

# Understanding Your Federal Direct Stafford Loan Award

**The Federal Direct Stafford Loan must be paid back.**

## General loan eligibility

Federal Stafford Loans are available to KCC students who are enrolled in at least six (6) credit hours each term of the loan. You also must be enrolled in classes leading to a **U.S. Department of Education approved certificate or degree**. Loan amounts are based on your grade level at KCC, i.e. freshman or sophomore, and your dependency status according to the Free Application for Federal Student Aid (FAFSA).

If you receive your maximum Federal Stafford Loan eligibility during the standard academic year, i.e. fall and spring terms, you will not have any remaining loan eligibility for the summer term.

If you receive a Federal Stafford Loan at another school during the same academic year, your loan awards will be prorated at KCC. This may result in you not being eligible for the full loan award or not being eligible at all for a loan at KCC.

All first-time Federal Stafford Loan borrowers at KCC must complete **Stafford Loan Entrance Counseling** prior to receiving their loan funds. Failure to complete Stafford Loan Entrance Counseling will prevent loan processing.

## Loan limits

These are the maximum loan amounts you may borrow. The Office of Financial Aid has the responsibility to lower the amount of the loan requested if it is determined you are not eligible for the requested amount.

This table shows the maximum amount of money you may borrow each academic year in Direct Subsidized and Unsubsidized Loans:

	Dependent Student <sup>1</sup>	Independent Student <sup>2</sup>
Freshman – under 30 credit hours earned	\$5,500 (maximum of \$3,500 can be subsidized)	\$9,500 (maximum of \$3,500 can be subsidized)
Sophomore – over 30 credit hours earned	\$6,500 (maximum of \$4,500 can be subsidized)	\$10,500 (maximum of \$4,500 can be subsidized)

<sup>1</sup> Except those whose parents are unable to borrow a PLUS loan.

<sup>2</sup> These limits also apply to dependent students whose parents are unable to borrow a PLUS Loan. The aggregate loan limits set by the Department of Education for undergraduate Stafford borrowing for dependent students is \$31,000 (a maximum of \$23,000 in subsidized borrowing) and for independent students is \$57,500 (a maximum of \$23,000 in subsidized borrowing).

Most federal student loans have loan fees that are a percentage of the total loan amount. The loan fee is deducted proportionately from each loan disbursement you receive. This means the money you receive will be less than the amount you actually borrow. You're responsible for repaying the entire amount you borrowed and not just the amount you received.

## Completing the Master Promissory Note

The Master Promissory Note can be completed at [www.StudentLoans.gov](http://www.StudentLoans.gov). It is your responsibility to complete the Master Promissory Note. Failure to complete it will stop your loan from being processed.

Once your loan has been originated, you will receive a Notice of Guarantee/Disclosure Statement from the Federal Direct Student Loan Program with important information (i.e. loan period, tentative disbursement dates, disbursement amounts and interest rates).

## Disbursement of Funds

Funds will be disbursed through KCC according to the dates listed on your Notice of Guarantee/Disclosure Statement. Eligibility and enrollment status will be checked at the time of disbursement.

Your loan funds will be placed directly on your student account if you are registered for and attending at least 6 eligible credit hours at the time of disbursement. Any remaining loan funds in excess of your educational costs will be mailed to your address on record within approximately 14 days of being placed on your account.

If you are **not** registered for and attending at least 6 eligible credit hours at the time of your loan disbursement, the loan disbursement will be canceled. It is your responsibility to ask the Office of Financial Aid to re-instate your loan once you have registered for at least 6 credit hours. **Request for reinstatement of your loan will not be taken over the phone.**

After loan funds are placed in your student account, you will be notified via student email. This will serve as your notification of loan funds posted to your account. If you wish to have your loan canceled, you must notify the Office of Financial Aid in **writing** within 14 days from receipt of the notification.

You are not eligible to receive loan funds until all of your classes have started for the semester or full-time enrollment has been reached/attended. Dropping or not attending classes may affect your eligibility for student loans. As a result, you may be responsible for an outstanding balance owed to KCC.

