# The Ohio Centric Student Loan Program Program Manual

**Amended as of March 31, 2007**

**The Ohio Centric Student Loan Program**
**Program Manual**
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## Program Background

The Ohio Centric Student Loan Program ("Centric" or "the Program") was created in 2001 by action of the Ohio Legislature. The Program has two purposes: 1) To make or acquire low cost student loans for Ohio students and 2) To use the surplus generated by the program to fund scholarship and fellowship programs in Ohio.

The Program was designed to be a partnership of the Ohio Department of Development (ODOD), the Treasurer of State, the Ohio Board of Regents (OBR) and KnowledgeWorks Foundation (formerly, SLFC, Inc.). ODOD's role is to allocate tax exempt volume cap. The Treasurer of State serves as the issuer of the bonds to finance the student loans. OBR's role is to create and administer the scholarship and fellowship programs. KnowledgeWorks Foundation serves as administrator of the Program. Since 2002, KnowledgeWorks has out-sourced the administration of the Program to Kohne O'Neill, LLC, a firm that specializes in student loan consulting and program management.

## Financing for the Program

The program is financed using the proceeds of tax exempt bonds issued by the Treasurer of State. To-date, three series of bonds have been issued:

| Series | Amount |
|---|---:|
| Series 2001 | $39,400,000 |
| Series 2002 | $65,000,000 |
| Series 2006 | $50,000,000 |
| Total | $154,400,000 |

All of the bonds remain outstanding and are issued as auction rate securities. The interest rate on the bonds is reset every 35 days via an auction. The bonds carry the highest credit ratings from Moodys and Standard & Poors (the rating agencies) and are insured by AMBAC.

Principal payments received on student loans are also permitted to be used to funds loans, through dates approved by the rating agencies and the insurer. Currently, recycling is permitted through December 1,2008.

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## Eligibility

### *Eligible Borrowers*

- A student attending an Ohio Eligible School or an Ohio resident attending an out-of-state Eligible School, and who meets the eligibility requirements for Stafford or GradPLUS loans made under the Federal Higher Education Act of 1965, as amended.

- The parents of a student attending an Ohio Eligible School or an Ohio resident attending an out-of-state Eligible School, and who meets the eligibility requirements for PLUS loans made under the Federal Higher Education Act of 1965, as amended (HEA).

- A student attending an Ohio Eligible School or an Ohio resident attending an out-of-state Eligible School, and who meets the credit criteria under the Private Education Loan Program.

- Co-Borrowers of students who are residents of Ohio who meet the credit criteria under the Private Education Loan Program.

### *Eligible Lender*

A bank, national banking association, or other institution that meets the definition of an "eligible lender" under the HEA.

### *Eligible Loan*

- Federal Subsidized and Unsubsidized Stafford Loans
- Federal PLUS or GradPLUS Loans
- Federal Consolidation Loans
- Private Education Loans

### *Eligible School*

Institutions of higher education in the State of Ohio (or outside of Ohio if the borrower is an Ohio resident) that qualify for financial aid under the HEA.

### *Participating Seller*

An Eligible Lender, or other entity that has a beneficial interest in an Eligible Loan the legal title to which is in the name of an Eligible Lender, and that has entered into a Loan Sale Purchase Agreement with the Administrator.

# Financial Terms of Loans

### *Loan Amount*

Up to the aggregate limits under the HEA for subsidized and unsubsidized Stafford loans for undergraduate and graduate students. Up to the cost of attendance for PLUS and GradPLUS loans for parents and graduate students, respectively.

No additional loans Private Education loans are being made at this time.

### *Interest Rate Reductions*

For loans originally financed with the proceeds of the Series 2001 bonds:

- The Reduced Rate is 1.25 percent less than the Federal Statutory Rate and is effective immediately at repayment. Repayment begins at the end of the end if the grace period, usually 6 months after the student was last enrolled in school at least one-half time. The Reduced Interest Rate will remain in effect as long as all payments on the account are received and posted no later than 15 days beyond the payment due date. When the loan enters repayment, after 48 consecutive on-time payments, the Reduced Interest Rate cannot be lost so long as the State owns the loan, regardless of delinquencies that occur after 48 on-time payments, unless the account is paid off through a consolidation loan or goes into default and is assigned to the guaranty agency or the Federal government in which case the interest rate will revert to the Federal Statutory Rate.

