,000 (\$23,000)	\$57,500 (\$23,000)	\$138,500

FEDERAL  
SUBSIDIZED AND  
UNSUBSIDIZED  
DIRECT LOANS



FEDERAL  
PLUS LOANS



FEDERAL  
PERKINS LOANS



STATE LOAN  
PROGRAM  
SELF LOAN

**SELF Loan<sup>®</sup>**

PRIVATE OR  
ALTERNATIVE  
LOANS



## Federal PLUS Loans

Federal PLUS Loans are loans to parents of dependent undergraduate students and students in graduate and professional programs. Interest rates for new loans from July 1, 2015 to June 30, 2016 are 6.84%.

### Eligibility Requirements:

Federal PLUS Loan borrowers must have their credit checked. Borrowers must be U.S. citizens or eligible non-citizens.

Borrowers may borrow up to the annual cost of attendance minus any financial aid received for students enrolled at least half time. There is no cap on annual or lifetime borrowing amounts.

To apply, students in graduate or professional programs, or parents of the undergraduate student, must complete a PLUS Loan application. Applications are available in your student's financial aid office or online.

## Federal Perkins Loans

The Federal Perkins Loan program provides long-term, low-interest (5%) loans to undergraduate and graduate students who demonstrate financial need. Loan amounts depend on the availability of funds at your college, your financial need and the amount of other aid you receive.

### Federal Perkins Loan Limits

Undergraduate students may borrow up to \$5,500 per year and up to \$27,500 total. Graduate students may borrow up to \$8,000 per year and up to \$60,000 total (including money borrowed in undergraduate).

### Eligibility Requirements:

You must be an undergraduate or graduate student at a participating school. For undergraduate students, priority is given to Federal Pell Grant recipients. You must be a U.S. citizen or eligible non-citizen.

Visit your financial aid office to apply, the institution serves as the loan lender. Each school has its own application deadline. Not all schools participate in the Perkins Loan Program.

For more information about federal loans, visit: [www.ed.gov](http://www.ed.gov)

## State Loan program: SELF Loan

The SELF Loan is a Minnesota loan program more than 480 institutions in Minnesota and out of state participate in the program. To find out if an institution participates, visit [www.selfloan.state.mn.us](http://www.selfloan.state.mn.us).

Students are able to select either a fixed- or variable-rate SELF Loan. The fixed rate is 6.5%, and the variable rate is 3.3% as of July 2015. There are no guarantee or origination fees with the SELF Loan.

The loan limit for students enrolled in bachelor's degree, post-baccalaureate or graduate programs at participating schools is \$20,000 per year. Students enrolled in all other programs are eligible for up to \$7,500 per year.

### To be eligible, a student must:

- Be enrolled in an eligible school in Minnesota or be a Minnesota resident enrolled in an eligible school in another state
- Be enrolled at least half time in a certificate, associate, baccalaureate or graduate degree program
- Have a credit-worthy co-signer who is a U.S. citizen or permanent resident
- Not be delinquent or in default on a SELF or other outstanding student loan

To apply, complete the FAFSA. The campus financial aid administrator will determine the maximum amount a student may borrow and recommend a loan amount. The maximum cannot exceed the cost of attendance minus all other financial aid you are receiving.



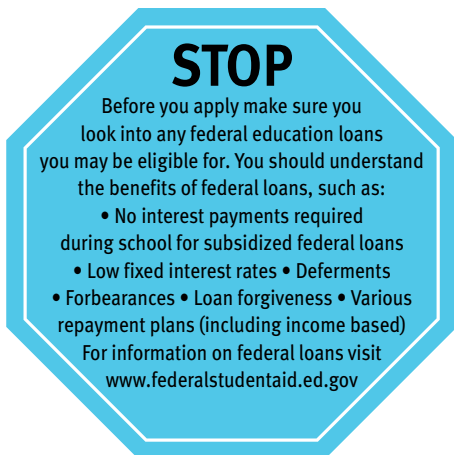
**SELF Loan<sup>®</sup>**  
A MINNESOTA STUDENT  
LOAN PROGRAM

