Direct Loan Policy & Procedures
2014/2015

LBCC Loan Programs and Philosophy

Long Beach City College participates in the William D. Ford Federal Direct Stafford Loan Program (Direct Loans). Long Beach City College does not participate in the Parent Loan for Undergraduate Students (PLUS) program. Long Beach City College (LBCC) also will not certify or verify attendance for any alternative or auxiliary loans.

It is the philosophy of the Financial Aid Programs at LBCC that loans should be taken out as the last alternative for financing a student's education. Federal and state grants as well as the Federal Work-Study program are the first sources of aid. It is also recognized that in many cases, a student loan may be the only viable alternative for meeting educational expenses and are to be considered as an investment in the education and future of students.

Direct Loan Packaging Policy

Loans are not packaged as we do not want to encourage unnecessary borrowing. A statement is included on the Financial Aid Award Notification letter indicating that the student may be eligible for a student loan. Students are directed to the LBCC Financial Aid web site for information and instructions on how to apply. The application as well as links to required Entrance and Exit loan Counseling and the Master Promissory Note are online. A letter is also sent to students who have no demonstrated need according to federal methodology. In this letter the student is notified of the eligibility of unsubsidized loans.

Direct Subsidized Loans

Students who receive subsidized loans are charged interest when they complete the program, leave school or drop to less than half time enrollment. Students are required to begin repayment 6 months later. Eligibility is based on the Cost of Attendance minus the student’s Expected Family Contribution (EFC) as calculated by the Central Processor from their FAFSA. In accordance with packaging guidelines, any other aid they may be receiving is also subtracted to determine their unmet need or subsidized loan eligibility.

Loan amounts must be prorated for students with only one semester remaining to complete the requirements of the educational program. Prorating also applies to a student who has a one semester extension of financial aid eligibility approved.

First-year students who have unmet need after all other financial aid has been awarded, may borrow a subsidized Direct Loan up to the amount of their unmet need or $3,500 whichever is less. Second-year students may borrow a subsidized Direct Loan up to the amount of their unmet need or $4,500, whichever is less. LBCC identifies a first-year student as one who has completed less than thirty units toward his or her current educational program and a second-year student as one who has completed 30 or more units toward the current educational program. Students who advance a grade level within the school year can apply for the difference.

Direct Unsubsidized Loans

NEW: STUDENTS WHO HAVE RECEIVED A BACHELORS DEGREE WILL ONLY BE ELIGIBLE FOR UNSUBSIDIZED LOANS.

Borrowers of unsubsidized loans are charged interest when the funds are disbursed. Students have options concerning repayment. They can defer repayment until leaving school, make regular interest and principal payments or make interest only payments. Arrangements are made with Direct Lending not LBCC.

Eligibility is determined in a way similar to Subsidized loans with the difference being the EFC is not a part of the calculation. The Cost of Attendance (COA) minus any other financial aid the student may be receiving equals their unsubsidized loan eligibility. Other financial aid, sometimes referred to as Estimated Financial Assistance, includes subsidized loans and the average value of a BOG Fee Waiver if eligible. Students are always awarded subsidized loans up to their maximum eligibility before being awarded an unsubsidized loan.
Students who are not eligible for the amount they are applying for in a subsidized loan may request the difference in an unsubsidized loan. They can indicate this on their LBCC Direct Loan Application. Students without any computed need can apply for an unsubsidized loan using the same application. Students with “no need” are mailed a letter advising them of the availability of this loan.

Dependent students may apply for up to $2,000 in an additional unsubsidized loan. Independent students may apply for up to $6,000 in an additional unsubsidized loan. Eligibility is calculated in the same way for any unsubsidized loan. Students considered to be in their first year (0-29 units) are not eligible for an Unsubsidized Loan. Student in their second year (over 30 units) need to complete a loan appeal in order to borrow an Unsubsidized Loan.

The total annual borrowing limits are:
- $3,500 subsidized for dependent first year students;
- $4,500 combined subsidized and/or unsubsidized plus $2,000 additional unsubsidized for dependent second-year students; and
- The same except $6,000 for independent students in unsubsidized loans rather than $2,000.

