

## Information note on US Federal Loans for INSEAD students

On the 30<sup>th</sup> of March, 2010, USA President Barack Obama signed the Health Care and Education Reconciliation Act of 2010 (HCERA) that, among other things, makes significant changes to the federal student loan programs for eligible U.S. students. One of the provisions of the HCERA is the termination, as of the 1<sup>st</sup> of July 2010, of the bank-based Federal Family Education Loan (FFEL) Program. Beginning the 1<sup>st</sup> of July 2010, all new Stafford, PLUS, and Consolidation loans for eligible U.S. students can only be made under the William D. Ford Federal Direct Loan (Direct Loan) Program.

Foreign schools administering federal US loans will be trained to process them in June 2010. The Direct Loan Program offers loans to students with terms and conditions that are virtually identical to loans made through the FFEL Program. We will keep applicants informed on coming changes and the impact they will have on loan application process and the school fee payments.

## Rules and Guidelines on the US Federal Loans for US Citizens and Residents.

1. **Campus Exchange Rules.....p4**
2. **A to Z on how to apply.....p5**
3. **Handling US Loans Upon Arrival on Campus.....p9**
4. **Satisfactory Academic Progress.....p11**
5. **Return of Title IV Funds (US federal loans) Policy.....p12**

## 1. Campus Exchange Rules

## 2. A to Z on how to apply

### **Federal Stafford Loans**

*What is a Stafford Loan?*

*How much can I borrow?*

*Where do I start?*

*FAFSA and SAR*

*MPN*

*Obtain a lender*

### **Federal PLUS Loans**

*How much can I borrow?*

*How do I apply for a Federal PLUS Loan?*

*Frequently Asked Questions*

### **Private Loans**

*Applications*

*Loan Disbursement*

*Choice of Financing*

## 3. Handling US Loans Upon Arrival on Campus

*Paying Tuition*

*Depositing the cheque for living expenses?*

*Entry Interviews*

*Deferment of previous loans*

## 4. Satisfactory Academic Progress

### **Academic standards**

*Course requirements*

## 5. Return of Title IV Funds (US federal loans) Policy

Rules on the return of the funds in case of a withdrawal

## 1. Campus Exchange Rules

### **Important note about restrictions regarding SGP campus**

The INSEAD MBA Financing Office would like to inform you that INSEAD's Europe campus is registered with the US Department of Education and currently INSEAD MBAs and PhDs (US citizens or permanent residents) starting on the Fontainebleau campus are eligible to apply for Federal Stafford, PLUS and Private Education Loans. Our request for certification of the Singapore Campus is under review and we will inform eligible participants accordingly as soon as we have confirmation to process federal loans for students on the Singapore Campus. Our request for the registration of the Singapore campus has been pending since 2005. In the meantime, students starting on the Singapore campus are not eligible for these loans. Private loans are open for both campuses.

As the Singapore campus is not yet certified we are obliged to impose a restriction on the campus exchange for US citizens or residents who have obtained US Federal Stafford and Federal Graduate PLUS loans. The US Department of Education requires INSEAD to limit the time spent by the US federal loan holders in Singapore to a maximum of 25% of the programme duration, so in INSEAD terms, one period only. **Therefore such loan recipients must start on the Fontainebleau campus, and thereafter can spend only one period in Singapore.**

There are no implications for the Wharton exchange.

## 2. A to Z on how to apply

Below you will find information that will help you to apply for Federal Stafford, Federal PLUS and Private Education loans in the USA.

### **Federal Stafford Loans**

#### What is a Stafford Loan?

Stafford loans are low-interest rate loans made to undergraduate and graduate students attending accredited colleges and universities. There are two types of Stafford loans, subsidized and unsubsidized. Students qualify for subsidized Stafford loans if they demonstrate financial need. The federal government pays interest on subsidized Stafford loans during in-school and other specified periods. Unsubsidized loans are not need-based. The borrower is responsible for interest that accrues on unsubsidized Stafford loans.

