

**William D. Ford Federal Direct Loan Policy
2023-2024**

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: 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: 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.

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 from unsubsidized loan only. Such students must contact the Financial Aid Office and request instructions directly from the loan specialist.

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 | Dependent: \$5,500 |
| | Independent: \$3,500 | Independent: \$9,500 |
| Grade level 2 (30 or more units completed)* | Dependent: \$4,500 | Dependent: \$6,500 |
| | Independent: \$4,500 | 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.***

Interest Rates

The interest rates below are effective for all Direct Loans with a first disbursement on or after July 1, 2023.

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 | 2023-23 Fixed Interest Rate | Interest Rate Cap |
|---|-----------------------------|---------------------------|-----------------------------|-------------------|
| Direct subsidized or unsubsidized loans | 7/1/2023 | 7/1/2024 | 5.50% | 8.25% |

Fees

Borrowers are required to pay an origination and insurance fee. These fees are deducted from the proceeds of the loan. For 2023-23 loans **disbursed** before October 1, 2023, the origination fee is 1.057%. For loans **disbursed** on or after October 1, 2023, the origination fee is 1.057% (*no change this year*). 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 (*not applicable this year due to no fee change*).

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 in and attending 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.** Students 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 loans must be accepted and other steps completed in order for your loan to be disbursed for a given month.

Right to Cancel or Reduce Loan Disbursements Federal Direct Loan borrowers have the right to cancel or reduce all or a portion of their Federal Direct Loan and have their loan proceeds return to the holder of the loan. Students must notify the Financial Aid Office **within 14 days of the loan(s) being credited to their SWC accounts** by completing the Direct Loan Cancellation Form available at www.swccd.edu/faloans. Students wishing to return any portion of their loan(s) after this period would need to contact their loan servicer about making payments.

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. Activate your desired Direct loan(s) by the deadline

Direct loans must be activated from your Financial Aid Award Package on WebAdvisor 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 for subsidized loan. Loans must be activated 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>. Loans accepted after this date will be processed for the following month or term. Loans not yet accepted by the deadline for the final disbursement in a given period (ex. the December deadline for fall term or the May deadline for spring or for the school year) may not be disbursed at all.

Loan certification is NOT completed automatically- Southwestern College will not certify a loan for a student without their explicit acceptance on WebAdvisor. Loans may be accepted for a lower amount than offered (but not less than \$100). If you do not accept the maximum amount offered, and later wish to increase your loan, you will need to contact the Financial Aid Office.

4. 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://studentaid.gov/fsa-id/sign-in/landing>.

5. Complete the Master Promissory Note

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. Borrowers who do not complete an MPN will be unable to receive their Direct Loan(s). You may complete a Direct Loan MPN online via the www.studentaid.gov website. To complete a Direct Loan MPN, you must have a Federal Student Aid (FSA) ID.

6. Check WebAdvisor for updates on loan processing

Once a loan is accepted, it will be exported to the Department of Education within 2-4 weeks. Disbursements are made once a month during the fall and spring terms, and once during summer term. See **Direct Loans Disbursement** below for details. Once the loan is certified, 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.

Students who accept unsubsidized loan whose subsidized loan is not at the maximum will have their subsidized loans first increased to the maximum if needed and unsub used to fulfill any remaining requested total.

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 for loan purposes at Southwestern College is defined as 6 or more Title IV units per semester, including summer, and including veteran students, EOP students, and students with DSS accommodations.** Classes already taken twice or more previously are *not* counted for Title IV credits. Classes added after the semester Pell Recalculation Date or “Freeze Date” are *not* automatically counted for loan purposes, and require a manual override. It is *your* responsibility to contact the Financial Aid Office if you add classes after Freeze date. See <https://www.swccd.edu/admissions-and-financial-aid/financial-aid/financial-aid-information/freeze-date.aspx> for details.
- Students must maintain continuous half-time enrollment for the entire loan period. Withdrawing or dropping below half time for any reason may result in cancellation of any undisbursed loans, and a restriction will be placed on your record until you complete required Loan Exit Counseling, even if you plan to enroll again later half time or more. **Half time is defined at 6 units per term, no exceptions.**
- Previous college coursework at Southwestern College is counted towards units completed in determining grade level IF applicable units have been transferred to and accepted by SWC.
- Loans may be prorated if the student is enrolled in a program that is shorter than one academic year.
- Loans must be activated by the specified deadlines or request will not be processed for that disbursement period.
- Loans must generally be disbursed within the loan period. Disbursements made after the loan period has ended are rare and subject to additional requirements.

Loan Repayment, Leaving School, or Dropping Below Half Time

Loan exit counseling: 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, leaves school or every time the student drops below half time enrollment.** This is required even if you plan to enroll again later half time or more. 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 are required to complete exit counseling will have a hold placed on their records until the requirement is satisfied.** The hold prohibits a student from registering for classes at Southwestern College.

Loan exit counseling restrictions are not automatically removed. Once a student has completed the loan exit counseling requirement, they must notify the loan specialist before the hold will be released.

Grace period: The 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 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, 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, including 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 www.studentaid.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 www.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 www.studentaid.gov

Loan Servicers: Visit www.studentaid.gov to view information about all 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 www.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 potentially 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.

Education Credit Management Corporation (ECMC) can help you avoid default

Southwestern College has partnered with **Solutions at ECMC** (<https://www.ecmcsolutions.org/>) to answer all your student loan repayment questions. Solutions is a service of the non-profit organization ECMC and is dedicated to helping students manage educational loans. Their resources are available to you free of charge. To contact a Solutions Student Loan Repayment Advisor, ECMC email or web chat (<https://www.ecmcsolutions.org/>) or call them at 1-877-331-3262.

Disclosure

NSLDS: Any and all loans activated at SWC will be submitted to the **National Student Loan Data System (NSLDS)**, and will be accessible by guaranty agencies, lenders, and schools determined to be authorized users of the data system.