



Financing Options for 2016-17

Hampshire College students and their families have several loan and financing options to consider as they prepare to pay the college bill. Detailed information about these options is listed on our loan website: <http://loans.hampshire.edu>. We offer the following suggestions for your review and consideration:

OPTION 1 - Maximize the federal student loan: Federal student loans have the best repayment features and offer fixed interest rates. Students should consider maximizing their Direct student loan before borrowing a private loan. The interest rate for 2016-2017 is 3.76%.

- First year students may borrow up to \$3,500, second year students may borrow up to \$4,500, and third, fourth, and fifth year students may borrow up to \$5,500.
- Students may borrow up to \$2,000 in an additional unsubsidized Direct student loan each year.
- Subsidized Direct student loans are not charged interest while the student is enrolled.

OPTION 2 - Federal Direct Parent PLUS Loan: Parents may borrow the Direct parent PLUS loan (PLUS loan) for a dependent student. The Direct PLUS loan is processed by the financial aid office. The lender is, and will remain, the U.S. Department of Education.

- The maximum amount of the loan is the cost of attendance less any aid the student is receiving.
- These loans are in one parent's name only. The FAFSA, completed by the student and custodial parent, is required. Interest is charged from the time we receive any portion of the loan funds.
- Direct PLUS loans have payment postponement options including periods of unemployment, financial hardship, and illness. These loans can be canceled if either the parent borrower or the student dies.
- Monthly principal and interest payments can be deferred while the student attends college and for six months after leaving school. Interest will continue to accrue during this deferment period. Borrower must request this deferment with their Direct Loan servicer.
- The interest rate on a Direct PLUS loan for 2016-2017 is 6.31%.
- You may receive a quarter percent (0.25%) interest rate reduction if you arrange for payments to be made automatically from a bank account.
- The origination fee on a Direct PLUS loan is approximately 4.3% of the amount borrowed.
- The loan repayment term is 10 years, or 25 years if the total debt is \$30,000 or more.
- Direct PLUS loans may be refinanced into a Federal Direct Consolidation Loan which extends the loan term making monthly payments more affordable. If consolidated, borrower becomes eligible for the income contingent repayment plan and may be eligible for the public service loan forgiveness program.
- If the Direct PLUS loan is denied, the student may borrow an additional unsubsidized Direct student loan (option 1) up to \$4,000 for first and second year students and up to \$5,000 for all other students.

OPTION 3 – Monthly payment plan: You may choose to spread payments for the college bill over a period of several months. We work with Tuition Management Systems (TMS). You set up a monthly payment contract directly with TMS and make payments to them. They will then forward your payment to us.

- A small enrollment fee is the only cost for you to arrange a monthly payment contract with TMS; there is no interest charge.
- Think about how much you can afford each month to determine your contract amount. Your contract amount can change from year to year.
- *Financing tip:* If you are planning to borrow a loan consider a monthly payment plan. The payment plan will reduce the amount you need to borrow which will reduce your future monthly loan payments.
- Contact TMS at www.afford.com/hampshire or by phone at 800.722.4867.

OPTION 4 – Private alternative loans: If you need to borrow additional funds you may need to consider a private alternative loan to assist in paying your college bill. *This option should be your last resort.*

- We recommend that you first consider Options 1, 2, & 3 before researching private loans.
- We recommend that if you need to consider a private loan that you keep your private loan borrowing to a minimum (\$5,000 or less per year) as these loans tend to be the most expensive in the long run.
- We recommend students borrow a private alternative loan with a co-signer to reduce their interest rate and any applicable fees. Having a co-signer will also help in getting the loan approved.
- You are free to consider any private loan lender. We do not recommend one loan over another. Your choice in a private loan lender is entirely up to you.
- We process loan applications in a timely manner from any lender so feel free to research private loans on your own. Conduct a Web search for “private education loans” or “alternative education loans.”
- Features on private loans may vary among lenders so become an informed consumer. Review the “Tips to Borrowing an Alternative Loan” section on our loan website, <http://loans.hampshire.edu>, for things to consider. The information in this section may help you decide on which private loan best serves your current and future needs. Use the loan comparison worksheet found on this website to assist you in your research.

OTHER OPTIONS: Consider applying for **scholarships** and **interest free loans** to help pay your college bill. Visit our loan website, <http://loans.hampshire.edu>, for links to popular online scholarship searches and other information. *Do not provide information you are uncomfortable giving and do not pay for these services.*

You may pay your bill using a **credit card** or a **home equity line of credit**, but understand that credit card companies and banks are increasing interest rates and lowering limits on credit cards and reducing or eliminating lines of credit. You may want to consider borrowing a Direct PLUS loan (see option 2) instead. The interest rate is fixed and payment postponements are available. A Direct PLUS loan is unsecured meaning it is NOT secured by your home as a home equity loan would be. You may also want to use the equity line for future home improvements. *Students should limit their use of credit cards to avoid high interest rates.*

Students may arrange for a **payroll deduction of work study earnings** towards their college bill. The student decides on the amount of the deduction. We suggest no more than \$500 per semester be deducted from their pay to allow for some spending money. A new authorization form must be completed for each semester.

If you need additional assistance, please feel free to call our loan counselor at 413.559.6042 or email at loans@hampshire.edu.

Useful Websites and telephone numbers

<http://loans.hampshire.edu> Our loan information website. Learn more about the options listed on this information sheet, and to use interactive monthly payment calculators. Learn about a Direct PLUS loan.

Loan counselor: 1.413.559.6042

<http://studentaccounts.hampshire.edu> Our student billing website. *Student accounts office:* 1.413.559.6982.

www.studentaid.ed.gov Start here to learn about federal aid programs and new features including the Public Service Loan Forgiveness program and the new income based student loan repayment plans.

www.direct.ed.gov Visit this website to learn more about the Direct Loan Program.

www.studentloans.gov Visit this website to complete entrance loan counseling and a master promissory note; parents apply for a Direct PLUS loan here.

www.finaid.org Visit this non-federal website to learn more about financial aid and loan programs.

www.fastweb.com Visit this non-federal website to learn more about private outside scholarships and how to apply for them.