

A Guide to US Federal Funding
for students from the USA

SUMMARY OF REGULATIONS AND PROCESSES FOR DIRECT
SUBSIDIZED, DIRECT UNSUBSIDIZED AND DIRECT PLUS LOANS
(PARENT AND GRADUATE).

Compiled by Will Wears, Student Funding Manager
Version 20.1 – June 2020

INFORMATION AND GUIDANCE OF US FEDERAL FUNDING

This guide aims to explain the regulations and processes for Direct Subsidised, Direct Unsubsidised and Direct PLUS loans (Parent and Graduate). Further details available at falmouth.ac.uk and studentloans.gov

Falmouth University: Certified as eligible to process Federal loans (Title IV).
School Code: G38594
OPE ID: 03859400

This guide is correct at the time of publication, but in case of updates or amendments, please visit www.studentloans.gov

Primary Contact:

Will Wears
Falmouth University
Woodlane
Falmouth
TR11 4RH
United Kingdom
Tel: +44 1326 213744
Email: will.wears@falmouth.ac.uk

Glossary

USDE – United States Department of Education
FAFSA – Free Application to Federal Student Aid
FFEL – Federal Family Education Loan Program
SAR – Student Aid Report
MPN – Master Promissory Note
COA – Cost of Attendance
EFC – Expected Family Contribution
SAP – Satisfactory Academic Progress

Contents

Overview of Direct Loans	4
Forms of Loan.....	4
Loan Limits	4
Aggregate Loan Limits	5
PLUS Loans	5
Interest Rates and Loan Fees	6
Accessing your Loans	7
Application Process	7
How much can I borrow?	7
Bank Accounts	8
What to do whilst you are in attendance at university	9
When you leave	9
Private Loans	10
Additional support for children of veterans	10
Default Prevention and Management	10
Rights, Responsibilities and Repayment	10

Overview of Direct Loans

Forms of Loan

Direct Loans come under “Title IV” legislation, and therefore can be referred to as “Title IV Loans” with the money being referred to as “Title IV funds”. Students may be eligible for up to 3 types of Direct loan:

- **Subsidised Loans** – Available to undergraduate students in financial need. The US government cover the cost of the accruing interest on the loan whilst you are enrolled for at least half-time study.
- **Unsubsidised Loans** – Available to undergraduate and postgraduate students who do not qualify for subsidised loans or undergraduate students whose cost of attendance is greater than other financial aid received (as such, most students choosing to study in the UK will qualify). The US government does not cover the interest that accrues on the loan whilst you are enrolled at the College, or during the 6-month grace period following the completion of your studies.
- **PLUS Loans** – See page 5

Please note that Pell Grants are **not** available to students at foreign schools.

Loan Limits

The maximum amounts available to you annually are listed below (this may change by Sept 2020). You may choose to borrow less than the amount listed or choose to have all or part of the loan Unsubsidised.

- **Dependant Undergraduates**

BA 1 st year	Subsidised \$3,500 + Unsubsidised \$2,000 = Total \$5,500
BA 2 nd year	Subsidised \$4,500 + Unsubsidised \$2,000 = Total \$6,500
BA 3 rd year	Subsidised \$5,500 + Unsubsidised \$2,000 = Total \$7,500
- **Independent Undergraduates**

BA 1 st year	Subsidised \$3,500 + Unsubsidised \$6,000 = Total \$9,500
BA 2 nd year	Subsidised \$4,500 + Unsubsidised \$6,000 = Total \$10,500
BA 3 rd year	Subsidised \$5,500 + Unsubsidised \$7,000 = Total \$12,500

An independent student is someone who meets at least **one** of the following criteria:

- Be 24 years of age or older by December 31 of the award year
- They are married
- They are enrolled on a graduate / professional educational program (postgraduate)
- They have legal dependants other than spouse
- They are an orphan or ward of the court
- They are serving in, or are a veteran of the US armed forces

Postgraduate: Usually, a student on one of our postgraduate courses can request up to \$20,500 in unsubsidised loans, depending on the cost of attendance. Subsidised loans are not available.

