

## Summarization of How Loans Work Loan Applicants Please Read

**Enrolled Interest Payments: (Paid during your enrollment in school)**

- Frequency:** (You select one of these options)
- 1- Annually - Payment to commence approximately one year from promissory note date
  - 2- Quarterly - Payment to commence approximately one quarter from promissory note date
  - 3- Monthly - Payment to commence approximately one month from promissory note date

**Amount of Payment:** Depends on principal amount borrowed

**Repayment Period:** 120 months in most cases; additional time when deemed appropriate

**Amount:** Up to \$5,000 per year; \$20,000 cumulative

**Interest Rate:** Your interest rate is \_\_\_\_\_. You are locked in at this rate during your enrollment period; rate is subject to reduction based on on-time payments once you enter principal repayment.

**Example A:** (Assuming completion of degree in 4 years)

	Amount	Interest Rate	Annual Payment	Monthly	Quarterly
Freshman	\$1,000.00	4.00%	\$40.00	\$3.33	\$10.00
Sophomore	\$1,000.00	4.00%	\$80.00	\$6.67	\$20.00
Junior	\$1,000.00	4.00%	\$120.00	\$10.00	\$30.00
Senior	\$1,000.00	4.00%	\$160.00	\$13.33	\$40.00
<b>Total Borrowed:</b>	<b>\$4,000.00</b>	<b>Total Enrolled Interest</b>	<b>\$400.00</b>		

**Example B:**

	Amount	Interest Rate	Annual Payment	Monthly	Quarterly
Freshman	\$2,500.00	4.00%	\$100.00	\$8.33	\$25.00
Sophomore	\$2,500.00	4.00%	\$200.00	\$16.67	\$50.00
Junior	\$2,500.00	4.00%	\$300.00	\$25.00	\$75.00
Senior	\$2,500.00	4.00%	\$400.00	\$33.33	\$100.00
<b>Total Borrowed:</b>	<b>\$10,000.00</b>	<b>Total Enrolled Interest</b>	<b>\$1,000.00</b>		

**Example C:**

	Amount	Interest Rate	Annual Payment	Monthly	Quarterly
Freshman	\$5,000.00	4.00%	\$200.00	\$16.67	\$50.00
Sophomore	\$5,000.00	4.00%	\$400.00	\$33.33	\$100.00
Junior	\$5,000.00	4.00%	\$600.00	\$50.00	\$150.00
Senior	\$5,000.00	4.00%	\$800.00	\$66.67	\$200.00
<b>Total Borrowed:</b>	<b>\$20,000.00</b>	<b>Total Enrolled Interest</b>	<b>\$2,000.00</b>		

In the final year of school, a borrower pays enrolled interest through the grace-end date. If you graduate in May, your separation date will be June 1 and your grace-end date will be sixty days later on August 1. You will be required to pay enrolled interest through August 1, your grace-end date. In many instances, it is likely that a portion of your final year's enrolled interest will appear on the first monthly bill of your repayment schedule. This amount of interest could be substantial particularly if you have paid enrolled interest on a yearly basis. Whatever the amount, you will need to be prepared to pay it in addition to the first monthly minimum amount.

Repayment of principal Plus Interest: Once your monthly repayment schedule commences, you will be paying both principal and interest. Again, you will have a 60-day grace period before beginning your monthly payback schedule. The amount of your monthly payment will depend on how much you borrow. You will receive a repayment agreement several months in advance of your graduation. It will provide the amount of your monthly payment, when the payments commence, and the number of payments. Borrowers in repayment are rewarded with interest rate reductions for on-time payments. For every 12 months of on-time payments, up to 72 months, the interest rate is reduced 1/4%.

## **STUDENT LOAN PROGRAM**

### **STATEMENT OF BORROWER'S RIGHTS AND OBLIGATIONS**

A loan is a serious obligation. It is important that you understand your rights and obligations when you receive a student loan. Please read this statement carefully. You may want to keep it with your file.

1. You must, without exception, report any of the following information to the Winston-Salem Foundation:
  - a) withdrawal from school
  - b) transfer to another school
  - c) reduction of your course load below half time status
  - d) a change in your name
  - e) a change in your address
2. Interest payments will be due annually, quarterly, or monthly while you are enrolled in school. The approximate amounts and dates of your interest payments will be indicated on your promissory note(s). You will receive interest invoices approximately twenty days before the due date from Campus Partners, the Foundation's billing agent, for your enrolled interest.
3. Repayment of the principal on your loan will be deferred while you are enrolled at least halftime at an institution of higher learning.
4. If you fail to pay interest, you drop out of school, or you default on monthly payments, the total loan may become due and payable immediately, and legal action could be taken against you and the guarantors of your promissory note.
5. The Winston-Salem Foundation is authorized to contact your school to obtain information regarding your student status, your year of study, your dates of attendance, graduation or withdrawal, your transfer to another school, or your current address.

**These amounts apply to your repayment phase of principal plus interest.** *(You are required to pay interest **only** during the time you are enrolled in school; that is, principal is deferred during your enrolled period.)*

**If you borrow:                      Minimum monthly amount during repayment is:**

0 - 500	\$25
501 - 1000	\$35
1001 - 2000	\$50
2001 - 3000	\$65
3001 - 4000	\$80
4001 - 8000	\$95
8001 - 9000	\$105
9001 - 10,000	\$115

Again, these are the minimum amounts you may pay. If you should decide you would like to pay more than the minimum amount per month, your loan will be paid off sooner and you will have paid less interest.

Loans in excess of \$10,000.00 will require larger monthly payments and/or additional repayment time as deemed appropriate.

### **Borrower Rewards Program**

Upon entering the repayment phase of both principal and interest, borrowers may be rewarded for on-time payments at a ¼% reduction of the interest rate at 12 month intervals concluding at the 72<sup>nd</sup> month as illustrated:

At:	12 mos. on time payments	¼% rate reduction
	24 mos. on time payments	same
	36 mos. on time payments	same
	48 mos. on time payments	same
	60 mos. on time payments	same
	72 mos. on time payments	same

Under this program, borrowers could receive an overall reduction of 1 ½% if the repayment time frame so corresponded. All borrowers will benefit to some degree regardless of the level of borrowing.

An “on-time” payment is defined as a payment received no later than 15 days after the due date. Late payments will disrupt interest rate reductions.

In addition, if borrowers elect to make their monthly payments by automatic draft from checking or savings during the repayment phase, they will qualify for a ¼% interest rate reduction. Insufficient funds in a checking or savings account will disrupt this interest rate reduction.