



# The University of Mississippi

## Office of Financial Aid

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**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 the [Federal Student Aid Handbook](#).

### Policy Contents:

- 8.0 Federal Direct Loans Overview
- 8.1 Annual and Aggregate Loan Limits
- 8.2 Packaging Policies for Federal Direct Subsidized and Unsubsidized Loans
- 8.3 Federal Parent and Graduate PLUS Loans
- 8.4 Loan Disbursement
- 8.5 Entrance and Exit Counseling
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- 8.7 Borrowers Rights and Responsibilities
- 8.8 Loan Proration
- 8.9 Return of Title IV Calculations
- 8.10 National Student Loan Data System (NSLDS)

### 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. The 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 student** 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 the age of 13;
- is not an emancipated minor or in legal guardianship, or was 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 is/was homeless or at risk of being homeless.

If dependent, combined Direct Subsidized and Unsubsidized Loan annual eligibility is as follows:

	<b>Freshman</b>	<b>Sophomore</b>	<b>Junior</b>	<b>Senior</b>
Maximum Subsidized	\$3,500	\$4,500	\$5,500	\$5,500
Unsubsidized	\$2,000	\$2,000	\$2,000	\$2,000
Total	\$5,500	\$6,500	\$7,500	\$7,500

If independent, the Direct Subsidized and Unsubsidized Loan annual eligibility is as follows:

	<b>Freshman</b>	<b>Sophomore</b>	<b>Junior</b>	<b>Senior</b>
Maximum Subsidized	\$3,500	\$4,500	\$5,500	\$5,500
Unsubsidized	\$6,000	\$6,000	\$7,000	\$7,000
Total	\$9,500	\$10,500	\$12,500	\$12,500

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 July1, 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 Direct Unsubsidized Loan funds only:

	<b>Graduate</b>
Unsubsidized	\$20,500
Total	\$20,500

The cumulative combined maximum for both undergraduate and graduate loans is \$65,500 for subsidized only and \$138,500 for unsubsidized and subsidized combined.

There is an increased unsubsidized eligibility for certain health professions students. At The University of Mississippi's Oxford campus, this only applies to students enrolled in Pharmacy Professional Years 1-4.

For the students who are eligible to receive the increased unsubsidized amounts, the combined subsidized/unsubsidized aggregate loan limit is \$224,000. Not more than \$65,500 of this amount may be in subsidized loans.

Annual and aggregate borrowing limits do not apply to Federal Direct PLUS Loans.

## Part 8.2

## Packaging Policies for Federal Direct Subsidized and Unsubsidized Loans

In order to qualify for federal loans, the student must file a FAFSA and:

- Meet the standard eligibility requirements for Federal Title IV aid (see policy [“2.0 Student Eligibility for Federal Aid”](#))
- Be making Satisfactory Academic Progress (see policy [“1.2 Satisfactory Academic Progress”](#)).
- Not be in default of any federal student loan
- Not have a Federal Pell Grant overpayment

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 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.

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

Direct Unsubsidized Loans are not need-based and will be awarded after Direct Subsidized loans. Students will be awarded the lesser of their annual/aggregate loan limit and the remaining room in their COA.

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 portal 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 should be requested by the student in writing.

### Part 8.3

### Federal Parent and Graduate PLUS Loans

At the end of the automated batch awarding process, "Estimated Credit-Based Loans" are added to the student's financial aid package with instructions. Graduate/professionals may opt to pursue a private loan or a Grad PLUS. Undergraduates may pursue private loans as well. Parents of dependent students can apply for a Parent PLUS loan and private parent loans.

For either PLUS loan, the application process must be initiated directly through [www.studentloans.gov](http://www.studentloans.gov) by the borrower. 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 student's 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 history, there are three available options:

1. Abandon the loan application
2. Appeal for reconsideration due to extenuating circumstances
3. Reapply with an endorser/co-signer

If the credit issue is not resolved by an appeal or an endorsement, and the Parent PLUS is still rejected, the student can request additional Direct Unsubsidized Loan funds. In this scenario, a dependent student will be treated as an independent student in that particular academic year 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 whose application is approved is unable to borrow a Direct PLUS loan (due to having an adverse credit history or other exceptional circumstances). However, a parent's refusal to borrow a Direct PLUS Loan, or an aid administrator's belief that the parent should not borrow a Direct PLUS Loan, does not constitute exceptional circumstances. Circumstances that can be considered legitimate include parents who:

- are incarcerated,
- have filed bankruptcy,
- 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 for exceptional circumstances.

#### Part 8.4

#### Loan Disbursement

Per federal regulation, loans may be disbursed up to 10 days prior to the semester in which they are awarded. Generally, the OFA will disburse loan amounts 3-5 days prior to the beginning of the semester. If a student's aid does not disburse early, attendance will have to be verified by instructors before aid can be disbursed. During the semester, the OFA will disburse loan funds on a daily basis as eligible.

When a disbursement is made to the student's 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) 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 by the Bursar's Office.

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 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 will be retained in the student's file.

#### Part 8.5

#### Entrance, Exit, and PLUS 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, <https://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 <https://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 cease to be enrolled on at least a half-time basis. 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, <https://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.

OFA also attempts to identify those students who drop below half-time enrollment or fail to re-enroll at UM, based on enrollment data provided to NSLDS (see section 8.10 National Student Loan Data System below) . In those cases, exit counseling is also required of the borrower.

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.

### **PLUS Counseling**

As of March 29, 2015, special loan counseling is required for any PLUS loan applicant who has an adverse credit history but who qualifies for a PLUS loan through the process for reconsideration due to extenuating circumstances or by obtaining an endorser for the loan. PLUS Counseling is mandatory for these borrowers, but voluntary counseling is available for all PLUS loan borrowers. This special PLUS Counseling is distinct from the PLUS Loan entrance counseling that all graduate and professional student PLUS Loan borrowers must complete.

**Part 8.6****Master Promissory Note**

All students accepting Federal Direct Loans must complete the Master Promissory Note (MPN). This is a binding legal contract listing all terms and conditions, including the borrower agreement to repay the loan. A sample Master Promissory Note and Disclosure statement can be found: <https://studentloans.gov/myDirectLoan/launchMpn.action> . The MPN can be completed online at: <https://studentloans.gov>.

At UM, an MPN is used as a multi-year note, unless required by DOE to be a single-loan 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, unless a borrower has multiple PLUS loans that are approved with an endorser or through the appeals process.

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://finaid.olemiss.edu/borrowers-rights-and-responsibilities/>.

**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 longer 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):

$$\begin{array}{ccc} \text{Annual Loan Limit} & & \text{Semester hours enrolled in program} \\ \text{Amount} & \times & \text{Semester hours in academic year} \end{array}$$



In order to proactively identify students who fall into this scenario, UM collects anticipated graduation dates online through the UM myOleMiss portal. The information is self-reported by the student. 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 OFA database 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 student's account.

#### **Part 8.9**

#### **Payment of a Refund or Return of Title IV**

On the Ole Miss Policy Directory, please refer to [“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 IV 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 <https://www.nsls.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.