

## *Office of Student Financial Aid Direct Loan Processing Information*

### **Direct Loan Processing Information**

Please read this information carefully. Reading the information will help you borrow responsibly.

The federal government offers Direct subsidized loans and Direct unsubsidized loans to students. Loans are available for students to meet education-related expenses. To apply for a Direct Loan (subsidized and/or unsubsidized) at Montgomery College (MC), you must first complete the Free Application for Federal Student Aid (FAFSA). Eligibility is determined by the Office of Student Financial Aid after receiving the results of the FAFSA.

First-time borrowers at Montgomery College must complete an entrance interview on-line and complete a Master Promissory Note (MPN). You can electronically complete an entrance interview and MPN at the Federal Student Aid website—visit [www.studentaid.gov](http://www.studentaid.gov). **Log in using your FSA ID and then click on the "Loans and Grants" tab. Next, select Complete Entrance Loan Counseling. Then complete the MPN.**

### **Direct Subsidized Loan**

A Direct subsidized loan is based on a student's financial need. It is a low-interest loan with a standard repayment period that can last up to 10 years. The U.S. Department of Education pays interest that accumulates on the loan while the borrower is attending school at least half-time and during approved deferment periods. Your eligibility for a subsidized loan is determined by the data reported on your FAFSA, including the verification of supporting documents, if required. The formula used to determine the loan amount is as follows:

Cost of Attendance (COA)
Minus(-) Expected Family Contribution (EFC)
Minus(-) Estimated Financial Assistance (EFA)
<b>COA – EFC - EFA= Eligibility for loan.</b>

### **Direct Unsubsidized Loan**

A Direct unsubsidized loan is NOT based on a student's financial need. It is a low-interest loan that requires students to pay interest that accumulates on the loan while they attend school and during approved deferment periods. A student may choose to have the interest capitalized on the loan rather than make interest payments during these periods. In most cases, students have up to 10 years to repay an unsubsidized loan. On the back of this guide is a sample capitalization chart for an unsubsidized loan. Capitalization occurs when unpaid interest is added to the principal amount of your student loan. Contact your lender for details about capitalization methods and requirements for interest payments. The formula used to determine the loan amount is as follows:

Cost of Attendance (COA)
Minus(-) Estimated Financial Assistance (EFA)
<b>COA – EFA= Eligibility for loan.</b>

	Dependent Student		Independent Student	
	Subsidized	Unsubsidized	Subsidized	Unsubsidized
<b>Academic Year</b>	<b>Annual Limits</b>			
<b>Grade Level 1 (0-27 Credit Hours)</b>	\$3,500	\$2,000	\$3,500	\$6,000
<b>Grade Level 2 (28+ credit hours)</b>	\$4,500	\$2,000	\$4,500	\$6,000

These loan limits also apply to dependent students whose parents are denied a Direct Plus Loan—an additional \$4000.00 unsubsidized loan

The aggregate loan limit for an undergraduate dependent student is \$31,000.00 and for an undergraduate independent student is \$57,500.00

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### **Deciding How Much To Borrow**

First, you should determine the total cost of your education-related expenses for this year. You should include tuition and fees, books and supplies, transportation, child care (if it applies), and personal expenses. Next, subtract from your total expenses the amount of financial aid you have been awarded this year. The remaining balance is what you should borrow in Direct loan funds. Please pay close attention to the number of credits you have earned before you decide how much to borrow.

If you do not have a valid Master Promissory Note (MPN) on file with the Department of Education (DOE), you will need to sign a new promissory note. Please note that promissory notes with banks or other lenders are not maintained by the Department of Education.

### **Students may or may not be eligible to borrow up to the maximum loan limits for the following reason:**

1. Loan awards cannot exceed the student's cost of attendance less other aid awards. (Refer to the MC Paying Your Way Guide or the financial aid web page for Cost of Attendance example.)
2. Subsidized loan eligibility is based on need.
3. Loans borrowed previously at MC and other colleges are included in the combined loan limits.
4. Students need to be in a degree program or approved certificate program. See MC's Catalog for more information.

### **Additional Factors to consider:**

- You must be enrolled for at least 6 credits in your program of study that satisfy graduation requirements to receive a loan.
- You must be making Satisfactory Academic Progress (SAP) as described in the policies and procedures found on the financial aid section of My MC. Sign in to MyMC with your user name and password. Choose the Financial Aid Tab/Policies and Procedures/Satisfactory Academic Progress 2023-2024
- No loans may be certified beyond grade level 2.
- A student's dependency status is determined by the results of his or her FAFSA, not by MC. Parents of dependent students may borrow a Direct PLUS loan up to cost of attendance less other awards. [COA-EFA=eligibility for a Plus Loan]
- Students who stop attending all classes without withdrawing will be subject to a financial aid re-calculation at the end of the semester. The calculation is

based on the last documented date of attendance as reported by faculty. Please be advised that MC will bill you for any balance due.

