



Office of Student Financial Aid Federal Stafford Loan Processing Information

Federal Stafford Loan Processing Information

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

The federal government offers subsidized Federal Stafford loans and unsubsidized Federal Stafford loans to students. Loans are available for students to meet education-related expenses. To apply for a 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 before submitting a Loan Processing Form. In addition, you are required to attend a loan information session. You can electronically complete an entrance interview at the financial aid website—visit www.montgomerycollege.edu/finaid/entrance.html.

Subsidized Federal Stafford Loan

A subsidized Federal 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

Unsubsidized Federal Stafford Loan

An unsubsidized Federal 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 Stafford loan. On the back of this guide is a sample capitalization chart for an unsubsidized Federal Stafford 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.

Selecting A Lender

As a student loan borrower, it is important to have a choice when selecting a lender. It is your right as a student borrower to choose any lender you desire. Montgomery College provides a list of recommended lenders based on a request for information (RFI) survey. A five person committee that includes one representative from each campus financial aid office, one faculty member, and a student senator reviews each RFI. The survey includes questions about product quality, use of current technology, customer service, borrower benefits, and debt management initiatives. Local lending institution accessibility and national bank recognition are additional factors used for inclusion on the recommended lender list. It is suggested that you keep the same lender the entire time you are at Montgomery College. For more information about the lenders on our list please visit www.montgomerycollege.edu/finaid/lenders.html. Be sure that you circle a lender of your choice on your loan request form.

Lender List

Discover Loans	PNC Bank
EdAmerica	Sallie Mae
National Education	SunTrust Bank

NOTE: Montgomery College uses USA Funds as the designated guaranty agency for the state of Maryland.

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 Stafford loan funds. Please pay close attention to the number of credits you have earned before you decide how much to borrow.

First-time borrowers at MC are required to sign a new Master Promissory Note (MPN) even if they have borrowed loans at another institution. Repeat borrowers at MC are not required to sign a new MPN, unless they change lenders.

Academic year	Dependent Student		Independent Student*	
	Subsidized	Unsubsidized	Subsidized	Unsubsidized
	Annual Limits			
Grade Level 1 (0-27 credit hours)	\$3,500	\$2,000	\$3,500	\$6,000
Grade Level 2 (28 or more credit hours)	\$4,500	\$2,000	\$4,500	\$6,000

*These loan limits also apply to dependent students whose parents are denied a Federal PLUS Loan

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 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 at least 6 billing hours to receive a loan.
- You must be making Satisfactory Academic Progress (SAP) as described in the policies and procedures found on the MC web page at www.montgomerycollege.edu/finaid/StudentInformation.html
- 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 Federal PLUS loan up to cost of attendance less other awards. [COA-EFA= eligibility for a PLUS Loan]
- Students who stop attending all classes without officially 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 Stafford loans must be repaid with all interest applied.
- A Stafford loan cannot be processed until your financial aid file is complete and awarded.
- All first-time borrowers at MC must complete an entrance interview and attend a loan information session 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.
- 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.
- 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 one single disbursement within the semester. All Stafford Loan borrowers must maintain at least six credit hours to have their loan processed each semester. (No audit courses)
- 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.



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)
- any changes to your expected graduation date (at MC or any other school)

Avoid Costly Interest Accumulation

Students may choose to postpone interest payments on their unsubsidized Federal Stafford Loan until after graduation. To avoid costs, you should consider making payments while in school (See tables below). Please contact your lender or your loan servicer for convenient interest payment arrangements.

When Does Repayment Begin?

For Federal 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.

Dependent Student – Unsubsidized Stafford Loan			
Year	Maximum Borrowed	Unpaid Balance of Unsubsidized	Cumulative Year-End Capitalized Interest
1 st	\$5,500	\$5,500	\$374
2 nd	\$6,500	\$12,000	\$1,632
3 rd	\$7,500	\$19,500	\$3,978
4 th	\$7,500	\$27,000	\$7,344
Total Capitalized Interest at Repayment			\$7,344

- Calculations based on 6.8% interest rate

Independent Student – Unsubsidized Stafford Loan			
Year	Maximum Borrowed	Unpaid Balance of Unsubsidized	Cumulative Year-End Capitalized Interest
1 st	\$9,500	\$9,500	\$646
2 nd	\$10,500	\$20,000	\$2,720
3 rd	\$12,500	\$32,500	\$6,630
4 th	\$12,500	\$45,000	\$12,240
Total Capitalized Interest at Repayment			\$12,240

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. 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.