**I am going to college,  
thanks to mySELF.**  
APPLY ONLINE AT [selfloan.state.mn.us](http://selfloan.state.mn.us)

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EDUCATION  
*reach higher*

## Private or Alternative Loans

Private or Alternative loans are available from private lenders, such as banks, savings and loan associations or credit unions. Depending on the credit strength of the borrower/co-signer, these loans may cost more than federal loans, or the SELF Loan. For more information and assistance, contact the private lenders directly or the financial aid administrator at the school you attend or plan to attend.

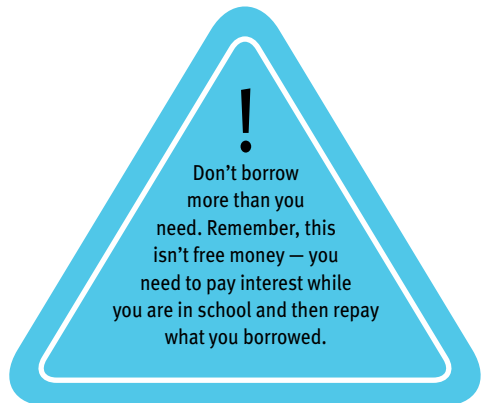


**STOP**

Before you apply make sure you look into any federal education loans you may be eligible for. You should understand the benefits of federal loans, such as:

- No interest payments required during school for subsidized federal loans
- Low fixed interest rates • Deferments
- Forbearances • Loan forgiveness • Various repayment plans (including income based)

For information on federal loans visit [www.federalstudentaid.ed.gov](http://www.federalstudentaid.ed.gov)



**!**

Don't borrow more than you need. Remember, this isn't free money — you need to pay interest while you are in school and then repay what you borrowed.

# SELF Refinancing Program

The Office of Higher Education is developing a student loan refinancing program. A website is under construction at <http://www.selfrefi.state.mn.us>. Once the website is operational, information will be available on the program start date, eligibility and repayment details.

## Loan Repayment Options

This chart provides a guideline for the estimated minimum salary you would need to repay different levels of student loan debt.

Amount Borrowed	Monthly Payments (120 payments)	Estimated Income Level
\$10,000	\$115	\$14,400
\$15,000	\$173	\$21,600
\$20,000	\$230	\$28,800
\$23,000	\$265	\$33,100
\$30,000	\$345	\$43,200
\$40,000	\$460	\$57,500
\$50,000	\$575	\$71,900
\$65,500	\$754	\$94,200

There are many repayment options for loans, be sure to pick the best option for your loan type and amount of debt.

## Income Based Loan Repayment

Income based repayment is a federal program, in which the amount a borrower pays on federal Stafford loans each month is based on their income and family size. Because this program has the borrower making smaller payments in the first years of repayment, borrowers will pay more interest on the loan over time.

## Public Service Loan Forgiveness

Public service loan forgiveness is a federal provision available to people working in public sector and nonprofit jobs, once they have made 10 years of payments on their federal loans. Payments made on or after October 1, 2007 qualify, so the federal government will not begin providing the loan forgiveness until October 2017. Public school teachers and state employees qualify. The eligibility criteria and list of occupations are available from the U.S. Department of Education.

## Loan Consolidation

If you have outstanding balances on several different federal loans, you may be able to combine them into one new consolidated loan with one monthly repayment. This reduces the size of your monthly payments by extending your repayment period for 10 to 30 years, depending on your total debt. Other loan consolidation programs are available from participating private or state lenders such as banks, credit unions, and savings and loan associations.

## Defaulting on Your Loan

If you fail to repay your loan, you will be in default. Your lender and the state and federal governments can take action to recover the money:

- Your tax refunds may be withheld
- Part of your salary may be withheld if you work for the federal government
- You may be sued and taken to court
- Credit bureaus will be informed and your future credit rating may be affected, which may make it difficult to borrow money for a car or a house
- You will not be able to obtain additional state or federal student aid until you make satisfactory arrangements to repay



## Beware of Financial Aid Search Companies

Some financial aid search companies offer to match students with financial aid for a fee. Be cautious in using these services. There are no guarantees the company will find any sources of financial aid that you cannot find yourself.

