



**Montgomery College**  
**endless possibilities**

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

**Attention all first-time borrowers at Montgomery College. In order for your loan proceeds to disburse in a timely manner, you must attend a Financial Literacy session. Please check the financial aid tab on MyMC for dates and times.**

**Direct Stafford Loan Processing Information**

**\*\*New loan borrowers please read the loan addendum on the attached page. \*\***

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

The federal government offers Direct subsidized Stafford loans and Direct unsubsidized Stafford loans to students. Loans are available for students to meet education-related expenses. To apply for a Direct Stafford 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 before submitting a Direct Stafford Loan Request Form. You can electronically complete an entrance interview at the Direct loan website—visit **www.studentloans.gov**. In addition you need to attend, **in person**, a financial literacy session before your loan will be disbursed to your account. Group sessions will be available on each campus.

**Direct Subsidized Stafford Loan**

A Direct subsidized Stafford 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:

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

**Direct Unsubsidized Stafford Loan**

A Direct unsubsidized Stafford 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. Contact your lender for details about capitalization methods and requirements for interest payments. The formula used to determine the loan amount:

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

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

**\*These loan limits also apply to dependent students whose parents are denied a Direct Plus Loan**

# Loan Addendum

Effective July 1, 2013, the law limits the benefits of the Direct Loan subsidy to 150 percent of the degree program length for new borrowers. A new borrower is defined as a "first-time" borrower or a student who has no outstanding balance on a Direct or FFEL loans as of July 1, 2013. The new borrower in a two-year program of study may receive subsidized loans for three academic years. Once the 150 percent limit is reached, the interest subsidy for all subsidized loans disbursed on or after July 1, 2013 will begin to accrue in the same manner as interest on the unsubsidized loan.

*Please note that these regulations may be subject to change at a later date.*

## 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 Stafford 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 aggregate 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 credit equivalent hours 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/General Information/Satisfactory Academic Progress 2013-2014
- 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 refund 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 Stafford loans must be repaid with all interest applied.
- A Direct Stafford 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 Stafford 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 two disbursements within the semester. All Direct Stafford Loan borrowers must maintain at least six eligible credit hours to have their loan processed each semester. Eligible credits do not include audit courses or some repeated courses. Visit your campus FAO, 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 who have defaulted on previous loans may not borrow loans at MC. 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. Students with loans currently in default are ineligible to receive ANY type of Title IV federal financial aid.

## 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 Stafford 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 Stafford 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 Stafford Loan</b>			
Year	Maximum Borrowed	Unpaid Balance of Unsubsidized	Cumulative Year-End Capitalized Interest
1 <sup>st</sup>	\$5,500	\$5,500	\$374
2 <sup>nd</sup>	\$6,500	\$12,000	\$816
3 <sup>rd</sup>	\$7,500	\$19,500	\$1,326
4 <sup>th</sup>	\$7,500	\$27,000	\$1,836
Total Capitalized Interest at Repayment			\$1,836

- Calculations based on 6.8% interest rate

<b>Independent Student – Direct Unsubsidized Stafford Loan</b>			
Year	Maximum Borrowed	Unpaid Balance of Unsubsidized	Cumulative Year-End Capitalized Interest
1 <sup>st</sup>	\$9,500	\$9,500	\$646
2 <sup>nd</sup>	\$10,500	\$20,000	\$1,360
3 <sup>rd</sup>	\$12,500	\$32,500	\$2,210
4 <sup>th</sup>	\$12,500	\$45,000	\$3,060
Total Capitalized Interest at Repayment			\$3,060

## 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 the National Student Loan Data System at [www.nslds.ed.gov](http://www.nslds.ed.gov). 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.



<span style="font-size: 2em; font-weight: bold;">M</span> _____ Office use only
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**2013-2014 Direct Stafford Loan Request Form**

First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_

MC Student ID #: M \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
(mm/dd/yyyy)

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone # (Home) \_\_\_\_\_ (Cell) \_\_\_\_\_

Driver's License #: \_\_\_\_\_ State: \_\_\_\_\_

**Maximum Undergraduate Federal Direct Stafford Loan Limits per Academic Year (Fall, Spring, and Summer)**

DEPENDENT	Base Loan Maximum	Additional Unsubsidized	Total Annual Maximum
<b>FRESHMAN</b> 0-27 earned/transfer credits	<b>\$3,500</b>	<b>\$2,000</b>	<b>\$5,500 maximum</b>
<b>SOPHOMORE</b> 28+ earned/transfer credits	<b>\$4,500</b>	<b>\$2,000</b>	<b>\$6,500 maximum</b>
INDEPENDENT	Base Loan Maximum	Additional Unsubsidized	Total Annual Maximum
<b>FRESHMAN</b> 0-27 earned/transfer credits	<b>\$3,500</b>	<b>\$6,000</b>	<b>\$9,500 maximum</b>
<b>SOPHOMORE</b> 28+ earned/transfer credits	<b>\$4,500</b>	<b>\$6,000</b>	<b>\$10,500 maximum</b>

1. When do you expect to complete your studies at Montgomery College? Month: \_\_\_\_\_ Year: \_\_\_\_\_  
 a. Does the date listed above refer to the completion of a degree or certificate?  Yes  No

2. Are you or will you receive any of the following benefits to assist with your college costs:  
 Active Duty Military self/spouse or parents if dependent? \_\_\_\_\_ Employer/Dependent Tuition Waiver? \_\_\_\_\_/\$\_\_\_\_\_  
(Yes or No) (Yes or No/If Yes amount)

