

# **Ozarka College**

## **William D. Ford Direct Loan Program**

### **Policies and Procedures**

Federal Direct Loans are low-interest loans from the U.S. Department of Education that are administered by Ozarka College. It is the U.S. Department of Education's major form of self-help aid and is available through the William D. Ford Federal Direct Loan Program. There are two types of Federal Direct Loans: subsidized and unsubsidized.

#### **Federal Direct Subsidized Loan**

A Federal Direct Subsidized Loan is available to help meet financial need. Eligibility for subsidized loans is based on financial need as determined by federal guidelines. The loan is called "subsidized" because the government pays the interest for the student while enrolled at least half-time. Interest begins to accrue for the student 6 months after the student graduates or ceases to be enrolled at least half time.

#### **Federal Direct Unsubsidized Loan**

A Federal Direct Unsubsidized Loan is not based on financial need. If the Estimated Cost of Attendance is greater than a student's financial aid and the student has not reached the annual maximum loan limit through the federal Direct Subsidized Loan, he or she may qualify for Federal Direct Unsubsidized Loan. The interest rate for federal Direct Unsubsidized loans is fixed at 6.8%. Interest on this loan accrues from the time the loan is disbursed until it is paid in full. Students have the option to pay on the interest while in school, or to allow the interest to accumulate, which adds to the principal amount of the loan and increases the amount to be repaid.

#### **Federal Direct PLUS Loan**

Ozarka College chooses not to participate in Parent Loan for Undergraduate Students (PLUS).

#### **Federal Direct Loan Limits**

The federal government sets limits on the amount of money a student can borrow. The annual limit shows the maximum amount a student can borrow in one academic year, while the aggregate limit applies to the maximum a student can borrow in a lifetime. There is an overall annual loan limit for Stafford Loans, a limited subset of which may be comprised of subsidized loans. The student's maximum annual loan limit increases as the student progresses to higher grade levels. The loan limit may have to be prorated if the student is attending a program (or remaining portion of a program) that is less than an academic year.

Below is a chart of annual and aggregate loan limits for Federal Direct Loans:

	Federal Direct Loan Annual Limits	
<b>Dependent</b>	Subsidized	Total Subsidized & Unsubsidized
Freshman	\$3,500	\$5,500
Sophomore	\$4,500	\$6,500
<b>Independent</b>		
Freshman	\$3,500	\$9,500
Sophomore	\$4,500	\$10,500
<b>Federal Direct Loan Life Time Limits</b>		
Undergraduate Dependent	\$23,000	\$31,000
Undergraduate Independent	\$23,000	\$57,500
Graduate	\$65,500	\$138,500

\*Note: All undergraduate annual loan amounts are subject to proration.

Students loan requests will be evaluated each Fall and Spring semester to ensure that the student receives the full entitlement of subsidized loans before awarding additional unsubsidized. The Financial Aid Office will use National Student Loan Data System (NSLDS) to assist in determining the correct amount of subsidized and unsubsidized loans. Also, the Financial Aid staff will use NSLDS to determine the student's aggregate loan limits to avoid awarding beyond the approved limit.

### **Applying for a Federal Direct Loan**

To request a student loan, borrowers must complete the following steps:

- Step 1: Register for classes
- Step 2: Complete a FAFSA
- Step 3: Log in to myOzarka
- Step 4: Click on the Finance Tab
- Step 5: Choose "Request Student Loan"
- Step 6: Choose the loan amount by moving the slider to the right or left for the amount and click "Request loan." A confirmation email is sent after Financial Aid office receives the request.
- Step 7: Contact the financial aid office to schedule an appointment for a one-on-one counseling interview.

## **Federal Direct Loan Entrance Counseling**

The federal government requires a first-time student to participate in loan entrance counseling prior to receiving a Federal Direct Loan. Ozarka College requires its students to complete entrance counseling at [www.studentloans.gov](http://www.studentloans.gov). Students must have completed entrance counseling on file before the loan request can be processed.

## **Federal Direct Loan Master Promissory Note**

Also, the federal government requires a student to complete a Master Promissory Note (MPN) prior to receiving a Federal Direct Loan. Ozarka College requires its students to complete an MPN at [www.studentloans.gov](http://www.studentloans.gov). The MPN is the legal document through which a borrower promises to repay his or her Direct Loan and any accrued interest and fees to the Department. It also explains the terms and conditions of the loan. All students must have an MPN on file with the federal government in order for the college to process the request.

## **Request Reduction or Cancellation of Federal Direct Loan**

Students have the right to reduce or cancel their Federal Direct Loan at any time. They may do so by making a notation on their Financial Aid Award Letter or by completing a Financial Aid Adjustment form. These forms need to be submitted to the Financial Aid office.

## **Disbursement and Refunds for Federal Direct Loan**

Federal regulations require all student loan funds to be disbursed in at least two payments. If the student is a first-time borrower, the loan will not be disbursed until 30 days after the first day of classes. Ozarka College will not deliver subsequent disbursement of Federal Direct Loans prior to the midpoint of semester. The Financial Aid Director and Business Manager will determine the disbursement dates in the Spring semester each year for the new academic year. At this time, they will calculate and insure that the second loan disbursement is delivered after the midpoint of the semester. A complete list of procedures appears in the Ozarka College Disbursement and Refund Policy, and a complete list of disbursement dates can be found on the Financial Aid website, <http://www.ozarka.edu/finaid/>.

## **Refusing to Originate a Loan or Originating for Less than Maximum Eligibility**

On a case-by-case basis, Ozarka College may refuse to originate the loan for an individual borrower. The college may NOT limit borrowing by students or parents on an across the board or categorical basis. Similarly, the college may originate a loan for an amount less than the borrower's maximum eligibility. However, the college must ensure that these 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. Also note that the college cannot engage in a practice of originating Direct Loans only in the amount needed to cover the

school charges, or to limit unsubsidized borrowing by independent students. When the college decides not to originate a loan or to reduce the amount of the loan, the college will document the reasons and provide the explanation to the student in writing.

Section 479A(c) of the Higher Education Act, as amended (HEA), and the Direct Loan Program regulations at 34 CFR 685.301(a)(8) give schools the authority to refuse to originate a Direct Loan or to reduce the amount of an individual borrower's eligibility for a Direct Loan.

### **Federal Direct Loan Exit Counseling**

The federal government requires that students participate in exit counseling prior to leaving or graduating from college. Ozarka College requires its students to complete exit counseling at [www.studentloans.gov](http://www.studentloans.gov).

If students fail to complete exit counseling when they withdraw, drop below half-time or graduate, they will receive an email from the college directing them to the exit counseling website. The email will be sent within 30 days of the Financial Aid Department learning that the student has withdrawn, dropped below half-time or graduated. If students still have not completed exit counseling after 30 days of the first notice, the Financial Aid office will send a second email notice with an attachment of the Exit Counseling Guide provided by the Department of Education.

To assist the Financial Aid office in tracking the student's exit counseling progress, an activity will be created in Sonis once a student withdraws, drops below half-time or graduates. Once the student has completed exit counseling or received the Exit Counseling Guide, the activity will be marked completed.

Students who do not complete Exit Counseling will have their official transcript and/or diploma placed on hold until the requirement is completed. After Exit Counseling has been completed, the exit counseling hold will be removed from the student's record.