

FEDERAL STUDENT LOANS AT SNEAD STATE

A Guide to Responsible Borrowing

- Pursue all other financial aid first
- Get all the facts about each loan program
- What are Federal Direct Loans?
- Budget before you borrow and only borrow what you need
- Estimate anticipated level of debt for your entire program of study
- Know manageable levels of debt
- Know the effects of multiple borrowing



Don't Sign Anything Yet!

You want to get off to a good start. This is why it is important to become a well-informed borrower before you take on the responsibilities that come with a loan.

- **PURSUE ALL OTHER ALTERNATIVES FIRST**

The federal government requires that you complete the FAFSA to determine eligibility for any need-based financial aid including Federal Student Loans. You should also pursue any potential scholarships and grants from your school, as well as external sources. Part-time employment is a great alternative to borrowing while at the same time acquiring valuable experience.

- **GET THE FACTS ABOUT EACH LOAN PROGRAM**

- A. What are the maximum loan amounts?*
- B. What can the loan be used for?*
- C. What fees are deducted from the loan check?*
- D. When does the loan go into repayment?*
- E. What is the interest rate?*
- F. Does the interest accrue while I am in school?*
- G. What is the cost of deferring interest payments?*
- H. How much are monthly payments and how long do I have to pay?*
- I. Under what conditions can the loan be deferred or cancelled?*
- J. What are the consequences of default?*

A loan is a legal binding obligation. Do not sign a promissory note until you know the answers to the above questions!

If you have further questions about the terms of the loans, you may contact SSCC Financial Aid Office, the guarantee agency, or the U.S. Department of Education.

- **TERMS TO KNOW**

- ✓ **Principal:** Amount you borrow, which may increase as a result of capitalization of interest, and the amount on which you must repay interest.
- ✓ **Interest rate:** The cost you pay to borrow money.
- ✓ **Accrued Interest:** Interest that accumulates on the unpaid balance of your loan principal.
- ✓ **Subsidized Loan:** A need-based loan in which interest is paid by the federal government during the in-school grace, and deferment periods.
- ✓ **Unsubsidized Loan:** A non-need-based loan on which interest is not paid by the federal government. Borrowers are responsible for interest on all unsubsidized loans from the date the loan is disbursed. Interest may be capitalized.
- ✓ **Capitalization of Interest:** Addition of accrued, unpaid interest to the principal of your loan.
- ✓ **Disbursement Date:** Date on which the bank sends student loan funds to the college.
- ✓ **Grace Period:** Specified period of time after you graduate or leave school during which you need not make payments on your loan.
- ✓ **Deferment:** A period when a borrower who meets certain criteria may suspend loan payments.
- ✓ **Default:** Failure to repay your loan on time, or in accordance with other terms of the promissory note.
- ✓ **Credit Bureaus:** organizations that track the manner in which borrowers repay credit obligations. This information becomes a part of each borrower's credit report and is available to other financial institutions.

WHAT ARE FEDERAL DIRECT LOANS?

Beginning with the Fall 2012 semester, Snead State Community College began participating in the Federal Direct Loan Program. By participating in the Direct Loan Program, Snead State Community College ensures that you are guaranteed access to student loan funding because dollars are received directly from the federal government. The Direct Loan Program also provides the best borrower benefits available at this time. We believe that the Direct Loan model is easy for families to understand. Having one source for student loan funds reduces confusion and complications for students, provides “one stop shopping”, creates timely loan disbursements, and provides better customer service.

SSCC'S LOAN POLICY REQUIRES STUDENTS TO

1. Meet minimum GPA and completion percentage requirements as defined by the SAP policy in the Snead State Catalog.
2. Maintain half-time enrollment (6-8 credit hours) to remain eligible for the second loan disbursement.
3. Have not exceeded the number of credit hours of their current program of study by more than 150% as defined by SAP policy.
4. Have not exceeded the annual and aggregate loan limits. These limits include outstanding loans received prior to attending SSCC.

• WHO IS ELIGIBLE?

- Students who are actively enrolled for a minimum of 6 credit hours per term at Snead State Community College and who have unmet financial need as determined by student's calculated cost of attendance.
- Citizens, permanent residents of the U.S., or permanent residents of an eligible trust territory.
- Students, not currently in default, or who do not owe a refund on any Title IV Program: Federal Pell, SEOG, ACG, SMART, GWS, Subsidized loan, Unsubsidized loan, PLUS, Perkins, or Consolidation Loan.
- Students who are maintaining satisfactory academic progress (SAP).
- Students who have satisfied all admission requirements.

• ~~UPDATE: SUBSIDIZED LOAN LIMITS!~~

~~Effective July 1, 2013, federal law limits the benefits of the Direct Loan subsidy to lifetime limit of no more than 150% of program length for new borrowers. Once that limit has been exceeded, a student may borrow only unsubsidized loans, and will begin to incur interest charges on outstanding subsidized loans. This restriction expired July 1, 2021.~~

WHAT IS THE DIFFERENCE BETWEEN A SUBSIDIZED AND UNSUBSIDIZED DIRECT LOAN?

THE FEDERAL DIRECT SUBSIDIZED LOAN:

This loan is based on financial need that is determined by using a federal formula. A loan is “subsidized” when the government pays the interest for students during the following periods:

- while students are enrolled at least half-time;
- during periods of authorized deferments;
- during the six-month grace period after the student stops attending school at least half-time.

THE FEDERAL DIRECT UNSUBSIDIZED LOAN:

This loan is not based on financial need and is available to all students regardless of income. Because this loan is not subsidized by the government, the student is responsible for any interest that accrues during in-school, grace and deferment periods. The student may choose to make all interest payments while in school or may defer and accumulate (capitalize) the interest until repayment.

