

FEDERAL DIRECT STAFFORD LOAN PROGRAMS

Loans are self-help funds that you must repay! You are not obligated to borrow a loan. All loans require a minimum unit enrollment of six (6) approved units taken within the Los Angeles Community College District. If you have defaulted on a student loan, you are ineligible for financial aid with the exception of a Board of Governors Fee Waiver. Contact the Financial Aid Office to discuss possible options for resolving your student loan default.

WHAT IS A DIRECT LOAN?

Direct Loans are low interest loans to students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education. There are no banks or lending institutions. There are two types of Direct Loans: Subsidized loans and unsubsidized loans.

- **Subsidized loans** are awarded on the basis of financial need. You won't be charged any interest until you graduate or drop below six units because the federal government subsidizes the interest during the time you are enrolled. Effective July 2012, the government will no longer subsidize the interest during the six month grace period.

- **Unsubsidized loans** charge interest from the time the money is first disbursed until it is paid in full. The interest is capitalized when you enter repayment, meaning that you pay interest on any interest that has already accrued. One way to minimize how much interest accrues is to pay the interest as it accumulates. If you still have several years until you receive your degree, this can become very expensive.

*Loan processing fees will be applied by the institution.

Borrower Eligibility

In order to request a Direct Student Loan, you must meet the following requirements:

- Complete a 2016-2017 Free Application for Federal Student Aid (FAFSA) at www.fafsa.gov.
- Have received a 2016-2017 Award Notification or a letter stating you are ineligible for any need-based aid.
- Satisfy the general student financial aid eligibility requirements.
- Be enrolled in a minimum of six (6) approved units. Students who are on an Extension Petition must be enrolled in six (6) approved units.
- Comply with Entrance and Exit Loan Counseling requirements.
- Maintain Satisfactory Academic Progress standards. Student must be enrolled in Financial Aid qualified units as described on your Educational Plan.

REQUIRED STEPS FOR FIRST-TIME LOAN BORROWERS

If you are a first-time Direct Stafford Loan borrower at Southwest College, you will need to:

- Complete an online Loan Entrance Counseling session.
- Complete an electronic Master Promissory Note.

These requirements can be completed online at www.studentloans.gov.

Your loan funds cannot be credited to your award until you have completed both the Entrance Counseling and the Master Promissory Note.

A first time borrower is someone who has no outstanding balance of principal or interest on a Direct Loan or FFELP Loan on July 1, 2013 or on the date the borrower obtains a Direct Loan after July 1, 2013.

Effective July 1, 2013, subsidized Stafford loans will be limited to 150% of a student's program. This means that if a student is pursuing a two-year program at a community college, students will be limited to three (3) years of subsidized Stafford loan.

ENTRANCE LOAN COUNSELING REQUIREMENT

Federal laws require all first time borrowers to participate in Student Loan Entrance Counseling. The counseling explains the terms and conditions for the loan you plan to borrow. It also provides borrowers with information about the various Direct Loan repayment options.

If this will be your first student loan request, you must complete the Entrance Loan Counseling before submitting your loan request document. This will ensure that you understand your rights and responsibilities as a student loan borrower. Go to www.studentloans.gov and "LOG IN" click under "Entrance Counseling".

You will need your FSA log in information to complete the Entrance Loan Counseling. Your institution may have additional requirements.

MASTER PROMISSORY NOTE (MPN)

The MPN is a legal contract between you and the Department of Education. Your promissory note is a multi-year note that remains valid from the date you sign it.

The MPN is completed online at <https://studentloans.gov>. You will need to provide the following information when completing the MPN:

- FSA login information (this is the same one used to electronically sign the FAFSA)
- Your full legal name as it appears on your social security card
- Permanent mailing address
- Driver's License number and state (if applicable)
- Phone number

- Name, address, and phone number for two references. These should be people who have known you for at least one year – preferably relatives – who live at different addresses from one another.

FINANCIAL AID LITERACY CURRICULUM

All borrowers are asked to successfully complete three (3) financial aid literacy lessons before submitting a loan request packet. The lesson can be accessed by going to www.lifeskills.org. You will create an account

EXIT LOAN COUNSELING REQUIREMENT

Los Angeles Southwest College requires borrowers to complete Student Loan Exit Counseling annually or when the borrower drops below six (6) approved units during the semester or when the borrower graduates. The Direct Loan Servicing Center will send you information on your loan and when repayment begins.

NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

Persons that take out federal student loans should be aware that information about those loans will be transferred to the National Student Loan Data System (NSLDS). Certain government agencies, lenders, and approved private companies will have access to that student loan data.

THE RIGHT TO REDUCE OR CANCEL THE STUDENT LOAN

If it is determined that you are eligible, an award notification will be sent via email to your LACCD assigned email. You have the right to reduce or cancel the loan. Requests for reductions or cancellations must be submitted in writing to the Financial Aid Department within 30 days of the date that on the award notification. Click under Financial Aid forms, “Student Loan Cancellation Request”

NOTIFICATION

Even though it is a loan, the college has the right to refuse to certify a loan for high-risk borrowers. Los Angeles Southwest College has a responsibility to evaluate all student loan requests on a case-by-case basis and has the federal authority [HEA Sec, 479 (A)(c), 34 CFR 685.301(a)(8)] to reduce or deny loan requests for students that in our professional judgment, are at serious risk of loan default. High levels of indebtedness, coupled with a small amount of progress in an academic program, are common indicators of high risk for default. After evaluation, your student loan request may be denied or reduced due to conditions below:

- A previous default on a federal student loan.
- Notification of previously discharged federal student loans due to disability or bankruptcy.
- Notification of delinquent federal student loan repayment status. • Instances of inconsistent, fraudulent FAFSA, or admissions application information.
- Inability to repay -- Applicants with loan indebtedness in excess of a maximum for two-year public institutions.
- Consistent NOT meeting satisfactory academic progress standards.

FEDERAL LOAN BORROWING LIMITS

A student's financial need and annual loan limits determine how much a student may borrow. Students will either be classified as Grade Level One (0-30 units completed) or Grade Level Two (over 31+ units completed and student is enrolled in a program of more than one year). For most students, we will look not only at completed units, but at how long it will take to complete your program. The total undergraduate aggregate loan limits are as follows:

Amounts are based on one academic year. All student loan disbursements are divided into two (2) payments per loan period. Request for less than \$200 in loans cannot be processed.

Annual Loan Maximums:	Dependent Students	Independent Students
First time students (0 to 30 units completed)	Up to \$5,500	Up to \$9,500
Second Year Students (31+ units completed)	Up to \$6,500	Up to \$10,500

These annual maximums include unsubsidized portions.

Annual subsidized maximums are \$3,500 (First year) and, \$4,500 (Second Year)

Loans Amounts processed may not exceed the student's unmet need. The unmet need is based on the 9 month budget.

	Dependent Undergrad Student	Independent Undergrad Student
Maximum Total Debt from Stafford Loans When You Graduate (aggregate loan limits)	\$31,000—No more than \$23,000 of this amount may be in subsidized loans	\$57,500—No more than \$23,000 of this amount may be in subsidized loans

Important reminder: If you have several years remaining until you achieve your Bachelor's degree, you should consider limiting borrowing so you retain loan eligibility.

LOAN RESOURCES

www.FAFSA.gov.

www.studentloans.gov.

www.nslds.ed.gov

<http://www2.ed.gov/offices/OSFAP/DirectLoan/calc.html>