## Conditions of the Award

1. You must enroll in at least six (6) eligible credit hours for each term of the loan. Failure to do so will result in cancellation of the loan.
2. You must register for and begin attending each course by the refund date.
3. If the loan period covers more than one term, loan funds will be disbursed according to your enrollment over each term.
4. If you withdraw from all classes or drop below half-time enrollment at any time prior to receipt of your loan funds, you take the risk of your loan(s) being canceled.
5. If your grades have posted before your loan funds are placed in your account, the loan will be based on your successfully completed hours, which must be at least six (6).
6. If you drop to zero hours **after** receiving the loan disbursement, you may be ineligible to receive any subsequent disbursements or you could owe a refund of loan funds to KCC and to your lender.
7. You must make Satisfactory Academic Progress as outlined in the Financial Aid Standards of Academic Progress Policy. Failure to do so will result in the cancellation of your Federal Stafford Loan and/or PLUS Loan Award.

## Rights and Responsibilities

1. You have the right to cancel any portion of your loan. To cancel a loan after funds have been disbursed, submit a request accompanied by the loan disbursements to the Accounting Office within 14 days from receipt of notification.
2. You must successfully complete at least one course during the term. If you don't complete one course, you could owe a refund of loan funds to KCC and your lender. The amount owed will be based on the loan amount that was originally disbursed.
3. In accordance with the Federal Refund Policy, you must be attending classes to continue receiving loan funds.
4. In accordance with the Federal Refund Policy, if you withdraw from – or stop attending – all classes before completing 60% of the term, you could owe a refund of loan funds to KCC and to your lender. The amount owed will be based on the loan amount that was originally disbursed.
5. Prior to transferring and/or graduating from KCC, you must complete Stafford Loan Exit Counseling. You must also complete Stafford Loan Exit Counseling whenever your enrollment is less than six (6) credit hours.

## Student Responsibilities

- **Register at least half time for financial aid eligible courses within a financial aid eligible program**
- **Log in to Financial Aid Self Service to accept or reject your Loan Award(s).**

## Important Information

- Loans will not be disbursed until all of your classes have been attended or until full time status/attendance has been reached.
- If you drop below half time or are reported as NOT attending any of your course(s), your loan(s) will be recalculated or canceled. You may be responsible for a remaining balance that is owed to KCC.
- You may be asked to meet with the loan coordinator because of your loan eligibility and/or borrowing habits.

## Consequences of Defaulting on a Student Loan

- **As soon as you miss your first student loan payment**, your loan is considered **delinquent**. This status is like a red flag to both you and the lender.
- **After a payment reaches 90 days past due**, the delinquent status will be **reported to the three major credit bureaus** and a negative mark will be added to your credit report.
- **After 270 days past due**, a student loan is considered to be in **default**. At this point, your debt will be put into collections and payment will be required from collections agencies.

### The consequences of default can be severe:

- The entire unpaid balance of your loan and any interest is **immediately due** and payable.
- You **lose eligibility** for deferment, forbearance, and repayment plans.
- You **lose eligibility** for additional federal student aid.
- Your loan account is assigned to a **collection agency**.
- The loan will be reported as delinquent to credit bureaus, **damaging your credit rating**. This will affect your ability to buy a car or house, rent a home, or obtain a credit card.
- Your federal and state **taxes may be withheld** through a tax offset. This means that the Internal Revenue Service can take your federal and state tax refund to collect any of your defaulted student loan debt.
- Your **student loan debt will increase** because of the late fees, additional interest, court costs, collection fees, attorney's fees, and any other costs associated with the collection process.
- Your employer (at the request of the federal government) can withhold money from your pay and send the money to the government. This process is called **wage garnishment**.
- The loan holder can take **legal action** against you, and you may not be able to purchase or sell assets such as real estate.
- Federal employees face the possibility of having 15% of their disposable pay offset by their employer toward repayment of their loan through **Federal Salary Offset**.
- **It will take years to reestablish your credit and recover from default.**

# Kankakee Community College

## Comparison of subsidized vs. unsubsidized loans

(Rates as of July 1, 2022. Rates subject to change.)

Subsidized Loans	Unsubsidized Loans	Parent PLUS Loans
4.99% interest rate	• 4.99% interest rate	7.54% interest rate
The federal government pays interest on subsidized loans while the student is in school at least half-time	• Interest starts accumulating from the time the funds are disbursed to the student.	Must not have an adverse credit history.
	• The student is responsible for paying all interest.	The parent plus loan is an unsubsidized loan and payments begin 30 days after disbursement.
	• The student can choose to either pay interest while in school or let it accrue.	
	• The amount you let accrue will be added to the principal balance of the loan (capitalized).	
• If a student lets the interest capitalize, it increases the loan principal balance and he/she will have to pay interest on the increased loan principal amount. The total amount the student repays over the life of the loan will be greater than if the interest was paid while in school.		