• SOME TERMS OF THE LOAN

- **Fees:** Loan fees are deducted from the gross amount of each loan check. The U.S. Department of Education charges a 1% origination fee. Under sequestration, Direct Loan fees are automatically increased to 1.059% for subsidized and unsubsidized loans disbursed after October 1, 2019.
- **Repayment:** The repayment of principal begins automatically six months after the student drops below half-time attendance.
- **Interest Rate:** For federal Direct Loans first disbursed on or after July 1, 2021 and before July 1, 2022 the interest rate on new Federal Direct Subsidized and Unsubsidized Loans is 3.73%. This rate is subject to change without notice.

LOAN COUNSELING REQUIREMENTS

The Federal Department of Education requires students who request a Federal Student Loan to complete Entrance and Exit Counseling. This is a requirement whether or not you completed a loan counseling session at another school. Counseling can be completed at studentaid.gov.

In order to fulfill the Online Entrance or Exit requirements, students may access the internet by utilizing computers on campus or in the convenience of their home.

• ENTRANCE COUNSELING

Students who are borrowing for the first time at SSCC or reentering SSCC after two years of non-attendance can fulfill this requirement by using the Online Entrance Counseling available at <https://studentaid.gov/entrance-counseling/>

1. On the Federal Student Loan Website you will be required to log in.
2. You will need your U.S. Department of Education FSA ID.
(This is the same FSA ID used for FAFSA.)
3. Read and agree to the Terms and Conditions.
4. Snead State will be listed as "Snead State Community College-Main Campus."

• EXIT COUNSELING

Students are required to complete Loan Exit Counseling during the last semester of enrollment or when they cease to attend on at least a halftime basis, whichever comes first. Student may fulfill this requirement by using the Online Exit Counseling available at <https://studentaid.gov/exit-counseling/>

1. On the Federal Student Loan Website, you will be required to log in.
2. You will need your U.S. Department of Education FSA ID to login.
3. Read and agree to the Terms and Conditions.
4. Snead State will be listed as "Snead State Community College-Main Campus."

HOW THE LOAN PROCESS WORKS AT SSCC

1. ***In order to apply for the Federal Direct Loan, your financial aid file must be complete for the current academic year. In order to complete your file, you must complete the following:***
 - FAFSA Application
 - Sign Master Promissory Note online at <https://studentaid.gov/mpn/>
 - Online Entrance Counseling (link in entrance counseling section above)
 - Any forms requested by the Financial Aid Office (Requirements will be posted to the Financial Aid Section of your OneACCS account.)
 - The Financial Aid Office determines the amount of your eligibility based on federal law, information you provide, the cost of attendance, and other financial aid you may receive
 - The Financial Aid Office will transmit your loan certification to the U.S. Department of Education.
2. ***Loan Funds***

Snead State Community College (SSCC) Allows students to use their direct loan funds in the following ways:

 - to directly pay for tuition and fees,
 - to purchase books, and
 - to pay for dormitory charges.

FREQUENTLY ASKED QUESTIONS

- **DO I HAVE TO ACCEPT MY STUDENT LOAN OFFER?**

No, student loans are automatically packaged and offered to all eligible students, however, acceptance of a student loan is entirely up to the student. If you do not wish to accept your student loan simply choose the decline option on the financial aid award offer page in your OneACCS Account.

- **DO I HAVE TO ACCEPT THE FULL AMOUNT OF LOANS OFFERED?**

No, you may accept your subsidized loan but decline your unsubsidized loan, decline both loans, or contact the financial aid office at finaid@snead.edu from your student email account and request a lesser student loan amount. You may also come by and make the request in person in the Financial Aid Office.

- **WHAT IS A MASTER PROMISSORY NOTE (MPN)?**

The Master Promissory Note (MPN) is designed to make the loan process simple and straightforward. All new borrowers must complete a new MPN with the U.S. Department of Education. The U.S. Department of Education will use the MPN for the duration of your education at Snead State. Here is the link to the Direct Loan Master Promissory Note site – <https://studentaid.gov/mpn/>

- **HOW WILL MY LOAN FUNDS BE DISBURSED?**

Students will receive the balance left in their account, in check form, after tuition, fees, dorm, and bookstore charges have been posted to the account. The total loan award is for two semesters and will be paid out 50% each semester.

- **WHEN WILL I ACTUALLY RECEIVE MY LOAN FUNDS?**

You will receive the balance of your loan after the 14th day of class in accordance with federal guidelines. Attendance in **ALL** class must be verified before funds will be disbursed. **Students must be currently attending 6 credit hours to receive loans.**

If a student is receiving loan funds for only one semester, the loan funds will be disbursed in two checks during that one term. Half of the loan funds will be disbursed after the 14th day of class and the 2nd half will be disbursed at midpoint.

Loans for first time borrowers will be held for 30 days as per federal guidelines.

- **NATIONAL STUDENT LOAN DATA SYSTEM**

You may access your student loan(s) borrowing history by accessing the U.S. Department of Education's National Student Loan Data Systems (NSLDS) at www.nsls.ed.gov. NSLDS is the U.S. Department of Education's central database for student aid. This website tracks each student loan that you borrowed at any school that participates in the Federal Loan Program. You will need to use your FSA ID provided by the Department of Education, to access your information. You may apply for an FSA ID at <https://studentaid.gov/fsa-id/create-account/launch>

It is the policy of the Alabama State Board of Education and Snead State Community College, a postsecondary institution under its control, that no person shall, on the grounds of race, color, disability, sex, religion, creed, national origin, or age be excluded from participation in, be denied benefit of, or be subjected to discrimination under any program, activity or employment.