

Federal Student Aid – Direct Loan (DL) Guidance

General. WTU is authorized to participate in offering graduate student loans (i.e. Subsidized/Unsubsidized and PLUS loans) provided under the auspices of the Title IV Federal Direct Loan program. This federal program has superseded student loans previously offered and issued through commercial lending banks and other financial organizations. **This new program and related procedures are effective July, 2010.**

The guidance provided by the Department of Education in its Federal Student Aid Handbook is extensive and detailed. Students interested in obtaining such a loan(s) should first check the Federal website for complete information about the loans. (<https://studentloans.gov/myDirectLoan/index.action>).

Federal guidelines do stipulate the care a student should take in not assuming too large of a debt obligation. Further, these guidelines also caution that abnormal student defaults on loan repayments do affect the school's continuing ability to offer its student loans for educational purposes. Beyond the Federal guidelines, our academic accrediting agency (Association of Theological Schools) provides additional guidelines regarding an overriding moral concern. It cautions that schools should exert much care to ensure that theological students do not assume unmanageable debt. Theological students should be aware of the moral as well as financial obligation involved in assuming such debts.

Basic Information. The following provides an overview of more detailed information provided on the Federal websites.

Loan Eligibility. Generally, applicants must be a US citizen, a permanent citizen, in selected visa categories, and enrolled in a degree or certificate program. Students are not eligible if they are formal members of a religious community (with certain exceptions) or if they have defaulted in repaying prior federal student loans or have an adverse credit history. Student applicant must be registered at least half-time (i.e. five credits) to obtain a loan.

Loan Period. Loans are calculated and awarded for one academic year that begins in August and ends in May of each year, known in Direct Loan terminology as the "Scheduled Academic Year" (SAY). Therefore, the expense or costs to be covered by the loan amount for the given academic year must be limited to only those planned costs that are to be incurred during the specific year for which the loan is requested. For example, tuition to be paid by the loan can be estimated only for those semesters (fall and spring) that occur within the given academic year period. Summer semesters are subject to special, limited conditions.

Loan Amounts. The DL program offers two options:

- **Subsidized/Unsubsidized** loans can be obtained for an annual amount up to \$20,500 in a given loan period (fiscal year) as noted above. \$8,500 is the Subsidized portion and \$12,000 is the Unsubsidized portion. In addition, the

aggregate amount for all fiscal years during graduate study cannot exceed \$135,000.

- **PLUS** loans can be obtained to supplement a Subsidized/Unsubsidized loan, but the amount requested must be consistent with overall educational costs allowed in the given academic year. For example, if total educational costs are estimated to reach \$35,500 for the academic year, then one can request a PLUS loan for the additional \$15,000 (i.e. the difference between the Subsidized/Unsubsidized loan amount and the total educational cost estimate).

Loan Estimating. The DL regulations permit the following costs to be considered in estimating the amount of a loan a student needs for each academic year:

- tuition and fees (estimated according to the number of credits to be taken during the year plus related fees (e.g. the student service and formation fees)
- textbooks and related supplies (estimated price of required textbooks or other course material, associated copying costs and other normal school supplies including computer related costs;
- room and board (on-campus costs or equivalent off-campus costs directly related to education);
- transportation and personal expenses directly related to education (e.g., auto or public transportation costs to and from classes, health insurance required while a student, other incidental costs required to attend classes);
- disability expenses (special health expenses incurred that are directly associated to pursuing an education program).

A baseline estimate of educational costs is outlined and published for students to use in developing their loan requirements. Each school develops the cost estimate based on institutional and related factor and conditions. The WTU cost estimate is outlined on this webpage (<http://www.wtu.edu/admissions/coa.htm>)

Loan Documentation

- **FAFSA (Free Application for Federal Student Aid).** Prospective student borrowers will use this form to provide basic financial and other information for use by schools in determining and validating the need by a student for a particular loan. It is particularly useful in determining the specific financial need for a Subsidized Direct Loan. It does NOT, by itself, result in a loan award. A parallel application must be made to the school attended by the student.
- **Master Promissory Note (MPN).** A student wishing to obtain a loan must complete this standard form which is a contractual document used by the federal loan agency as the basis for granting a loan to the particular student. The type of loan(s) desired may require a separate MPN to cover each. These should be done electronically through the government website

(<https://studentloans.gov/myDirectLoan/index.action>). The form, as recorded, is generally valid for up to ten (10) years, but can lapse if no loan is requested in a given loan year.

