On August 2, 2011, the President signed into law the Debt Ceiling Act, which along with increasing the federal debt ceiling, had some provisions that affect student loans for graduate students. First and foremost, we want to let you know that funding levels for graduate students are NOT affected; however, federal student loan funding will come at a slightly higher cost. Graduate students, who meet the requirements for federal student aid, will continue to receive Stafford Loans at the same levels. Those who choose to borrow a Graduate PLUS loan and meet the credit criteria will also continue to receive Graduate PLUS Loans at the same levels.

All changes mentioned below take effect as of July 1, 2012, and do not affect loans for 2011-12.

1. The first change is regarding the interest subsidy for Subsidized Stafford Loans. Beginning on July 1, 2012, there will be no subsidy, and thus, all Stafford Loans will be Unsubsidized. Instead of a maximum $8,500 Subsidized Stafford and a maximum $12,000 Unsubsidized Stafford, you will instead be eligible for a maximum $20,500 Unsubsidized Stafford annually. This means that the interest will begin accruing on the entire Stafford loan while a student is in school.

2. The second change is the loss of the ‘origination fee rebate’ all new Stafford and Graduate Plus loans for graduate students issued after July 1, 2012.
   - Stafford Loans: Currently there is a 1% fee on each Stafford Loan, and you receive a .5% upfront rebate. If you have a $20,500 Stafford Loan ($8,500 and $12,000), your bill is currently credited $20,398.00. Beginning on July 1, 2012, you will be charged the full 1% fee, which equates to $20,296.00 towards your bill.
   - Graduate Plus Loans: Currently there is a 4% fee on Grad Plus loans, and you receive a 2.5% upfront rebate. Beginning on July 1, 2012, you will be charged the full 4% fee.

3. The last change is the loss of the .25% interest rebate if you pay back your loans electronically, when in repayment, each month.

To remind you one more time, this change will go into effect for loans borrowed for the 2012-13 academic year beginning July 1, 2012.

As the financial aid community and the respective national associations learn more about all possible scenarios, we will keep you abreast of any finer details as they emerge. As always, we are available to meet with you personally to discuss how these changes affect your personal situation, or to discuss any other financial matters.