



Financial Aid Department
WILLIAM D. FORD FEDERAL DIRECT LOAN INFORMATION
2012-2013

Deadlines:

Fall 2012: Friday, November 16, 2012

Spring 2013: Friday, April 26, 2013

Southwestern College participates in the William D. Ford Federal Direct Loan Program, formerly the Federal Family Education Loan (FFEL) Program. The Direct Loan Program offers the same types of loans as the FFEL Program. Direct Loans have the same terms and conditions as FFEL Program, but instead of a bank lending the money, the U.S. Department of Education (the Department) lends the money directly to students through the student's school.

- Direct loans are simple. You borrow directly from the federal government and have a single contact for everything related to the repayment of your loans.
- You will have online access to your account information 24 hours a day, 7 days a week at www.dl.ed.gov.
- You can choose from several repayment plans that are designed to meet your needs.

Types of Loans

Federal Direct Subsidized Loan: provides low interest rates and are available to students who demonstrate financial need based on income and other information provided on the FREE Application for Federal Student Aid (FAFSA). A credit check is not required to receive these loans. **The student is responsible for the interest**, which may be paid while the student is in school or accrued and then added to the principal balance when the student enters repayment. This occurs six months after the student is no longer enrolled in school at least half time.

Federal Direct Unsubsidized Loan: provides low interest rates and are available to all students regardless of financial need. A credit check is not required to receive these loans. **The student is responsible for the interest**, which may be paid while the student is in school or accrued and then added to the principal balance when the student enters repayment. This occurs six months after the student is no longer enrolled in school at least half time.

Federal Loan limits, Interest Rates and Fees

Annual Loan Limits:

The maximum amount you can borrow each academic year depends upon your *Financial Aid Eligibility* and your *Grade level* (this includes transfer units).

Dependent/Independent status is determine by the Department of Education based on the information that the student provides on the Free Application for Student Aid (FAFSA)

| Dependent Students Direct Loan Annual Limits | | | |
|--|---|------------------------------------|-----------------------|
| DEPENDENT STUDENTS | Base Amount Subsidized/Unsubsidized Combined | Additional Unsubsidized | Yearly Maximum |
| Grade Level 1 0-29.9 completed units | \$3,500 | \$2,000 | \$5,500 |
| Grade Level 2 30+ completed units | \$4,500 | \$2,000 | \$6,500 |
| Independent Students Direct Loan Annual Limits | | | |
| INDEPENDENT STUDENTS | Base Amount Subsidized/Unsubsidized Combined | Additional Unsubsidized | Yearly Maximum |
| Grade Level 1 0-29.9 completed units | \$3,500 | \$6,000 | \$9,500 |
| Grade Level 2 30+ completed units | \$4,500 | \$6,000 | \$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) | | |

Interest Rates:

The chart below shows the interest rates for Subsidized and Unsubsidized loan programs. Both types of loans have the same repayment terms. Payment of interest and principal on both Subsidized and Unsubsidized loans begins after you cease to attend at least half-time at Southwestern College. This is known as your “*Grace Period*”.

| Date First Disbursed | Subsidized | Unsubsidized |
|----------------------|------------|--------------|
| 7/1/2012 – 6/30/2013 | 3.4% | 6.8% |

The **Origination fee** for both Subsidized and Unsubsidized loan is **1.0%**. This fee is deducted before you receive your loan. The amount you actually receive will be less than the amount you have to repay.

Repayment Plans

Monthly payment amounts will be based on how much you borrowed and how long it takes you to repay the loan. You can change the plans at any time. There are no penalties if you make payments before they are due or pay more than the amount due each month. The following are several repayment plans available:

- Standard Repayment Plan
- Extended Repayment Plan
- Graduated Repayment Plan
- Income-Contingent Repayment Plan
- Income based Repayment Plan

For additional information about these repayment plans or to calculate your estimated loan, go to the Direct Loans Web site at: www.direct.ed.gov. An online calculator is available to assist you.

Master Promissory Note

You must complete a Direct Loan Master Promissory Note (MPN). Although you may have previously signed an MPN to receive FFEL Program loans, a FFEL MPN cannot be used to create Direct Loans.