#### How much can I borrow?

The maximum amount of Federal Stafford subsidised loan is \$ 8,500 and for the unsubsidised loan it is \$ 12,000. The Stafford loan interest rate is fixed at 6.8% for loans disbursed on or after 1 July, 2009. Federally mandated origination fees of up to 3%, depending on the lender, are deducted from your loan cheques at disbursement.

#### Where do I start?

#### FAFSA and SAR

You should first apply for the Federal Stafford Loan. To do this you will need to complete or renew your Free Application for Federal Student Aid (FAFSA) on-line: [www.fafsa.ed.gov](http://www.fafsa.ed.gov). You can find help and guidelines on how to complete the FAFSA on the following web site: [www.studentaid.ed.gov/completefafsa](http://www.studentaid.ed.gov/completefafsa). Please note that INSEAD is registered as INSEAD, European Institute of Business Administration. The code to use for FAFSA is G10472, and for loan applications it is 010472.

Please e-mail or fax your Student Aid Report (SAR) to the INSEAD MBA Financing Office: [mba.finance@insead.edu](mailto:mba.finance@insead.edu), fax +33 1 60 72 44 46. We will then access the US Department of Education database to obtain the detailed information on your SAR.

Please make sure to provide us with your full Social Security Number (due to security reasons it does not appear on the SAR) and your date of birth. Please also inform us whether you have any dependents.

#### MPN

We will also need to receive your Master Promissory Note (MPN). Sallie Mae maintains an on-line application system for both Federal and private loans: <https://opennet.salliemae.com>.

The following link is for the on-line applications with the IEFC: [http://www.iefc.com/us/us\\_staffordplus\\_online.cfm](http://www.iefc.com/us/us_staffordplus_online.cfm)

We will be able to access your MPN online and likewise certify your loan.

If you choose to use another lending institution, you need to provide the INSEAD MBA Financing Office with the original MPN and we will then send your complete application and school certification to the lending institution of your choice. You also have an option to send the original directly to the administering institution and fax us a copy. It is important that you read the "Borrower's Rights and Responsibilities" statement carefully before signing the MPN.

## Obtain a lender

It is up to the borrower to decide which lender he/she would like to use. To help you with this, we suggest that you take a moment to compare the services of several financing institutions in order to make the best choice for you personally. In particular, consider the following:

- Ability of lender to service all your loans (federal and private).
- Interest rates and terms: Although these are very similar for the federal loan programmes, some lenders do offer better terms or discounts.
- Loan application process: can you apply online? Is instant loan approval offered?
- Repayment plans: some are simple, others complex.
  
- Benefits for borrowers: for those who pay on time or make loan payments electronically.

## **Federal PLUS Loans**

Federal PLUS Loans are now available for Graduate and Professional students on their own signature instead of a parent's signature. If you are a US citizen, permanent resident or eligible non-resident, you may qualify for the PLUS loan programme. The law also requires that the students apply first for Federal Stafford Loans before taking out a Federal PLUS Loan.

### How much can I borrow?

The PLUS loan programme does not have an aggregate limit and can assist the borrower increase their full Cost of Attendance for the academic year/loan period. The maximum amount a student can borrow in the PLUS programme will be the Cost of Attendance (COA), as determined by the school, minus any Stafford loans, minus any other aid. INSEAD MBA Financing Office provides an estimated budget for a year. Please note that the expenses you will incur while at INSEAD will depend largely on the lifestyle you choose. You may not spend as much as we estimate so bear this in mind while applying for a loan. Do not borrow more than you need. You can find the details on the estimated expenses while on the programme in MBA Connect.

### How do I apply for a Federal PLUS Loan?

Follow the instructions provided above for applications for Federal Stafford Loans.

