



2015-2016

## **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
- 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. That 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 Direct 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

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

**A loan is a legal binding obligation. Don't sign a promissory note until you know the answers to the above questions.**

The answers to these questions are found in the Application and Promissory Note under the heading "Borrower's Rights and Responsibilities." If you have further questions about the terms of the loans, you may contact WSCC's 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.
- ✓ **Delivery Date:** Date on which the college gives the loan funds to the student.
- ✓ **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?

Wallace State Community College participates in the William D. Ford Federal Direct Loan Program (Direct Loans) for all Federal and Parent PLUS Loans.

By participating in the Direct Loan Program, Wallace 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.

You will need to complete a Federal Direct Loan master Promissory Note and Entrance Counseling at [www.studentloans.gov](http://www.studentloans.gov) if you plan to borrow money. You will need your Federal PIN number to complete your Master Promissory Note and Entrance Counseling.

## ❖ WSCC'S LOAN POLICY REQUIRES STUDENTS TO:

1. Have and maintain at least a cumulative GPA of 2.0 for each loan disbursement.
2. Have a completion ration (credits earned/credits attempted) of 67% or higher and maintain at least 67% completion ration for subsequent loan disbursements.
3. Maintain half-time enrollment (6-8 credit hours) to remain eligible for the second loan disbursement.
4. Have not exceeded the number of credit hours of their current program of study by more than 150%.
5. Have not exceeded the annual and aggregate loan limits. These limits include outstanding loans received prior to attending WSCC.

## ❖ WHO IS ELIGIBLE?

- Students who are actively enrolled for a minimum of 6 credit hours per term at Wallace State Community College.
- 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, FWS, Subsidized loan, Unsubsidized loan, PLUS, Perkins, or Consolidation Loan.
- Students who are maintaining satisfactory academic progress.
- Students who have satisfied all Selective Service Act requirements.
- Students who have a standard high school diploma or a GED.

## ❖ 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 in 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:** Two types of loan fees are deducted from the gross amount of each loan check. The U.S. Department of Education charges a 1.073% origination fee.
- **Repayment:** The repayment of principal begins automatically six months after the student drops below half-time attendance.

## ❖ LOAN COUNSELING REQUIREMENTS AT WSCC

The Federal Department of Education requires students who request a Federal Direct 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 [www.studentloans.gov](http://www.studentloans.gov).

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

## ❖ ENTRANCE COUNSELING

Students who are borrowing for the first time at WSCC or reentering WSCC after two years of non-attendance can fulfill this requirement by using the Online Entrance Counseling available at [www.studentloans.gov](http://www.studentloans.gov).

- On the Federal Student Loan Website you will be required log in.
- You will need your U.S. Department of Education Personal Identification Number (PIN).
- Read and agree to the Terms and Conditions.
- Wallace State will be listed as "George C. Wallace 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 [www.nslds.ed.gov](http://www.nslds.ed.gov).

- On the Federal Student Loan Website, you will be required to log in. You will need your U.S. Department of Education Personal Identification Number (PIN) to login.
- Read and agree to the Terms and Conditions.
- Wallace State will be listed as "George C. Wallace State Community College- Main Campus."

## ❖ HOW THE LOAN PROCESS WORKS AT WSCC

- I. In order to apply for the Federal Direct Loan, your financial aid file must be complete for the current academic year. In order for to complete your file, you must have filled out the following forms.
  - FAFSA Application
  - Student Agreement and Acknowledgment Form
  - Entrance Counseling Session ([studentloans.gov](http://studentloans.gov))
  - Complete Master Promissory Note ([studentloans.gov](http://studentloans.gov))
  - Other forms as requested by the Financial Aid Office (contact your home campus FA Office to confirm if additional forms are required)
  - 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

### II. Loan Funds

Wallace State Community College (WSCC) allows students to use their direct loan funds in the following ways.

- Use Direct Loan funds to directly pay for tuition!
- Use Direct Loan funds to purchase books!
- Use Direct Loan funds to pay for dormitory charges!

## ❖ 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 in the 2015-2016 school year 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 Wallace State Community College. Here is the link to the Direct Loan Master Promissory Note site [www.studentloans.gov](http://www.studentloans.gov).

## ❖ HOW WILL MY LOAN FUNDS BE DISBURSED?

Students will receive the balance left in their account, in check form, after tuition, dorm, and bookstore charges have been posted to the account.

## ❖ WHEN WILL I ACTUALLY RECEIVE MY LOAN FUNDS?

You will receive the balance of your loan after the 31<sup>st</sup> day of class in accordance with federal guidelines. Attendance in **ALL** classes must be verified before funds will be disbursed. Students must be currently attending 6 credit hours to receive funds.

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 31<sup>st</sup> day of class and the 2<sup>nd</sup> half will be disbursed at Midpoint.

## ❖ 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.nslds.ed.gov](http://www.nslds.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 PIN number that was provided by the Department of Education, to access your information. You may apply for a PIN or re-establish your PIN at [www.pin.ed.gov](http://www.pin.ed.gov)