

## Federal Direct Loans

Spartanburg Community College participates in the William D. Ford Direct Loan (DL) Program. This is a low-interest fixed-rate loan available from the federal government in two versions:

- **Subsidized:** A subsidized loan is awarded on the basis of financial need. Students are not charged any interest before repayment begins or during authorized periods of deferment. The federal government "subsidizes" the interest during these periods.
- **Unsubsidized:** A unsubsidized loan is not based on financial need, and you are charged interest on the loan as soon as the funds are disbursed. You may defer payment on the interest until you have finished school, but the interest will be capitalized—that is, it will be added to the amount you owe and additional interest will be based on that higher amount.

### Applying for Loans:

Federal Direct Subsidized and Unsubsidized Stafford Loans are used to assist in paying for college expenses. These loans are in the student's name, and the student is responsible for repaying them after leaving school or dropping below half-time enrollment. Check current interest rates (rates are subject to increase July 1). See information and explanation for interest rates for federal loans here: <https://studentaid.ed.gov/sa/types/loans/interest-rates>

Complete the steps below to apply for the Federal Direct Student Loan:

1. Complete a [FAFSA](#) for the relevant aid year if you have not already done so.
2. Complete your online [Entrance Counseling](#) – Once online, sign in using your FSA ID and complete the Entrance Counseling Session.
3. Complete an electronic [Master Promissory Note](#) (eMPN) – Once online, sign in using your FSA ID and sign your Master Promissory Note.
4. Complete SCC's Loan Request Form and submit to the Financial Aid Office.

### Loan Request Forms:

Applying for Spring 2019 or Summer 2019 use this form:

[2018/2019 William D. Ford Federal Direct Student Loan Request Form](#)

Applying for Fall 2019, Spring 2020 or Summer 2020 use this form:

[2019/2020 William D. Ford Federal Direct Student Loan Request Form](#)

Note: All four of these steps must be completed successfully before a Federal Direct Stafford Loan award will be offered to you.

### Basic Eligibility:

Basic eligibility for a federal student loan: A student must be enrolled in an approved degree, diploma, or certificate program and registered for at least six credit hours during the semester(s) during which loan funds are received. The student must also meet all general eligibility requirements for federal aid. All of these criteria must be met at the time of the loan disbursement each semester.

### Loan Limits:

#### Loan Limits Per School Year:

The amount a student can borrow per academic year will depend upon enrollment and dependency status. The amounts indicated below are the maximum amounts a student may borrow in both subsidized and unsubsidized loans for the entire academic year, including the summer semester.

<u>Dependent Students</u>	<u>Base</u>	<u>Additional Unsubsidized</u>
Freshman (0-29 credits)	\$3,500	\$2,000
Sophomore (30+ credits)	\$4,500	\$2,000

<u>Independent Students</u>	<u>Base</u>	<u>Additional Unsubsidized</u>
Freshman (0-29 credits)	\$3,500	\$6,000
Sophomore (30+ credits)	\$4,500	\$6,000

- \* Students may be awarded less than the full year limit each year depending on cost of attendance and other aid.
- \* Students dependency status is determined by the Free Application for Federal Student Aid (FAFSA).
- \* Students grade levels are determined by the credit hours completed in their active program of study.

**Lifetime Loan Limits:**

The aggregate loan limit is the maximum total loan debt a student may borrow as an undergraduate student. The aggregate loan limits include any Subsidized Federal Stafford Loans or Unsubsidized Federal Stafford Loans you may have previously received under the Federal Family Education Loan (FFEL) Program. As a result of legislation that took effect July 1, 2010, no further loans are being made under the FFEL Program.

<u>Aggregate Loan Limits</u>
Dependent Students: \$31,000 (of which \$23,000 can be subsidized)
Independent Students: \$57,500 (of which \$23,000 can be subsidized)

If you reach your subsidized limit before reaching your combined limit, you can still be awarded unsubsidized loans until the combined loan limit is reached.

**Subsidized Borrowing Limitations - SULA (Subsidized Usage Limit Applies):**

If you are a first-time borrower on or after July 1, 2013, there is a limit on the maximum period of time (measured in academic years) that you can receive Direct Subsidized Loans. This time limit does not apply to Direct Unsubsidized Loans. If this limit applies to you, you may not receive Direct Subsidized Loans for more than 150 percent of the published length of your program of study. This is called your “maximum eligibility period.” Your maximum eligibility period is generally based on the published length of your current program. You can find the published length of your program of study in the college catalog. Your maximum eligibility period can change if you change to a program that has a different length. Direct Subsidized Loans borrowed for a previous program will count toward your current program limit.

Example: The Associate in Science (University Transfer Program) in the 2017/2018 has a published minimum length of 64 academic weeks. An academic year at SCCSC is 47 weeks. A week is equal to 7 days. The Subsidized Usage Limit for a student who first borrowed after July 1, 2013 in this program would be calculated as follows:

$$\frac{\text{\# of days in weeks in program}}{\text{\# of days in Title IV academic year for the program}} = \text{Length (X) 1.5} = \text{Maximum Subsidized Length (nearest tenth)}$$

$$\frac{64 \times 7 = 448}{47 \times 7 = 329} = 1.36 \text{ (program length)} \quad (\text{X}) \quad 1.5 = 2.04 \text{ (nearest tenth is 2.0)}$$

For SULA this equates to 1.361 year length and 2 years subsidized loan eligibility.

