



623 POLICY – Federal Direct Loans/Plus

623.1 Statement of Policy

The Redlands Community College Financial Aid Office participates in Loan Programs to assist students' with financial loans during their enrollment at Redlands Community College. The criteria and procedures to be followed in implementing this policy are published in the Procedures section of the Policies and Procedures Manual.

Adopted March 2017



623 PROCEDURE – Federal Direct Loans/Plus

623.1:1 Loan Programs

Redlands Community College participates in the William D. Ford Federal Direct Stafford Loan Program. Loans available are the Subsidized Direct Stafford Loan, Unsubsidized Direct Stafford Loan, and Parent Loan for Undergraduate Students (PLUS).

Every award year, all students who are interested in federal Title IV or state aid must complete the FAFSA (Free Application for Federal Student Aid) online at www.fafsa.gov. An EFC (expected family contribution) is calculated by the Department of Education (ED) based on the data reported on the FAFSA and this EFC is used to determine eligibility for need based aid, including the subsidized Stafford loan. To determine a student's financial need, the EFC is subtracted from the COA (cost of attendance) which is determined by the Financial Aid Office. The COA includes tuition and fees, books and supplies, room and board, personal expenses and transportation expenses. Students may also be eligible for an Unsubsidized Stafford Loan and parents of a dependent student may be eligible for a PLUS (Parent Loan for Undergraduate Students) loan. These loans must be repaid, and both annual and aggregate loan limits, when applicable, are determined by ED.

623.1:2 Direct Loan Packaging Policy

It is the philosophy of Redlands Community College that loans should be taken out as the last alternative for financing a student's education. Pell Grants are the first source of aid. All grants, scholarships, and employment programs are encouraged before seeking loans. It is also recognized that in many cases, a student loan may be the only viable alternative for meeting educational expenses and are to be considered as an investment in the education and future of students.

All of a student's estimated financial assistance, unless specifically prohibited from being used in the calculation [certain VA], is used to determine the student's eligibility for loans. If the student meets eligibility requirements, Subsidized Direct Stafford Loans are always offered first. Next, Unsubsidized Direct Stafford Loans are offered, which may include amounts that are substituted for the expected family contribution (EFC).

Students are directed to the Redlands Community College Financial Aid web site for information and instructions on how to apply. The links to the required Entrance and Exit loan Counseling and the Master Promissory Note are online.



Student loans can be disbursed after the students have completed the loan request form confirming the loan types and amounts they wish to borrow, accepting their loans on my.redlandsc.edu, and completing their master promissory note (MPN) and Entrance Counseling.

Note: If a student is in default on a previous loan, no federal aid, including Stafford loans, will be awarded.

623.1:3 Federal Direct Loan/PLUS Processing

For all direct loans, Redlands Community College will confirm that the borrower is eligible by:

- ensuring the student has completed a FAFSA.
- determining that the student is enrolled at least half-time and making satisfactory progress.
- reviewing the NSLDS information on the ISIR to ensure the student is not in default, does not owe an overpayment on a Title IV grant or loan, and will not exceed the annual or aggregate loan limits.
- ensuring that the amount of the loan, along with other aid totals, will not exceed the student's financial need.
- ensuring that the loan disbursement dates meet cash management and disbursement requirements.
- determining Pell Grant eligibility and including in the package before awarding loans.
- determining the student's eligibility for Subsidized Direct Stafford Loan before awarding Unsubsidized Direct Stafford Loan.
- ensuring that the amount of the loan award will not exceed the student's annual or aggregate loan limit.
- prorating the annual loan limit for an undergraduate enrolled in a remaining period of study that is shorter than an academic year.



Loan limits for first-year and second-year undergraduates:

Year	Dependent Students (except students whose parents are unable to obtain PLUS Loans)	Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)
First-Year Undergraduate Annual Loan Limit	\$5,500—No more than \$3,500 of this amount may be in subsidized loans.	\$9,500—No more than \$3,500 of this amount may be in subsidized loans.
Second-Year Undergraduate Annual Loan Limit	\$6,500—No more than \$4,500 of this amount may be in subsidized loans.	\$10,500—No more than \$4,500 of this amount may be in subsidized loans.
Subsidized and Unsubsidized Aggregate Loan Limit	\$31,000—No more than \$23,000 of this amount may be in subsidized loans.	\$57,500 for undergraduates— No more than \$23,000 of this amount may be in subsidized loans. \$138,500 for graduate or professional students—No more than \$65,500 of this amount may be in subsidized loans. The graduate aggregate limit includes all federal loans received for undergraduate study.

Because Redlands Community College is a community college, there will be no third-year or beyond direct loans certified. There will be no graduate or professional direct loans certified.

