
B-W PLUS Loan

*An innovative financing option
at Baldwin-Wallace College for the parents of new students
entering during the 2004-05 academic year*

Interest-free loans up to \$15,000 per year available for qualified families

Plan now for your College expenses from freshman orientation to graduation.

Baldwin-Wallace College offers an innovative approach to educational financing that assists families in affording the cost of an undergraduate education. The **B-W PLUS Loan** is a federally guaranteed loan offered to parents to help pay for their dependent student's education. The College will subsidize all or a portion of the interest accruing on this loan while the student is attending Baldwin-Wallace as an undergraduate. The program's interest subsidies, fixed payments, and interest rate reductions combine to make this a more affordable and less expensive way for families to pay for a Baldwin-Wallace education.

Explore why this is a sensible option.

Interest-free while enrolled

Baldwin-Wallace College has made the commitment to pay all of the interest on this loan while the student is enrolled at B-W, if a family chooses a fixed payment option. For families who choose the graduated payment plan, the College will subsidize a significant portion of the interest that accrues. Additional amounts can be borrowed through the *unsubsidized* **B-W PLUS Loan Program** for families wishing to finance more than \$15,000 per year.

Who qualifies for the interest subsidy?

For those students who meet one of the three criteria listed below, the College will pay the interest subsidy of the **B-W PLUS Loan** during the student's active four-year undergraduate enrollment at B-W.

- 1) New, entering students who enroll at B-W during the 2004-2005 academic year who have demonstrated having either a high school 3.80 cumulative GPA or who are in the top 10% of their high school graduating class.
- 2) All new, entering students who enroll at B-W during the 2004-05 academic year who are not making application for financial aid and who have not received a B-W Presidential, Trustees, Deans or Scholars Award.
- 3) All new, entering students who enroll at B-W during the 2004-05 academic year who have made application for financial aid, but are receiving only a B-W Residency or Commuter Grant.

For those students who don't qualify for the interest subsidy payment feature of a **B-W PLUS Loan** under number 1 or 3, families may still choose to participate in the "fixed payment" plan of the unsubsidized **B-W PLUS Loan** program. Under the "fixed payment" plan program, the family is responsible for the interest payments on the **B-W PLUS Loan**, but by participating in the "fixed payment" plan, the annual cost of college at B-W can remain constant each year and the amount owed on the **B-W PLUS Loan** at the end of four years will be considerably less.

No payments until the spring semester of the student's freshman year

Because this is a Federal Parent Loan for Undergraduate Students (PLUS) loan, half of the principal is disbursed at the beginning of the fall semester, and half is disbursed at the beginning of the spring semester. The first payment will be due within 60 days after the second disbursement, almost a full year before the first payment is due.

Flexible payment options

The plan offers both graduated and fixed payment options. The graduated payment starts with smaller payments that increase as the parents borrow each year. The fixed payment stabilizes payments over the four years of attendance; even if parents borrow the same amount each subsequent year, the monthly payments do not increase. The fixed payment plan “locks” the monthly payment amount until the final loan disbursement, when the payment is adjusted for the duration of the loan period. The fixed payment option results in faster principal reduction (which in turn lowers the interest accrual that will become the responsibility of the family following the final loan disbursement). A family can pay on either plan or switch between these two plans if the family’s financial circumstances change.

Lower monthly payments than alternative payment plan options

Using a conventional tuition payment plan, a family that borrowed \$15,000 to finance their child’s college education for the coming year would expect to make 10 monthly payments of \$1,500 each, starting July 1, 2004. Borrowing \$15,000 with the **B-W PLUS Loan Program** would result in payments of \$600 a month during full-time enrollment at Baldwin-Wallace under the fixed payment plan; payments wouldn’t begin until the spring semester, 2005. With the graduated payment plan, payments would also begin in spring, 2005, at \$153 per month, and would then increase proportionally each year. Both payment options in the **B-W PLUS Loan Program** would result in smaller monthly payments plus more preparation (savings) time before payments commence.