## Frequently Asked Questions

- What are the interest rate and fees on PLUS Graduate loans?
  - PLUS Interest rates for loans first disbursed after July 1, 2009 will have a fixed interest rate of 8.5%, although many major lenders are offering interest reduction. **A 3% origination fee is mandated by law on all PLUS loans.** There is an additional default fee of 1% that is paid by some lenders on behalf of the borrower. The default fee charged on these loans is 1%.
  
- When does the student have to begin making payments?
  - Unless the student completes an In-School Deferment form, or the lender activates an automatic deferment, the student will be required to begin making payments 60 days after the loan is disbursed in full.
  
- Also, PLUS loans do not have a grace period. Students must begin making payments immediately after an In-school deferment ends unless they contact their loan servicer to make other arrangements.
  
- Can a student receive deferments and forbearances on the PLUS Graduate Loans?

- Generally, the same deferment and forbearance provisions that apply to Stafford Loans apply to PLUS Loans. Because PLUS Loans are unsubsidized, however, borrowers will be charged interest during periods of deferment.

## **Private Loans**

### Applications

To help you finance the tuition and living expenses while on the programme you can apply for private Business Education Loan or alternative loans. The amount of this loan is based on the tuition fees plus estimated living expenses (less any financial aid received). Excellent interest rates are tiered based on credit, so the better your credit, the lower your interest rate. If you apply with a co-borrower, your rates and fees are based on your co-borrower's credit.

You can easily complete and sign the application on-line if you apply through Sallie Mae. We will access your private loan application online and certify it. Your next step will then be to follow up with the loan officers to make sure your application is complete and processed. You can find further details regarding the application process at the following website:

[http://schools.salliemae.com/school-campus.aspx?DTD\\_CELL=sservice&L=833471&S=01047200&T=S](http://schools.salliemae.com/school-campus.aspx?DTD_CELL=sservice&L=833471&S=01047200&T=S)

You can also get in contact with the Sallie Mae loan officers by phone:  
+1 800 695 3317 or +1 888 440 4MBA

Choice of lenders for those applying through Sallie Mae:

- Bank One 803463 (for Federal and private)
- Nellie Mae 829988 (for Federal), 500600-0001 (for private)
- Sallie Mae 802218 – only Federal Stafford loan
- Regions Bank 810612

Please note that you do not need to contact the lenders directly - this is done by the Sallie Mae loan officers.

### Loan Disbursement

The earliest possible disbursement date for the loans is one month before the start of the programme, and the loan disbursement schedule is linked to the tuition payment schedule. Please inform us if you have any particular requests regarding the disbursement dates and amounts. The cheques in US Dollars will be issued in your name and sent to the INSEAD MBA Financing Office where you will be able to pick up and/or endorse the cheques upon your arrival on campus. INSEAD will apply its monthly exchange rate from USD to EUR when depositing the cheques to pay the tuition. Depending on the loan amounts, there will be one cheque issued to pay the tuition instalment and another one for your living expenses. You will be able to deposit the cheque for living expenses at your local bank upon arrival. Please note that local banks may take a couple of weeks to clear the USD cheques.

It is important to know that we will not be able to deposit your cheques without your signature. Therefore, special conditions will be applied to the second tuition instalment due one month before the start of the programme. If you are only taking Stafford loans, half the amount of the loan (approximately \$10,250) is deducted from the amount you are due to pay and the balance settled upon your arrival. If your loan is to cover all of your tuition fees, you will be requested to make a second tuition fee instalment of € 4,000 (rather than € 31,000) at the due date and again the balance will be settled upon your arrival when you can endorse the cheque.

