



REED COLLEGE

FINANCIAL AID OFFICE | 3203 SE WOODSTOCK BLVD | PORTLAND OR 97202-8199
PHONE: 503/777-7223 | FAX: 503/788-6682 | EMAIL: FINANCIAL.AID@REED.EDU

2008–09 Federal Stafford Loan Information and Application Instructions

There are two types of Federal Stafford Loans: subsidized and unsubsidized. “Subsidized” means that the government pays the interest on your student loan during in-school, grace, or deferment periods. “Unsubsidized” means that you are always responsible for interest payments, even while in school. For 2008–09, the interest rate for undergraduate subsidized Federal Stafford Loans is fixed at 6 percent. All other Federal Stafford Loans are fixed at 6.8 percent. Federal Stafford Loans borrowed through our suggested lenders are disbursed to the college via electronic funds transfer (EFT). Funds are disbursed equally: half at the beginning of fall semester and half at the beginning of spring semester. Fees up to 2 percent are deducted from the loan prior to disbursement. Repayment of a Federal Stafford Loan begins automatically, six months after you graduate or if you fall below half-time enrollment.

Eligibility

To qualify for a Subsidized Federal Stafford Loan, you must demonstrate financial need as determined by the FAFSA. You do not have to demonstrate need for an Unsubsidized Federal Stafford Loan (although you are still required to file a FAFSA).

Freshman:	Sophomore:	Junior:	Senior:
\$3500	\$4500	\$5500	\$5500

Independent students can borrow additional unsubsidized amounts: \$4000 during freshman and sophomore years; \$5000 for junior and senior years. If you would like to borrow more than the amount on your award announcement or letter of eligibility, please contact the financial aid office. For more information about the Federal Stafford Loan program, contact the financial aid office.

Application Instructions

- 1. Choose** a lender (see choosing a lender on the reverse side). Federal Stafford Loan borrowers may choose any lender that participates in the Federal Family Education Loan (FFEL) program. The basic terms of the loan (such as, maximum interest rate, maximum fees, and deferment options) are set by the federal government. However many lenders offer their own repayment benefits and/or provide different types of customer services. To help make the selection process easier, the financial aid office has provided a list of suggested lenders, which can be found at www.reed.edu/financialaid/. When evaluating lenders, we’ve considered lender-specific repayment benefits, customer service, length of participation in loan programs, and institution stability. The selection of our lenders is derived from information gathered from the lenders, our own experiences dealing with the lenders, and from experiences that students and parents report to us. Neither Reed College nor any Reed employee benefits from referring borrowers to any particular lender. You have the right to borrow from any lender that participates in the FFEL program and you are not required to borrow from our suggested lenders. Students and families are encouraged to select a lender that best suits their individual needs, regardless of whether or not that lender appears on Reed’s list of suggested lenders.
- 2. Complete** and return the enclosed loan confirmation form to the financial aid office.
- 3. Sign** a Master Promissory Note (MPN). New borrowers (or borrowers changing lenders) must sign an MPN with their lender. Links to electronically sign your MPN with one of our suggested lenders can be found at www.reed.edu/financialaid/. If you do not wish to sign your MPN online, your lender will mail you a paper MPN after your loan has been processed by the financial aid office.
- 4. NEW borrowers** must complete Federal Stafford Loan entrance counseling. This is available online at www.reed.edu/financialaid/loan_counseling.html.

Choosing a Lender

Not all Federal Stafford Loan lenders offer the same loan incentives. Because lenders offer a variety of services and benefits, it is important to research different lenders and choose the one that is right for you. Students and families are encouraged to select a lender that best suits their individual needs regardless of whether or not that lender appears on Reed's list of suggested lenders. Consider the following questions as you choose a student loan lender.

What benefits are offered?

When choosing a lender, research loan incentives and benefits beforehand. Find out if the lender has front-end benefits, back-end benefits, or both.

With front-end benefits, you save money at the beginning of the loan process. These benefits may include:

- A low or no origination fee (fee you pay for taking out a loan [currently set at 1 percent])
- A low or no Federal Default Fee (fee you pay for the guarantee agency to ensure you will repay your loan [currently set at 1 percent])
- Interest rate discounts lower than what is set by the federal government

With back-end benefits, you save money during repayment. These benefits can include a reduced interest rate or rebates. Often these benefits are contingent on participating in direct debit payments or making consecutive, on-time payments. Be sure that you are willing and able to meet these conditions when evaluating lenders that offer conditional benefits.

Is the customer service good?

Some lenders sell their loans to secondary markets after the loans have been disbursed, and some lenders use loan serving agencies, or servicers, to handle the processing of payments and customer service requests. You will need to find out which secondary markets or servicers different lenders use, in order to know how good or bad the customer service will be once repayment begins. Some lenders/servicers offer round-the-clock customer service, such as a 24-hour voice response system to provide updates on the status of your loan. Contact the lenders you are considering to see if you can get your questions answered in a timely and helpful manner.

Is extra effort made to help students avoid default?

Even though it is the responsibility of the student to repay any loans, some lenders put forth a little extra effort to help you avoid default. A loan is considered in default if it has been in delinquent status for 270 days. Some lenders offer default-avoidance programs, and some send numerous letters and make numerous phone calls to students who are about to go into default. You never know what kind of circumstances you will be in when repayment begins, so try to pick a lender that puts forth a little extra effort to help students avoid default.

Research lender websites as much as possible before you choose a lender, so you can compare the different benefits and services that each one offers. The relationship that you will have with your lender/servicer may be a long one, so choose wisely.