

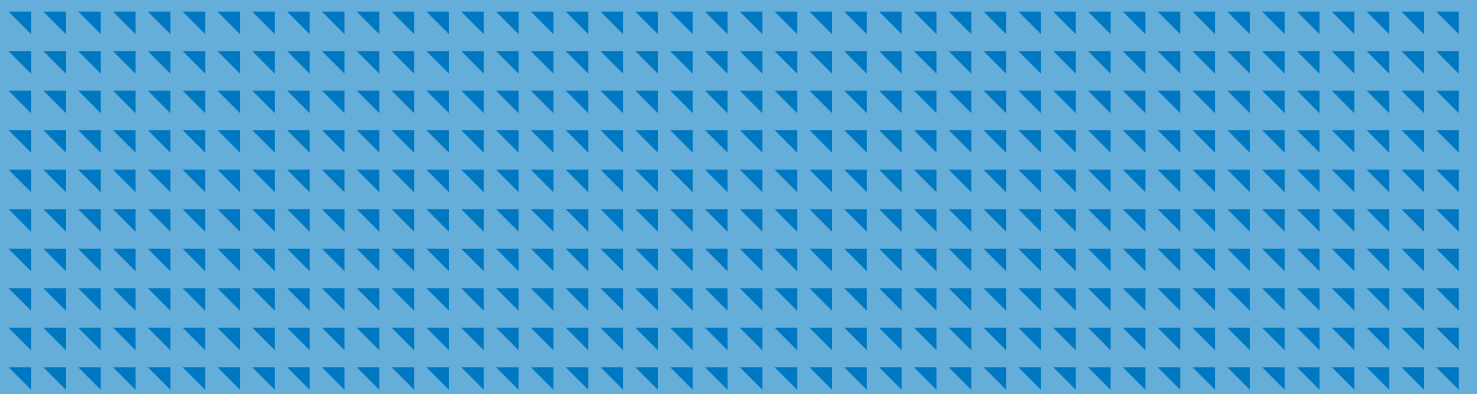


STAFFORD MPN

Master Promissory Note for your Federal Stafford loan



New Loan terms change



STAFFORD MPN

Recent legislation made some changes to the terms and conditions of your Stafford Loan. This brochure has been updated with those changes, but the Stafford Loan Master Promissory Note (MPN) accompanying this brochure still contains some outdated information.

To ensure that you know the correct terms and conditions of your loan, you will be informed of the changes in two primary ways. You will receive an addendum to accompany the MPN. It contains a summary of the most important changes to your loan. Please read the addendum carefully before you apply for your loan. You will also receive an initial disclosure from your lender at or about the time your loan is funded. This disclosure will provide the interest rate on your loan, the amount of any fees associated with your loan, and other important information. Please read this disclosure carefully before you accept your loan money. Should you decide not to accept your Stafford loan, notify your school and lender immediately. How to cancel your loan may be found in the *Borrower's Rights and Responsibilities* section of the MPN. These instructions have not changed.

CONGRATULATIONS!

By choosing to pursue higher education, you are making a sound investment in your future.

Federal Stafford loans are a smart choice if you need to borrow to finance your education. Interest rates are low and repayment options are flexible. And, in many cases, the interest that accumulates on your loan while you're in school will be paid by the federal government.

The enclosed Master Promissory Note (MPN) is the most important paper you need to sign if you borrow a Stafford Loan. Before you complete the form, take time to review all of this information including any addenda or other disclosures you receive — these documents can help you make good decisions about borrowing and managing your student loans.

GETTING YOUR LOAN

Applying for financial aid

First, you need to apply for financial aid at the school you plan to attend.

If you have not already done so, you must fill out the Free Application for Federal Student Aid (FAFSA).

You can fill out a FAFSA on the Web at www.fafsa.ed.gov. Or, if you prefer a paper form, you can get a FAFSA from your school financial aid office, your high school counselor, or TG — just call (800) 845-6267.

Don't wait. Fill out your FAFSA as soon as possible to be considered for federal financial aid, and some state and school financial aid programs too.