## Choice of Financing Institutions

Finally, we suggest that you take a moment to compare the services of the following financing institutions in order to make the best choice for you personally:

**SALLIE MAE** offer both Federal and Private loans: [http://schools.salliemae.com/school-campus.aspx?DTD\\_CELL=sservice&L=833471&S=01047200&T=S](http://schools.salliemae.com/school-campus.aspx?DTD_CELL=sservice&L=833471&S=01047200&T=S)

### **IEFC**

The International Education Finance Corporation, IEFC ([www.iefc.com](http://www.iefc.com)) offers Federal Stafford and graduate PLUS loans. Effective till June 30<sup>th</sup>, 2010, IEFC will offer federal loans originated through Chase. You can apply online at [www.iefc.com](http://www.iefc.com). For further information please contact IEFC at the following numbers:

From the USA: 1 888 296 4332

Toll free from Europe: 00 800 1270 1270

**ALL Student Loan** <http://www.allstudentloan.org/public/Main.aspx> offers Federal Stafford loans for California residents.

**Bank of America Alternative Loan:** Previous INSEAD students have taken a private loan through this scheme. Please check the following website for further details: <http://www.bankofamerica.com/>

**Student Loan Xpress**, one of the lending companies in the USA that provides financial aid to the US students pursuing their degrees outside the United States. Student Loan International offers the Student Loan Xpress Federal Stafford loan. Contact phone numbers:

1 800 958 7188

1 949 673 3460

[www.studentloaninternational.com](http://www.studentloaninternational.com)

**National City Bank:** This bank offers both federal and private loans. Please check their website for further details:

<https://www.studentlender.com/Default.aspx>

**ED Financial** offer access to both federal and private loans. Please check their website for further details: <http://www.edfinancial.com/StudentLoans>

**Texas Guaranteed (TG)** administers Federal Stafford loans. Please visit the following website for further information: <http://www.tgslc.org/index.cfm>

You can contact TG Customer Assistance at (800) 845-6267 or [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

The INSEAD MBA Financing Office must certify all your loan applications. To ensure fast loan processing, please do your best to provide us with your SAR, MPN and the private loan application as necessary. Do not hesitate to get in contact with us if you have any questions.

### 3. Handling US Loans Upon Arrival on Campus.

Your Stafford and Graduate PLUS loans are subject to US Federal Government regulations. They must have multiple disbursements linked to the tuition fee payments. Federal loans are to be used towards tuition first.

#### Paying Tuition

If you have only taken the Stafford loan it will be used towards the second tuition installment due one month before the start of the programme and the last tuition installment due approximately four months after the start of the programme.

If you have taken the Stafford loan and the PLUS or the private loan to cover all the fees you will receive several cheques in USD upon arrival on campus. You will endorse the Stafford loan cheques for tuition: \$4,250 and \$6,000 that correspond to the half of the subsidized Stafford loan and half of the unsubsidized Stafford loan.

If you have taken a PLUS or a private loan you will endorse the private loan cheque/s to finalize the installment payment. Several (up to 4 cheques) will be issued. Upon arrival, you will endorse one cheque to INSEAD to pay tuition and you will keep the cheque for living expenses. Once you have arrived on campus, please don't hesitate to get in contact with **Irina Schneider-Maunoury**, Senior Manager, MBA Financing, to see whether your cheques are already available. You do not have to wait for the registration week for that. During the registration week, you will endorse the checks at the Accounts Offices. Your contacts will be **Sylvaine Rufin** in Fontainebleau and **Jacqueline Tong** in Singapore.

Similarly, cheques will be sent to INSEAD in time for your last installment (early January for the July Class and early April for the December Class). The amounts are estimates and do not exactly match the fees in Euros. We will deposit them and use the INSEAD monthly USD/EUR exchange rate to convert into Euros. The rate is established at the beginning of the month and maintained for the entire month. If you choose to do the exchange to Singapore, your cheques will be made available to you in Singapore and you will receive an email notification where to collect/endorse them.