623.1:4 Parent Loans for Undergraduate Students (PLUS)

There are no fixed annual or aggregate loan limits for Direct PLUS Loans. The total Direct PLUS Loan amount borrowed by one parent or borrowed separately by more than one parent on behalf of a dependent student may not exceed the student’s estimated cost of attendance minus other financial aid awarded for the period of enrollment. This is the only borrowing limit for Direct PLUS Loans.



623.1:5 Refusing to Originate a Loan

Redlands Community College will only refuse to originate the loan for an individual borrower, or originate a loan for an amount less than the borrower's maximum eligibility when it is determined to be appropriate. Redlands Community College will ensure that the decisions are made on a case-by-case basis, and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, or handicapped status. When Redlands Community College makes a decision not to originate a loan or to reduce the amount of the loan, the Financial Aid Office will document the reasons and provide the explanation to the student in writing. Redlands Community College does not have a policy of limiting Direct Loan borrowing on an across-the-board or categorical basis.

623.1:6 Loan Awards and Disbursements

When students have 1) a complete financial aid file, 2) is enrolled at least half-time, and 3) completes Request of Direct Loan Form, a Direct Stafford Loan will be awarded. After the student accepts the student loan, completes the Master Promissory Note (MPN) and Entrance Counseling, the loan can be processed and applied to the student account. The disbursements will be made after the end of the drop/add period each semester. Redlands Community College will make at least one disbursement in each term of the student's loan period.

623.1:7 Loan Counseling

Each student borrowing through the Direct Loan Program must have completed entrance counseling documentation on record. Redlands Community College will verify that the student has completed the counseling. If the student has not completed the counseling, he or she will be directed to www.studentloans.gov. If a student has completed entrance counseling, it need not be repeated for subsequent loans.

When a student is found to have ceased at least half-time study at Redlands Community College, that student will be directed to complete exit counseling at www.studentloans.gov. Each student who graduates, withdraws, or otherwise ceases attendance at Redlands Community College will be notified of the requirement to complete the required exit counseling within 30 days after the school learns the borrower is no longer at least a half-time student.



Documentation of the completed entrance and exit counseling will be maintained in the student loan file. Financial aid personnel will be available to answer questions after students complete either the entrance or exit counseling and notify the Financial Aid Office of their questions or concerns.

623.1:8 Deferments and Forbearance

A deferment is a period during which repayment of the *principal* and interest of the direct loan is temporarily delayed.

Situations in which a student with Direct Loans may apply for a deferment:

- During a period of at least half-time enrollment in college or career school.
- During a period of study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled.
- During a period of unemployment or inability to find full-time employment.
- During a period of economic hardship (includes Peace Corps service).
- During a period of active duty military service during a war, military operation, or national emergency.
- During the 13 months following the conclusion of qualifying active duty military service, or until you return to enrollment on at least a half-time basis, whichever is earlier, if:
 - the student is a member of the National Guard or other reserve component of the U.S. armed forces and
 - the student was called or ordered to active duty while enrolled at least half-time at an eligible school or within six months of having been enrolled at least half-time.

Most deferments are not automatic, and the student will need to submit a request to their loan servicer. For those students enrolled on at least a half-time basis, the student can also contact the Financial Aid Office for more information.

If a student does not qualify for a deferment but has difficulty making loan payments, the student may be able to qualify for a forbearance. Two types of forbearances are discretionary and mandatory.

The student will request discretionary forbearances from his or her lender for the reasons of financial hardship or illness. The lender may or may not grant the forbearance.



The lender is required to grant forbearance when the student meets eligibility requirements for any of these reasons:

- The student is serving in a medical or dental internship or residency program, and meets specific requirements.
- The total amount the student owes each month for all the student loans received is 20 percent or more of the student’s total monthly gross income (additional conditions apply).
- The student is serving in a national service position for which he or she received a national service award.
- The student is performing teaching service that would qualify for teacher loan forgiveness.
- The student qualifies for partial repayment of loans under the U.S. Department of Defense Student Loan Repayment Program.
- The student is a member of the National Guard and has been activated by a governor, but the student is not eligible for a military deferment.

623.1:9 Repayment Plans

The following information is an overview of repayment plans, courtesy of Federal Student Aid.