### The following are some questions to consider if you use a search company or financial aid consultant:

- Does the company maintain its own scholarship database?
- Do the sources include federal and state programs for which the student will be considered through the regular financial aid application process?
- Do the sources include institutional scholarships about which the student would be notified once accepted to the college?
- How often does the company update its list of aid sources?
- Are there application fees for the sources provided?

### Proceed with caution if you notice any of these red flags:

- Requests your personal information, such as: bank accounts, credit cards or social security number
- Uses excessive hype and claims high success rates
- Requires up-front money for application fees
- Has typing and spelling errors on application materials
- Lists no telephone number for the business
- Suggests influence with scholarship sponsors
- Pressures you to respond quickly If you have been the victim of a scholarship scam, file a complaint and report the fraud.

## Consumer Protection

If you have been the victim of a scholarship scam, file a complaint and report the fraud.

### Student Advocacy and Consumer Protection

Colleges licensed and registered by the Minnesota Office of Higher Education are held accountable by our agency. If you have a bad experience or believe the institution has not met its promises, you can file a complaint through our Student Advocate. The Minnesota Office of Higher Education will investigate complaints regarding colleges who are out of compliance with state standards.

#### Where to File Complaints

Registration and Licensing at the Minnesota Office of Higher Education  
1450 Energy Park Drive, Suite 350 Saint Paul, MN 55108  
651-259-3975 or 1-800-657-3866 [info.ohe@state.mn.us](mailto:info.ohe@state.mn.us)

More information here: <http://www.ohe.state.mn.us/studentadvocate>

**2015-2016 Academic Year  
STUDENT LOAN PROGRAM LOAN COMPARISON CHART**

<b>FEDERAL LOAN PROGRAMS</b>		
<b>LOAN PROGRAM TYPE</b>	<b>PERKINS LOAN</b>	<b>STAFFORD/DIRECT LOAN</b>
<b>BORROWER</b>	Student	Student
<b>COSIGNER REQUIRED</b>	NO	NO
<b>LOAN DESCRIPTION</b>	Need-based. School determines eligibility	Half-time attendance required. Loans can be subsidized (need-based) or unsubsidized (non need-based)
<b>INTEREST RATE</b>	Fixed rate. No interest accrues while student is in school.	Fixed rate
<b>CURRENT INTEREST RATE</b>	0.0% In-School 5.0% Repayment	4.29% Unsubsidized and Subsidized Undergraduate 5.84% Unsubsidized Graduate
<b>FEES</b>	None	1.073% Of loan - default fee
<b>ANNUAL LOAN LIMITS</b>	\$5,500 (Undergraduate) \$8,000 (Graduate)	\$5,500 (1st Year) \$6,500 (2nd Year) \$7,500 (3rd-5th Year) \$20,500 (Graduate) Independent students or dependent students whose parents don't qualify for a PLUS loan are eligible for \$4,000-\$5,000 more per year.
<b>AGGREGATE LIMITS</b> *UG=Undergraduate Level **Grad=Graduate Level	\$27,500 (Undergraduate) \$60,000 (Graduate)	\$31,000 (Undergraduate) \$138,500 (Graduate) Independent students and dependent students whose parents are turned down for PLUS may have higher limits.
<b>REPAYMENT - IN SCHOOL</b>	Not required	Interest payments may be deferred for unsubsidized loans.
<b>REPAYMENT - OUT OF SCHOOL</b>	Begins 9 months after student graduates or drops below half-time status. Repayment term of up to 10 years.	Begins 6 months after student graduates or drops below half-time status. Repayment term up to 10 years. Various repayment options are available.
<b>DEFERMENT, CANCELLATION, FORGIVENESS OPTIONS</b>	Deferment and forbearance options available. Discharged for death/permanent disability. Cancellation provisions for teachers and other designated public service professions.	Deferment and forbearance options available. Discharged for death/permanent disability. Cancellation provisions for teachers and other designated public service professions.
<b>ELIGIBILITY FOR FEDERAL LOAN CONSOLIDATION PROGRAMS</b>	YES	YES

