IMPORTANT INFORMATION REGARDING GOVERNMENT

CHANGES IN THE STUDENT LOAN PROGRAM FOR 2012-2013

& PUBLIC SERVICE LOAN FORGIVENESS

Due to the Budget Control Act of 2011, there are 2 changes to the student loan program that will impact the cost of student loans. First, loans for graduate students which have a first disbursement 07/01/2012 or later will no longer be subsidized. Second, the 0.5% rebate of the origination fee on all student loans will no longer be available. In addition, the Department of Education has clarified information about the Public Service Loan Forgiveness program.

Elimination of Subsidized Loans for Graduate Students

Unless you are eligible for a summer loan disbursement before 07/01/2012, your only student loan option is to take an unsubsidized loan for 2012-13 or future years. What does this mean for you? If you borrow the maximum allowed for graduate students, you will accrue thousands of dollars in interest during your years of study here. You can pay the interest while you are in school or let it capitalize and be added to the principal of your loan. You will also accrue interest during your 6 month grace period after graduation (or dropping below half-time attendance) and during any periods of deferment in the future.

In past years, we only calculated subsidized loan eligibility for our students unless requested to also calculate unsubsidized eligibility. You may now see a higher loan eligibility figure (up to $20,500) in your financial aid award letter. This is not a reason to borrow more money—instead it should be a reason to borrow less because you will be accruing interest from the time you take the loan.

Please take care to only request a summer loan if you plan to take 5 or more hours during the summer (4 for ThM students).

Elimination of Rebate on Origination Fees

Beginning with loans first disbursed on or after 07/01/2012, the 0.5% upfront rebate applied to your 1.0% origination fee (resulting in a net fee of 0.5%) will no longer be available. This means that you will be charged the full 1.0% fee. Please take this into account as you determine the amount you want to borrow.

These changes will not affect loans that were first disbursed prior to 07/01/2012, i.e. loans that were issued as subsidized loans will remain subsidized.
The elimination of the subsidized loans for graduate students and the rebate on origination fees is projected to save about $21.6 billion with $17 billion of the savings going to pay for Pell grants and $4.6 billion for deficit reduction.

**Clarification regarding Public Service Loan Forgiveness**

We also wanted to make you aware that the Department of Education has clarified their language regarding which jobs will qualify for Public Service Loan Forgiveness. On their updated fact sheet, they state, “When determining full-time public service employment at a not-for-profit organization, you may not include time spent participating in religious instruction, worship services, or any form of proselytizing.” (See more details at [www.studentaid.ed.gov/publicservice](http://www.studentaid.ed.gov/publicservice).) This will, unfortunately, encompass most jobs that Covenant students will have at churches, missions organizations, etc. which means that the Public Service Loan Forgiveness program will not be an option for you. This is what we have always understood and explained to students but we understand this has not always been the case at other schools. Again, this reinforces the need to borrow as little as you can while in school.

If you have further questions about this announcement, please contact the Financial Aid Office at [financialaid@covenantseminary.edu](mailto:financialaid@covenantseminary.edu) or stop by to see us in the One-Stop area of Founders Hall.