

Changes in Federal Loan Conditions

Recent changes in legislation may result in an increase to the cost of borrowing through the federal Direct Stafford Loan program. The Financial Aid Office would like to outline the changes to help ensure you understand all loan terms and conditions so that you may make informed decisions about borrowing. We'd also like to point out that, despite these changes, borrowing through the federal student loan programs is still overall more cost effective for students than borrowing through most other private and alternative student loan programs.

The Federal Direct Loan Program is going to experience change for 2013-14 that will affect every loan borrower.

Sequester and Loan Costs

Due to the government sequester that went into effect on March 1, 2013, loan origination fees on new federal loans first disbursed will increase slightly. Again, this is only on new loans disbursed for the first time on or after July 1, 2013.

Fees for Direct Subsidized and Unsubsidized Loans will increase to 1.051% (from the previous 1%) and Federal PLUS Loans (for parents or grad students) will be 4.204% (from the previous 4%).

These fees are deducted from the student's total loan amount upon disbursement of the loan funds to the student's account.

Federal Direct Subsidized Loan Interest Rate Set to Rise for Undergraduate Students

As of July 1, 2013, the interest rate on new subsidized student loans with a first disbursed after that date is scheduled to be 3.86% up from the previous 3.4%. The good news is that the interest rate for the unsubsidized loan will also be 3.86%, down from 6.8%. At this time, there is no prediction as to what congressional action will be done to keep loan interest rates from rising for 2014-2015 and beyond. There is an interest rate cap of 8.25% on both the subsidized and unsubsidized federal student loans.

Please review the interest rate chart at www.wilmu.edu/financialaid/loans.aspx#interestrates1

Limit to the Timeframe a Federal Direct Loan Can be Subsidized

Beginning July 1, 2013, new student borrowers will no longer be eligible to borrow subsidized loans once they have met or exceeded 150% of the published time to complete their academic program. For example, borrowers enrolled in a 4-year bachelor's degree program may only borrow subsidized Stafford loans for the first 6 years they're enrolled in the program, even if they're otherwise eligible and have not already met the \$23,000 aggregate subsidized loan borrowing limit. The new law further requires that, once the student reaches the 150% threshold, any existing subsidized loan the student has which was borrowed after July 1, 2013, will lose its in-school interest subsidy. More details will be posted on the Wilm U financial aid website as they become available.

Elimination of Subsidy on Federal Direct Subsidized Loan While in Grace Period

Interest subsidy during the 6-month grace period has been eliminated for new Direct Subsidized Loans made on or after July 1, 2012 and before July 1, 2014. The repayment period still begins 6 months after the student is no longer enrolled at least half-time, but interest that accrues during those 6 months will be payable by the student once repayment begins rather than be subsidized by the federal government.

For more information about these changes and for information about the federal Direct Loan programs in general you may check here: www.direct.ed.gov/student.html. Please also check Wilmington University's financial aid page <http://www.wilmu.edu/financialaid/index.aspx> often for updates.

Feel free to contact the Financial Aid office with any questions.