3. I am requesting a :  Subsidized Loan  Unsubsidized Loan  Both

4. All loan requests are processed for the full academic year of fall and spring. The disbursements are divided equally.

5. How much do you want to borrow? \$ \_\_\_\_\_  
(Write a numerical amount)

**Reference Information:** Please provide two references with TWO DIFFERENT U.S. Addresses

Name	Relationship	Phone	Address	City/State/Zip
Name	Relationship	Phone	Address	City/State/Zip

\_\_\_\_\_  
 Student Signature

\_\_\_\_\_  
 Date

## Student Loan Understanding and History Form

Name: \_\_\_\_\_ Student ID: M \_\_\_\_\_

Have you previously borrowed educational student loans at any postsecondary institution?

- Yes (go to Section A)       No (skip to Section D)

- A. Information is available at [www.nslds.ed.gov](http://www.nslds.ed.gov). You will need your Department of Education pin number. This is the pin number you use to file the FAFSA. ([www.pin.ed.gov](http://www.pin.ed.gov))
- How much do you currently owe in student loans? (include all loan balances for Direct Stafford, Perkins, and PLUS loans) \$ \_\_\_\_\_
  - Who is the servicer(s) of your current student loan(s)?  
\_\_\_\_\_
  - Have you ever defaulted on any of your previous loans (even those paid in full)?  
 Yes (complete Section B below then go to Section C)     No (go to Section C)

B. Please list below which loan(s) were in default, and **attach a separate sheet** explaining the following:

- why you defaulted, the current status of the default, how it was resolved, and
- please state what options are available to prevent you from defaulting on any new student loans

**Please check this box if a previous loan history appeal was submitted and approved.**

Type of Loan:	Lender:
1) _____	_____
2) _____	_____
3) _____	_____

C. Standard Repayment Plan chart

Standard Repayment Plan	
Amount Borrowed	Monthly Payment
\$1,000-3,499	\$50
\$3,500-5,499	\$50
\$5,500-6,499	\$63
\$6,500-7,499	\$75
\$7,500-9,499	\$86
\$9,500-10,499	\$109
\$10,500-12,499	\$121
\$12,500-19,999	\$210
\$20,000-30,999	\$230
\$31,000-39,999	\$357
\$40,000-56,499	\$460

If you borrow the amount you are requesting today, what will your new 'Outstanding Balance' be?

Old outstanding balance: \$ \_\_\_\_\_

New loan amount:        +\$ \_\_\_\_\_

New outstanding balance: =\$ \_\_\_\_\_

On the Standard Repayment Plan chart, locate the range of the amount of your new outstanding loan balance in the 'Amount Borrowed' column. Next, locate the 'Monthly Repayment' amount in the next column.

New monthly repayment: \$ \_\_\_\_\_

## Student Loan Understanding and History Form Cont'd

**Name:** \_\_\_\_\_ **Student ID #:** \_\_\_\_\_

### D. Standard Repayment Plan chart

Standard Repayment Plan	
Amount Borrowed	Monthly Payment
\$1,000-3,499	\$50
\$3,500-5,499	\$50
\$5,500-6,499	\$63
\$6,500-7,499	\$75
\$7,500-9,499	\$86
\$9,500-10,499	\$109
\$10,500-12,499	\$121
\$12,500-19,999	\$210
\$20,000-30,999	\$230
\$31,000-39,999	\$357
\$40,000-56,499	\$460

(New loan borrowers only)

On the Standard Repayment Plan chart, locate the range of the amount you plan to Borrow in the 'Amount Borrowed' column. Next, locate the 'Monthly Repayment' amount in the next column.

If you borrow the amount you are requesting today, what will your 'Outstanding Balance' be?

Loan amount:           \$ \_\_\_\_\_

Monthly repayment: \$ \_\_\_\_\_

### All borrowers must complete the Statement of Understanding

#### STATEMENT OF UNDERSTANDING (check mark each statement)

- I understand that if my address or any other information I have provided to the school is not correct or is incomplete that my loan cannot be processed.
- I understand that if this is my first Direct Stafford Loan at Montgomery College, I must complete an entrance interview before my loan is processed and attend a financial literacy session.
- I understand that my loan proceeds will not be released to the school until 30 days past the first day of classes of each semester and may be later based on when I apply and/or when my file became complete. Fall/spring loans are divided equally between the two semesters.
- I understand that I must maintain six (6) credit hours to have a loan processed and disbursed.
- I understand the school is neither the guarantor nor the lender of this loan. I understand that any loan I borrow must be repaid with interest.
- I understand that I must sign my master promissory note (MPN) on the Web. I understand that my loan proceeds cannot be disbursed until the MPN is completed.
- I understand that if I move, I must notify my lender of the address change.

Direct Stafford loan terms and conditions containing important information about your Direct Stafford Loans can be found at MyMC/Financial Aid Tab/Loans. Please read it; you are responsible for knowing this information. If you have any questions about this information, or the effect of less than half time enrollment (less than six credit equivalent hours) on your student loans, please contact the Office of Student Financial Aid.

Loan applications may be denied based on my previous loan history, lack of academic progress and enrollment status. I can submit a loan denial appeal to the Financial Aid Director at my campus.

\_\_\_\_\_  
Student Signature

\_\_\_\_\_  
Date