

William D. Ford Federal Direct Loan Policy
2020-2021

<u>DEADLINES</u>	
Fall	November 25, 2020
Spring	May 14, 2021
Summer	June 24, 2021

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.

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. Beginning 2013-2014, Southwestern College was 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. 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.

Decisions regarding the unsubsidized loan initiative cannot be appealed to the US Department of Education. Students with truly extraordinary circumstances can write an appeal to the Direct Loan coordinator explaining their need for the loan. Submission of an appeal is not a guarantee of approval.

Private/Plus Loans Southwestern College does not participate in any alternative/private or PLUS Loan programs. Applications for such loans will not be certified.

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. See **Annual and Aggregate Loan Limits** below. Dependent students whose FAFSA is rejected because they did not include parent information may be allowed to borrow up to \$2,000 for the academic year from unsubsidized loan only. This is assuming the student is actually eligible to borrow unsubsidized loan (see **Direct unsubsidized Loans** above).

The **minimum** loan that Southwestern College will certify is \$100. Students with less than \$100 of eligibility will not receive a loan.

Annual and Aggregate Loan Limits

Annual loan limits	Subsidized maximum	Combined Sub / Unsub maximum
Grade level 1 (0 to 29.9 units completed)*	Dependent: \$3,500 Independent: \$3,500	Dependent: \$5,500 Independent: \$9,500
Grade level 2 (30 or more units completed)*	Dependent: \$4,500 Independent: \$4,500	Dependent: \$6,500 Independent: \$10,500
Aggregate loan limits	Subsidized maximum	Combined Sub / Unsub maximum
Dependent Students	\$23,000	\$31,000
Independent Students	\$23,000	\$57,500

- Grade level is based on units either earned at Southwestern College or already transferred and accepted to Southwestern College. Students for whom our records show less than 30 units earned at Southwestern College or already transferred to Southwestern College will be considered Grade level 1 for loan purposes. Units taken at other colleges previously and not yet transferred to Southwestern College will not be considered.

Impact on Loan Limits

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.

Interest Rates

The interest rates below are effective for all Direct Loans with a first disbursement on or after July 1, 2020.

Under the interest rate structure, all Direct Loans are "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 on/After	First Disbursement Before	2020-21 Fixed Interest Rate	Interest Rate Cap
Direct subsidized loans	7/1/2020	7/1/2021	2.75%	8.25%
Direct unsubsidized loans	7/1/2020	7/1/2021	2.75%	8.25%

Fees

Borrowers are required to pay an origination and insurance fee. These fees are deducted from the proceeds of the loan. For 2020-21 loans **disbursed** before October 1, 2020, the origination fee is **1.059%**. For loans **disbursed** on or after October 1, 2020, the origination fee is **1.057%**. If your loan is certified prior to the October fee change date, but cannot be disbursed prior to October 1 (ex. missing promissory note, Entrance Counseling not complete, etc.), then your loan will be cancelled and reinstated with the new fees.

Direct Loan Process, Step by Step

1. Complete the Free Application for Federal Student Aid (FAFSA) and any other required documents.

Students are required to complete the Free Application for Federal Student Aid (FAFSA) prior to requesting a loan.

2. Receive an aid eligibility notice and have been packaged for eligible aid.

Upon completion of the verification process and award notification, students are informed of potential eligibility for student loans.

3. Complete the Loan Entrance Counseling.

Students who have not previously borrowed Direct Loans at Southwestern College are required to complete Loan Entrance Counseling prior to receiving any student loan. Loan 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 Loan Entrance Counseling will be unable to receive their Direct Loan(s). Loan Entrance Counseling is available at www.studentaid.gov. Students will need their Federal Student Aid (FSA) ID to log in. The FSA ID is the same one used to complete the FAFSA. To apply for a new FSA ID, or for questions about an existing FSA ID, visit <https://fsaid.ed.gov/npas/index.htm>.

4. Complete the electronic Master Promissory Note.

The electronic 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.studentaid.gov website. To complete a Direct Loan MPN, you must have a Federal Student Aid (FSA) ID.

5. Submit a Direct Loan Request Form by the stated deadline.

The Direct Loan Request Form must be submitted to indicate which loan(s) the student wants to receive (subsidized and/or unsubsidized) and how much for each. Unsub loans are not certified unless subsidized loan is exhausted first or the student is ineligible. Not all students will qualify for unsubsidized loan- see **Experimental Sites Initiative** above. Printed request forms must be submitted to the Financial Aid Office in person or by mail by the **Direct Loan award cutoff date** for the desired month or term as specified in the Disbursements section of our website: <http://www.swccd.edu/index.aspx?page=2723>. Request forms received after this date will be processed for the following month or term. Loan request forms may not be emailed. **Loan certification is NOT completed automatically- Southwestern College will not certify a loan for a student without their explicit request using this form.**

6. Check WebAdvisor for updates on loan processing.

Once the loan request is received, it will be certified within 3-4 weeks. Disbursements are made twice a month during the fall and spring terms, and once during summer. See **Direct Loans Disbursement** below for details. Once the loan is certified, you will receive a revised aid eligibility notification listing the loan amount(s), and a Loan Origination Record (LOR) will be sent to the Department of Education for processing. Once the Department receives the LOR, they will assign your loan to a federal Direct Loan servicer. This servicer will act as your lender until the loan is repaid. They will send you a disclosure notice, verifying the loan amount, type, and other information. **Keep this disclosure for your records-** it contains important information including contact information for your servicer. You will be contacted by your Direct Loan servicer when you graduate or drop below half-time regarding loan repayment information. Be advised that the stated "Disbursement Dates" cited in the LOR are estimates only, as the LOR is prepared prior to disbursement, and the actual dates of disbursement may be different.