#### Depositing a cheque for living expenses

You will be able to either deposit your loan cheques at a local bank or send them back to the USA for deposit by your family or friend. Important: please note that local banks will take up to three weeks to clear USD cheques. Thus, **we encourage you to have some funds available to take you through the first weeks on the programme.**

**Please make sure to keep track of the cheques deposited at a local bank (the exchange rate you are given and the amounts credited to your account).**

If you decide to mail the cheques back to the USA please note that for fully endorsed cheques that are worth more than \$10,000 you must submit a currency reporting form: [http://www.fincen.gov/forms/fin105\\_cmir.pdf](http://www.fincen.gov/forms/fin105_cmir.pdf)

You will need to mail the form to:  
Commissioner of US Customs and Border Protection  
Attention: Currency Transportation Reports  
Washington, DC 20229

## Entry Interviews

Federal Loans require all students to go through Entry and Exit Counseling to provide the lender with your up to date contact information as well as to remind you about your obligations with regard to repayment of the loan. You can do the interview session online: <http://mappingyourfuture.org/oslc/>

If you haven't completed the online session you will need to fill in the form when picking up your cheques. Please make sure to have your driver's licence number and the contact details (address and phone number) for your personal references (one of them being the nearest relative not living with you).

Throughout the life of your loan you will need to make sure your lenders always have your current address and contact details.

## Deferment of previous loans

If you are currently paying off some other educational loans you will be eligible to defer the payments on them whilst you are studying at INSEAD. You can obtain a deferment form from your lender and we would be happy to confirm your attendance and send it back to the lender.

Don't hesitate to get in touch with the MBA Financing Office if you have questions about your loans:

+33 1 60 72 49 90

[Mba.finance@insead.edu](mailto:Mba.finance@insead.edu)

## 4. Satisfactory Academic Progress

All students applying for or receiving US Federal Aid (subsidized and unsubsidized Stafford loan and federal graduate PLUS loan) must progress satisfactorily towards completion of a chosen academic programme in order to remain eligible to receive US loan support. Failure to maintain satisfactory progress may result in cancellation of loans, and the student may have to repay any funds already received.

The guidelines below have been established to encourage students to successfully complete the academic programme they attend and continue to receive financial aid.

For the purposes of receiving US federal aid, a student:

- Should not exceed 150% the published time frame for the course.
- Should pass the INSEAD MBA with a grade point mean of at least 1.8 for the core courses and 2.0 for all elective courses to confirm they are making satisfactory progression.

The satisfactory progression to retain Financial Aid is entirely separate from the academic requirements to remain on the course and does not guarantee the outcome of the student's course. Satisfactory Academic progress will be checked before any loan funds are released to a student.

## 5. Return of Title IV Funds (US Federal loans) Policy

The following is an addendum for students who are utilizing US Federal student aid funds.

If a student who receives financial aid withdraws from the institution, the school will recalculate your Financial Aid eligibility based on the period of attendance. As a result you may be required to pay back money to the US federal Government from the Federal Stafford subsidized and unsubsidized or PLUS loans you may have received. The institution may also have to repay any funds received for tuition to the US Federal government. As such you may be requested to make an additional fee payment to the school to replace these funds.

Pro-rata refund calculations apply for any student who withdraws within 60% of the payment period. If a student withdraws prior to completing 60% of each payment period, the school will calculate the amount of funds to be returned based on your period of attendance for that specific term. The last date of attendance will be the date confirmed by the programme office and the calculations undertaken are those that are set by the Department of Education in the US and cannot be altered.

The law specifies how schools must determine the amount of Title IV programme assistance (Stafford and graduate PLUS Loans) that students earn if they withdraw from school. The MBA Financing Office is responsible for calculating the return of the funds. All funds must be returned to the lender within 45 days of the date of when the school determined that a student withdrew. If you have questions about your Title IV programme funds, you can call the Federal Student Aid Information Center at 1-800-4-FEDAID (1-800-433-3243). TTY users may call 1-800-730-8913. Information is also available on Student Aid at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).

When a student withdraws during a payment period, the amount of Title IV programme assistance that has been earned up to that point is determined by a specific formula. The date of withdrawal is either the date the student notified the Programme Dean of their intent to withdraw or the date the student submitted a withdrawal letter, whichever comes first. If the student received (or the school received on the student's behalf) less assistance than the amount earned, the student may be able to receive those additional funds. If the student received more assistance than was earned, the excess funds must be returned by the school and/or the student.

