Policy Name: Federal Direct Loans

Purpose: This document contains the Office of Financial Aid’s current policies and procedures for Federal Direct Loans.

Disclaimer: This policy is subject to change, without notice, in order to comply with administrative and regulatory requirements. All policies and procedures below are in accordance with Title 34; Subtitle B; Chapter VI; Part 668 of the Electronic Code of Federal Regulations (eCFR).

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Definitions and Terms:

COA – Cost of Attendance
DOE – Department of Education
EFA- Estimated Financial Assistance
EFC – Expected Family Contribution
FAFSA – Free Application for Federal Student Aid
MPN – Master Promissory Note
NSLDS - National Student Loan Data System
OFA – Office of Financial Aid
PLUS – Parent Loan for Undergraduate Students
UM – University of Mississippi
Part 8.0  Federal Direct Loans Overview

Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. DOE is considered the lender, although most of the contact will be with a federal contractor who acts as the loan servicer.

With Direct Loans, students:

- Borrow directly from the federal government and have a single contact—the loan servicer—for everything related to repayment, even if Direct Loans are received at multiple schools.
- Have online access to their Direct Loan account information via the federal servicer's website.
- Can choose from several repayment plans, and they can switch repayment plans as desired.

Part 8.1  Annual and Aggregate Loan Limits

For Direct Subsidized/Unsubsidized Loans, there are annual loan limits that vary by grade level, and there are aggregate limits on the total (cumulative) loan amount that may be outstanding at one time.

Loan limits are also based on a student’s dependency status as determined by the FAFSA.

A dependent child is defined as one who:

- is under the age 24
- is not considered married as of the date of FAFSA filing
- will not be enrolled in a graduate or professional degree (master’s or doctorate) program
- is not currently serving on active duty in the U.S. Armed Forces for purposes other than training,
- is not a veteran of the U.S. Armed Forces,
- does not have legal dependents for whom they provide more than half of their financial support
- is not an orphan, foster child, or ward/dependent of the court at any time since age of 13,
- is not an emancipated minor or in legal guardianship, or were when reaching the age of majority in your state (NOTE: The United States Department of Education does not recognize Emancipation of a Mississippi Resident as being valid to establish independent student status for Federal Financial Aid.),
- is not an unaccompanied youth, or are/were homeless or at risk of being homeless
If dependent, combined subsidized and unsubsidized Direct Loan annual eligibility is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Freshman</th>
<th>Sophomore</th>
<th>Junior</th>
<th>Senior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidized</td>
<td>$3,500</td>
<td>$4,500</td>
<td>$5,500</td>
<td>$5,500</td>
</tr>
<tr>
<td>Unsubsidized</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total</td>
<td>$5,500</td>
<td>$6,500</td>
<td>$7,500</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

If independent, the subsidized and unsubsidized Direct annual eligibility is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Freshman</th>
<th>Sophomore</th>
<th>Junior</th>
<th>Senior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidized</td>
<td>$3,500</td>
<td>$4,500</td>
<td>$5,500</td>
<td>$5,500</td>
</tr>
<tr>
<td>Unsubsidized</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$7,000</td>
<td>$7,000</td>
</tr>
<tr>
<td>Total</td>
<td>$9,500</td>
<td>$10,500</td>
<td>$12,500</td>
<td>$12,500</td>
</tr>
</tbody>
</table>

The cumulative maximum amount that may be borrowed as dependent undergraduate is $31,000 ($23,000 maximum subsidized) and for an independent is $57,500 ($23,000 maximum subsidized).

As of July 1, 2013, a limit has been established on the amount of Direct Subsidized Loans that a first-time borrower may receive. Students may not receive Direct Subsidized Loans for more than 150% of the published length of the academic program in which they are currently enrolled. Progress towards this limit is tracked by DOE based on information provided by the school(s).

