



How to apply for a Federal Stafford Loan and/or Parent PLUS loan 2005 – 2006 Academic Year

Dear Student:

Welcome to DePauw's education loan processing program.

If you have completed the 2005-2006 Free Application for Federal Student Aid (FAFSA) and will be enrolled at least half-time at DePauw University, you are eligible for a Federal Stafford Loan.

For the 2005-2006 academic year, we have selected Sallie Mae as our preferred servicer and Bank One, Citibank, JP Morgan Chase Bank, Key Bank USA, National City of Indiana, and Student Loan Xpress as our preferred lenders.

If you have previously borrowed a Stafford Loan while attending DePauw University, we recommend that you continue to borrow with the same lender. This will eliminate the need to complete a new Master Promissory Note, and will simplify repayment of your loans once you leave school.

If you are a first-time borrower at DePauw University, we encourage you to choose a lender from our preferred lender list for the smoothest and most efficient loan process. Please see **Choosing a Lender** inside this brochure. Of course, if you have used another lender in the past, it is to your advantage to continue using that lender. We will continue to process applications for other lenders.

New borrowers must complete an Entrance Interview before the loan can be disbursed. The Web address to complete the Entrance Interview online is <http://www.depauw.edu/admin/studentloan/>. We encourage you to do this before coming to campus in the fall.

DePauw University uses the Federal Stafford Loan Master Promissory Note (MPN) in the application process. This note remains active for 10 years, which means you may not have to complete it again during your educational career at DePauw University as long as you continue to borrow with the same lender. Each year, you complete a Free Application for Federal Student Aid (FAFSA). DePauw University uses the analysis of your FAFSA to determine your eligibility for education loan funds. We may use your MPN to certify you for the maximum loan amount for which you are eligible. The process is explained more thoroughly in the rest of this document.

If you have questions about our 2005-2006 student loan procedures, please call our Financial Aid Office at 765.658.4030.

Cordially,

DePauw University Financial Aid Staff

IMPORTANT: Enclosed data form must be completed and returned to the Financial Aid Office before a Stafford Loan can be certified.

DePauw University and Sallie Mae

DePauw University's Financial Aid Office and Sallie Mae have joined to streamline the application process for the Federal Family Education Loan Program (FFELP). Please review carefully the information provided. **If you have questions about any part of the process, please call the Financial Aid Office at 765.658.4030.**

GENERAL REQUIREMENTS/REGULATIONS

- All students applying for a Federal Stafford loan and parents applying for a Federal PLUS loan must be U.S. citizens or eligible non-citizens.
- All students must be enrolled on a least a half-time basis to qualify for a Federal Stafford loan or to have their parents qualify for a Federal PLUS loan.
- Students must attend classes and maintain satisfactory academic progress to continue being eligible for their loans.
- If students withdraw from classes before the end of the term, they still must repay their loans.

GUARANTEE AND ORIGATION FEES

The Guarantor may charge a guarantee fee of up to 1 percent of the total loan amount.

All loans have an origination fee that is 3 percent of the total loan amount. This fee helps pay the administrative costs of the FFELP.

USA Funds has announced that it will offer a zero guarantee fee for all Federal Stafford and PLUS loans that USA Funds guarantees beginning April 1, 2005.

ENTRANCE COUNSELING

New borrowers must complete an Entrance Interview before the loan can be disbursed. We encourage you to do this before coming to campus in the fall. This may be done online at: www.depauw.edu/admin/studentloan.

CHOOSING A LENDER

The partnership DePauw University has formed with Sallie Mae and the preferred lenders will expedite the certification, processing, and disbursement of education loans. Borrowers who choose one of these preferred lenders can save time and may save money:

Bank One**	811925
JP Morgan Chase Bank**	808037
National City of Indiana**	831403
Key Bank USA**	813760
Citibank	826878
Student Loan Xpress	834011

(Please Note: If you have used another lender in the past, it is to your advantage to continue to do so. DePauw University will continue to process loans with the lender you choose.)

REPAYMENT OPTIONS

Borrowers who choose Bank One, JP Morgan Chase Bank, National City of Indiana or Key Bank USA will be able to take advantage of Sallie Mae's single source of service from application through repayment. Eligible student borrowers can take advantage of borrower benefits programs, which can save them money during repayment. Details follow.