Post Graduation Repayment Benefits

Families who use this program each year will have four loans (one for each year of school) when their student graduates. Each loan starts with a 10-year repayment; however these four separate balances may be consolidated into one loan, reducing monthly payments and, if desired, extending the repayment period. It is also possible to prepay this loan at any time without penalty in a lump sum or in higher monthly payments.

Low interest rates after graduation and an interest rate cap

After 48 consecutive on-time payments, the lender will reduce the interest rate by 2%. Families choosing the auto-debit option will benefit from an additional .25% interest rate reduction. **B-W PLUS Loan** interest rates are capped at 9%. These additional interest rate reductions effectively cap the interest at 6.75%. Most private educational loans do not cap the interest rate.

How does the B-W PLUS Loan Program work?

Each year, parents borrow a federal parent (PLUS) loan.* Payment begins in the spring term of the freshman year. The fixed payment schedule sets the monthly payment amount based on the highest amount borrowed. The graduated payment schedule will increase the payment amount annually each spring. By graduation, much of the first year’s loan principal will have been paid, as well as smaller amounts of principal from the subsequent years’ loans. Under the subsidized **B-W PLUS Loan Program**, the family will have paid *no* (under the fixed plan) or *little* (under the graduated plan) interest during that time. After the student’s graduation from Baldwin-Wallace, the separate loans can be consolidated and the repayment period extended for up to thirty years. Beginning with graduation, the loan subsidy ends and the family becomes responsible for the regular interest accrual. The **B-W PLUS Loan** has a variable interest set each July 1 and capped at 9%. On-time payments can result in interest rate reductions of up to 2%.

**Note: You are not required to borrow for all four years. Each year is treated independently. However, for financial planning purposes, most families will opt to borrow each year.*

How will it work for you?

- 1) Determine the amount you wish to borrow. You may borrow up to Baldwin-Wallace annual costs minus all other financial aid received. If you’ve applied for need-based financial aid, your award notice will inform you of your borrowing maximum.
- 2) Use the charts that follow to determine your options in fixed versus graduated payments.

| FIXED MONTHLY PAYMENT | | | GRADUATED MONTHLY PAYMENT | | | | |
|--|----------|---------------|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Assumes the same loan amount is borrowed each year; the fixed payment schedule will be based upon highest one-year principal borrowed</i> | | | <i>Assumes constant 4.22% interest rate (rate is variable, set each July 1) and that the same loan amount is borrowed each year</i> | | | | |
| Payment | | | Payment | | | | |
| From | To | Fixed Payment | Loan Amount per Year | Year 1 (starts spring '05) | Year 2 (starts spring '06) | Year 3 (starts spring '07) | Year 4 (starts spring '08) |
| \$500 | \$2,500 | \$150 | \$2,500 | \$50 | \$50 | \$50 | \$50 |
| \$2,501 | \$5,000 | \$200 | \$5,000 | \$51 | \$102 | \$153 | \$205 |
| \$5,001 | \$7,500 | \$300 | \$7,500 | \$77 | \$153 | \$230 | \$307 |
| \$7,501 | \$10,000 | \$400 | \$10,000 | \$102 | \$205 | \$307 | \$409 |
| \$10,001 | \$12,500 | \$500 | \$12,500 | \$128 | \$256 | \$384 | \$511 |
| \$12,501 | \$15,000 | \$600 | \$15,000 | \$153 | \$307 | \$460 | \$614 |
| \$15,001 | \$17,500 | \$700 | \$17,500 | \$179 | \$358 | \$537 | \$716 |
| \$17,501 | \$20,000 | \$800 | \$20,000 | \$205 | \$409 | \$614 | \$818 |
| \$20,001 | \$22,500 | \$900 | \$22,500 | \$230 | \$460 | \$690 | \$921 |
| \$22,501 | \$25,000 | \$1,000 | \$25,000 | \$256 | \$511 | \$767 | \$1,023 |

Fixed Payment Schedule

The highlighted example above illustrates an annual borrowing amount of \$15,000. Electing to pay according to a fixed payment schedule allows you to borrow the same amount every year while your monthly payment remains at \$600 (this will be adjusted after the final year's disbursement). Baldwin-Wallace will pay all of the accrued interest on principal balances of up to \$15,000 per year while your student is attending Baldwin-Wallace College. This means every penny you pay over the four years goes directly toward principal. Amounts borrowed in excess of \$15,000 will accrue regular interest charges and are considered to be part of the *unsubsidized B-W PLUS Loan*.