**2015-2016 Academic Year  
STUDENT LOAN PROGRAM LOAN COMPARISON CHART**

FEDERAL LOAN PROGRAMS		MN SELF LOAN PROGRAM																												
GRADUATE PLUS LOAN	PARENT PLUS LOAN																													
Student	Parent	Student																												
NO	NO	YES. Cosigner must pass credit check.																												
Student must be enrolled at least half time at an eligible postsecondary institution in a graduate program.	Non-need based. Parent may not have adverse credit history.	Non-need based loan for participating schools. School determines eligibility. Cosigner must be credit worthy.																												
Fixed rate. Interest accrues while student is in school.	Fixed rate. Interest accrues while student is in school.	Variable rate, adjusted quarterly. Fixed rate option available. Interest accrues while student is in school.																												
6.84% Certain reductions during military service	6.84% Certain reductions during military service.	3.3% as of July 1, 2015. Fixed rate option of 6.5%. Certain reductions during military service. Variable rate cannot change more than 3% in one year.																												
4.292% (default and origination)	4.292% (default and origination)	None																												
None. Annual eligibility limited to cost of attendance less any other financial aid.	None. Annual eligibility limited to cost of attendance less any other financial aid.	\$7,500 Undergraduate short programs \$20,000 Undergraduate 4-Year programs; Graduate																												
None	None	<table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;">2 year</td> <td style="text-align: center;">UG 4 year</td> <td style="text-align: center;">UG+ **Grad</td> </tr> <tr> <td>1st year</td> <td style="text-align: center;">\$7,500</td> <td></td> <td style="text-align: center;">\$20,000</td> </tr> <tr> <td>2nd year</td> <td style="text-align: center;">\$15,500</td> <td></td> <td style="text-align: center;">\$40,000</td> </tr> <tr> <td>3rd year</td> <td style="text-align: center;">\$22,500</td> <td></td> <td style="text-align: center;">\$60,000</td> </tr> <tr> <td>4th year</td> <td style="text-align: center;">\$30,000</td> <td></td> <td style="text-align: center;">\$80,000</td> </tr> <tr> <td>5th year</td> <td style="text-align: center;">\$37,500</td> <td></td> <td style="text-align: center;">\$100,000</td> </tr> <tr> <td>Agg.</td> <td style="text-align: center;">\$50,000</td> <td></td> <td style="text-align: center;">\$140,000</td> </tr> </table>		2 year	UG 4 year	UG+ **Grad	1st year	\$7,500		\$20,000	2nd year	\$15,500		\$40,000	3rd year	\$22,500		\$60,000	4th year	\$30,000		\$80,000	5th year	\$37,500		\$100,000	Agg.	\$50,000		\$140,000
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Deferred while student is in school attending at least half time.	Begins 30-60 days after final disbursement made. Up to 10 years to repay. May be deferred while student is in school at last half time.	Quarterly interest payments required.																												
Begins 6 months after student graduates or drops below half-time status. Repayment term of up to 10 years. Various repayment options are available.	Begins 6 months after student graduates or drops below half-time status. Repayment term of up to 10 years. Various repayment options are available.	Monthly interest payments required for 12 months after borrower terminates studies. Repayment length increases with aggregate balance. Extended interest only plan available.																												
Deferment and forbearance options available. Discharge for death/permanent disability.	Deferment and forbearance options available. Discharge for death/permanent disability.	Short-term forbearance period for financial hardship. Discharged for borrower death/permanent disability.																												
YES	YES	NO																												

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# Student Loans & Consumer Protection

Minnesota Office of Higher Education

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[www.selfloan.state.mn.us](http://www.selfloan.state.mn.us)  
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