

## William D. Ford Federal Direct Loan Policy 2016-2017

**DEADLINES**

|        |                   |
|--------|-------------------|
| Fall   | November 10, 2016 |
| Spring | April 25, 2017    |
| Summer | June 26, 2017     |

Southwestern College participates in the William D. Ford Federal Direct Loan Program, formerly the Federal Family Education Loan (FFEL) Program. In this program, the US Department of Education lends the money directly to students through the student's school.

### A. Types of Loans

**Direct Subsidized Loans** provide low interest rates and are available to students who demonstrate financial need as determined by the information provided on the Free Application for Federal Student Aid (FAFSA). The Federal government pays the accruing interest on the loan while the student is attending school at least half time or during deferment.

**Direct Unsubsidized Loans** provide low interest rates and are available to all students regardless of financial need. The student's interest begins to accrue from the date the loan is disbursed, and payment is delayed if the student has an in-school, grace or deferment status. If the accruing interest is not paid, it will be added to the principal amount of the loan and increase the repayment amount. Students have the option of paying interest as it accrues, reducing the total cost of the loan.

**Experimental Sites Initiative (ESI) Participation.** Effective 2013-2014, Southwestern College has been approved by the US Department of Education to participate in an experimental initiative to reduce over-borrowing and risk of loan default. This allows us to eliminate Unsubsidized Loan eligibility for certain groups of students. This decision is final and cannot be appealed to the US Department of Education.

Based on this initiative, the following categories of students will not be eligible for Unsubsidized loans:

- **1ST YEAR, CALIFORNIA RESIDENT STUDENTS** - 1st year is defined as students who have completed less than 30 units in their current program of study, of which 24 units must be degree applicable.
- **STUDENTS WITH AGGREGATE LOAN DEBT OF \$12,500 OR MORE** - Students who have borrowed subsidized and unsubsidized loans with a combined total of \$12,500 or more (includes loans from all school attended).
- **STUDENTS WITH AN APPROVED SATISFACTORY ACADEMIC PROGRESS (SAP) APPEAL** - Students who were SAP disqualified, and then were approved for financial aid on approved appeal.

**Private/ Plus Loans** Southwestern College does not participate in the Alternative Private or PLUS Loan programs.

### B. Federal Loan Limits

Annual maximum loan limits are dependent upon financial aid eligibility, dependency status and grade level (including transfer units). A student's status as a dependent or independent is determined by information provided by the student to the US Department of Education on the FAFSA. Students who have "no need" (no financial aid need) and who do not qualify for the Subsidized Loan may be eligible for the Unsubsidized Loan.

| Dependent/Independent Students - Direct Loan Annual Limits  |                      |                                                         |                                        |                                                         |
|-------------------------------------------------------------|----------------------|---------------------------------------------------------|----------------------------------------|---------------------------------------------------------|
|                                                             | Subsidized           | Unsubsidized                                            | Yearly Maximum                         | No Need - Unsubsidized Only                             |
| <b>Grade Level 1:</b><br>0 to 29.9<br>completed units       | Dependent: \$3,500   | Dependent : \$2,000                                     | Dependent: \$5,500                     | Dependent : \$5,500                                     |
|                                                             | Independent: \$3,500 | Independent : \$6,000<br><b>Non resident only (ESI)</b> | Independent: \$9,500                   | Independent : \$9,500<br><b>Non resident only (ESI)</b> |
| <b>Grade Level 2:</b><br>30+<br>completed units             | Dependent: \$4,500   | Dependent: \$2,000                                      | Dependent: \$6,500                     | Dependent: Up to \$6,500                                |
|                                                             | Independent: \$4,500 | Independent: \$6,000                                    | Independent: \$10,500                  | Independent: Up to \$10,500                             |
| Aggregate Loan Limits - Maximum Total Outstanding Loan Debt |                      |                                                         |                                        |                                                         |
| Subsidized/Unsubsidized Aggregate                           |                      |                                                         |                                        |                                                         |
| Dependent Students                                          |                      |                                                         | \$31,000 (maximum \$23,000 subsidized) |                                                         |
| Independent Students                                        |                      |                                                         | \$57,500 (maximum \$23,000 subsidized) |                                                         |

### Dependent/Special Circumstances Unsubsidized:

- 2nd year Dependent student with Rejected FAFSA because parents refuse to provide information may borrow up to \$2,000 per academic year
- 1st year California resident student does not qualify due to ESI.