### Using Loan Simulator to Estimate Your Eligibility and Payment Amount Under the Standard Repayment Plan

Your loan servicer can help you choose a loan repayment plan that's best for you. Before you contact your loan servicer to discuss repayment plans, use **Loan Simulator** [ [studentaid.gov/loan-simulator](http://studentaid.gov/loan-simulator) ] to get an early look at what repayment plans you may be eligible for and to receive a comparison of estimated monthly payment amounts for all federal student loan repayment plans. This comparison is important because the Standard Plan may not provide you with the lowest payment amount based on your individual circumstances. You may find that your payment will be lower under another repayment plan.

### Tips from the Federal Student Aid website

For all topics on the Repayment information page of the Federal Student Aid website, visit <http://studentaid.ed.gov/>.

**Make your payments on time** - Your loan servicer, the organization that handles billing you for your loan, will provide you with information about repayment and your repayment start date. Our National Student Loan Data System can tell you who your loan servicer is, and you can visit the servicer's website or call them to find out how to make payments. It is very important that you make your full loan payment on time either monthly (which is usually when you'll pay) or according to your repayment schedule. If you don't, you could end up in default, which has serious consequences (see Default below). Student loans are real loans—just as real as car loans or mortgages. You have to pay back your student loans.

**Get your loan information** - The U.S. Department of Education's National Student Loan Data System (NSLDS) provides information on your federal loans including loan types, disbursed amounts, outstanding principal and interest, and the total amount of all your loans. To access NSLDS, go to [www.nsls.ed.gov](http://www.nsls.ed.gov).

If you're not sure who your loan servicer is, you can look it up on [www.nsls.ed.gov](http://www.nsls.ed.gov) or call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243; TTY 1-800-730-8913). To see a list of Federal Student Aid servicers for the Direct Loan Program and for FFEL Program Loans purchased by the U.S. Department of Education, go to the Loan Servicer page.

**Repayment plans** - You have a choice of several repayment plans that are designed to meet the different needs of individual borrowers. The amount you pay and the length of time to repay your loans will vary depending on the repayment plan you choose. Go to Repayment Plans and Calculators at [www.studentaid.ed.gov](http://www.studentaid.ed.gov) for more information about the various repayment plans and to calculate your estimated repayment amount under each of the different plans.

If you have specific questions about repaying FFEL, Direct, or Perkins Loans, contact your loan servicer. In the case of Perkins Loans, your servicer will be the school that made the loan. If you don't know who your loan servicer is, go to [www.nsls.ed.gov](http://www.nsls.ed.gov) to find out.

**Trouble making payments** - If you're having trouble making payments on your loans, contact your loan servicer as soon as possible. Your servicer will work with you to determine the best option for you. Options include:

- Changing repayment plans.
- Requesting a deferment. If you meet certain requirements, a deferment allows you to temporarily stop making payments on your loan.
- Requesting a forbearance: If you don't meet the eligibility requirements for a deferment but are temporarily unable to make your loan payments, then (in limited circumstances) a forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.

If you stop making payments and don't get a deferment or forbearance, your loan could go into default (see Default section below), which has serious consequences.

**Default** - If you default, it means you failed to make payments on your student loan according to the terms of your promissory note, the binding legal document you signed at the time you took out your loan. In other words, you failed to make your loan payments as scheduled. Your school, the financial institution that made or owns your loan, your loan guarantor, and the federal government all can take action to recover the money you owe. Here are some consequences of default:

- National credit bureaus can be notified of your default, which will harm your credit rating, making it hard to buy a car or a house.
- You will be ineligible for additional federal student aid if you decide to return to school.
- Loan payments can be deducted from your paycheck.
- State and federal income tax refunds can be withheld and applied toward the amount you owe.
- You will have to pay late fees and collection costs on top of what you already owe
- You can be sued.

For more information and to learn what actions to take if you default on your loans, see the Department of Education's Default Resolution Group web site: <http://www2.ed.gov/offices/OSFAP/DCS/>.