Graduate students are eligible to borrow unsubsidized Direct Loan funds only:

<table>
<thead>
<tr>
<th></th>
<th>Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsubsidized</td>
<td>$20,500</td>
</tr>
<tr>
<td>Total</td>
<td>$20,500</td>
</tr>
</tbody>
</table>

The cumulative maximum amount that may be borrowed as an undergraduate is $23,000 for a dependent and $57,500 for an independent student. The cumulative combined maximum for both undergraduate and graduate loans is $65,500 for subsidized only and $138,500 for unsubsidized and subsidized combined.

Annual and aggregate borrowing limits do not apply to Federal Direct PLUS Loans.
Students must meet the basic qualifications for Federal Student Aid eligibility:

- A United States citizen or eligible non-citizen
- Not in default of any federal student loan
- Does not have a Federal Pell Grant overpayment
- Has a processed FAFSA on file with the OFA
- Enrolled or accepted for enrollment in a degree-granting program
- Satisfactory Academic Progress (see policy “1.2 Satisfactory Academic Progress”).

The OFA will determine the student’s estimated financial assistance (EFA). EFA includes aid received from Title IV programs (exception: Iraq & Afghanistan Service Grant), as well as all other as grants, scholarships, loans and need-based employment that can be anticipated at the time a school is packaging aid for a student.

When Federal Title IV aid is packaged, Federal Pell Grants are awarded first since they are considered to be the first source of aid to students who demonstrate financial need, so they are packaged before Direct Loans. (More information about Pell grants can be found in policy “7.0 Federal Pell Grants”.) The OFA awards gift aid first, then Work-Study. Once these financial aid options have been exhausted, Federal Direct Loans will be awarded to the student’s financial aid package.

Subsidized Direct Loans are awarded by calculating the students remaining financial need. OFA calculates an applicant’s remaining financial need by subtracting the student’s COA from his or her EFC and then subtracting all other scholarships and/or grants. Students will be awarded the lesser of their remaining financial need or the annual/aggregate subsidized loan limit the student is eligible to receive.

Unsubsidized Direct Loans are not need-based and will be awarded after subsidized loans. Students will be awarded the lesser of their annual/aggregate loan limit or up to their COA. Graduate and Professional students are only eligible for unsubsidized Direct Loans.

UM awards loans based on a Scheduled Academic Year (SAY) and does not award on a Borrower-Based Academic Year (BBAY). The SAY includes Fall and Spring Semesters. Summer is a “trailer” to the SAY, meaning that it comes at the end of the award year. Student must inform the OFA of their desire to borrow loans during this time. Typically, this is done via the Summer Financial Aid Application, which is available on the OFA web page beginning in March. Therefore, summer borrowing is a supplemental loan period.

Once a student has been awarded Federal Direct Loans, they should go to their myOleMiss website and accept/reduce/decline their loans. Students who do not wish to complete this process online must contact the OFA. Any subsequent loans added to the student’s financial aid package must be requested by the student.
During the automated batch awarding process, estimated loans are added to the student’s financial aid package with instructions. Graduate/professional students are awarded Estimated Grad PLUS, and undergraduates are awarded Estimated Credit-Based Loans, with information about Parent PLUS (for dependent students only) and private loans.

For either PLUS loan, the application process must be initiated directly through [www.studentloans.gov](http://www.studentloans.gov) by the borrower. In addition, any subsequent loans must also be initiated at [www.studentloans.gov](http://www.studentloans.gov). In combination with all other aid, the maximum amount of the PLUS loan cannot exceed the students COA.

When a prospective borrower applies for a PLUS loan, a credit check is performed. If the borrower’s application is rejected due to his or her credit score, there are three available options:

1. Abandon the loan application
2. Appeal for an additional credit check
3. Reapply with an endorser/co-signer

In the case of a Parent PLUS loan being rejected, the student can request additional unsubsidized student loan funds. A dependent student will be treated as an independent student for loan limit purposes if the parent is not eligible to borrow the PLUS loan.

There are limited circumstances that allow the OFA to award additional Direct Unsubsidized Loan funds to a dependent undergraduate student if a determination is made that the student’s parent is unable to borrow a Direct PLUS loan due to having an adverse credit history or other exceptional circumstances.