- For Federal Consolidation Loans acquire with the proceeds of the Series 2002 bonds pursuant to a Loan Sale Purchase Agreement between the Program Education Lending Group, Inc., for Federal Consolidation Loans originated under the Program, and for Federal Consolidation Loans acquired under Loan Sale Purchaser Agreements with US Bank, the Reduced Rate is 1% less than the Federal Statutory Rate after the borrower has made 36 consecutive on-time payments. The Reduced Interest Rate will remain in effect as long as all payments on the account are received and posted no later than 15 days beyond the payment due date. When the loan enters repayment, after 36 consecutive on-time payments, the Reduced Interest Rate cannot be lost so long as the State owns the loan, regardless of delinquencies that occur after 36 on-time payments, unless the account is paid off through a consolidation loan or goes into default and is assigned to the guaranty agency or the Federal government in which case the interest rate will revert to the Federal Statutory Rate.

- Reduced Interest Rates do not apply to the Private Education Loans financed with the proceeds of the Series 2002 bonds.

### *Federal Statutory Rate*

Federal Statutory Rate on Stafford Loans means an interest rate that will be adjusted annually on July 1 and will be equal to the bond equivalent rate of interest of the  91-Day U.S. Treasury bills auctioned prior to the preceding June 1, plus 1) for Stafford Loans made before June 1, 1998, (a) 2.5% peer annum prior to the time the loan enters repayment and during any deferment periods, and (b) 3.1% per annum during repayment periods, but not to exceed 8.25% per annum and 2) for Stafford Loans made on or after July 1, 1998, (a) 1.7% per annum prior to the time the loan enters repayment and during any deferment periods, but not to exceed 8.25%.

Federal Statutory Rate on PLUS and GradPLUS Loans means an interest rate that will be adjusted annually on July 1 and will be equal to the bond equivalent rate of interest of the  91-Day U.S. Treasury bills auctioned prior to the preceding June 1, plus, 3.1% per annum during repayment periods, but not to exceed 9 % per annum.

The Federal Statutory Rate on Federal Consolidation Loans means an interest rate calculated as the weighted average Federal Statutory Rate on the loans being consolidated, rounded up to the next highest 1/8%.

### *Interest Rate on Private Education Loans*

The interest rate on Private Education Loans means either be a variable rate equal to the bond equivalent rate of interest of the 91-Day U.S. Treasury bills auctioned prior to the preceding June 1, plus, 3.25% per annum, adjusted quarterly, or a fixed rate of interest of 8.5%.  Borrowers chose their rate of interest at the time the loan is originated.  Borrowers choosing the fixed rate are permitted to defer the payment of interest during the in-school period.

### *Reduced Interest Rate Disqualification*

If a payment on any loan eligible for a Reduced Interest Rate is posted later than 15 days after the payment due date, the Reduced Interest Rate will be lost on all eligible loans of the Eligible Borrower and the interest rate will be the Federal Statutory Rate.

### *Monthly Payment*

The monthly payment on the loan will be calculated based on the Reduced Interest Rate.  This results in a lower monthly payment (but not less than the federally required $50 minimum monthly payment.

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### *ACH Payment Plan*

The ACH Interest Rate Benefit is .25% less than the Federal Statutory Rate or Reduced Interest Rate, whichever is on effect for the borrower. The ACH Interest Rate becomes effective during repayment and will remain in effect as long as the borrower remains eligible and is enrolled in the ACH plan to make automated payments from the borrower's bank account. Repayment begins at the end of the grace period. The ACH Interest Rate Benefit is available independent of the borrower can enroll in the ACH payment plan at any time, however, the borrower must have been initially eligible for the Reduced Interest Rate to receive this .25% interest rate reduction. Unsubsidized borrowers are not eligible for this program during the school or grace period. Private Education Loan Borrowers are not eligible for the ACH Interest Rate Benefit.

### *ACH Monthly Payment*

The monthly payment on the loan will not be adjusted as a result of the lower interest rate received while enrolled in the ACH Plan. Instead, the borrower will repay the loan more quickly than originally scheduled.

### *Disqualification*

The borrower loses the ACH interest rate permanently id three separate rejections occur in a twelve month period.

### *Origination and Servicing*

The Administrator has entered into loan origination and disbursement agreements with Great Lakes Educational Loan Services, Inc. and the Student Assistance Foundation of Montana for the origination, disbursement and servicing of Stafford, PLUS, GradPlus and Federal Consolidation Loans and with Sallie Mae Servicing Corporation for the servicing of the Private Education Loans. Additional servicer may be added by the Administrator as needed.

### *Loan Guarantors*

The Administrator has entered into loan guaranty agreements with Great Lakes Higher Education Guarantee Corporation and the Pennsylvania Higher Education Assistance Agency for the guarantee of Stafford, PLUS, GradPLUS and Federal Consolidation Loans

### *Repayment Terms*

The provisions of the HEA relating to Stafford, PLUS, GradPLUS and Consolidation loans will apply during the in-school, grace, deferment and forebearance periods.

The provisions of the promissory note signed by the borrower or co-borrower will apply to the Private Education Loans.

### ***Lender Participation***

Participating lenders may enter into a Loan Sale Purchase Agreement with the Program Administrator.