April-May 2009

Financial Aid Cent$

University of North texas health science center

Obama FY 2010 Budget – Implications for Student Loans

There has been a lot of discussions on Capitol Hill about education and how certain financial aid programs should be changed.

In February, President Obama presented to Congress his administration's budget for fiscal year 2010. Some things in this budget proposal will have far reaching implications for UNTHSC students. The President's plan would:

1) End the FFEL Loan program and have all institutions move to the Direct Lending System.

2) Revamp the Perkins Loan program

3) Make permanent the new $2500 American Opportunity Tax Credit which is partially refundable.

Depending on how congressional leaders choose to implement these changes, institutions could hear as quickly as the end of March that they need to change their processes.

The most controversial change is the possible switch from the FFELP program, which UNTHSC uses to administer Stafford and Grad Plus loans, to the Direct Lending program. Under the FFELP program, students pick the lender they wish to use for their loans. Those loans are often times sold to a servicer who collects payment on those loans after a student completes their grace period.

(Continued on page 2)

Scholarship Awarding Begins

Mid-April the Scholarship, Loans and Awards Committee will begin selecting scholarship recipients.

This was the first time to offer a general scholarship application online from the student portal for both continuing and entering students.

Almost 500 students completed the general scholarship application. This makes the selection process very competitive as the number of scholarships available has not been able to keep pace with the demand.

Students awarded in April will be notified by mail of their scholarship. All other students will remain in the applicant pool for any additional awarding that may take place throughout the academic year.

Before You GO—Critical Financial Info for Grads

With the current economic situation, it is more important than ever before that graduating students be provided with information to help them prepare for life after college. Financial Aid will be holding seminars for all graduating students to help address some of their biggest concerns? What repayment options are available to graduating students? How do the recent changes in the lending industry affect graduating students? How should a person budget their money while in residency? There will be multiple sessions held to accommodate as many students as possible. The times and location are:

DO Students:
April 28th—12:00—1:00p.m.—Luibel Hall
May 5th—5:30—6:30 p.m.—Beyer Hall

PA/SPH/GSBS Students:
April 28th—5:30-6:30 p.m.—Luibel Hall
May 5th 12:00-1:00 p.m.—Beyer Hall

Inside this issue:

FY2010 Budget Implications

(Continued from page 1)

With the Direct Lending program, students would go through the Department of Education for all their federal lending needs.

There are pros and cons to both programs. Removing private entities from the student loan program would simplify the application process, it also means that the Department of Education would need to increase their staffing significantly in order to handle the influx of loans being processed.

Some students who have been impacted by lenders dropping out of the student loan program may welcome the idea of having only one entity which is certainly secure enough to withstand the current economic crisis.

A possible point of concern is how much resources the federal government would need to add in order to provide service to all institutions nationwide should the change occur.

According to the National Association of Student Financial Aid Administrators (NASFAA), the idea of implementing such a radical change without the full vetting process would be harmful. That is why they have developed an alternative education loan financing model that combines what they believe to be the best features of the FFELP, Direct Lending, and Perkins Loan Program. NASFAA hopes to present this alternative to congressional leaders at the end of March in an effort to elicit more discussion about the implications of going only with Direct Lending.

In any case, the current FFEL program will change. What form those changes will take remains to be decided. Students are encouraged to open all communications they receive from their lender or the federal government so they can be informed of changes affecting them specifically. The Financial Aid Office will continue to monitor the discussions taking place across the nation. Any official changes made will be communicated to the campus through official email or mail communications.

-Information provided by NASFAA President and CEO Dr. Phil Day's letter dated March 18, 2009

Important Note: Lenders for 2009-2010 will reduce their origination fees to .5%. Students need to be aware that the amount offered and the amount paid to them will be different because of this fee which the lender pays to the federal government.

Post 9/11 GI Bill Begins August 2009

The US Department of Veteran Affairs is aggressively working on implementing a new program called Post-9/11 GI Bill to assist the veterans who are entering school in August 2009.

The new GI Bill gives a veteran an extra five years to use their benefits and allows the possibility of benefits being transferred to a spouse or dependent children.

This GI Bill will pay for tuition and fees up to the highest in-state, undergraduate tuition at a public institution. Here at UNTHSC, the tuition is slightly higher than the VA's cap. Therefore, the VA has created the Yellow Ribbon program. This program requires the VA to enter an agreement with institutions to cover the difference between the GI Bill cap and the student's actual tuition and fees.

The GI Bill will also pay a monthly housing allowance equivalent to a E5 with dependents. This amount will be based on HSC's Zip code.

The third benefit under the GI Bill is a annual book stipend of $1,000. Active duty or students only enrolled in online courses will not be eligible for the housing or book allowances.

To apply for this program, the military person should complete the VA's application found at GIbill.va.gov. The VA will determine a person's eligibility and send them an award letter.

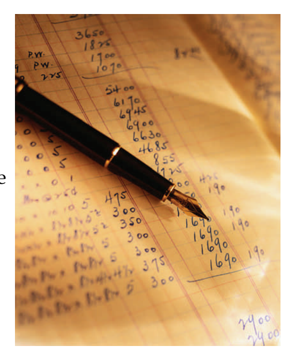
-Information provided by US Department of Veterans

Sallie Mae Makes Changes to Private (Alternative) Loans

Sallie Mae, the nation's largest educational lender, decided that they will begin a new student loan program called the "Smart Option Student Loan" which requires students to pay interest on their private (alternative) loans while they are still enrolled in school. This requirement only affects private loans sometimes referred to as alternate or signature loans. Stafford loans made by Sallie Mae are not affected.

Jack Hewes, Sallie Mae's senior executive vice president and chief lending officer, said at the Consumer Bankers Association meeting on March 16th, that the change would save the borrower 40 percent in repayment costs over the life of the loan. The example he cited was a student who borrow $17,000 at an interest rate of 11% (these loans often carry a higher interest rate than regular student loans) would pay $45,000 over 15 years. By paying on the interest from the beginning, the overall cost would be reduced to $28,000 over six years. For this same student they would begin paying about $39 per month which would then increase to $158 a month after the loan has been fully disbursed to the student.

Other lenders may follow Sallie Mae's lead. John Hupalo, the former chief financial officer of First Marblehead Corporation, described Sallie Mae's approach as the model for future lending.



-The Chronicle of Higher Education, March 19, 2009