

FINANCIAL AID CHANGES AT ESR  
Effective 2012-13 Academic Year

There are several very important changes in Financial Aid for the 2012-13 academic year. Please read the following carefully, and contact Tracy Crowe if you have questions. 765-983-1540, crowetr@earlham.edu

**COST OF ATTENDANCE (COA) CATEGORIES**

There will be several changes to ESR's Financial Aid Application Budget Worksheet. The first three items below are new COA expenses categories; following that are some changes to existing COA categories.

Study abroad expenses for 2-week Intensive travel classes and other approved Cross-Cultural course work done outside the United States. This includes travel fees charged by ESR or Bethany less any scholarship, airfare and other transportation not included in the travel fees, parking, meals, and travel insurance. It does not include the purchase of mementos, clothes, gifts and other personal items.

Disability expenses, including costs incurred in obtaining disability accommodation documentation, special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided by other agencies, and that are not covered by insurance.

Loan origination fees. This is the fee the government deducts from your loan disbursement. It is 1% for Stafford Direct loans and 4% for GradPLUS loans. You will most likely not know this amount when you first complete your ESR Financial Aid Application, so use your best estimate. For those borrowing the maximum Direct loan amount of \$20,500 for a year, the fee is \$205.

Note: as detailed below in the Termination of Loan Incentives section, loan origination rebate fees will no longer be allowed, effectively raising the Direct loan origination fee from ½% to 1%. For GradPLUS loans, the effective rate increases from 2.5% to 4 %.

Personal Expenses including food, clothing, household supplies and recreation have been combined into one category.

Child Care has been changed to include other legal dependents, and the definition has expanded to include not just class time, but also study, commuting and Supervised Ministry time.

The line for additional expenses for Children has been changed to include other legal dependents.

Finally, the Budget Norms page of the Financial Aid Application no longer distinguishes between Married and Unmarried students, or between Residential and Access students, except in the travel/transportation category. It provides details on what expenses are included in each category.

Note: All budget amounts are for the Student only, and should not include expenses related to other family members. The "Expected Family Contribution" from your FAFSA also takes into account the number of members in your family

## CLINICAL PASTORAL EDUCATION (CPE) EXPENSES

Research of Federal Student Aid (FSA) regulations reveals that COA expenses incurred during time spent at a summer CPE position may be included in a student's budget for the semester in which the class is registered. Only expenses incurred for the weeks the student actually works, not necessarily the entire summer, may be included.

Summer is the time between the end of May Intensives and the start of August Intensives, usually the last week of May, and all of June and July. For 2012 the dates are May 26 – July 29. Per the FSA handbook, a week is defined as “any period of 7 consecutive days in which there is at least 1 day of regularly scheduled instruction.”

There will be a new column on the budget worksheet for these expenses. CPE done at other times is considered part of the regular academic year, and are included in the “9-month” column on the worksheet.

## DISCONTINUATION OF FEDERAL STAFFORD DIRECT SUBSIDIZED LOANS

Historically graduate students have been eligible for both Subsidized and Unsubsidized Stafford Direct loans.

- Subsidized means that interest is paid by the Department of Education while a student is enrolled more than half-time, until after the grace period. In essence, the loan is interest-free to the student until graduation or withdrawal from school.
- Unsubsidized means that interest is charged to the student from the time of disbursement. If the student chooses to defer interest payments while in school, interest accrues and is added to the principal of the loan, thereby **greatly** increasing the total amount to be repaid.

Per the Budget Control Act of 2011 (the BCA), effective July 1, 2012, graduate students are no longer eligible for Federal Stafford Direct **Subsidized** loans. Loans received prior to July 1, 2012 are not affected by this change. Graduate students may still receive Unsubsidized loans.

The annual Direct loan limit for graduate students remains unchanged at \$20,500 per year, but will be limited to Unsubsidized loans only. Previously the limit was \$8,500 in Subsidized loans and \$12,000 in Unsubsidized loans.

The current interest rate on Subsidized and Unsubsidized loans is 3.4% and 6.8%, respectively. The effect of the new law is to increase interest students have to pay on the first \$8,500 of Stafford loans received each year by 3.4%. The dollar amount is difficult to calculate, as it depends on many factors. Using the payment calculator on the FSA website for a 10-year repayment plan on an \$8,500 loan, the total amount paid increases by \$1,699. This amount can increase greatly if a student doesn't pay the Unsubsidized interest while in school.

## TERMINATION OF DIRECT LOAN BORROWER REPAYMENT INCENTIVES

The BCA also terminates any repayment incentives to Direct loan borrowers to encourage on-time repayment of loans, including any reduction in the interest rate or origination fee, effective for loans first disbursed on or after July 1, 2012. As a result of this change, the up-front interest rebate that has been provided to Direct loan borrowers at the time of disbursement will no longer be offered on any Direct Loans made on or after July 1, 2012.

The effect of this is to raise your Direct loan origination fee from ½% to 1%, and GradPLUS origination fees from 2.5% to 4%. For each \$1,000 you borrow, that's \$5 more for Direct loans and \$15 for GradPLUS loans