Aggregate Loan Limits

	Dependent Undergraduate Student)	Independent Undergraduate Student (and those unable to obtain PLUS Loans)	Graduate and Professional Degree Student
Maximum Total Debt from Stafford Loans When You Graduate (aggregate loan limits).	\$31,000—No more than \$23,000 of this amount may be in subsidized loans.	\$57,500 - No more than \$23,000 of this amount may be in subsidized loans.	\$138,500 - No more than \$65,500 of this amount may be in subsidized loans. The graduate debt limit includes Stafford Loans received for undergraduate study.

PLUS Loans

GradPLUS and ParentPLUS loans are also direct loans. They can be used to bridge the gap between the cost of attendance and the financial support already received (ie Sub/Unsub Loans). A parent of a 'dependant' undergraduate student may apply for a ParentPLUS loan to help support their child financially. GradPLUS loans are for postgraduate students. Independent *undergraduate* students are **not** eligible for PLUS loans.

As interest rates are lower on the Unsubsidised loans, postgraduate students must take out the full unsubsidised allocation before requesting a PLUS loan. If the full allocation is not taken, and a PLUS Loan is still requested, a confirmation statement must be provided to the university clarifying your decision.

The application for a PLUS loan includes a credit check that is valid for 90 days. The university will begin to process loan originations in late August, so don't apply too early. As a PLUS loan may constitute most of your funding, it's important that you're confident of this check being successful.

If you are a *dependent student* whose parents are ineligible for a [Direct PLUS Loan](#), you may be able to receive additional Direct Unsubsidized Loan funds, to the same level as an 'independent' undergraduate.

Interest Rates and Loan Fees

The current annual interest rates are as follows. However, please note that these are reviewed each July, for the following 12 months, so they may change for academic year 2020/21.

Subsidized loan (Undergraduate students)	5.05%
Unsubsidized loan (Undergraduate students)	5.05%
Unsubsidized loan (Postgraduate students)	6.60%
ParentPLUS and GradPLUS loans	7.08%

In addition to the interest charges, each payment incurs a small disbursement fee of 1.066% (charged by the US Dept of Education) when the monies are released to Falmouth University.

Accessing your Loans

Application Process

As Falmouth University is a Foreign School, the loan procedures and regulations may differ to those for universities in the US, so please read this guide carefully.

1. Firstly, you need to confirm your eligibility by completing a **FAFSA** (Free Application for Federal Student Aid). This can be done online at www.fafsa.ed.gov. You must have gained a secondary school completion credential or equivalent to be eligible for a Direct Loan.
2. After you have completed your FAFSA, a **SAR** (Student Aid Report) will be produced and sent to both you and Falmouth University. This document should be checked thoroughly to ensure it lists any previous loans and all other information is correct.
3. In June/July we will use the information on this report to assess how much of each loan you are eligible for. This will include us considering your expected 'Cost of Attendance' (COA) as a way of fairly deciding how much money we feel you need for the year of study. See below for more details.
4. We will then email you, confirming your maximum loan allowances, and we'll ask you to confirm the **exact amount** of each loan you wish to access for the given year. Remember; it need not be the maximum amount.
5. You can then apply directly to the USDE (US Department of Education) for your loan(s). You need to apply through – www.studentloans.gov.
6. You must also complete two important processes: 1) you will have to sign an MPN (**Master Promissory Note**). This can be done online and is you agreeing to the terms of the loans. As Falmouth University is a foreign school, you will need a new MPN each year: One for your Subsidised/Unsubsidised loans, and another for any PLUS loan. 2) You must also complete '**Entrance Counselling**' for each loan. This should also be done online at studentloans.gov.

How much can I borrow?

