

# FEDERAL DIRECT SUBSIDIZED AND UNSUBSIDIZED LOANS GRADUATE PLUS LOANS INFORMATION, GUIDELINES, AND POLICY

## **INTRODUCTION**

While the subject of financial need is quite complex, graduate students should begin the process by completing the FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA). The FAFSA collects identifying information used to track the student (name, social security number, etc.) and financial information that affects basic eligibility. Incomplete answers and errors can cause delays in processing. Most students qualify for a federal loan regardless of financial means.

## **TYPES OF FEDERAL FAMILY EDUCATIONAL LOANS**

### **Federal Direct Unsubsidized Loan**

The Federal Direct Unsubsidized Loan is available to any student in a Degree Seeking Program enrolled with at least 6 credits (half-time) per semester. The student must be a U.S. citizen or an eligible non-citizen. The current annual fixed interest rate is 5.84%.

The Budget Control Act of 2011 made significant changes to the federal student loan program. Congress voted to eliminate the federal student loan subsidies for graduate students. This means that beginning in 2012-2013, graduate students will only be eligible for unsubsidized federal student loans. An unsubsidized student loan begins to accrue interest from the date of disbursement.

This loan cannot exceed educational costs minus other aid. The student will be charged the interest from the time the loan is disbursed until it is paid in full. If the student allows the interest to accumulate, it will be capitalized -- that is, the interest will be added to the principal amount of the loan and additional interest will be based on the higher amount. If the student chooses to pay the interest as it accumulates, less interest will be paid over the life of the loan.

A graduate student can qualify for up to \$20,500 per academic year through the Federal Direct Loan Program. A student may receive less than the yearly maximums if he/she chooses a smaller disbursement or receives other financial aid that covers a portion of the cost of attendance. A graduate student may borrow up to a lifetime amount of \$138,500 from the Federal Direct Loan program (which includes proceeds from any undergraduate loan program).

### **Federal Graduate Plus Loans**

The Federal Graduate Plus Loan is a federally sponsored loan for students attending graduate school. This program allows the student to borrow funding for the total cost of education less any financial aid awards, including a Federal Direct Loan. A Federal Graduate PLUS Loan is a non-need based loan for creditworthy graduate students. The interest rate is fixed at 7.9%. Origination fees apply.

Repayment begins on the date that the loan is fully disbursed. The first payment is due 60 days after that date. Graduate borrowers who are enrolled at least half-time qualify for an automatic in-school deferment. Interest will accrue during the in-school period. If a student should drop below half-time, the Graduate Plus Loan borrower may request a deferment.

## **ELIGIBILITY REQUIREMENTS**

Federal loans will be evaluated for the following requirements:

- Accepted in a degree-seeking program and enrolled at least half-time.
- Be a citizen or eligible non-citizen.
- Have a valid Social Security Number.
- Sign a statement on the FASFA certifying that the borrower will use federal student aid only for education purposes.
- Make satisfactory academic progress as defined by the institution. (see below)
- Not in default on any prior Title IV educational loan and do not owe money back on a federal student grant.
- Have registered for Selective Service if required.

### **Selective Service Requirement**

Another condition necessary for student loan eligibility is registration with Selective Service. If the law requires, a student must register with Selective Service to receive federal student aid. The requirement to register applies to males who were born on or after January 1, 1960, are at least 18 years of age, are citizens or eligible non-citizen, and are not currently on active duty in the US Armed Forces. This must be completed to be eligible for the Federal Loan Programs. Students who have questions about their Selective Service registration status should contact the Selective Service Department.

### **Additional Eligibility Requirements for the Graduate Plus Loan**

- It is recommended that students apply for the maximum annual amount through the Federal Direct Loan Program before applying for the Graduate Plus Loan.
- A student is not required to receive Federal Direct Loan funds as a condition for receiving a Graduate PLUS Loan. However, if a student rejects the Direct Loan funds, Trinity School for Ministry must document the rejection in the student's file.
- Be creditworthy or have a creditworthy co-borrower

## **APPLICATION AND GUIDELINES**

### **Free Application for Federal Student Aid and EFC**

Completing the Free Application for Federal Student Aid (FAFSA) is the first step in applying for federal assistance for graduate education. The FAFSA is the official form used to provide a need analysis and determine the Expected Family Contribution (EFC).

