

# LOANS

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## Federal Direct Student Loans

Student loans, unlike grants and work-study, are borrowed money that **must be repaid**, with interest. You cannot have these loans canceled because you didn't get a job in your field of study or due to financial difficulty.

Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. All loan funds are provided by the Department of Education through Direct Loan Program, though the entity you deal with, your loan servicer, can be a private business.

Loans are legal obligations, so before you take out a student loan, think about the amount you'll have to repay over the years. A loan calculator may help you to plan for your loan repayment

### Subsidized Federal Direct Loan

The Subsidized Loan is awarded to undergraduate and graduate students on the basis of financial need determined by the Free Application for Federal Student Aid (FAFSA). The federal government provides the funds for this loan. The federal government pays the interest on this loan until you begin repayment. Repayment of this loan will begin six months after you graduate, totally withdraw, or drop below half-time enrollment (6 hours). For current interest rates, please visit <https://studentaid.gov/>.

### Unsubsidized Federal Direct Loan

The Unsubsidized Loan Program was created by the government to assure that all students, regardless of their income, would be able to obtain a student loan. The federal government does not pay the interest while you are in school. Interest will be charged from the time the loan is disbursed until it is repaid in full. If you decide to capitalize or defer the interest, it will be added to the principle amount of your loan and this will increase the amount you have to repay. If you choose the option of paying the interest as it accumulates, then you will pay less in the long run. Repayment of the interest and principle will begin six months after you graduate, totally withdraw, or drop below half-time enrollment (6 hours). For current interest rates, please visit <https://studentaid.gov/>.

#### *Terms of the Loan:*

1. Monthly payments begin 180 days after the student is no longer enrolled at least half-time.
2. The minimum payment will be \$50 per month. The payment could be larger, depending on the size of the loan debt.
3. The Direct Loan Program charges an origination fee.

All students that accept loans must complete Entrance Loan Counseling, Annual Student Loan Acknowledgement, and a Master Promissory Note. The purpose of Entrance

Counseling is to provide students with important information regarding their rights and responsibilities as a student loan borrower, managing their education expenses, and other financial resources. It is completed online at [www.studentaid.gov](http://www.studentaid.gov) (<http://www.studentaid.gov/>) and takes approximately 30 minutes to complete. The Annual Student Loan Acknowledgement is acknowledging that you understand your responsibility to repay your loan. If you have existing federal student loans, you are acknowledging that you understand how much you owe and how much more you can borrow. The Master Promissory Note (MPN) is a legal document in which the student promises to repay their loan(s) and any accrued interest and fees to the US Department of Education. It also explains the terms and conditions of Direct Loan(s). The entire MPN process must be completed in a single session. You complete your MPN online at [www.studentloans.gov](http://www.studentloans.gov) (<https://studentaid.gov/>).

*Loan facts that you should know:*

1. Student must be enrolled in half-time hours to be eligible for disbursement. If student drops below half time hours, prior to disbursement the loan will NOT disburse.
2. Loan funds are disbursed in two installments. Students indicating, they will be attending for the Fall and Spring usually have one disbursement in the Fall and the other in the Spring. Loan awards for only one semester will be disbursed in two installments; one early in the semester, and the other midway through the semester. All Summer loan are also disbursed in two installments.
3. Students considered first-time borrowers will have their initial loan disbursement delayed until thirty (30) days after the first official class day.
4. Students who have received loans must complete EXIT LOAN COUNSELING, and the grace period will begin, if the following occurs; student withdraws, student drops below half-time hours, graduates, or does not return for subsequent semester.

**Maximum Loan Amounts**

Trinity Valley Community College does not make loan awards at higher than a sophomore level regardless of how many credit hours have been earned.

*Dependent Undergraduate:*

\$5,500 Freshman, only \$3,500 may be subsidized

\$6,500 Sophomore, only \$4,500 may be subsidized

\$7,500 Junior and Senior, only \$5,500 may be subsidized (Available only for students in the Bachelor of Science in Nursing)

Dependent Undergraduate – parent were denied a Parent PLUS loan:

\$9,500 Freshman, only \$3,500 may be subsidized

\$10,500 Sophomore, only \$4,500 may be subsidized

*Independent Undergraduate:*

\$9,500 Freshman, only \$3,500 may be subsidized

\$10,500 Sophomore, only \$4,500 may be subsidized

\$12,500 Junior and Senior, \$5500 may be subsidized (Available only for students in the Bachelor of Science in Nursing)

**Subsidized Usage Limit**

A legislative change effective July 1, 2013 further emphasized program completion for financial aid recipients. This change affects the borrower's access to Direct Subsidized Loans if the student does not complete his or her educational program in a timely fashion.