Parent’s refusal to borrow a Direct PLUS Loan or an aid administrators belief that the parent should not borrow a Direct PLUS Loan does not constitute exceptional circumstances. Possible circumstances that would qualify include parents who: are incarcerated, have filed bankruptcy and have documentation from a court that they cannot incur any additional debt, on public assistance or disability benefits, are not U.S. citizens or permanent residents, have the inability to repay the PLUS loan due to existing debt burden or the parents’ income-to-debt ratio.

Students and/or parents must provide a personal statement as well as supporting documentation to the OFA for consideration.
Part 8.4  Loan Disbursement

Per federal regulation, loans may be disbursed up to 10 days prior to the semester in which they are allotted. Generally, the OFA will disburse loan amounts 3-5 days prior to the beginning of the semester. During the semester, the OFA will disburse loan funds on a daily basis as eligible.

When a disbursement is made to the bursar account, students are notified by email. In that email, they are informed that borrowers have the right to cancel all or a portion of their Direct Loan(s) at any time within 14 days of disbursement. To exercise this right, the borrower must contact the OFA in writing. Although cancellation may be possible after 14 days, UM cannot process a loan cancellation if more than 120 days have lapsed since disbursement. In addition, unless the funds are paid back to UM by the borrower, the school is not required to return any portion of a loan that was delivered as a refund to the student or parent as a result of a credit balance.

Parent PLUS disbursements are handled differently. OFA collects the parent address from the PLUS loan application. Any excess funds from the Parent PLUS loan disbursement are returned directly to the parent borrower. Parents may sign up for direct deposit to receive the funds electronically from the Bursar’s Office. Direct Deposit information can be found at: [http://www.olemiss.edu/depts/bursar/directdeposit.html](http://www.olemiss.edu/depts/bursar/directdeposit.html).

Section 479A(c) of the Higher Education Act, as amended (HEA), and the Direct Loan Program regulations give the OFA the authority to refuse to originate a Direct Loan or to reduce the amount of an individual borrower’s eligibility for a Direct Loan. Any such determination is made on a case-by-case basis. The decision will be provided to the student or parent borrower in writing and documentation supporting the determination and retained in the student’s file.

Part 8.5  Entrance and Exit Counseling

Entrance Counseling

All students taking out Direct Loans (including Graduate PLUS loans) are required to complete loan entrance counseling that explains the terms of their loans.

UM satisfies the federal requirement for Direct Loan entrance counseling via the interactive online session at DOE’s website, [www.studentloans.gov](http://www.studentloans.gov). This session gives an overview of the federal loan program - discussing the types of loans, interest rates, borrower rights and responsibilities, etc. Students must complete this entrance counseling session in order to receive any Federal Direct Loans. Additional information regarding entrance counseling sessions can be found at [http://finaid.olemiss.edu/online-loan-entrance-counseling/](http://finaid.olemiss.edu/online-loan-entrance-counseling/)
OFA will load the date that entrance counseling was completed into the student’s record. After completing the module, OFA has advisors available to answer any questions the student may have.

Students who do not wish to complete the online loan entrance counseling should contact the OFA to meet with an advisor for alternative counseling.

Exit Counseling

All students who have received Federal Direct Loans must complete loan exit counseling when they graduate or attend less than half-time. Exit counseling explains the repayment process and the responsibilities of the borrower.

UM satisfies the federal requirement for Direct Loan exit counseling via the interactive online session at DOE’s website, www.studentloans.gov.

In order to proactively identify students who fall into this scenario, the OFA will request a list of students who have applied for graduation from the Office of the Registrar approximately one month prior to the established date. These students are prompted by email to complete the counseling session. If documentation of the session is not received by DOE, then the OFA will send an email with an attached exit counseling brochure. This is typically done within one week of the graduation date. If any emails bounce, then the materials are mailed to the student’s home permanent address, with a memo made in the student’s record to confirm the attempt.

In addition, students who withdraw from UM or drop below half-time will follow the same notification process.

OFA will load the date that exit counseling was completed into the student’s record. After completing the module, OFA has advisors available to answer any questions the student may have.