**Savings during repayment

When you choose one of the Sallie Mae lender partners (lenders with two asterisks) and begin to repay your Federal Stafford loans, you may become eligible for the **Sallie Mae Cash Back®** benefit. Sallie Mae Cash Back Borrowers receive a loan credit of 3.3% (or cash back) based on the original amount of their eligible Stafford loans. To qualify, you must make your initial 33 scheduled payments on time; enroll in ManageYour LoansSM, Sallie Mae's online account management tool; and sign up to receive Sallie Mae account information by e-mail. *The Sallie Mae Cash Back benefit is available on eligible Stafford loans first disbursed July 1, 2002 through June 30, 2006. To qualify for the Sallie Mae Cash Back benefit, Stafford loans must be owned and serviced by Sallie Mae throughout repayment. Terms and conditions apply. For additional information, please call 1-888-2-SALLIE.*

The **Direct RepaySM** benefit saves PLUS borrowers money when they authorize the automatic debit of money from their checking or savings accounts to Sallie Mae for their monthly student loan payments. You receive a 1/4 of one percentage point interest rate reduction on your PLUS loans as long as you make on-time payments through the Direct Repay plan. *The Direct Repay benefit is available on PLUS loans first disbursed through June 30, 2006 that are owned and serviced by Sallie Mae or owned by Sallie Mae and serviced by a participating servicer. Borrowers who authorize automatic debit will have student loan payments withdrawn from their bank accounts each month even if advance payments are made.*

Borrowers considering either Citibank or Student Loan Xpress as their lender should go to that lender's website for complete explanation of the repayment options available.

Citibank www.studentloan.com

Student Loan Xpress www.slxpress.com

BORROWER'S RIGHTS AND RESPONSIBILITIES

- Remember that the MPN certifies student borrowers for the maximum amount they are eligible to borrow. Because students may accrue debt with each year of their education, they should be certain that they need the full amount of the education loan each year. Student borrowers can decline or reduce their loan amount each year.
- Borrowers are required to repay education loans, even if students do not finish their academic program or their academic program does not meet their expectations.

join forces to save time and money

- Students are responsible for notifying their school and lender if they have received student loans from more than one lender.
- Students must use money received from education loans for education-related expenses only.
- All borrowers must notify their lender in writing of:
 - ✓ Name or address changes
 - ✓ Failure to enroll at DePauw University
 - ✓ Failure to enroll on a least a half-time basis or for the loan period certified
- ✓ Withdrawal from school or reduction of attendance to less than half-time
- ✓ Transfer from one school to another
- ✓ Graduation
- If borrowers meet the eligibility requirements, they have a right to repayment deferments, which suspend principal loan payments for specified periods of time.

APPLICATION PROCEDURES

Federal Stafford Student Loan

Returning students who have already completed an MPN

1. Each year, the student must complete the Free Application for Federal Student Aid (FAFSA).
2. The student completes the Stafford Loan Information Form and returns it to DePauw University's Financial Aid Office.
3. The Financial Aid Office will use the student's MPN from the previous year to certify the loan.

Freshman or first-time borrowers

1. Each year, the student must complete the Free Application for Federal Student Aid (FAFSA).
2. The student completes and returns the Stafford Loan Information Form to DePauw University's Financial Aid Office.
3. The Financial Aid Office certifies the student's loan eligibility and transmits that information to Sallie Mae. This process begins as soon as the financial aid file is complete. Students will be notified by the Financial Aid Office if additional information is needed.
4. You will be notified by Sallie Mae when your loan has been processed and is available online for you to complete the MPN and E-sign. Or, you can print the MPN and mail it directly to Sallie Mae after completing and signing. If you do not access your MPN online in a timely manner, Sallie Mae will print and mail the application to you along with instructions to help you complete the process. **We recommend that you do the electronic signature for faster processing.**
5. The first time you access your account information on the Sallie Mae website you must

“Create a New Account”. This is to insure your privacy and the security of your information. *(Please be sure to keep this information so you will be able to access your account information in the future.)*

To apply online for a PLUS loan, the borrowing parent should:

1. Visit DePauw University's web site at www.depauw.edu. To access the application and promissory note, select *Financial Aid* from the Quick Links browser and then choose *PLUS Loan Online Application*. The borrower will be linked to the **OpenNet Login** page. Parents who don't have Internet access can call 1-888-2SALLIE to complete the application over the phone.
2. First time users of **OpenNet** will be required to “Create a New Account”. After the account is created, the borrower will be routed back to the **OpenNet Login** page. To login, enter the newly created **User ID** and **Password**. *(Please be sure to keep this information so you will be able to access your account information in the future.)*
3. Select a lender and complete the remaining required fields to initiate a credit check. **Note: DePauw University is currently using the Master Promissory Note (MPN) for Plus Loans. If you have had a PLUS loan certified by DePauw University in the past, your application will default to your prior lender.**
4. Complete the credit check, which takes less than 15 seconds. If parents pass the credit check, they should continue on to the next step in the application process. Parents who do not pass the credit check may contact DePauw University's Financial Aid Office to explore unsubsidized Federal Stafford Loans.
5. Complete the rest of the application, includ-

ing the references section. Be sure to include two references living at separate addresses. Provide the full address, including the street name, house or apartment number, and a P.O. Box listing, if appropriate.