### E. Impact on Loan Limits

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**Subsidized Direct Loan Lifetime Eligibility.** Effective July 1, 2013, students who are considered new borrowers (students who have never borrowed a subsidized loan and those who previously borrowed and repaid a subsidized loan) will have a lifetime limit on subsidized loan eligibility of 150% of their declared academic program. The 150% limit is calculated using the required timeframe for each student's declared academic program. For example, a student enrolled in a two year Associate's degree program will be limited to three years of subsidized loan eligibility. Once a student reaches the 150% limit, there is no further eligibility for subsidized loans at a two year school. Students who transfer to a community college from a four year university and who have already borrowed three years (or more) of subsidized loans prior to transfer have reached the 150% limit and will not be eligible for additional subsidized loans. For additional information please refer to the following link:

<http://ifap.ed.gov/eannouncements/attachments/051613DirectSubsidizedLoanLimit150PercentAnnounce1Attach.pdf>

### C. Interest Rates

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The interest rates below are effective for all Direct Loans with a first disbursement on or after July 1, 2016.

Under the new interest rate structure, all Direct Loans will be "variable-fixed," meaning students would receive a new rate with each new loan, but then that rate is to be fixed for the life of the loan. There are also interest rate caps at 8.25% for Direct Subsidized Loans and Direct Unsubsidized Loans for undergraduate students.

The chart below shows the interest rates for Subsidized and Unsubsidized loan programs. Both types of loans have the same repayment terms and interest rates are fixed rates for the life of the loan.

|                           |                              | First Disbursement<br>on/After | First Disbursement<br>Before | 2015-16 Fixed<br>Interest Rate | Interest Rate<br>Cap |
|---------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|----------------------|
| Undergraduate<br>Students | Direct Subsidized<br>Loans   | 7/1/2016                       | 7/1/2017                     | 3.76%                          | 8.25%                |
| Undergraduate<br>Students | Direct Unsubsidized<br>Loans | 7/1/2016                       | 7/1/2017                     | 3.76%                          | 8.25%                |

### D. Fees

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Borrowers are required to pay an origination and insurance fee. These fees are deducted from the proceeds of the loan. For loans disbursed between July 1, 2015 and September 30, 2016, the origination fee is 1.068%. For loans disbursed on or after October 1, 2016 and before October 1, 2017, the origination fee is 1.069%.

## F. Application Process

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1. Complete the Free Application for Federal Student Aid (FAFSA) and any other required documents.
2. Receive an award letter and have been packaged for eligible aid.
3. Complete the Electronic Master Promissory Note.
4. Complete the Entrance Loan Counseling.
5. Submit a Direct Loan Request Form.

**FAFSA** Students are required to complete the Free Application for Federal Student Aid (FAFSA) prior to requesting a loan. Upon completion of the verification process, and award notification, students are informed on the award letter that they may be eligible for student loans and are instructed to contact the Financial Aid office.

**The Master Promissory Note (MPN)** is the legal document through which you promise to repay your Direct Loans and any accrued interest and fees to the US Department of Education. It also explains the terms and conditions of your loans, provides consumer information and your rights and responsibilities as a student borrower. A Direct Loan MPN can be used to make loans for up to ten (10) consecutive years. You may complete a Direct Loan MPN electronically or complete a paper application via the [www.studentloans.gov](http://www.studentloans.gov) website.

To complete a Direct Loan MPN electronically, you must have a Federal Student Aid (FSA) ID. The FSA ID is the same one used to complete the FAFSA. To apply for an FSA ID, if you do not already have one, or for customer service regarding a previously assigned FSA ID, visit [www.fsaidth.gov](http://www.fsaidth.gov).

**Loan Entrance Counseling** is required for students who are first time borrowers of subsidized or unsubsidized Federal Direct Loans and must receive counseling at or before Southwestern College can release the first loan disbursement. Entrance counseling helps ensure that the borrower understands the terms and conditions of the loan as well as his or her rights and responsibilities, before receiving the loan proceeds. Borrowers who do not complete an entrance counseling session will be unable to receive their federal education loan funding. Loan entrance counseling is available at [www.studentloans.gov](http://www.studentloans.gov). Students will need their FAFSA ID number to enter the website.

