President Bush recently signed the Higher Education Reauthorization Act (HERA) approving changes to graduate student need-based financial aid, as well as other changes. This memo is to inform you of those changes so that you can prepare accordingly. There are two HERA changes that will impact graduate students.

School as Lender (SAL):
Under the Higher Education Act, institutions are permitted to participate in the Federal Family Education Loan Program (FFELP) as a lender to their graduate students. We have entered this program and can offer graduate students a quality, low-cost loan program. Stafford loans are typically assessed a 1% default fee and a 3% origination fee. Students who borrow through the University of Maryland loan program will not be paying any fees. The University will be paying these fees on behalf of SAL borrowers. These loans will then be sold to Wachovia, while the student is in school.

Graduate PLUS Loans:
The Higher Education Act now allows graduate students to borrow up to the cost of education less other aid through the new Graduate PLUS Loan program. We will be packaging graduate students with this loan so it is imperative all fellowships, tuition remission, departmental scholarships, as well as other aid be awarded before July 1, 2006. Otherwise, we may be required to reduce aid at a later date, which always causes confusion for the student. The Grad PLUS loan is a credit worthy loan. Upon accepting the loan, the student, via our website, will authorize the lender to do a credit check for approval of the loan. Funds will be disbursed to the student’s account 10 days before the first day of classes.

International Loan:
This loan is not a result of the HERA. The Office of Student Financial Aid has been able to secure a loan for International Students. We have a very limited fund, so there are restrictions in order to qualify. The good news is the student does not need a U.S. cosigner to be eligible, as is required with other international loans. Since this is a high risk program for the lender, and we want the lender to realize our commitment to making this program work, we have established the following requirements. The student cannot be from a high-risk country. The student is required to complete an entrance interview twice a year directly with the Office of Student Financial Aid: once in August and one in May. The student must have two references within the U.S., must have a bank account (savings or checking), and authorize auto-debit payments from that account. Students may borrow up to $20,000 per academic year. The loan is not deferred while in school, so the student will be making minimal payments, typically $50.00 for every $5,000 that is borrowed.

If you have any questions on these programs, feel free to contact me directly at sbauder@umd.edu or via phone at ext. 48279.