## College Catalog

Once a student loan borrower has reached the 150 percent limitation, his or her eligibility for an interest subsidy also ends for all outstanding subsidized loans that were disbursed on or after July 1, 2013. At that point, interest on those previously borrowed loans would begin to accrue and would be payable in the same manner as interest on unsubsidized loans.

### Quick Facts about Loan Subsidy Limits:

1. Students may receive Direct Subsidized loans for no more than 150% of the length of the current academic program.
2. Once a student reaches the 150% mark in a particular program, their future subsidized loan eligibility in that program will end. They may, however, be eligible for unsubsidized loans.
3. A student who reaches the 150% limitation will have their interest subsidy end for all outstanding subsidized loans if the student does not graduate and continues to be enrolled in the same or a shorter undergraduate program. Repayment does not begin, but like unsubsidized loans, the student (rather than the government) would become responsible for interest that accrues from this point forward.
4. Unlike other measures in determining continued aid eligibility, this provision is not affected by the total dollar amount borrowed. Any and all periods of subsidized loan borrowing will count against the 150%-time limit.
5. This policy is in addition to, and not in place of, the lifetime aggregate loan limits that are currently in place.

### **Cancellation of Loans:**

Federal Student Loans may be cancelled if the borrower withdraws from classes or drops below half time enrollment (6 credit hours in the student's active program of study) during the loan period. Federal Student Loans may be cancelled or reduced by the borrower by way of written request to the Financial Aid Office.

### **Direct Loan Exit Counseling:**

Students who have graduated, withdrawn or drop below half time enrollment who have received Federal Direct Loans must complete Exit Counseling on <http://studentloans.gov/>.

### **Loan Repayment:**

Once a student graduates, leaves school, or drops below half-time status, the student will have six months before beginning repayment. Loan payments will be made directly to the student's loan servicer.

### **Payment Plans:**

[Repayment Estimator](#) is a tool that William D. Ford Federal Direct Loan (Direct Loan) and Federal Family Education Loan (FFEL) program borrowers can use to obtain preliminary repayment plan eligibility information and estimated repayment amounts. This easy-to-use tool offers borrowers the opportunity to obtain preliminary repayment information across all of the repayment plans. Its advantage over repayment plan-specific calculators is that it provides side-by-side results for all plans and information about the total cost of a loan over time. The new repayment estimator is available for borrower use on <http://studentloans.gov/>.

The US Department of Education offers several different repayment plans. The student borrower should select the plan that best fits their individual situation. The Repayment Estimator If the student does not select a repayment plan prior to entering repayment than the loan will be under the Standard Repayment Plan (payments are a fixed amount that ensures your loans are paid off within 10 years).

Borrowers can change their repayment plan at any time – for free by contacting their loan servicer. For more information on repayment plans please review: <https://studentaid.ed.gov/sa/repay-loans/understand/plans#direct-and-ffe>

### **Options to Postpone Federal Student Loan Payments:**

- Alternative Payment Plan – Some borrowers qualify for other special payment plans such as Income Sensitive, Graduated, or Lowered Payment Plans.
- Deferment: a postponement of payment on a loan, during which interest does not accrue if the loan is subsidized. You may qualify for a deferment while you are:
  - Enrolled at least half time in an eligible post-secondary school or studying full time in a graduate fellowship program or an approved disability rehabilitation program.
  - Unemployed or meet our rules for economic hardship (limited to 3 years).
  - You may also be eligible for a deferment based on qualifying active duty service in the U.S. Armed Forces or National Guard.
- Forbearance: allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments. Some common reasons for getting forbearance are:
  - Illness or injury to self or immediate family
  - Financial hardship
  - Serving in a medical or dental internship or residency.
- Consolidation – by consolidating your student loans, you might be able to reduce your monthly payments. Contact your lender or servicer for more information. Visit <https://studentloans.gov/myDirectLoan/launchConsolidation.action> for more information.

To postpone payment on federal student loans, the borrower should contact their lender or servicer for more information about these options.

*Something to keep in mind if utilizing a deferment or forbearance is only a temporary suspension of your monthly payments. In most cases, the interest on your student loans continues to accrue during this time.*

### **What is Default?**

Default means failure to honor the repayment agreement of a loan. That includes failure to make payments on time, failure to make payments in the correct amount, or failure to file deferment requests properly or on time.

#### **Consequences of Default:**

After a student's loan has defaulted, the entire balance becomes due and the student is no longer eligible for any Title IV financial aid.

Other consequences of default may include:

- Reporting the default to all national credit bureaus.
- Withholding of a percentage of your wages until the debt is paid in full.
- Adding collection and attorneys' fees to the balance of your loan(s).
- Seizure of your IRS tax refund by the guarantor or U.S. Department of Education.

### **Student Loan Code of Conduct:**

[https://www.sccsc.edu/uploadedFiles/Pages/Costs\\_and\\_Financial\\_Aid/Financial\\_Aid\\_Information/Financial\\_Aid\\_PDFs/Student-Loan-Code-of-Conduct.pdf](https://www.sccsc.edu/uploadedFiles/Pages/Costs_and_Financial_Aid/Financial_Aid_Information/Financial_Aid_PDFs/Student-Loan-Code-of-Conduct.pdf)

### **Student Loan Ombudsman:**

The Federal Student Aid Ombudsman of the Department of Education helps resolve disputes and solve other problems with federal student loans.

Contact Information for the FSA Student Loan Ombudsman's Office:

On-line assistance: <http://studentaid.gov/repay-loans/disputes/prepare>

Telephone: (877) 557-2575 (toll free)

Fax: (606) 396-4821

Mail:

FSA Ombudsman Group

P.O. Box 1843

Monticello, KY 42633