After you complete the FAFSA, your school will receive information about your eligibility for federal financial aid programs. Your school will tell you the next step in applying for a Stafford loan, if you are eligible.

If you decide to accept a Stafford loan, you may be required to complete a Stafford loan MPN, if you have not already done so. Of course, you do not have to accept a Stafford loan if you decide you do not want it.

The Stafford Loan Master Promissory Note (MPN)

Usually, you will complete an MPN the first time you borrow a Stafford loan. Generally, this note will cover all the Stafford loans that you borrow.

There may be circumstances under which you are required to complete another MPN. If so, your school or lender will inform you of this requirement. You may also request a new MPN any time you borrow. Don't be overly concerned with signing multiple promissory notes. You are only obligated to repay loan amounts you actually receive.

The MPN is a contract with your lender. By signing an MPN, you promise to repay the money you borrow, and you agree to other important terms of your loan.

Read your MPN and any addenda or disclosures you receive before signing the MPN. By signing your MPN and accepting Stafford loan funds, you commit yourself to the contract.

Getting the money

You are responsible for choosing a lender to make your loan. Your school may be able to provide you with the names of lenders who make student loans. You can also find information about lenders on TG's *Adventures In Education* Web site at www.AIE.org.

Your school will inform your lender of the amount you are eligible to borrow. Usually you will keep the same lender for all borrowing over several years. If you wish to change lenders, you should consult the financial aid office at your school.

Once your loan is approved, your lender sends your loan funds to your school. Your school will inform you when your loan funds are ready to be released.

The first time you borrow, your school will ask you to participate in loan counseling, which will explain more about your loan. You must complete this counseling for your loan proceeds to be delivered.

In most cases, your loan will be delivered to you in two equal amounts — half at the beginning of the school year, and half mid-way through the school year.

Loan amount changes

If anything about your financial circumstances changes, your loan amount may be adjusted by your school. For example, if your program of study changes or if you receive additional financial aid funds, your school may be required to reduce the amount of your loan.

You can also make changes to your loan in some cases. Inform your school or your lender if you want to reduce — or increase — the amount you borrow. You can reduce or decline your loan, or even return all or part of your loan, up to 120 days after funds have been released to you.

STAFFORD LOAN BASICS

A Stafford loan is one of several federal government–sponsored loans that provide student financial assistance for education beyond high school. Stafford loans are part of the Federal Family Education Loan Program (FFELP).

Types of Stafford loans

Stafford Loans come in two varieties:

- **Subsidized Stafford loans** are based on financial need. If you qualify, the federal government pays the interest on your loan while you are in school, in your grace period, and during authorized periods of deferment.
- **Unsubsidized Stafford loans** are not based on financial need. They are for students who do not qualify for subsidized loans or to supplement a student's subsidized loan. Borrowers are responsible for paying all of the interest on unsubsidized loans.

Your school will consider your financial need and determine whether you receive a subsidized loan, an unsubsidized loan, or both.

Interest rate and fees

The interest rate charged on Stafford loans is a fixed rate.

Federal law requires an origination fee and a federal default fee for each loan made under the MPN. The law specifies the maximum amount of each fee and authorizes both fees to be deducted from your loan amount. Some lenders and guarantors waive these fees or subsidize them.

KNOW YOUR RIGHTS

You have important rights as a borrower. Your rights and responsibilities as a Stafford loan borrower are described in detail on your MPN and on the *Borrower's Rights and Responsibilities* statement attached to your MPN.