**The Confirmation Process** ensures that the borrower wants to apply for a Direct Loan. Southwestern College uses Active confirmation. Active confirmation is where students initiate the loan process by completing a loan application. Once students have been certified, Southwestern College uses the Passive confirmation for students who want to update their loan request either to increase or decrease their loan amount previously requested.

## F .Additional Eligibility Requirements

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- Direct loan payments will be made once students are actively **enrolled in and attending 6** or more units.
- Student must maintain continuous half-time enrollment for the entire loan period.
- Dropping or withdrawing below half time will result in cancelation of award/check and students may be eligible for a post withdrawal disbursement
- Southwestern College does not participate in Concurrent Agreement.
- Transferred units accepted at Southwestern college is counted towards units completed in determining grade level
- Loans are prorated if the student is enrolled in a program that is shorter than a n academic year.
- Loan requests must be submitted by the specified deadlines or request will not be processed.
- Students cannot receive a loan once the loan period has ended.
- Student must maintain Satisfactory Academic Progress (SAP) as defined by Southwestern College.
- Student must not be in Default on any Title IV Federal loan or owe an overpayment or repayment on any Federal Grant.

## G. Award and Disbursement

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**Loan Approval/Denial** The Financial Aid Office may deny, on a case-by-case basis, a loan application for a student who has been in default, who has demonstrated or is demonstrating poor academic progress, and/or if student already has a high cumulative student loan debt. For new students to the college and for students with a history of questionable academic or financial aid progress, the financial aid office reserves the right to verify student's actual attendance and progress in courses prior to loan approval. Poor attendance or progress may be a basis for denial of a loan or cancellation of a loan disbursement. The Financial Aid Office may also limit an individual student's approved loan amount based on a number of factors, including total cumulative debt, rate of academic progression related to debt incurred, and other considerations.

**Direct Loans Disbursement** Loans will be disbursed starting after the ADD/ROP period and is distributed in two separate installments. The student must be enrolled and attending in a minimum of six (6) units at the time of disbursement. **First year, first time borrowers who have not completed 30 units in their current academic program and first time borrowers at Southwestern College will have a 30 day delay after the semester starts before the first loan disbursement.** Student in short term courses must have at least 6 units of courses whose start dates have passed before funds can be released. Enrollment in late-start courses may affect the timing of a student becoming eligible to receive their loan funds depending on the number of units which began prior to the scheduled release date. Loan processing and disbursement will take approximately 4 to 6 weeks. Please visit our disbursement schedule at <http://www.swccd.edu/financialaid>.

**Right to Cancel or Adjust Loan Disbursements** Federal Direct Loan borrowers have the right to cancel or adjust all or a portion of their Federal Direct Loan and have their loan proceeds return to the holder of the loan. Students are notified of this on their award letter when the loan was certified. Students must notify the financial aid office within 14 days of receiving their funds by completing the Direct Loan cancellation form available at <http://www.swccd.edu/directloan>

## H. Leaving School or Dropping Below Half Time

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**Loan exit counseling** is required by federal law and must be completed by students who have taken out Federal loans to help pay for college. **This must be completed before the student graduates, leave school or every time the student drops below half-time enrollment.** Exit counseling provides important information needed to prepare to repay Federal loans and is available at [www.studentloans.gov](http://www.studentloans.gov). Students will need their FAFSA ID number to enter the website. Students will also be asked to provide the name, address, email address and telephone number for their next of kin, two references who in the United States and current, or expected, employer (if known). The student will take a short "exam" specific to their loan program. All questions on the exam must be answered correctly before the exit counseling is considered complete. **Students who do not complete exit counseling will have a hold placed on their records until the requirement is satisfied.** The hold prohibits a student from obtaining grade transcripts and/or diplomas and from registering for classes at Southwestern College. Once a student has completed the loan exit counseling requirement, the hold will be released.

