

Common Questions Regarding Default Fees & Origination Fees on Stafford and Parent Plus Loans

Q1. What are Default and Origination fees?

- A. **Default fees** are mandated by the federal government, and must be charged to the student. It helps the guarantor [i.e. Great Lakes or American Education Services (AES hereafter)] cover the cost of defaulted loans (loans that other students or parents have not repaid). An **origination fee** is a fee that is usually charged to the student or parent by the lender to aid in compensating for the cost of processing and lending the loan.

Q2. Why are these fees being charged to me?

- A. In previous school years the guarantor (i.e. Great Lakes or AES) has chosen to pay the default fees for each student and parent. Additionally, the origination fee was sometimes waived by the lender. However, with recent changes made to the federal student loan programs, it became fiscally necessary for the guarantors and the lenders to cease paying these fees in the students' and parents' stead.

Q3. What will these fees cost me?

- A. It depends on the type of loan you are borrowing, and the lender you choose. However, here are some general guidelines.

1. **Federal Student Stafford Loans (Stafford hereafter):**

a. **Origination Fees:**

- 2008-09 School year: 1% of total loan
- 2009-10 School year: 0.5% of total loan
- 2010-11 School year: 0.0% of total loan

b. **Default Fees:** If Cedarville certified your loan . . .

- before July 1, 2008: 0% default fee
- after July 1, 2008: 1% default fee

Note: When Stafford Loan fees are actually charged to the student account (see Q5 below) they will be charged as one combined fee. This simply explains how the fees are calculated.

2. **Federal Parent PLUS Loans (PLUS hereafter):** In most cases the PLUS loan has one fee which represents a combination of the default and origination fees. If Cedarville certified your PLUS loan . . .

- before July 1, 2008: 3% default and origination fee
- after July 1, 2008: 4% default and origination fee

Q4. How do I find out what the fee is on the loans that I have borrowed?

- A. After you accept your loan (either Stafford and/or PLUS), the following two things must then happen: you sign your Master Promissory Note (if 1st time borrower or if you have changed lenders) and Cedarville certifies your loan – resulting in a Guaranteed Loan. At this point the guarantor will mail the borrower of the loan (student or parent) a Disclosure Document which includes: 1) the amount borrowed; and 2) any fees that will be charged on the loan. Another option is to contact your guarantor directly – they will provide you with this same information.

Q5. How do I pay these fees?

- A. The guarantor, on behalf of the lender, automatically deducts these fees from the loan amount at the point of disbursement (usually one disbursement per enrolled term). See examples for each loan type below:

1. **Stafford Loan:** Annual loan for \$3,500 split over two terms equals \$1,750 for each term.

- **\$1,715** – Actual term disbursement amount which would post as a credit to student's account
($\$1,750 \times 2\% = \35 fees \longrightarrow $\$1,750 - \35 fees = **\$1,715**)

2. **PLUS Loan:** Annual loan for \$10,000 split over two terms equals \$5,000 for each term.

- **\$4,800** – Actual term disbursement amount which would post as a credit to student's account
($\$5,000 \times 4\% = \200 fees \longrightarrow $\$5,000 - \200 fees = **\$4,800**)

Please take these examples into account when determining how much you would like to borrow to cover expenses for the school year.

Q6. If I am enrolled in a monthly payment plan, how will these fees affect my monthly payments?

- A. Cedarville University has done their best to estimate fees on your student invoice. However, since each lender and guarantor determines their fee rate, we are not able to provide a confirmed final amount. Therefore, on your invoice we have calculated the highest possible loan fees that could be charged. If your particular lender happens to charge less, or your loan was Cedarville-certified before July 1, 2008 and your guarantor isn't charging you a default fee, then you will simply owe slightly less than your total balance due when the loan disbursement is posted to the student account. This may also result in an adjustment to one of your monthly payments.