Following are highlights:

- **Know your limits** – A table under item 4 – **Maximum Program Loan Amounts** lists the maximum dollar amount of Stafford Loans you may borrow, based on your grade level.
- **Find out how your loan funds can be used** – A list of the educational expenses that may be covered using student loans is provided under item 6 – **Use of Loan Money**.
- **Compare your options for repaying your loan** – The various repayment plans that will be available to you when you begin to repay your loan are highlighted under item 11 – **Repayment**.
- **Learn how unpaid interest can increase your balance** – The interest that accrues on your account when you are not making payments may be added to your principal balance. This practice is called capitalization. Learn how capitalization works and see an example of how it affects loan balances under item 13 – **Payment of Interest**.
- **Know your options if making payments becomes difficult** – You may be able to postpone your payments under some circumstances. Lenders may also agree to lower your payments, extend the time you have to repay, or allow you to temporarily stop making payments. Learn more under items 20 – **Deferments** and 21 – **Forbearance**.
- **Learn about consequences of default** – TG and your lender work hard to help borrowers avoid default on their loans. If you do not make payments on your student loan, or do not make other arrangements with your lender, you may be subject to the serious consequences listed under items 17 – **Consequences of Default** and 18 – **Credit Bureau Notification**.
- **Estimate your monthly payment amount** – A worksheet on the last page of the *Borrower's Rights and Responsibilities* shows you how to estimate how much your monthly student loan payments will be, based on the amount you borrow.

PLUS LOAN PROCESS



THE STUDENT:

- Chooses a school
- Completes financial aid forms
- Receives financial aid award choices
- Decides whether to borrow
- Completes an MPN
- Submits MPN to lender
- Participates in entrance counseling, if required



THE SCHOOL

- Determines the student's financial need
- Determines the maximum loan amount the student can borrow
- Sends award letter to student
- Certifies the student's eligibility
- Provides the certification to the student's lender or guarantor



THE LENDER

- Decides whether to make loan
- Determines loan amount
- Forwards loan approval to TG for review and guarantee



TG (your guarantor)

- Checks loan information for compliance with law, regulations, and policy
- Guarantees or denies loan
- Notifies lender and school of approval or denial



THE LENDER

- Provides funds for the loan
- Sends loan funds to the school



THE SCHOOL

- Processes the loan funds
- Releases funds to the student if eligibility is maintained



THE STUDENT

- Begins repaying the loan after graduating or dropping below half-time enrollment and the grace period has ended

STAFFORD MPN

CHECKLIST

- Fill out the Free Application for Federal Student Aid (FAFSA) and any other forms required by your school.
- Find out about all possible sources of financial aid before taking a loan.
- Read your MPN, the *Borrower's Rights and Responsibilities Statement* attached to the MPN, and any addenda or disclosures your guarantor or lender gives you. These documents are very important since a new law has changed some of the terms and conditions of Stafford loans. The disclosures and addenda supersede information found in the current MPN.
- Ask your school or lender about completing the MPN online. If you can't work online, type or write the information clearly in dark ink.
- Fill out your MPN completely. Do not skip any fields.
- Sign and date your MPN. If available, electronic signatures may be used.
- Send the original copy of your MPN to your lender or your school, according to the online instructions or if you are completing the MPN on paper, according to your school's instructions.
- Keep a copy of your MPN and this information packet as well as any other addenda or disclosures provided by your lender or guarantor.
- Notify your school or lender if you wish to decline or reduce the amount of your loan.

ESSENTIAL WEB SITES

Adventures In Education www.AIE.org

- Receive weekly college tips, features, and reminders with the e-newsletter *AIEmail*
- Evaluate financial aid options to help pay for your education
- Find scholarships using a free database search
- Check the status of your student loan
- Research the admissions process
- Estimate college expenses

FAFSA on the Web www.fafsa.ed.gov

- Complete the FAFSA — the first step in seeking federal student aid — online

TG Online www.tgslc.org

- Get answers to your financial aid questions online
- Review answers to questions other families and students are asking through *Ask TG™*
- Access information on loan repayment
- Download important education loan forms

Mapping Your Future www.mapping-your-future.org

- Fulfill entrance and exit loan counseling requirements online
- Participate in live chat events on financial aid and personal finance

ABOUT TG



TG is a public, nonprofit corporation established by federal and state law to help students and their families get low-cost loans for higher education expenses. As the guarantor of your loan, TG helps your lender and the school process your loan, and we also help you understand your loan rights and responsibilities. Everyone at TG is committed to helping students achieve their educational goals. Call us at (800) 845-6267 if you have questions or concerns about your loan or financial aid, or visit us online at www.tgslc.org.