Sallie Mae's E-sign Process is available to speed up and simply your entire loan application process. With E-sign, you can apply for your loan and submit an electronic signature online. The E-sign process allows you to cut through the paper chase and avoid lengthy waiting times in the traditional paper process. Sallie Mae's E-sign process mirrors the checks and balances used in the paper process to verify identity so your privacy is just as secure. It is recommended that you print a copy of the promissory note for your records.

If you do not wish to sign the PLUS MPN electronically, download and print the application and promissory note. Parents who are unable to print the promissory note can request a paper application be mailed to them. Complete any unanswered questions, sign and date the promissory note and application. Mail the application and promissory note to the lender listed on the promissory note.

Disbursement of loan funds

- The lender transfers the loan proceeds to DePauw University by electronic funds transfer (EFT).
- DePauw University applies the loan funds to the student's university charges.
- DePauw University mails any remaining funds to the student borrower at the campus address. For students who are studying off campus, remaining funds will be mailed to the student's home address. In the case of a PLUS Loan, remaining funds will be mailed to the parent at the address listed on the PLUS application.

Understanding your loan choices

The FFELP is the largest single source of federal aid for students pursuing a higher education. This program has two main sources of funding: Federal Stafford loans for students and Federal PLUS loans for parents.

Federal Stafford Loans

There are two types of Federal Stafford loans: subsidized and unsubsidized.

Subsidized: If students receive a subsidized Stafford loan to attend DePauw University, the federal government pays the interest on their loan while they attend school at least half time or when they qualify for an authorized deferment. Students must meet certain financial need criteria to qualify for a subsidized loan.

Unsubsidized: Students who receive an unsubsidized Stafford loan to attend DePauw University are responsible for paying the interest while they are in school. If students want to pay this interest while they attend school, they should complete item No. 12 on the MPN. If they do not want to make the interest payments, the interest can be added to their principal balance through a process called *capitalization*.

The interest rate for Stafford loans is variable and capped at 8.25 percent.

Federal Stafford loan limits

Annual Loan Limits

Dependent

• Freshman	\$2,625
• Sophomore	\$3,500
• Junior/Senior	\$5,500

Independent

	<i>Maximum Subsidy Amount</i>	<i>Maximum Total Amount</i>
• Freshman	\$2,625	\$ 6,625
• Sophomore	\$3,500	\$ 7,500
• Junior/Senior	\$5,500	\$10,500
• Graduate/Professional	\$8,500 [†]	\$18,500 [†]

Lifetime Loan Limits

- Dependent undergraduates — \$23,000.
- Independent undergraduates — \$46,000.
- Graduates or professionals — \$138,500.[†]

[†]Exceptions may apply to certain graduate students.

Federal PLUS Loans

If students are dependent on their parents, their parents may qualify for a Federal PLUS loan. The PLUS loan is available without regard to financial need. However, the lender is required to determine whether the borrowing parent has a good credit history. The borrower must be the natural or adoptive parent or stepparent of the student. Parents may borrow up to the full cost of attendance, minus all other aid awarded. They are responsible for repaying the loan; repayment begins 60 days after the loan is fully disbursed. The interest rate for PLUS loans is variable and capped at 9 percent.

To apply for a PLUS loan, contact DePauw University's Financial Aid Office or visit www.depauw.edu to complete an application online.

Repaying your loan

You are required to begin repaying your Federal Stafford loan six months after you graduate, leave school, or drop below half-time attendance. Parents are required to begin repaying PLUS loans 60 days after the loan is fully disbursed. In both cases, borrowers generally have 10 years to repay these loans. Under a level repayment plan, the monthly payment will be at least \$50. For example, the monthly payment on a \$6,000 Stafford loan with an interest rate of 8.25 percent would be \$73.59 under a 10-year level repayment plan.

There are other repayment options:

- Lenders offer flexible repayment options that allow you to increase your payments gradually over time, or tie the size of your monthly payments to your income. You

can learn more about these options by contacting your lender or accessing www.salliemae.com.

- You can consolidate all your education loans so you have one monthly payment. This program may allow you to extend your repayment period beyond 10 years to keep monthly payments low.
- If you experience economic hardship or other circumstances that limit your ability to repay your loan, you might qualify for a deferment or a forbearance. A deferment allows eligible borrowers to postpone payments, for example, as long as they are enrolled at least half time in a postsecondary school, graduate fellowship, or rehabilitation training program.

Deferments of up to three years are also available if you are unemployed. Borrowers who do not qualify for a deferment can request a forbearance. A forbearance will delay or reduce monthly payments. However, you still must pay the interest on your loans during the forbearance period.

Please note: If you fail to repay your loan, your credit rating will be damaged, and you may not be able to borrow in the future to pay for a car, a home, or even to continue your education. In addition, your wages may be garnished, and your federal and state income tax refunds may be withheld, your loan may be sent to a collection agency, and you may be liable for collection fees.

The information contained in this document was correct at the time of publication. Sallie Mae and DePauw University cannot be held responsible for program or regulatory changes that have occurred since this guide was printed.

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