The COA (cost of attendance) and loan limits regulate how much you can borrow per academic year. We calculate the COA for each student, each year, by adding the tuition fees to estimated living costs for Falmouth, plus any additional items specific to International students (flights, laptop, VISA costs etc) - less any scholarships or other financial aid.

US citizens usually pay the standard international tuition fees, which can be found on the Falmouth University website www.falmouth.ac.uk. If you are enrolling on a programme which lasts more than one year then you will need to reapply annually for direct loans.

It is impossible to give a precise figure for students living costs, however, we estimate that for a full time year of study, about £8,000 to £9,000 is needed. This will pay for a student's rent (based on living in halls of residence) and allow £70 per week for food/clothes/socialising etc, but you will need to add extra for flights home and transfers. Remember that in the UK, tuition fees are usually considered completely separate to accommodation costs. This is the case at Falmouth.

The EFC (expected family contribution) will reduce a student's entitlement to a Subsidised loan by that amount. This is stated at the top of your SAR.

Example loan entitlement calculation

A 1st year undergraduate dependant student with an EFC of \$2,000. Firstly, we calculate their 'Cost of attendance' (COA):

Tuition Fee	£16,000
Living/course Costs	£12,000
Flights	<u>£ 2,000</u>
COA	£30,000

With an example exchange rate of \$1.20/£1, the COA in this example is \$36,000.00.

COA	\$36,000
<i>Less EFC</i>	<u>\$ 2,000</u>
Educational Need =	\$34,000

The student in this example would therefore be able to borrow a maximum of \$34,000. If they wanted to borrow the whole amount, then the loans would probably take this form:

Subsidised loan	\$ 1,500 (Maximum \$3,500 less \$2,000 due to EFC of \$2,000)
Unsubsidized loan	\$ 4,000 (Maximum annual loan \$5,500 less \$1,500 subsidized)
Parent PLUS loan	\$28,500 (Educational Need of \$30,984 less aid already received)
Total in loans	\$34,000

(all figures are for illustration purposes only)

Bank Accounts

We would recommend opening and using a UK bank account, but some students choose to continue using a US account (transfers to US accounts will incur bank fees). Please note that accommodation costs will not be paid automatically, instead, it will be your responsibility to pay this once you receive your money.

We also suggest that students research UK bank accounts prior to arrival, even though you will only be able to open an account once you're in the UK. Falmouth University will not ask you to submit bank details by email. Instead, once here, we'll ask you to call in (with your Student ID card) and provide your details in person.

What to do whilst you are in attendance at university

Your loans will be paid directly to the University in 2 or 3 equal disbursements across the year (dependent upon the length of your academic year - ie, one at the beginning of each Study Block); in September, January and in some cases, May. Once they have been converted to Pound Sterling, we will deduct your tuition fees (in equal instalments), before processing any payments to you. This can only happen once you have enrolled on the course and we can see that you are in attendance. Usually these monies are then paid by BACS transfer into your bank account.

Make sure you have enough funds when you arrive for at least 1 month as it does take 1-2 weeks for us to receive the money; have it converted to Pound Sterling and then transfer the funds to you. You may need to have funds when opening a bank account or you may need to make immediate payments, for travel or equipment.

The University is required to report back to the USDE on your academic progress. A student must be making satisfactory academic progress (SAP) and be in attendance, before each loan instalment is disbursed. This check is made with academics on your course.

Remember that you'll need to apply for funding each year, assuming your course last more than 1 year.

When you leave

During your final term, you will need to complete **Exit Counselling**. This is a requirement of the USDE, and must be completed either online or via paper copy. The University is sent proof of exit counselling, but you may be asked to provide evidence if needed.

The exit counselling session ensures all students are aware of anticipated loan repayment amounts, the different repayment plans that are available and how to avoid debt-management problems which could damage your credit file.

After you cease to be enrolled at least half time, you will enter the repayment schedule. The exit counselling session will provide further information regarding this.