- **Entrance/Exit Counseling.** A student completes these forms upon initially applying for loan and either completion of the program of study or departure from the school. Their purpose is to ensure that students are aware of loan responsibilities and conditions.
- **Cost of Attendance Form.** A student must use this school form to provide the WTU financial aid office with the necessary educational cost information to support/validate the amount of loan requested by the student. The form defines the categories listed by the Federal Handbook as costs allowable for education loans. This form is to be submitted concurrent with the Aid Application Form.
- **Financial Aid Application Form.** A student must use this school form to notify the Financial Aid Office of the type of loans desired, the amounts required and the semester(s) for disbursement. The form must be submitted each year for which a loan is desired to comply with the Direct Loan confirmation process.
- **Loan Disbursement.** Disbursements will be posted to the borrower student's account for each semester proximate to the first day of class in the semester. Students will be notified in advance of the cash disbursement by mail to include a cancellation notice deadline date. One disbursement is made for each semester.
- **Loan Fee.** Each loan is subject to a loan origination that is assessed when the loan is originated according to the student's award. The fee rate is set by the Direct Loan agency.
- **Loan Renewal.** A student intending to apply for loans in the following academic (fiscal) year must maintain satisfactory academic progress. For WTU graduate students, satisfactory progress is the grade point average necessary to graduate, namely a 3.00 cumulative average for a given year.
- **Loan Cancellation.** A student must notify the Financial Aid Office **in writing** to request cancellation of a loan. This request must be submitted no later than the beginning date of the semester for which disbursement will be made to the student's account.

Process/Steps. The following general guidelines apply to processing for either Federal Subsidized/Unsubsidized and/or PLUS loans. **These are initial and temporary procedures and may be modified according to further understanding and procedural experience.**

1. Student completes the Master Promissory Note required to initiate the loan account. (<https://studentloans.gov/myDirectLoan/index.action>)
2. Student completes the FAFSA once for each academic year in which a loan will be requested. (<http://www.fafsa.ed.gov/>)
3. Students completes the Entrance Counseling form (<https://studentloans.gov/myDirectLoan/index.action>)
4. Student completes and submits to the Financial Aid Office two WTU forms: the Financial Aid Application form and Cost of Attendance form. These forms will be submitted for each academic year or portion of the year (e.g. one semester) anytime after June 1 for the following academic year. The information required will cover only those education costs that are projected to be incurred in the next scheduled academic year (loan period). Forms:
www.wtu.edu/admissions/documents/form-CostofAttendanceWorksheet.pdf
www.wtu.edu/admissions/documents/form-FederalApp.pdf
5. Financial Aid Office evaluates the student's loan request, requiring supplemental information from the student as needed to make the final award decision.
6. Financial Aid Office notifies the student by postal mail of the amount of loan approved based upon the original or revised cost of attendance information. Notification will be normally sent approximately fifteen (15) days after receipt of application, unless issues arise concerning the application.
7. Financial Aid Office notifies the student by postal mail of the planned disbursement of loan funds to the student's account and posts disbursement data to the Federal Common Origination and Disbursing (COD) system after disbursements are posted to a student's account
8. Business Office posts disbursement data to student's account approximately ten (10) days before the beginning of the semester or within ten (10) after and those awards made after the semester begins.
9. Business Office notifies the student within 14 days of residual funds exceeding incurred charges and issues check directly to the student. Business Office will issue checks for residual funds concurrent with the above 14-day timeline.
10. Student must notify the Financial Aid Office in writing of a loan cancellation or withdrawal from courses or from WTU that would require adjustment to the student's loan obligations.

11. Financial Aid Office will comply with Federal guidelines governing loan cancellations and refunds permitted as a result of a student's either withdrawing from semester registration or from the school enrollment.

12. Financial Aid Office will annually update the NSLDS system to provide enrollment status information for individual students holding outstanding federal student loans; usually in September and March or within 30 days, if enrollment status is affected by registration, graduation or withdrawal.

13. Financial Aid Office and Business Office will perform such other functions for the administration of funds, as are required by Federal regulations.

14. Financial Aid Office and Business Office will maintain/store the necessary supporting documentation, as are required by the Federal Direct Loan School Guide.

15. Student is encouraged to monitor the Direct Loan website for on-going information about loan accounts and repayments and related loan status information. (<https://studentloans.gov/myDirectLoan/index.action>)