Students are allowed subsidized loans for 150% of the published period for the program of study. If the student is enrolled in a 2-year associate degree program, the maximum period for which a Direct Subsidized Loan is potentially available is 3 years (150% of 2 years = 3 years). **Changing programs of student does not restart the clock. Time already used is subtracted from maximum time allowed.** Students later seeking a four-year degree must subtract eligibility already used from the new 6-year limit (for a four-year degree), as well. The student who reaches the 150% limitation, whether seeking a certificate or two-year or four-year degree, could continue to receive unsubsidized loans if he or she is otherwise eligible (for example, meeting satisfactory academic progress requirements).

The limitation affects those considered new borrowers on or after July 1, 2013. New borrowers are students with no outstanding loans. Consequently, the 150% limit would include only periods of borrowing that began on or after July 1, 2013.

When a borrower has reached the 150 percent limitation, his or her eligibility for an interest subsidy also ends for all outstanding subsidized loans, if he/she did not complete the program of study within the 150% time frame and borrows again. 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.

In addition, enrollment level may influence the calculation of the time frame used. In most cases, a part-time student (6 credits of enrollment) who borrows the full amount of the Direct Subsidized Loan during a period of enrollment that covers a full academic year would have used one-half of a year against the maximum eligibility period. Students borrowing the annual amount in a period less than an academic year are, on the other hand, charged a full year against the 150%.

For your loan funds to be disbursed, you **MUST** sign a **MASTER PROMISSORY NOTE** (MPN), complete the **ANNUAL STUDENT LOAN ACKNOWLEDGEMENT** form, and complete **ENTRANCE COUNSELING** for an **Undergraduate student**.

## **Federal Parent Loans for Undergraduate Students (PLUS)**

Parents of a dependent undergraduate student may borrow funds under this loan program on behalf of the student. Parents can borrow up to the cost of education minus other financial aid the student receives. Parents must have a good credit history to qualify. For current interest rates, please visit <https://studentaid.gov/>. Payments begin within sixty (60) days from the date of final disbursement, with a \$50 minimum payment per month. The parent borrower may prepay the whole or any part of the loan at any time without penalty OR may defer payments of the principal if the student is attending school full-time. Please note that although the principal may be deferred, the interest continues to accrue or must be paid.

Parents must complete a separate application at <https://studentaid.gov/>. (<https://studentaid.gov/>) Once approval notification is received by Financial Aid Office, the PLUS loan award is made and the parent must complete a Master Promissory Note. Refunds of the PLUS loan will be disbursed to the student unless otherwise specified by the parent. Refunds to the parent are processed as a paper check by the Business Office. If a parent is denied the PLUS loan, the student will have their unsubsidized loan increased up to an additional \$4,000.

## **Exit Loan Counseling**

Exit Counseling provides loan repayment, grace period, and billing options information, and collects updated borrower information as required by the federal government. Prior to graduating, leaving the college, or dropping below half-time, federal loan borrowers are required to complete a mandatory exit counseling session. Exit counseling is mandatory because it is a federal law and a condition of receiving a federally funded student loan. This is a mandated requirement whether or not you are still attending classes at TVCC. Exit Counseling will take approximately 30 minutes to complete and is completed online [www.studentaid.gov](http://www.studentaid.gov) (<https://studentaid.gov/>)

## **Repayment**

Repayment of student loans begins after you graduate, leave school, or drop below half-time enrollment. Each loan receives a one time, six-month grace period. During this time, students will receive repayment information from their loan servicer and will be notified when their first payment is due. Payments are usually monthly with a minimum payment of \$50, however, payments may be larger depending on the size of each student's loan debt.

The Direct Loan Program offers several payment plans to fit the different needs of individual borrowers. Generally, students have 10 to 25 years to repay their student loans, depending on the repayment plan they chose. Contact your loan servicer if you are having trouble making payments on your loan or for more information on payment plans.

## **Loan Default and Consequences**

1. The student's default will be reported to a credit bureau and affect the future ability to borrow.
2. The loan holder may institute legal action to force repayment of the loan.

3. The student will not be eligible to receive financial assistance from any Title IV Programs (including Federal Pell Grant, Federal SEOG, Federal Work-Study, Federal Perkins Loan, Federal Direct Stafford Loan, Federal PLUS loan) and state programs.
4. The student's eligibility for repayment options and benefits such as deferment and/or interest benefits will no longer be available.
5. The student's state and/or federal income tax refunds will be withheld.
6. The student's job wages will be garnished.
7. The student will be liable for all costs associated with the collection of the loan.