

# Financial Aid Student Loan Guide 2021-2022

# Los Angeles Community College District Loan Philosophy

As low-cost public institutions with limited entrance requirements, we are concerned about our students and believe that it is critical that we establish a clear rationale for student loan eligibility at our institutions. We wish to be certain that when students transfer they have sufficient loan eligibility to complete their education, and that students who do not intend to go beyond the community college level will not be overly burdened by debt. If students need additional loans when they are receiving a fee waiver and grant assistance, they will almost certainly need to continue to borrow when they transfer. **For most community college students, loans in addition to other financial assistance are not recommended.**

- Loans are not recommended for first-time students so successful completion (or proof of such at another college) of at least one semester of college level classwork is highly recommended
- Enrollment in a majority of degree applicable classes is also highly recommended
- Ask yourself if your current loan debt, when added to the loan you are requesting, leaves enough loan eligibility for you to finish your goals.
- We reserve the right to use our professional judgment to deny your request. If your request is denied you will receive an explanation via an email that will be sent to your LACD email account.

## Borrower Eligibility

- Complete a 2021-2022 Free Application for Federal Student Aid (FAFSA) at <https://studentaid.gov/h/apply-for-aid/fafsa>.
- Have received a 2021-2022 Award Letter or a letter stating you are ineligible for any need-based aid.
- Satisfy the general student financial aid eligibility requirements.
- Be enrolled in a minimum of six (6) units. Extension Appeal students must be enrolled in six (6) approved units.
- Comply with Entrance loan counseling requirements.
- Maintain Satisfactory Academic Progress.
- Complete a Master Promissory Note
- Complete Annual Student Loan Acknowledgement

# Things You Should Know...

## **WHAT IS A DIRECT LOAN?**

- Direct Loans are low interest loans to students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education rather than a bank or other financial institution.

## **ENTRANCE COUNSELING REQUIREMENT**

- All new borrowers must complete the Entrance Loan Counseling before submitting a loan request document. This will ensure that students understand their rights and responsibilities as a student loan borrower. Go to <http://www.studentaid.gov> and the student will need his/her Federal Student Aid (FSA) ID and password to access the site. Click "Complete the Financial Aid Process" then complete Entrance Loan Counseling.

## **EXIT COUNSELING REQUIREMENT**

- You will receive a notice from us about Exit Counseling when you graduate or drop below six (6) units or withdraw from classes. The Direct Loan Servicing Center will send you information on your loan repayment options and when repayment begins.

## **FINANCIAL LITERACY CURRICULUM**

- Financial Literacy is a key to a student's success. Los Angeles City College encourages students to use *Money Smart Computer-Based Instruction*. This online product provides financial education for both adults and young adults. The training covers topics such as the basics of borrowing money wisely, using a spending plan to achieve financial goals, and how to use banking products effectively. Use the following link to access it:

<https://moneysmartcbi.fdic.gov/>

## **SUBSIDIZED VS. UNSUBSIDIZED**

- **Subsidized loans** are awarded on the basis of financial need. You won't be charged any interest until you graduate or drop below six units because the federal government subsidizes the interest during the time you are enrolled. Effective July 2012, the government no longer subsidizes the interest during the six-month grace period. If on July 1, 2013 you did not have an outstanding balance on a Stafford loan you are considered a new borrower. Subsidized Stafford loans will be limited to 150% of your academic program. This means that if you are pursuing a two-year program your eligibility for subsidized Stafford will be limited to three (3) years.
- **Unsubsidized loans** charge interest from the time the money is first disbursed until it is paid in full. The interest is capitalized when you enter repayment, meaning that you pay interest on any interest that has already accrued. One way to minimize how much interest accrues is to pay the interest as it accumulates. If you still have several years until you receive your degree, this can become very expensive – **NOT RECOMMENDED**.



## PRIVATE LOANS

- Private loans** are typically more expensive than Stafford loans. Students that are interested in a private loan must do research to find and compare the loans that are available. Los Angeles City College does not have a relationship with any lender. Nor does it endorse any loan. The college will determine a student’s eligibility for a private loan **after** the student’s eligibility for all federal aid has been determined. The student’s eligibility will be constrained by his/her unmet cost. There are significant differences between federal student loans and private loans. The following chart summarizes those differences:

Federal Loans	Private Loans
You will not have to start repaying your federal student loans until you graduate, leave school, or change your <i>enrollment status</i> to less than half-time.	Many private student loans require payments while you are still in school.
The <i>interest rate</i> is fixed and is often lower than private loans—and much lower than some credit card interest rates. View the <a href="#">current interest rates</a> on federal student loans.	Private student loans can have variable interest rates, some greater than 18%. A variable rate may substantially increase the total amount you repay.
Undergraduate students with <i>financial need</i> will likely qualify for a <i>subsidized loan</i> where the government pays the interest while you are in school on at least a half-time basis.	Private student loans are not subsidized. No one pays the interest on your loan but you.
You don’t need to get a credit check for most federal student loans (except for PLUS loans). Federal student loans can help you establish a good credit record.	Private student loans may require an established credit record. The cost of a private student loan will depend on your credit score and other factors.
You won’t need a cosigner to get a <i>federal student loan</i> in most cases.	You may need a cosigner.
Interest may be tax deductible.	Interest may not be tax deductible.
Loans can be consolidated into a <i>Direct Consolidation Loan</i> . Learn about your <a href="#">consolidation options</a> .	Private student loans cannot be consolidated into a Direct Consolidation Loan.
If you are having trouble repaying your loan, you may be able to temporarily postpone or lower your payments.	Private student loans may not offer <i>forbearance</i> or <i>deferral</i> options.
There are several repayment plans, including an option to tie your monthly payment to your income.	You should check with your lender to find out about your repayment options.
There is no prepayment penalty fee.	You need to make sure there are no prepayment penalty fees.
You may be eligible to have some portion of your loans forgiven if you work in public service. Learn about our <a href="#">loan forgiveness programs</a> .	It is unlikely that your lender will offer a loan forgiveness program.
Free help is available at 1-800-4-FED-AID and on our websites.	The <a href="#">Consumer Financial Protection Bureau's</a> private student loan ombudsman may be able to assist you if you have concerns about your private student loan.

## DELAYED DISBURSEMENTS

- Federal regulations require that disbursements to first-time borrowers be delayed until the student has been in attendance for 30 days.

## MULTIPLE DISBURSEMENTS

- Federal regulations require that loans be delivered in multiple disbursements. There will be one disbursement for each semester included in the student's loan period. There will be two disbursements if the loan period only covers one semester.

## DROPPING BELOW HALF TIME

- You must be enrolled at least half-time, six eligible units, in order to receive a student loan disbursement. If at the time of disbursement, you are not enrolled at least half-time you will not receive a student loan disbursement.

## THE RIGHT TO REDUCE OR CANCEL THE STUDENT LOAN

- You have the right to reduce or cancel your student loan. At the time of disbursement an email advising you of your right to cancel a loan will be sent to your LACCD email account. If you choose to exercise this right you must submitted a written request to the Financial Aid Department within 30 days of the date that the email was sent to you.

## LOAN ORIGINATION

- Your loan information will be transmitted to the Direct Loan Origination Center. Approximately two weeks after your loan has been originated you will receive loan disclosure notice from the Direct Loan Origination Center.

## FEDERAL LOAN BORROWING LIMITS

- A student's unmet financial need, Remaining Eligibility Period, and annual loan limits determine how much a student may borrow in subsidized Stafford. Students will either be classified as **Grade Level One** (0-30 units completed) or **Grade Level Two** (over 30 units completed and student is enrolled in a program of more than one year). Students enrolled in preparatory coursework required for admittance into a program will classified as **Grade Level 0**. **The annual subsidized limits are:**

Grade Level	Annual Subsidized Maximum
Grade Level 0 Preparatory courses for undergrad program	\$2,625
Grade level 1	\$3,500
Grade level 2	\$4,500
Grade Level 0 Preparatory courses for graduate program	\$5,500

- A student’s unmet costs, dependency status, and annual unsubsidized loan limits determine the maximum unsubsidized loan a student may borrow in an academic year.

Dependency Status	Annual Maximum Unsubsidized
Dependent, without Parent PLUS denial	\$2,000
Dependent, with Parent PLUS denial	\$6,000
Independent	\$6,000

- The total undergraduate aggregate loan limits are as follows:

	Dependent Undergrad Student without PLUS Denial	Independent Undergrad Student/Dependent with PLUS Denial
Maximum combined subsidized and unsubsidized debt	\$31, 000 – No more than \$23,000 of this amount may be in subsidized loans	\$57,500 - No more than \$23,000 of this amount may be in subsidized loans

**Important reminder:** If you have several years remaining until you achieve your Bachelor’s Degree, you should consider limiting borrowing so you retain loan eligibility. You should also know that Pell Grant eligibility is now capped at 12 full-time semesters.

### GRADE LEVEL PROGRESSION

- If your grade level progresses to a higher level after your loan has been originated you may be eligible to borrow additional subsidized loan funds. If you would like to be considered for the additional funds please submit a written request to the financial aid office. Specify the amount that you wish to borrow.

### STUDENT LOAN PRORATION FOR GRADUATING STUDENTS

- When an undergraduate student 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, federal regulations require that Federal Direct Loans amount must be prorated. A student will be eligible for an amount that is less than the annual limit. The loan amount will be determined based on the following equation:

#### Subsidized Stafford

$$\text{Maximum loan based on Unmet Cost} \times \text{Number of Eligible Financial Aid Units}$$



Example: A second year independent student is enrolled in 11 units and has an unmet need of \$8,000. The maximum subsidized Stafford loan for that student is \$4,500. The loan amount for which the student is eligible is:

$$\$4,500 \times 11/24 = \$2,062.50$$

### Unsubsidized Stafford

$$\text{Maximum loan based on Unmet Cost} \\ \times \quad \underline{\text{Number of Eligible Financial Aid Units}}$$

Example: A second year independent student is enrolled in 11 units and has an unmet cost of \$8,000. The maximum subsidized Stafford loan for that student is \$6,000. The loan amount for which the student is eligible is:

$$\$6,000 \times 11/24 = \$2,750$$

### INTEREST RATES AND ORIGATION FEES

Loan Type	Interest Rate	First Disbursement Date	Origination Fee
Subsidized and Unsubsidized Loans	2.75%	Before 10/1/2020	1.059%
		After 10/2/2019	TBD
PLUS	5.3%	Before 10/1/2020	4.236%
		After 10/2020	TBD

### Loan Repayment

#### Information

- While you are enrolled at least half-time time (six credit hours as an undergraduate, or four credit hours as a graduate student) your loans will be in an “in school deferment” status. This means you are not required to make payments on your federal loans. It is a good idea, if you are able, to make payments on your loans while you are enrolled. This will help reduce your overall indebtedness when you leave school.