### **Important Points to Remember**

- All Direct loans must be repaid with all interest applied.
- A Direct loan cannot be processed until your financial aid file is complete and approved.
- All first-time borrowers at MC must complete an entrance interview on-line before a loan application will be processed.
- For one-semester loans, the financial aid office may reduce the requested loan amount based on the student's one-semester budget.
- Direct loan proceeds are sent to MC starting 30 days after the first day of classes of each semester. The funds may be sent later based on when the student applies and/or when the student's file became complete and approved.
- Loans are disbursed in equal amounts throughout the loan period. For two-semester loans, students will receive one disbursement for the fall semester and one disbursement for the spring semester. For one-semester loans, students will receive one disbursement within the semester. All Direct Loan borrowers must maintain at least six eligible credit hours in their program of study to have their loan processed each semester. Eligible credits do not include audit courses or some repeated courses. Visit your campus Financial Aid Office, if you have questions.
- All borrowers who do not maintain at least six credit hours will be required to complete an exit interview.
- MC can refuse to certify your loan, or can certify a loan for a lesser amount than you request. MC's decision is final and cannot be appealed to the U.S. Department of Education.  
Students with loans currently in default are ineligible to receive ANY type of Title IV federal financial aid. Students who wish to borrow and have either cleared their defaults or have made satisfactory repayment arrangements may appeal to the Office of Student Financial Aid at any campus.

## Transfer Students

If you are receiving financial aid at another school, you must cancel that aid in order to receive financial aid at MC. You are not allowed to receive financial aid at more than one school for the same enrollment period. You must also complete the financial aid application process at MC, if you would like to receive aid at MC.

## When Does Repayment Begin?

For Direct loans, you must begin repayment after your grace period ends. The grace period for most borrowers is six months, and begins the day after you graduate or drop below half-time enrollment status. Borrowers generally have up to 10 years to repay their loan(s) and must make minimum monthly payments of at least \$50.

## Avoid Costly Interest Accumulation

Students may choose to postpone interest payments on their Direct unsubsidized Loan until after graduation. To avoid interest accumulation, you should consider making payments while in school (See tables below). Please contact your lender or your loan servicer for convenient interest payment arrangements.

## Deferment and Repayment Requirements

Each loan program has its own deferment and repayment requirements. To prevent entering your grace period or repayment prematurely, your lender or current holder of your loan should be immediately notified in writing of the following:

- your decision to transfer to another eligible school
- any name or address change
- any enrollment status changes (for example, dropping below half-time enrollment)

<b>Dependent Student – Direct Unsubsidized Loan</b>			
Year	Maximum Borrowed	Unpaid Balance of Unsubsidized	Cumulative Year-End Capitalized Interest
1 <sup>st</sup>	\$5,500	\$5,500	\$302.50
2 <sup>nd</sup>	\$6,500	\$12,000	\$660.00
3 <sup>rd</sup>	\$7,500	\$19,500	\$1072.50
4 <sup>th</sup>	\$7,500	\$27,000	\$1485.00
Total Capitalized Interest at Repayment			\$1485.00

- Calculations based on 5.50% interest rate

<b>Independent Student – Direct Unsubsidized Loan</b>			
Year	Maximum Borrowed	Unpaid Balance of Unsubsidized	Cumulative Year-End Capitalized Interest
1 <sup>st</sup>	\$9,500	\$9,500	\$522.50
2 <sup>nd</sup>	\$10,500	\$20,000	\$1100.00
3 <sup>rd</sup>	\$12,500	\$32,500	\$1787.50
4 <sup>th</sup>	\$12,500	\$45,000	\$2475.0€
Total Capitalized Interest at Repayment			\$2475.0€

## What are the Consequences of Default?

Students requesting student loan funds who are in default on a student loan may not receive financial aid until the default status is removed by the guarantor, the U.S. Department of Education, or the school where that default occurred. To review your complete borrowing history, visit <https://studentaid.gov>. Log in using your FSA ID and password. Under your name in the upper right corner, click on 'My aid' to view your loan history. Remember, failure to repay your student loan(s) may result in your wages being garnished, negative reports being sent to credit bureaus, income tax refunds being withheld, and legal action being taken against you.