For various reasons, the Financial Aid Office may certify your loan for a smaller amount than was requested. This can occur because of reduced eligibility due to your Cost of Attendance and other aid, the amount of loan already used in the academic year, or other reasons. The Financial Aid Office is also empowered under federal law to refuse to certify your loan altogether. Students whose loans are certified for a smaller amount or not certified at all will be notified within a reasonable time frame.

Additional Eligibility Requirements

- Students must maintain Satisfactory Academic Progress (SAP) as defined by Southwestern College.
- Students must not be in default on any Title IV Federal loan or owe an overpayment or repayment on any Federal Grant.
- Students must be enrolled at least half time to be eligible for Direct Loans. Half time at Southwestern College is defined as 6 or more Title IV units per semester, including summer.
- Students must maintain continuous half-time enrollment for the entire loan period. Dropping or withdrawing below half time will result in cancelation of award/check.
- Previous college coursework 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 one academic year.
- Loan requests must be submitted by the specified deadlines or request will not be processed.
- Loans must generally be disbursed within the loan period. Disbursements made after the loan period has ended are rare and subject to additional requirements.

Award and Disbursement

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 Loan Disbursement Disbursements at Southwestern College are made once a month. **Loans will be disbursed starting after the ADD/DROP period and are distributed in two separate installments, usually half in fall term and half in spring.** The student must be enrolled and attending in a minimum of six (6) Title IV 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 Title IV 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>. Check the disbursements schedule to see when requests must be submitted in order for your loan to be disbursed for a given month.

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 www.swccd.edu/faloans

Leaving School or Dropping Below Half Time

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 halftime enrollment.** Exit counseling provides important information needed to prepare to repay Federal loans and is available at www.studentaid.gov. Students will need their FSA ID credentials to log in. 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, they must notify the Financial Aid Office before 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/>

Deferments/Forbearance Deferment/forbearance is a temporary break from your regular student loan payments. You can request a deferment or forbearance from your Direct Loan servicer 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://studentaid.gov>

Loan Forgiveness Although there are some loan forgiveness programs for teachers (inquire with your Direct Loan servicer), 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://studentaid.gov>

Loan Services Visit <https://studentaid.gov> to view information about all of the federal student loans you have received and to find contact information for the Direct 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://studentaid.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 Direct Loan servicer. Contact your Direct Loan servicer to make repayment arrangements.

2. Keep your address up-to-date with your Direct Loan servicer.

Your Direct Loan servicer cannot alert you of a problem with your account if they cannot find you. Be sure to notify your Direct Loan servicer every time your address, email address or phone number changes. If you are planning to leave the country it is an excellent idea to provide your Direct Loan servicer 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 Direct Loan servicer if you cannot afford to make your payment.

Your Direct Loan servicer will not know that you cannot afford to make a payment unless you notify them. Your Direct Loan servicer 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 Direct Loan servicer.

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 Direct Loan servicer will not be automatically notified that you have returned to school. **You are responsible for notifying your Direct Loan servicer.** If your student loan goes into default while you are in school, your Direct Loan servicer does not have to clear any negative credit reporting associated with your default.

5. Do not avoid your Direct Loan servicer.

If your Direct Loan servicer 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 Direct Loan servicer will likely escalate the seriousness of your default.

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, or that you don't need to borrow as much. 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.

150% Loan Limit (Subsidized Usage Limit Applies/SULA)

Effective July 1, 2013, students will lose the subsidy of existing loans if they do not complete their program of study within 150% of the published length of the program.

Examples of 150% limit:

- Two-year associate degree: Three years of eligibility (150% of 2 years = 3 years).
- Four-year bachelor's degree: Six years of eligibility (150% of 4 years = 6 years).
- One-year certificate: One-and-a-half years of eligibility (150% of 1 year = 1.5 years).

What happens if you reach your limit

If you reach your limit while you're still enrolled in school, there are two consequences:

- You're no longer eligible to take on any additional subsidized loans, but you MAY still be eligible to borrow unsubsidized loans.
- You lose the interest subsidy on any loans you currently have. That means any existing subsidized loans you have will begin to accrue interest. For the rest of the time you're in school and during the grace period, the loan will continue to accrue interest that will be added to the total amount you owe when repayment begins.

The Department of Education determines when and if students have exceeded their SULA limits. For more information, go to www.studentaid.gov