**Grace period** begins when borrowers cease to be enrolled at an eligible school on at least a half-time basis. The repayment period for a Direct Subsidized Loan begins and interest starts to accrue the day after the grace period ends. This provision eliminates the interest subsidy provided during the six-month grace period for subsidized loans for which the first disbursement is made on or after July 1, 2012 and before July 1, 2014. If a student received a subsidized loan during this timeframe, they will be responsible for the interest that accrues while their loan is in the grace period. Direct subsidized loans are not eligible for an interest subsidy during the six month grace period after the student is no longer enrolled at least half time, or if the loan is in a deferment status. Payments are not required during the grace period (unless the student chooses to), but the interest will be added (capitalized) to the principal amount of their loan when the grace period ends.

**Consolidation** There may be advantages to consolidating (combining) your federal student loans into one loan, starting with the convenience of making a single monthly payment. Consolidation generally extends the repayment period, resulting in a lower monthly payment. This may make it easier for you to repay your loans. However, you will pay more interest if you extend your repayment period through consolidation since you will be making payments for a longer period of time. For more information about consolidation please refer to <https://studentaid.ed.gov/sa/>.

**Deferments/Forbearance** Deferment/forbearance is a temporary break from your regular student loan payments. You can request a deferment or forbearance from your lender for reasons of economic hardship, unemployment, temporary disability, and returning to school half-time or more. In the case of a subsidized student loan, a *deferment* does not accrue interest, whereas you are responsible for paying the interest during periods of *forbearance*. If you have unsubsidized federal loans from previous institutions, they will always accrue interest. For additional information please visit <https://studentloans.gov>

**Loan Forgiveness** Although there are some loan forgiveness programs for teachers (inquire with your lender), the vast majority of borrowers are required to pay their loans in full. The Department of Education does forgive loans in cases of total and permanent disability as certified by a doctor. Please note, loan forgiveness for total and permanent disability is very rare and may prohibit you from receiving federal financial aid in the future. Student loans are rarely forgiven if the borrower declares bankruptcy. For additional information please visit <https://studentloans.gov>

**Loan Services** Visit <https://studentloans.gov> to view information about all of the federal student loans you have received and to find contact information for the loan servicer or *lender* for your loans.

**Default** Failure to make regularly scheduled payments on student loans can lead to a defaulted loan and can impact your financial aid and future credit. If you are having difficulties paying your loan you may apply for a deferment. Deferment options can be viewed and downloaded at <https://studentloans.gov>.

### **Preventing Student Loan Default:**

#### **1. Set up Automatic debit to your loan payment**

Setting up automatic payments will relieve you of having to remember to send payment each month. Arrange for a payment date immediately after you get paid each month to avoid bouncing your payment to your lender. You can arrange for automatic payments for your Mesa College Federal Direct Loan at this website: <https://studentloans.gov>

#### **2. Keep your address up-to-date with your lender.**

Your lender cannot alert you of a problem with your account if they cannot find you. Be sure to notify your lender every time your address or phone number changes. It may also be helpful to provide your lender with your email address. If you are planning to leave the country it is an excellent idea to provide your lender with an alternative way to keep in touch with you, for example by email or by corresponding with a relative. You are responsible for making your payments each month, even if you do not receive a bill.

#### **3. Tell your lender if you cannot afford to make your payment.**

Your lender will not know that you cannot afford to make a payment unless you notify them. Your lender will likely be able to offer you a solution that will provide relief from your payments and protect your credit.

#### **4. If you return to school, notify your lender.**

If you return to school at least half time you can defer your student loan payments (on loans received after 7/1/1993). However, your lender will not be automatically notified that you have returned to school. **You are responsible for notifying your lender.** If your student loan goes into default while you are in school, your lender does not have to clear any negative credit reporting associated with your default.

#### **5. Do not avoid your lender.**

If your lender is attempting to contact you because you are past due, they are not calling to scold you. Rather, they wish to inform you of the status of your account and possibly to offer you solutions to bring your account current. Avoiding the issue of a past due student loan will not make the problem go away. In fact, avoiding your lender will likely escalate the seriousness of your default. L

#### **6. Plan your borrowing carefully.**

Cutting back on your spending now can save you money and stress later. If you budget carefully, you may find that you do not need to take out a student loan. The best way to avoid student loan default is to avoid taking out a loan in the first place. If taking out a loan is unavoidable, borrow as little as possible. ,