Eligibility for federal aid programs is determined by using a Congressional formula called Federal Methodology. It uses your and your spouse's total taxable and untaxed income, current equity in assets, household size, and number enrolled in college, to determine the amount you are expected to pay toward your education. This formula determines your Expected Family Contribution (EFC). The EFC is not an actual dollar amount that the student will pay but the amount the government feels a student can contribute toward his/her education. The required Statements of Educational Purpose, and Refunds and Defaults are posted in the FAFSA.

The output document of the FAFSA, the Student Aid Report (SAR), is either mailed or emailed directly to the student. The student should carefully review the SAR. The loan certification cannot begin until the SAR has been received. If Pittsburgh Theological Seminary is listed as the one of the student's schools of choice on the FASFA, the Seminary should receive the SAR electronically from the US Department of Education.

### Contact the Financial Aid Office

Each student must submit a signed Direct Loan Request Form to the Financial aid Office for each loan. This alerts the Director of Financial Aid that the student wants a loan, the type, and the dollar amount.

Students transferring mid-year should contact the Financial Aid Office. The Financial Aid Office will assist in determining eligibility for the current academic year. Confirmation of the current year's loan eligibility must be established through the National Student Loan Database before a loan can be originated for enrollment at Trinity School for Ministry.

Students whose SAR indicates a prior problem with exceeding the loan limit under the program, or is in default on any loan under the GSL, ICL, NDSL or Perkins Loan Programs, may not borrow in the Federal Direct Education Loan Program until the matter has been resolved. The student initiates the resolution of all such cases and all documents concerning relief from the existing ineligibility must be presented to the Financial Aid Office.

### Cost of Attendance

The Cost of Attendance (COA) is the expected dollar amount that a student needs to attend Trinity School for Ministry for the nine month academic year. Please refer to the Cost of Attendance webpage for specifics. Actual living expenses could vary based on the student's standard of attendance, spending habits, and values.

There are certain categories for which the regulations allow an increase to this budget for an individual student in determining need, which include (but are not limited to):

- Disability related expenses
- Certain childcare costs
- Computer purchase (may only be used once)
- Students applying for federal aid who believe they have allowable expenses, which could be used to increase their budgets, should document these expenses and request an appointment with the Director of Financial Aid.

### Maximum Graduate Loan Eligibility

The loan eligibility is determined using the following calculation:

	Cost of Attendance
- Minus	Trinity Scholarship
- Minus	<u>Funding from Outside Sources &amp; Churches</u>
=Equal	Maximum Loan Eligibility

### Master Promissory Note

New borrowers must complete the Federal Direct Unsubsidized Loan Master Promissory Note (MPN) and/or the Graduate PLUS Promissory Note (PLUS MPN), available on-line at [www.studentloans.gov](http://www.studentloans.gov). Students who borrowed during a previous academic year are not required to complete a new MPN. Under the MPN process, all borrowers sign the promissory note once every ten years.

Graduate Plus borrowers must submit a loan application each year at [www.studentloans.gov](http://www.studentloans.gov) so the credit check can be completed by the Department of Education.

### Federal Direct Loan Notifications

Once the federal loans have been calculated, the student will receive a notification. This letter does not have to be signed and returned to the Financial Aid Office unless the student would like to adjust the loan.

## **DELIVERY OF LOAN PROCEEDS**

Once the loan has been originated, the Department of Education will electronically transfer the funds to the Business Office. The Business Office will notify the students electronically of the pending disbursement and cancellation policy. Per federal regulation, students may request to the Business Office that their notification be made in hard copy.