Private Loans

There are some lenders that may offer private loans towards the cost of your study. You may be able to use these loans if you don't meet the criteria for Direct Loans (failed credit check etc), or if you are unable to take out Direct loans yourself (independent undergraduate students).

In the same way as Direct Loans, private loans are restricted to the COA.

Falmouth University cannot endorse a particular lender, but you should ensure that the lender you choose is suitably trained and experienced in the sector.

You can compare lender benefits and interest rates on the websites of companies who may provide lending to students studying at foreign schools, for example (sorted alphabetically):

American Student Assistance	www.amsa.com
Fifth Third Bank	www.53.com
Nelnet	www.nelnet.com
Regions Bank	www.regions.com
Sallie Mae International	www.salliemay.com

Please contact the individual lenders for further details.

Additional support for children of veterans

The US Department of Veteran Affairs (www.va.gov) offers additional support to some students who are the children of US military veterans. The form and level of support will vary, but they can make a sizable contribution towards tuition fees (up to 100% of fees). For details on eligibility, please contact the VA department directly.

Default Prevention and Management

Falmouth University has adopted the USDE management plan, which is available to view [here](#).

Rights, Responsibilities and Repayment

The US Government requires us to bring several things to your attention. As ignorance is not accepted as an excuse for defaulting on responsibilities, you should know your rights and entitlements.

Rights:

How much can you borrow?

Unsubsidized Loans have fixed annual maximums of \$20,500 for graduate students, and for dependant undergraduates the

subsidized loan limits are \$3,500 (year 1) \$4,500 (year 2) and \$5,500 (years 3 and 4) – see above.

Further Loans

You can borrow up to the COA in total, using Subsidized, unsubsidized, PLUS and private loans, but the College is not authorised to approve loans above the COA.

You have the right to:

- Repay your loan early without penalty;
- A deferment on prior loans;
- Written information on obligations
- An explanation of default consequences
- Be notified if your loan is sold
- Cancel any disbursements.

Deferments

You have the right to defer any previous loans whilst you are still in school. You should get a deferment from your lender(s) and have it signed by The Bursary Adviser. GradPLUS loans include an additional 6-month deferment after borrower ceases to be enrolled at least half time.

ParentPLUS loans

A parent may request to defer payment whilst the beneficiary is still in school and/or for an additional 6-month period following a student's graduation / withdrawal.

Responsibilities:

Entrance and Exit Counselling

If this is the first time you have taken a loan of this type, entrance counselling is mandatory. It can be completed at studentloans.gov. Exit counselling must be completed towards the end of your study programme. Both sessions last around 20 minutes each, and the College are required to check if it has been completed.

Interest

Interest is charged on your loan from the day your loan is dispersed (which may be earlier than the date you receive the funds), and it is charged whilst you stay in education. With a subsidized loan, the interest is paid by the USDE whilst you are in full time education (or studying at least half time). After that time, interest is charged.

If you default on any loan amount, there may be penalties – so it is important to read all documentation correctly.

You are required to:

- Use your loan for educational purposes only
- Tell USDE and the College of address changes during **and** after your studies
- Tell USDE about course changes
- Tell USDE about any relevant changes
- Open and read your student loan mail

Repayment:

Like all loans, they have to be repaid

The repayments normally begin when you have finished your programme of study, however a 6 month 'grace' period may apply in some cases. You aren't able to choose not to repay if you didn't enjoy the course, or you failed. Your student loans are only cancelled if you die, become too disabled to hold a job, or become eligible for Public Service Forgiveness; they are not discharged by bankruptcy. You can usually defer repayments if you continue to study.

Return to Title 4:

If you withdraw

Any unearned part of your loan has to be immediately repaid. The College has a duty to inform the USDE of any withdrawal. As you earn your loan money by attending the study programme, the unearned amount is calculated from the amount of time you have attended for that payment period – not how much you have remaining.

END