New student borrowers after July 1, 2014 will be limited to 150% of their program length which is 3 years at Long Beach City College. This percentage will be calculated by the Department of Education.

**LBCC Recommended Borrowing Limit**

The Higher Education Act gives schools the following right:

HEA Sec. 479(A)(c), 34 CFR 685.301(a)(8),
DCL GEN-11-07

On a case-by-case basis, you may refuse to originate the loan for an individual borrower. You may NOT limit borrowing by students or parents on an across-the-board or categorical basis. Similarly, you may originate a loan for an amount less than the borrower’s maximum eligibility. However, you must ensure that these decisions are based 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 your school cannot engage in a practice of originating Stafford Loans only in the amount needed to cover the school charges, or to limit unsubsidized Stafford borrowing by independent students. When you make a decision not to originate a loan or to reduce the amount of the loan, you must document the reasons and provide the explanation to the student in writing.

Therefore as a default measure and to discourage excessive borrowing, Long Beach City College has a recommended total borrowing limit of $15,000. This loan limit includes all student loans including those from other schools. Students wishing to exceed this limit can submit an Appeal to Exceed the Loan Limit form. This request will be reviewed by the Financial Aid Appeals Committee comprised of three Financial Aid Advisors/Counselors. If the committee chooses to exercise professional judgment and deny the loan, the student will be notified in writing of the decision and rationale for the decision.

**Direct Loan Aggregate Loan Limits**

The following aggregate limits have been set by the federal government and cannot be exceeded:

<table>
<thead>
<tr>
<th>Aggregate Loan Limits: Maximum Total Outstanding Loan Debt</th>
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<tbody>
<tr>
<td>Dependent Undergraduate Students $31,000 (maximum $23,000 subsidized)</td>
</tr>
<tr>
<td>Independent Undergraduate Students $57,500 (maximum $23,000 subsidized)</td>
</tr>
</tbody>
</table>

A student who has inadvertently received more than the annual or aggregate Stafford loan limits is ineligible to receive any FSA funds until the over-borrowing is resolved. The student can regain eligibility for aid by repaying the amount that exceeded the Stafford annual or aggregate loan limits, or by making satisfactory arrangements with the loan servicer to repay the excess amount.

**Application Procedure and Disbursements**

Long Beach City College policy requires all student loan borrowers to complete the LBCC Direct Loan
Application, Direct Loan Entrance Counseling and a Master Promissory Note as a default prevention measure. The application is submitted online from the LBCC Financial Aid home page—Apply for a Direct Loan. Links to online Entrance Counseling and the Master Promissory Note (MPN) are provided in the same place. Completion of all requirements is verified before loans are awarded. Exit counseling is required of all borrowers receiving a two-semester loan prior to receiving a second disbursement. It is not required for one semester loans because these students will have recently completed entrance counseling. Federal exit counseling requirements will apply to all borrowers. See “Exit Counseling” below for more information.

Students must have a completed financial aid file and have been packaged for eligible aid before a Direct Loan Application will be processed. All eligibility requirements including meeting satisfactory academic progress standards must be met. Students must be enrolled a minimum of 6 units to have an awarded loan disbursed.

For eligibility calculations see the sections above specifically for subsidized loans and unsubsidized loans.

The loan periods for the 2014-2015 year are:

- Fall/Spring loans
  - August 25-June 3, 2015

- Fall only loans:
  - August 25, 2014 to December 12, 2014

- Spring only loans:
  - February 9, 2015 to June 3, 2015

Loans will not be offered for the winter intersession or summer term.

Students receiving Direct Loans for both fall 2014 and spring 2015 will receive one-half of the loan proceeds in the fall semester and the other half during the spring semester. The second disbursement will occur only after enrollment and completion of exit counseling is verified. The first disbursement of loans for first-time borrowers (defined as anyone who has not previously had a student loan at LBCC) will be authorized for disbursement thirty days after the semester begins. All Direct Loan funds will be disbursed through Higher One.