Most loans will be certified for the entire academic year so the loan will pay in two equal disbursements. Loan disbursements are applied to the students' accounts after the beginning of the term.

Once Trinity has electronically received the loan disbursement, the student's account will be credited with the loan proceeds. Funds from the loan will be applied to any outstanding balance on the account to the loan period specified.

Anytime the delivery of a loan disbursement creates a credit balance on a student's account, the school will refund the credit balance directly to the student within ten business days. A student must make a written request to the Business Office if they wish to have their loan proceeds remain on their student account to satisfy future charges for all or part of the specified loan period. All credit balances created by the disbursement of a loan must be refunded directly to the student by the end of the specified loan period.

PLEASE NOTE: For budgeting purposes, students must remember that the amount of loan money for which they applied may not actually be disbursed to them. The federal government charges the student fees which are deducted equally from each disbursement.

Loan proceeds may only be used to pay for expenses incurred within the loan period. It is Trinity policy to use student loan funds first to balance the student's account; only then are other student aid funds applied to the account.

## **OVERAWARDS**

When originating a Federal Direct Unsubsidized Loan or a Federal Graduate PLUS Loan, the Director of Financial Aid must consider other aid available to the student, as well as the amount the student can contribute (the EFC). Therefore, students must notify the Financial Aid Office of any awards, scholarships, prizes, etc. that they receive either prior to or after they apply for any education loan. This is a serious student responsibility. When financial aid exceeds the student's demonstrated need, an overaward occurs. Overawards frequently require adjustment to the student loan. This very often means that the student is denied future loan disbursement funds, or may even have to return funds already disbursed. The Financial Aid Office uses the Direct Loan Request Form for the purpose of monitoring overawards.

The institution must withhold and promptly return to the Department of Education any disbursement not yet delivered to the student that exceeds the amount of assistance for which a student is eligible, taking into account other financial aid obtained by the student.

## **SATISFACTORY PROGRESS**

The Trinity Satisfactory Academic Progress Policy requires that a student maintain a cumulative GPA of at least 2.0 as a qualitative measure of progress. To ensure that a student is making quantitative progress, policy requires a full-time student to complete at least nine credits per semester; part-time students must complete all credits that are attempted.

## **ENTRANCE & EXIT INTERVIEWS**

Students should be knowledgeable about their student loans. Trinity School for Ministry strictly enforces the government regulation that first-time borrowers complete an Entrance Interview at [www.studentloans.gov](http://www.studentloans.gov). It is also a Federal requirement for all students with any type of Federal Student Loan to complete an exit interview at the time of departure from the seminary. Exit Interviews may be completed on-line at [www.nsls.ed.gov](http://www.nsls.ed.gov).

## **CHANGE OF ENROLLMENT STATUS**

If, after obtaining a federal education loan, the borrower enrolls less than half time, fails to enroll during the period for which the loan was intended, or is otherwise found to be ineligible for the loan, it is the student's responsibility to notify the Financial Aid Office. If, for any reason, a student leaves school or drops to less-than-half-time status without notifying the Registrar's Office, the student's last day of attendance in class will be used as the official withdraw date. Generally, there is a six-month grace period before repayment begins.

## **DEFERMENT REQUESTS**

Trinity School for Ministry participates with the National Student Loan Clearinghouse (NSLCH) to process our Student Status Conformation Reports. Because the institution will report all students' enrollment status to the NSLCH, borrowing students no longer need to complete additional forms for deferment unless their lender still requires the paper form.

## **DRUG-FREE SCHOOLS**

Trinity School for Ministry is committed to providing an academic environment in compliance with The Drug Free Schools and Communities Act Amendments of 1989 (Public Law 101-226). The unlawful manufacture, distribution, possession or use of a controlled substance on Trinity property or off-site while on Trinity business is strictly prohibited. Violations of this policy will result in disciplinary action up to and including dismissal, and/or mandatory participation in and successful completion of a drug assistance or rehabilitation program approved by an appropriate health or law enforcement agency.