The school is not required to take attendance though class attendance is mandatory for all students at all times and professors are required to enforce this rule. Any absences are reported immediately to the Programme Dean who in turn contacts the student. In the event that a student has decided to withdraw from the Programme, the Programme Dean will consult with the student's instructors to verify the last date of attendance. Without an official withdrawal letter, the school will use the last date of attendance to compute the return of the funds (further mentioned as R2T4).

In the case where a student notifies the Programme Dean or a faculty member that he or she intends to withdraw, the student is informed of the need to send a formal withdrawal letter, document the date the student notified them and share that information with the Programme Registrar. Should the student fail to send the withdrawal letter or there is a lag between the notification and the filing of the form, the earlier date of notification will be used in calculating the return of the federal loans funds. In the event a student receives all failing grades for a Period, the Programme Dean will contact the faculty members to determine if the low grades were earned or represent a lack of attendance. In the event it is determined that those grades were the result of lack of attendance, the Programme Dean and faculty will attempt to determine the last day of attendance and use that date in the R2T4 calculations. If the exact date cannot be determined, the School will assume a 50% attendance, and use that date as the last

date of attendance. Students who do not attend at least one class, are ineligible for Title IV funds and all of the loan proceeds will be returned to the lender.

The amount of assistance earned is determined on a pro rata basis. The payment period is the semester for which the loan was certified and the percent of attendance is calculated by dividing the number of day attended by the total number of days in the payment period. For example, if the student completes 30% of the payment period or period of enrollment, the student has earned 30% of the assistance they were originally scheduled to receive. Once the student has completed more than 60% of the payment period or period of enrollment, all the assistance that the student was scheduled to receive for that period is considered to have been earned. If the student did not receive all of the funds that were earned, he or she may be due a post-withdrawal disbursement. If the post-withdrawal disbursement includes loan funds, the student may choose to decline the loan funds so that additional debt is not incurred. The Financing Office will use the R2T4 worksheets as provided by the US Department of education to determine how much of the loan may be retained and how much must be returned.

The school may automatically use all or a portion of the student's post-withdrawal disbursement (including loan funds, if the student accepts them) for tuition, fees, and room and board charges (as contracted with the school). For all other school charges, the school needs the student's permission to use the post-withdrawal disbursement. If the student does not give permission, the student will not be offered the funds. However, it may be in the student's best interest to allow the school to keep the funds to reduce the debt at the school.

There are some Title IV funds that students were scheduled to receive that cannot be earned once a student withdraws because of other eligibility requirements. If the student receives (or the school receives on behalf of the student) excess Title IV programme funds that must be returned, the school must return a portion of the excess equal to the lesser of:

1. The institutional charges multiplied by the unearned percentage of the funds, or
2. The entire amount of excess funds.

The school must return this amount even if it didn't keep this amount of the Title IV programme funds. If the school is not required to return all of the excess funds, the student must return the remaining amount. Any loan funds that must be returned, the student must repay in accordance with the terms of the promissory note. That is, scheduled payments are made to the holder of the loan over a period of time. Students who have received a refund of their loan proceeds before withdrawing may be required to return part or all of those funds to the lender.

Title IV funds will be returned in the following order:

1. Unsubsidized Federal Stafford loans
2. Subsidized Federal Stafford loans
3. PLUS Loan Funds

The requirements for Title IV programme funds when students withdraw are separate from any refund policy that the school may have. Therefore, the student may still owe funds to the school to cover unpaid institutional charges. The school may also attempt to collect from the student any Title IV programme funds that the school was required to return. Students may receive a copy of the refund Policy from the MBA Financing Office.

If you have questions about your Title IV programme funds, you can call the Federal Student Aid Information Center at 1-800-4-FEDAID (1-800-433-3243). TTY users may call 1-800-730-8913. Information is also available on Student Aid at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).