Once your enrollment drops to less than half-time, your federal loans will enter a grace period status. The grace period is a length of time during which you are not required to make payments on

your loans. The length of the grace period depends on the type of loan that you have borrowed.

Federal Stafford Loans (Direct or Federal Family Educational Loan Program) have a six-month grace period while the Perkins Loan offers a nine month grace period. This is a great time to set up an account with your loan servicer as well as review and select a repayment plan that works for you. Once your grace period ends your repayment begins. If you re-enroll in school at least half-time before the end of your grace period, you will receive the full six-month grace period when you stop attending school or drop below half-time enrollment (other conditions apply).

There are several repayment plans available for students. The chart below provides an example of the repayment plans where the student had borrowed \$31,000. The borrower has the following loans:

<b>Loan Type</b>	<b>Principal Balance</b>	<b>Interest Rate</b>
Subsidized Stafford	\$23,000	5.6%
Unsubsidized Stafford	\$ 8,000	6.8%

## Sample Repayment Plans

Repayment Plan	Repayment Period	Monthly Payment	Projected Loan Forgiveness	Total Interest Paid	Total Principal and Interest Repaid
Standard	120	343	0	\$10,131	\$41,131
Graduated	120	197-587	0	\$12,834	\$43,834
Extended Fixed	300	198	0	\$28,408	\$59,408
Extended Graduated	300	153-300	0	\$33,660	\$64,660
Income Based Repayment (IBR)	191	154-343	0	\$20,210	\$51,210
Income Based Repayment – New Borrowers	240	103-343	9163	\$31,786	\$53,623
Pay As You Earn	240	103-343	9163	\$31,786	\$53,623
Income-Contingent Repayment	198	223-275	0	\$18,405	\$49,405

You may use the Federal Student Aid Repayment Estimator to calculate your repayment options. You may choose to either log in and your personal loan information will be calculated or you may proceed without logging in and you may “Add Loans” to estimated repayment.

### [Loan Simulator](#)

#### Federal Loan Servicers

- The Loan Servicer is the organization responsible for billing, collecting and managing your loan repayment, and deferment/forbearance processing. You will send loan payments directly to your servicer.
- Your servicer will contact you to provide important information about your repayment terms. It is your responsibility to notify your servicer directly any time your phone number, email address, or mailing address information changes.
- Your servicer will send you information about your loans by mail and/or email - Be sure to open and read it!
- If you do not know which agency services your loans, visit <http://www.studentaid.gov> to view your loan details and obtain your loan servicer contact information. It is a wise choice to create an on-line account with your federal loan servicer. This way you will be able to easily make a payment and review your loan balance.

Federal Loan Servicer	Web Address	Contact
<a href="#">Cornerstone Education Loan Services</a>	<a href="https://www.mycornerstoneloan.org/">https://www.mycornerstoneloan.org/</a>	1-800-663-1662
<a href="#">Default Resolution Group (Also known as Maximus Federal Services, Inc.)</a>	<a href="https://myeddebt.ed.gov/">https://myeddebt.ed.gov/</a>	1-800-621-3115 (TTY: 1-877-825-9923 for the deaf or hard of hearing)
<a href="#">ESCI</a>	<a href="https://efpls.ed.gov/">https://efpls.ed.gov/</a>	1-866-313-3797
<a href="#">FedLoan Servicing (PHEAA)</a>	<a href="https://myfedloan.org/">https://myfedloan.org/</a>	1-800-699-2908
<a href="#">Granite State Management and Resources</a>	<a href="http://www.gsmr.org/">http://www.gsmr.org/</a>	1-888-556-0022
<a href="#">Great Lakes Educational Loan Services</a>	<a href="https://mygreatlakes.org/">https://mygreatlakes.org/</a>	1-800-236-4300
<a href="#">HESC/Edfinancial</a>	<a href="https://edfinancial.com/">https://edfinancial.com/</a>	1-855-337-6884
<a href="#">MOHELA</a>	<a href="http://mohela.com">http://mohela.com</a>	1-888-866-4352
<a href="#">Navient</a>	<a href="https://navient.com/loan-customers/">https://navient.com/loan-customers/</a>	1-800-722-1300
<a href="#">Nelnet</a>	<a href="http://nelnet.com">http://nelnet.com</a>	1-888-486-4722
<a href="#">OSLA Servicing</a>	<a href="http://osla.com">http://osla.com</a>	1-866-264-9762