

WSFAC Loans 101

Please review this information with your parent(s)/cosigner prior to your interview.

- **LOANS NEED TO BE PAID BACK within 5 years** after graduating college or leaving school as a full-time undergraduate student.
- Loans will not exceed \$4,000 per academic year.
- Loans are offered only to **full-time undergraduate** students.
- Loans are interest free while you are a **full-time undergraduate** student only.
- Six months after you graduate or are no longer a **full-time undergraduate** student your loan will begin to bear interest (5%/year) and you **MUST** begin paying it back.
- Late payments are subject to late fees.
- There is no penalty for prepayment (i.e. paying back what you owe earlier than the scheduled payments).

What is the difference between interest and principal?

Principal is the amount of money that you originally borrowed. If you are awarded a loan of \$4,000 then the principal of that loan will be \$4,000.

Interest is what you agree to pay in exchange for being able to use the money that you borrow. Interest is calculated as a percentage of the principal that you owe each year. WSFAC charges 5% interest/year. If you borrow \$4,000 and pay it back according to the 5 year schedule we will provide for you, then you will pay us \$529.10 in interest plus the \$4,000 we paid to your college or university. In other words you will pay us back a total of \$4,529.10.

How much of my payment is principal and how much is interest?

You can figure this out by going to <http://www.myamortizationchart.com/> or by looking at the payment schedule and quarterly statements that our account manager, Lynn Philbrick, will provide to you. The “loan term” of our loans is 5 years. The interest rate is 5%.

Is there a way to pay less interest?

If you pay more than your scheduled payment each month the extra money goes toward lowering your principal balance. Paying off your principal balance faster will result in paying less interest.

Why do I have to pay more than I borrowed?

When you borrow money you are using our money to pay your school tuition. There are costs and risks associated with loaning money so lenders (including WSFAC) do not loan money for free. When you agree to accept a loan you agree to pay back the money you were able to use as well as the interest and other fees (ex. late payment fees) that are associated with being able to use the money that you borrow.

Why does someone have to co-sign my loan?

When a person requesting a loan does not have any assets (such as a house, car, business, etc) the lender (in this case WSFAC) requires a co-signer who does have assets in order to guaranty the loan. ***The co-signer of your loan is responsible for your loan if you do not pay it.***

What is a Promissory Note?

A Promissory Note is a legally binding “promise”. By signing the Promissory Note you agree to borrow money from us AND to pay it back according to the terms in the note (which include interest payments and other fees if payments are late or unpaid). The Promissory Note needs to be signed in the presence of a Notary Public. We will not send money to your school if we do not have a completed, signed, notarized promissory note.

When do I need to pay back my loan?

You are required to make monthly payments beginning six months after you graduate or are no longer a full-time undergraduate student. The loan **MUST BE PAID WITHIN 5 YEARS** after you graduate or are no longer a full-time undergraduate student.

Can I defer my loan if I go to graduate school?

Payment of principal on outstanding loans can be deferred for a maximum of *two years* if a student is enrolled as a **full-time** graduate student. Interest only payments on the outstanding principal balance are still required during this time.

What if I cannot pay back my loan?

We depend on students who have benefitted from using our money to pay back their loans so that other students can benefit from our loans. **IT IS IMPORTANT THAT YOU PLAN AHEAD TO MAKE YOUR LOAN PAYMENTS WHEN THEY ARE DUE.** If you are unable to pay your loan, WSFAC will take all necessary steps to recover the money we loaned to you. These steps are outlined in your Promissory Note. Please keep in mind that lower monthly payments than those in your payment schedule will result in higher interest fees over the long haul. This means you wind up paying more for the money you borrowed. Also keep in mind that failure to pay your loan will have a considerable negative impact on both your credit rating and the credit rating of your co-signer, which can dramatically affect your future ability to borrow money. Finally, please remember that failure to pay your loan will make it harder for WSFAC to help students like you in the future. So, again, **IT IS VITAL THAT YOU PLAN AHEAD TO MAKE YOUR LOAN PAYMENTS WHEN THEY ARE DUE.**

Questions? Contact Sibylle Kinley (203) 762-9571, chairwsfac@gmail.com