The MPN is the legal document through which you promise to repay your Direct Loans and any accrued interest and fees to the Department. It also explains the terms and conditions of your loans. A Direct Loan MPN can be used to make loans for up to ten (10) years. You may complete a Direct Loan MPN electronically via the StudentLoans.gov Web site at <https://studentloans.gov>.

To complete a Direct Loan MPN electronically, you must have a Federal Student Aid PIN. The Federal Student Aid PIN is the same PIN used to complete the Free Application for Federal Student Aid (FAFSA). To apply for a PIN if you do not already have one, or for customer service regarding a previously assigned PIN, visit www.PIN.ed.gov.

Entrance/Exit Loan Counseling

Students are required to complete the Entrance Loan Counseling every academic year when applying for a loan. Access to the Entrance Counseling Portal is through www.studentloans.gov.

Exit Loan Counseling is required if a student drops below half time, withdraws or graduates. Access to the Exit Counseling Portal is through www.studentloans.gov.

Direct Loan Eligibility and Requirements

- Complete the Free Application for Federal Student Aid (FAFSA) and any other required documents.
- You must receive an Award letter prior to requesting a Federal Direct Student Loan application.
- Complete the Electronic Master Promissory Note if you are a new Southwestern College Borrower
- Complete and pass the required Entrance Loan Counseling each year
- Complete and pass the required Exit Loan Counseling for those who drop below half time, withdraws and graduates
- Must maintain continuous half-time enrollment for the entire loan period to receive your loan check(s).
- **Direct loan payments will be made once you are actively enrolled in and attending 6 or more units. NOTE: classes that start later in the semester will delay disbursement of a student loan.**
- If you drop or withdraw below 6 units for the Fall 2012 semester, your loan check may be cancelled and you will have to re-apply for the Spring term.

- You must submit a current Student Educational Plan to be considered at the sophomore level.
- You must not be in Default on any Title IV Federal Loan, or owe an overpayment on any Federal Grant from any institution.
- You must maintain Satisfactory Academic Progress as published on the Southwestern College website.
- You may not receive loan funds at any other institution during the period of enrollment at Southwestern College.
- Federal Direct Loans are not available during the summer.
- **If your total loan indebtedness is at least \$10,000 or you are requesting unsubsidized loans, you must complete the Budget Worksheet (available on our website) and meet with a Financial Aid Loan Specialist. Southwestern College has the responsibility to evaluate all loan requests case-by-case and reduce or deny loan request for students that, in our professional judgment, are at serious risk for loan default. High levels of indebtedness (including loans from other colleges), coupled with a small progress in an academic program, is a common indicator of high risk default. Therefore your loan request may be denied or reduced**
- Southwestern College does not participate in Alternative Private Loan or Parent Plus loans.
- Students attending only one semester and graduating will have their loans prorated, based on the number of units for which they are enrolled

Disbursement Procedures

- Direct Loans will be disbursed in two separate installments.
- **First Year (have not completed 24 units in your current program), First Time borrowers at Southwestern College will have a 30 day delay after the semester starts before the 1st loan disbursement.**
- Students approved for one semester only will receive up to half of their annual loan limits/eligibility.
- Direct Loan checks will be mailed to students.
- Direct Loan processing and disbursement will take approximately 2-4 weeks.

Default

Taking out a Federal Direct Student Loan will have an impact on your future credit and financial aid eligibility. Failure to make regularly scheduled payments on your student loan can lead to a defaulted loan.

Please make sure to contact the Direct Student Loan at www.direct.ed.gov if you have any difficulties in paying your loan. This includes economic hardship, unemployment, temporary disability, or returning to school at least half-time. The government will give you several options to temporary defer your loan payments.

Consequences of Default:

- **You will not be eligible for further Federal Student Aid.**
- **You will lose your deferment options.**
- **Your loan may be turned over to a collection agency.**
- **Your credit rating will be damaged.**
- **Your wages can be garnished and your tax refund can be taken away.**
- **You may be subject to legal action by the federal government.**
- **Your total debt may be increased by collection fees, attorney fees, late fees, court cost and additional interest.**