Overview of Direct Loan and FFEL Program Repayment Plans			
Repayment Plan	Eligible Loans	Monthly Payment and Time Frame	Eligibility and Other Information
<u>Standard Repayment Plan</u>	<ul style="list-style-type: none"> ➤ Direct Subsidized and Unsubsidized Loans ➤ Subsidized and Unsubsidized Federal Stafford Loans ➤ All PLUS Loans ➤ All <i>Consolidation</i> Loans (Direct or FFEL) 	<p>Payments are a fixed amount.</p> <p>Up to 10 years (up to 30 years for Consolidation Loans).</p>	<p>All borrowers are eligible for this plan.</p> <p>You’ll pay less over time than under other plans.</p>

<p><u>Graduated Repayment Plan</u></p>	<ul style="list-style-type: none"> ➤ Direct Subsidized and Unsubsidized Loans ➤ Subsidized and Unsubsidized Federal Stafford Loans ➤ All PLUS Loans ➤ All <i>Consolidation</i> Loans (Direct or FFEL) 	<p>Payments are lower at first and then increase, usually every two years.</p> <p>Up to 10 years (up to 30 years for Consolidation Loans).</p>	<p>All borrowers are eligible for this plan.</p> <p>You'll pay more over time under the 10-year Standard Plan.</p>
<p><u>Extended Repayment Plan</u></p>	<ul style="list-style-type: none"> ➤ Direct Subsidized and Unsubsidized Loans ➤ Subsidized and Unsubsidized Federal Stafford Loans ➤ All PLUS Loans ➤ All <i>Consolidation</i> Loans (Direct or FFEL) 	<p>Payments may be fixed or graduated.</p> <p>Up to 25 years.</p>	<ul style="list-style-type: none"> ➤ If you're a Direct Loan borrower, you must have more than \$30,000 in outstanding Direct Loans. ➤ If you're a FFEL borrower, you must have more than \$30,000 in outstanding FFEL Program loans. ➤ Your monthly payments will be lower than under the 10-year Standard Plan or the Graduate Repayment Plan. ➤ You'll pay more over time than under the 10-year Standard Plan.
<p><u>Revised Pay As You Earn Repayment Plan (REPAYE)</u></p>	<ul style="list-style-type: none"> ➤ Direct Subsidized and Unsubsidized Loans ➤ Direct PLUS loans made to students ➤ Direct Consolidation Loans that do not include PLUS loans 	<ul style="list-style-type: none"> ➤ Your monthly payments will be 10 percent of <i>discretionary income</i>. ➤ Payments are recalculated each year and are based on your updated 	<ul style="list-style-type: none"> ➤ Any Direct Loan borrower with an eligible loan type may choose this plan. ➤ Your monthly payment can be more than the 10-year Standard Plan

	<p>(Direct or FFEL) made to parents</p>	<p>income and family size.</p> <ul style="list-style-type: none"> ➤ If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions). ➤ Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years. 	<p>amount.</p> <ul style="list-style-type: none"> ➤ You may have to pay income tax on any amount that is forgiven. ➤ Good option for those seeking <i>Public Service Loan Forgiveness (PSLF)</i>.
<p><u>Pay As You Earn Repayment Plan (PAYE)</u></p>	<ul style="list-style-type: none"> ➤ Direct Subsidized and Unsubsidized Loans ➤ Direct PLUS loans made to students ➤ Direct Consolidation Loans that do not include (Direct or FFEL) PLUS loans made to parents 	<ul style="list-style-type: none"> ➤ Your maximum monthly payments will be 10 percent of discretionary income. ➤ Payments are recalculated each year and are based on your updated income and family size. ➤ If you're married, your spouse's income or loan debit will be considered only if you file a joint tax return. ➤ Any outstanding balance on your loan will be forgiven if you 	<ul style="list-style-type: none"> ➤ You must be a <i>new borrower</i> on or after Oct. 1, 2007, and must have received a <i>disbursement</i> of a Direct Loan on or after Oct. 1, 2011. ➤ You must have a high debt relative to your income. ➤ Your monthly payment will never be more than the 10-year Standard Plan amount. ➤ You'll pay more over time than under the 10-year Standard Plan. ➤ You may have to

		haven't repaid your loan in full after 20 years.	<p>pay income tax on any amount that is forgiven.</p> <ul style="list-style-type: none"> ➤ Good option for those seeking Public Service Loan Forgiveness (PSLF).
<u>Income-Based Repayment Plan (IBR)</u>	<ul style="list-style-type: none"> ➤ Direct Subsidized and Unsubsidized Loans ➤ Subsidized and Unsubsidized Federal Stafford Loans ➤ All PLUS loans made to students ➤ Consolidation Loans (Direct or FFEL) that do not include Direct or FFEL PLUS loans made to parents 	<ul style="list-style-type: none"> ➤ Your monthly payments will be 10 or 15 percent of discretionary income. ➤ Payments are recalculated each year and are based on your updated income and family size. ➤ If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return. ➤ Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years. ➤ You may have to pay income tax on any amount that is forgiven 	<ul style="list-style-type: none"> ➤ You must have a high debt relative to your income. ➤ Your monthly payment will never be more than the 10-year Standard Plan amount. ➤ You'll pay more over time than under the 10-year Standard Plan. ➤ Good option for those seeking Public Service Loan Forgiveness (PSLF).
<u>Income-Contingent Repayment Plan (ICR)</u>	<ul style="list-style-type: none"> ➤ Direct Subsidized and Unsubsidized Loans ➤ Direct PLUS Loans made to students 	<ul style="list-style-type: none"> ➤ Your monthly payment will be the lesser of <ul style="list-style-type: none"> ▪ 20 percent of discretionary 	<ul style="list-style-type: none"> ➤ Any Direct Loan borrower with an eligible loan type may choose this plan.