Loans will be canceled for any borrowers who have not completed all necessary loan requirements by the last week of classes.

The last day to apply for a fall 2014 loan will be October 1, 2014.

The last day to apply for a Direct Loan for 2014/15 academic year as well as spring 2015 will be April 16, 2015.

Withdrawal during a Loan Period

A student who is receiving a Direct Loan for both the fall 2014 and spring 2015 semesters and withdraws to less than six units during the fall semester will be considered eligible for the second disbursement in the spring if he or she is enrolled in at least six units and completes exit counseling.

Exit Counseling

Students who apply for a loan during the fall semester will be required to complete an Exit Interview before receiving the second disbursement of the loan. A process will be run to place a DLEXT User Edit for all students who received a loan in the fall semester. A file listing students who have completed exit counseling will be drawn down from COD and used to change the status of the User Edit to Resolved. If the User Edit isn’t resolved it will block the 2d disbursement. The process will be run weekly for the first part of the semester and then the list will be reviewed manually.

If a student fails to complete exit counseling by the end of the spring semester the remainder of the loan will be canceled. Further an email notifying the student of exit counseling requirements and how to complete Exit Counseling online will be sent to the student. A copy of the email will be kept in the student’s file. Students who apply for Direct Loans in the spring semester will not be required to complete Exit Counseling before receiving the second disbursement of the loan.

A query will be run by the senior staff member in charge of Direct Loans after fall registration is completed to identify students who have received a loan for the spring term and did not return to school. These students will be sent an email notifying them of the requirement with a link to the
Default Management

The LBCC Financial Aid Staff is committed to default management. Several activities occur regularly to maintain a reasonable default rate and to assist student borrowers in obtaining deferments and properly repaying their loans.

Any student who has already borrowed $15,000 from any educational loan programs and submits a request for a Direct Loan will receive an email from the Financial Aid Office explaining the concern about the student’s level of indebtedness. If after reading the email, the student still wants the loan, he or she must complete the “Appeal to Exceed the Loan Limit” form. Appeals will be reviewed by the Financial Aid Appeals Committee along with the student’s financial aid file, academic record, and loan portfolio. If the committee chooses to exercise professional judgment and deny the loan, the student will be notified in writing of the decision and rationale for the decision. The decision of the Appeals Committee is final.

Entrance and Exit Counseling are required of all borrowers annually. During entrance & exit counseling students will be given information on the consolidation of previous educational loans into an individual education account and explicit information on the options for repayment.

Previous Defaults

Students who have previously borrowed from an educational loan program and have defaulted on a loan will regain eligibility for financial aid including Direct Loans once they have paid the previous loan in full, have consolidated a previously defaulted loan, or have made satisfactory repayment arrangements, generally defined as having made six consecutive monthly payments. The student must provide documentation from the holder of the loan indicating that a satisfactory repayment plan has been approved and six consecutive monthly payments have been made. He or she regains eligibility for the payment period in which the default is resolved. For grants that is defined as the current semester and for loans it’s the current school year. For example, if a student resolves a default in March he may receive Pell Grant for spring semester (not fall) and may apply for a Direct Loan for both the previous fall and the current spring semester. A six consecutive payments letter must be submitted every semester in which the student wishes to received aid.

A student with a previously defaulted student loan, who has had the loan repaid by involuntary means, (i.e. income tax refund withheld, defaulted then permanent disability discharge) has not demonstrated a willingness to repay the debt. Thus, LBCC may refuse to process a Direct Loan for such a student on a case-by-case basis. The student will be notified in writing of this decision. Students who default on a loan that is subsequently written off by the loan holder are not eligible for financial aid.

Resources for Students

www.nslds.ed.gov  Financial aid history including student loans and eligibility

www.studentloans.gov  Information from USDOE on managing student loans including entrance, exit counseling & prom. Notes as well as repayment after leaving school

https://www.myedaccount.com/  Managing student loan accounts including making payments and applying for consolidation


www.loanconsolidation.ed.gov  Federal Direct Consolidation Loans Info Center