Graduated Payment Schedule

If you choose to pay under the graduated payment schedule as billed, your payment will increase each year as you borrow additional loans. For example, at current interest rates for a \$15,000 loan, your payment is about \$153 for the first year and increases to \$307, \$460, and \$614 for the second, third, and fourth years, respectively. Note that the interest rate is variable and payments will vary as interest rates fluctuate (the rate is set annually on July 1 and is based upon the 91-day T-bill plus 3.1%, capped at 9%).

Also, under federal loan disbursement guidelines, you don't start repayment on a loan until after it is fully disbursed. Consequently, your payments would not increase until the spring term (for example, the sophomore year loan will not enter repayment until spring of the sophomore year). Baldwin-Wallace will subsidize the interest accruing on this loan up to the capped amount we would subsidize on a fixed payment loan. Therefore, over the four years, Baldwin-Wallace pays a portion of the interest accruing, and your monthly payments will go toward principal and the interest that is not subsidized.

Remember: Baldwin-Wallace subsidizes the interest on principal amounts up to \$15,000. If you borrow beyond \$15,000, you are responsible for all interest accrued on the principal over \$15,000.

Additional Reasons to Consider this Approach

The **B-W PLUS Loan** provides an affordable monthly payment schedule. The fixed monthly payment option results in faster principal reduction and enables families to have four years of interest-free borrowing. Families who opt for the graduated payment plan benefit from reduced interest accrual due to the Baldwin-Wallace subsidy.

The program can help you finance four years of education and provides an alternative for managing college savings funds. While many families are judged to have sufficient resources to cover all or a large part of college costs based on the Expected Family Contribution calculated from the FAFSA, actually freeing up their resources to pay for college isn't always easily accomplished. Many families are comforted that they do not have to sell mutual funds or stock assets at this point, even though they may plan on repaying all or a portion of their loans with these assets at a later time. In the meantime, they are enjoying affordable terms of the **B-W PLUS Loan**.

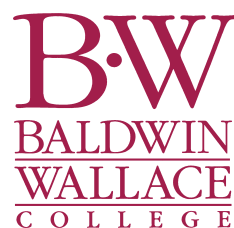
Significant savings are realized with both the subsidized and unsubsidized programs over the traditional PLUS program. The table below illustrates the savings the average family will enjoy under **B-W PLUS Loan**:

Interest rate 4.22% (July 2003); example assumes \$15,000 per year for four years

| | Regular PLUS Loan | B-W PLUS (Unsubsidized) Fixed Payment | B-W PLUS (Subsidized) Fixed Payment |
|------------------|--------------------------|--|--|
| Principal Paid | \$60,000 | \$60,000 | \$60,000 |
| Interest Paid | \$14,792 | \$ 9,294 | \$ 4,970 |
| Total Paid | \$74,792 | \$69,294 | \$64,970 |
| Borrower Savings | \$ 0 | \$ 5,498 | \$ 9,822 |

The **B-W PLUS Loan Program** provides flexibility in payment options to suit your budget. Additionally, you can combine this program with other family resources or with scholarship and need-based financial aid awards to make a high quality education affordable. Please also note that this loan must be in one parent's name and requires a credit check and U.S. citizenship or eligible non-citizenship; approval is solely based upon no adverse credit.

If you are denied this loan or are looking for other financing, we strongly encourage you to speak with our office regarding alternatives. We are here to help you understand all of your options and to assist you in devising a financing strategy for your family. For more information, please contact the Office of Financial Aid at 440-826-2108 or visit our Web site at <http://www.bw.edu/finaid>.



Office of Financial Aid
275 Eastland Road
Berea, OH 44017-2088
440-826-2108
440-826-8048 (fax)
finaid@bw.edu
www.bw.edu/finaid