	<ul style="list-style-type: none"> ➤ Direct Consolidation Loans 	<p>income, or</p> <ul style="list-style-type: none"> ▪ The amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income. ➤ Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans. ➤ If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay your Direct Loans jointly with your spouse. ➤ Any outstanding balance will be forgiven if you haven't repaid your loan in full after 25 years. 	<ul style="list-style-type: none"> ➤ Your monthly payment can be more than the 10-year Standard Plan amount. ➤ You may have to pay income tax on the amount that is forgiven. ➤ Good option for those seeking Public Service Loan Forgiveness (PSLF). ➤ Parent borrowers can access this plan by consolidating their Parent PLUS Loans into a <i>Direct Consolidation Loan</i>.
<p><u>Income-Sensitive Repayment Plan</u></p>	<ul style="list-style-type: none"> ➤ Subsidized and Unsubsidized Federal Stafford Loans ➤ FFEL PLUS Loans ➤ FFEL Consolidation 	<p>Your monthly payment is based on annual income.</p> <p>Up to 15 years.</p>	<ul style="list-style-type: none"> ➤ You'll pay more over time than under the 10-year Standard Plan. ➤ The formula for determining the monthly payment



	Loans		amount can vary from <i>lender</i> to lender.
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Direct loan borrowers should contact their lender or servicer with specific questions about repayment and repayment options.

623.1:10 Refunds or Return to Title IV

Redlands Community College will complete all necessary calculations and notify the student in writing when there is a refund or return of Title IV aid paid on behalf of the borrower. All requirements for Return of Title IV Funds will be followed according to the procedures established in 34 CFR 668.22. Details can be found in the policy sections for Return to Title IV Funds.

623.1:11 Administrative and Fiscal Control

The Office of Institutional Research completes and submits student status confirmation reports using the National Student Loan Clearinghouse every 30 days. By maintaining the 30-day submission routine, all student enrollment information is updated to meet requirements.

Records for Direct Loans are retained to provide documentation of the student eligibility, disbursements, and counseling notices. Most of the documentation is kept within POISE. There is a paper loan file kept in the Financial Aid Office that contains copies of notification letters to the student, and any other pertinent information for the student loan. In an effort to maintain the requirement that Direct Loan records are kept for three years after the student last attended, the paper files in the Financial Aid Office are retained for five years.

The Business Office maintains fiscal records that account for the receipt and expenditure of Title IV program funds with general accounting principles. All Direct Loan funds are received and used only for disbursement of Direct Loans to eligible borrowers.



623.1:12 Borrower Responsibilities and Defenses

A student has certain responsibilities and defenses with his or her Direct Loans. The borrower must provide a statement that the loan will be used for the cost of the student's attendance, that the borrower is eligible for the loan, information concerning any FFEL and/or Direct Loans the borrower holds, including Federal Consolidation Loan or Direct Consolidation Loan, and a statement authorizing the school to release to the Secretary (DOE) information relevant to the student's eligibility to borrow or have a parent borrow on the student's behalf. The student borrower must notify the Secretary (DOE) of any changes in name, address, student status of less than half-time, employer or employer's address. The student borrower must also promptly notify the school of any changes in address during enrollment.

The student has certain defenses which are specified in 34 CFR 685.206(c). The regulation states, in part, "(c)(1) [i]n any proceeding to collect on a Direct Loan, the borrower may assert as a defense against repayment, an act or omission of the school attended by the student that would give rise to a cause of action against the school under applicable State law." Inquiries regarding student defense against repayment should be directed to the Secretary (DOE).

623.1:13 Default

Failure to repay a loan according to the terms agreed to results in default. For Direct Loan programs, the loan is in default if the student fails to make a payment for 270 days, if paid monthly (or 330 days, if payments are due less frequently). The student's lender is required to report the default to at least one national credit bureau. Students should contact their servicer for information about avoiding going into default or for information on getting out of default.

623.1:14 Federal Regulation

This policy and procedure was created and is maintained to be in compliance with Federal regulation 34 CFR §685.102-685.309.

Adopted March 2017