Part 8.6 Master Promissory Note

All students accepting Federal Direct Loans must complete the MPN. This is a binding legal contract listing all terms and conditions, including the borrower agreement to repay the loan. A samples Master Promissory Note and Disclosure statements can be found: http://direct.ed.gov/mpn.html. The MPN can be completed online at: www.studentloans.gov.

At UM, an MPN is used as a multi-year note, unless required by DOE to be a single-year note (e.g. in the case of a credit-based PLUS loan that has an endorser). Therefore, a new MPN is not typically required for subsequent loans.
The multi-year MPN will expire automatically if any of the following should occur:

- The borrower provides notification in writing to terminate the note's use for future loans.
- The first loan disbursement is not received within 12 months after the MPN is signed.
- The MPN is 10 years old.

**Part 8.7 Borrowers Rights and Responsibilities**

Students who decide to accept a Federal Direct Loan have certain rights and responsibilities. To learn more, go to: [http://www.direct.ed.gov/pubs/dlrights.pdf](http://www.direct.ed.gov/pubs/dlrights.pdf).

**Part 8.8 Loan Proration**

The annual maximum loan amount an undergraduate student may receive must be prorated when the borrower is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year. At UM, this situation may occur when students graduate mid-year (at the end of the Fall Semester).

The calculation for proration requires multiplying the student’s annual limit by the fraction below, with the semester hours in UM’s academic year defined as 30 hours for undergraduates:

\[
\text{Semester hours enrolled in program} \times \frac{\text{Semester hours in academic year}}{30}
\]

In order to proactively identify students who fall into this scenario, UM collects anticipated graduation dates online at a student-specific level through the school portal, myOleMiss. The information is self-reported by the individual. These dates can be changed at any time by the student or an OFA staff person. (The OFA will only update this information upon request by the student.) The student system also prompts students to review this information at the time of registration for each term.

If a student’s graduation date is in December, the OFA loads a document into the student record that stops all disbursement of aid. A financial aid administrator will review and recalculate the loan for proration prior to any aid disbursing to the students account.
**Part 8.9  Payment of a Refund or Return of Title IV**

On the Ole Miss Policy Directory, please refer to policy “Refund Checks” for more information regarding how the Office of the Bursar issues payment for refunds of credit balances on student accounts, including Direct Loans.

Also, please refer to policy “3.2: Return of Title IV Funds” for more information regarding mandatory repayment rules for Title IV loans in the event of a withdrawal.

**Part 8.10  National Student Loan Data System (NSLDS)**

NSLDS is DOE’s central database for Federal Title student aid (including Pell Grants, Direct Loans, or Perkins Loans). If students receive funding under any of these programs, information related to those awards will be provided by UM to NSLDS and shall be accessible to eligible guaranty agencies, lenders, and colleges as authorized by DOE. Students may view their own data on NSLDS at nslds.ed.gov.

NSLDS is also used for “Transfer Monitoring”. If students transfer to UM during an award year, the OFA is responsible for reviewing their Federal Title IV financial aid history. This action is required to ensure proper awarding of Federal Pell Grant, Perkins Loan, Direct Loans, and/or Direct Grad PLUS Loans in the event that a student received aid at another school since the latest FAFSA received by UM. The historical information is available through the NSLDS database.

The OFA’s computer system receives batch data each night from the primary student system, including statuses that identify new transfer students and readmitted transfer students. Then OFA’s system will electronically send message class “Transfer Monitoring Inform” to place students on the NSLDS monitoring list.

NSLDS will monitor these students for a change in financial aid history that may affect their current awards and alert the OFA when: a new loan or grant is being awarded, a new disbursement is made on a loan or grant, or a loan or grant (or a single disbursement) is cancelled. This process helps to ensure that Direct Loan annual and lifetime borrowing limits (as applicable) are not exceeded.

OFA will hold disbursements of financial aid for 8 days after the student has been placed on the monitoring list. This wait period allows time for NSLDS to send any relevant new information. Students who have received aid from multiple institutions must be manually reviewed before any disbursements will be made.