

Questions on Loan Origination Fees

What is a loan origination fee?

A loan origination fee is charged by the government to the student borrower to compensate for the cost of processing and lending loan funds.

Why is this fee being charged to me?

The federal government uses the origination fee to defray the cost of managing and lending loans to students (Direct Unsubsidized Stafford loans and the Direct Graduate PLUS loans).

What is the cost of this loan fee?

ALERT: Due to the ongoing implementation of Congress' Budget Control Act (BCA) of 2011, which implemented the "sequester" (automatic across-the-board federal budget cuts). The sequester mandates that the origination fees are increased. Below are the current origination fees.

The increased origination fee applies to Direct Stafford Loans whose **1st loan disbursement is made on or after December 1, 2013**. Fees vary by loan type. The increased origination fees effective December 1, 2013:

1. **Direct Stafford Student Loans: 1.072% fee**

- This loan origination fee of 1.072% is deducted from the Direct Stafford loan funds at the time of each disbursement to the university from Direct Loans.
- For loans first disbursed from July 1, 2013 to November 30, 2013, the origination fee was 1.051%.

2. **Direct Grad PLUS Loans: 4.288% fee**

- This loan origination fee of 4.288% is deducted from the Direct PLUS loan funds at the time of each disbursement to the university from Direct Loans.
- For loans first disbursed from July 1, 2013 to November 30, 2013, the origination fee was 4.204%.

How do I pay these fees?

The federal government automatically deducts these fees from the loan amount at the point of each loan disbursement.

Please take these examples into account when determining how much you would like to borrow to cover expenses for the school year.

The following examples for each loan type use the Loan Origination Fee Percentage for December 1, 2013 or later:

1. Direct Unsubsidized and Additional Unsubsidized Stafford Student Loan

Example: Annual loan for \$40,500 split over two terms (\$20,250 per semester).

\$20,250 Loan principal amount for the semester (borrower's amount to be repaid)

- **216** 1.072% loan origination fee (no rounding; truncate cents)

\$20,034 Actual term disbursement credited to the student's Bursar account

2. *Student loans have annual loan limits; however, if you want you can reduce the annual amount borrowed from the standard amount offered on your financial aid record on ONESTART. Below are the annual limits for the Federal Unsubsidized Loan over the four year of medical school.*

YEAR 1 - \$40,500

YEAR 2 - \$40,500

YEAR 3 – Summer Supplement of \$6,667

- Academic Year limit of **\$40,500**

YEAR 4 – Summer Supplemental of \$6,667

- Academic Year limit of **\$40,500**

*Maximum Lifetime Aggregate of no more than **\$224,000***

Grad PLUS Loans do not have limits other than it can meet the gap between the Cost of Attendance minus other financial aid.

- 3. Direct Grad PLUS Loan Example:** Annual loan amounts can vary, so for this example we will use a random amount split over two terms (\$16,780 per semester).

\$16,780 Loan principal amount for the term (borrower's amount to be repaid)

- **719** 4.288% loan origination fee (no rounding; truncate cents)

\$16,061 Actual term disbursement credited to the student's account