

**SAU Tech**  
**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 SAU Tech. 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 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 Direct 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. A student’s grade level is determined by their chosen degree (student will always be freshman in a Technical certificate degree) or by the amount of hours earned if they are in an Associate degree. If a student has earned zero to 29 hours, they will be considered a freshman. If a student has earned at least 30 hours, they will be considered a sophomore. 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 the student's latest ISIR and 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: Complete a FAFSA and their financial aid file
- Step 2: Complete Admissions
- Step 3: Register for classes (must be enrolled in at least six credit hours to receive a loan).
- Step 4: Complete a Direct Loan form
- Step 5: Complete Entrance Counseling and a Master Promissory Note (MPN)
- Step 6: Complete the Student Loan Debt Management portion of the loan form
- 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. SAU Tech requires its students to complete entrance counseling at [www.studentloans.gov](http://www.studentloans.gov). Students must have completed entrance counseling on file and with the loan officer 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. SAU Tech requires its students to complete a 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 a 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 notifying the Financial Aid Office in writing.

## **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. SAU Tech will not deliver subsequent disbursement of Federal Direct Loans prior to the midpoint of semester. The Financial Aid Director 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 SAU Tech Disbursement and Refund Policy.

## **Federal Direct Loan Exit Counseling**

The federal government requires that students participate in exit counseling prior to leaving or graduating from college. SAU Tech 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 a letter directing them to the exit counseling website. After thirty days, if students still have not completed exit counseling the Financial Aid office will send out an Exit Counseling Guide provided by the Department of Education.

Every attempt will be made to capture the student before he or she leaves campus. Transcript holds will be placed on students' accounts until they have completed exit counseling. Also, Exit counseling workshops will be held prior to graduation.

### **Federal Direct PLUS loan procedures**

Students/Parents will be required to complete an application for Federal Direct PLUS loan. The parent must complete a Parent PLUS Master Promissory Note at [www.studentloans.gov](http://www.studentloans.gov). The Financial Aid Office will submit information through COD and conduct the credit check. If the parent passes the credit check, the student's eligibility will be determined using federal regulations. If a parent does not pass the credit check, the parent will not be eligible for the PLUS loan. If the student would like to then request additional unsubsidized loan funds, they must submit notification in writing to the Financial Aid Office.