STUDENT RIGHTS & RESPONSIBLITIES

Students seeking federal Stafford loans must first complete the **Free Application for Federal Student Aid (FAFSA)**, which can be submitted online at www.fafsa.ed.gov.

There are two types of Federal Stafford loans (both for student borrowers) and they are regulated by the federal government. Many students end up with a combination of subsidized and unsubsidized loans.

SUBSIDIZED STAFFORD LOAN

The federal government pays the interest on subsidized Stafford loans while you're in school at least half time, during a six-month "grace period" that begins when you cease being a half-time student, and during periods of deferment. These loans are need based.

UNSUBSIDIZED STAFFORD LOAN

You are responsible for the interest that accrues on your unsubsidized Stafford loans. Interest begins to accrue from the time of loan disbursement and is capitalized (added to your loan principal) according to your lender's policy. You have the option to make interest payments while in school or defer until enter repayment. These loans are **NOT** need based, so anyone regardless of income is eligible to apply.

LOANS AMOUNTS (UNDERGRADUATE STUDENTS)

1ST YEAR $3,500 ($4,000 additional unsub)
2ND YEAR $4,500 ($4,000 additional unsub)
STUDENTS WITH A 4-YEAR DEGREE/2ND YEAR NURSING STUDENTS $8500

***CONTRA COSTA COLLEGE DOES NOT PARTICIPATE IN THE PLUS LOAN PROGRAM.**

*An additional $2000 unsub loan amount is available for dependent students. This is at the discretion of the student financial aid administrator (Section 472 HEOA. Amends HEA Section 479(a). Administrators are allowed to use professional judgment in order to offer dependent students unsubsidized Stafford loan funds, when the parent(s) refuse to complete the parental portion of the FAFSA and have ended the student's financial support. Financial support includes not only contributions to educational expenses, but also other cash and non-cash support, such as housing. Aid administrators may use this authority beginning with any loan period that begins with, includes or is after August 14, 2008.

Aid Administrators must obtain documentation that the parent(s) have ended financial support of the student and refuse to complete the parental portion of the FAFSA. Obtaining self-certification from the student is not considered sufficient documentation. Generally, the documentation requirement may be met by obtaining a signed and dated notice from the parent(s) stating they:

1. Have ended their financial support, and provide the date the support ended.
2. Will not provide financial support in the future.
3. Will not complete the parental section of the FAFSA.

If the parent(s) refuse to provide a statement, documentation from a third party must be obtained describing the parental relationship with the student.

The professional judgment option exists solely in order to offer students the unsubsidized Stafford loan appropriate to their grade level. It does not apply to any other type of Title IV aid and is not treated as a dependency override. All rules related to loan proration and loan limits continue to apply.

The federal government has established cumulative maximum borrowing limits. For more information about these limits, contact your loan specialist.

KNOW THE KEY PLAYERS

Lender
A lender is the actual source of the money you borrow – this can be a private corporation, bank, savings and loan or credit union. The lender may keep and service the loan until it is paid off, sell it to a secondary market or contract with a servicer to handle the paperwork. Since all lenders manage loans differently, borrowing all your student loans through one lender will help simplify repayment for you. Most lenders offer money-saving benefits to their borrowers, so research your options carefully.

Servicer
Your student loan servicer may be your loan holder or may be hired by the lender or secondary market to manage the administrative responsibilities of your loan. A servicer processes payments, tracks address changes, deferments, billing and so on. It's important to know who your servicer is!

Guarantor

The guarantor is an agency that ensures the lender will be repaid, should the loan default. Guarantors may be state agencies or private companies and can be charge up to a 1% fee for the service. The guarantor keeps a record of all loans it guarantees, and it also collects on defaulted loans.

HOW MUCH CAN YOU AFFORD TO BORROW?

Borrowing to pay for college expenses makes sense; college graduates more than recover the financial investment they make in their education. Student loans can make up the difference between what you have and what you need to make your college education a reality.

Essentially, every type of debt has three parts.

1. ***The amount you borrow.*** This depends on what you need the money for. It might sound obvious, but the basic rule of borrowing is this: The more you borrow, the more you have to pay back.
2. ***The interest rate.*** Different interest rates apply to different types of credit. For instance, with a fixed rate loan, the interest rate will stay the same over the term of the loan. With a variable rate loan, the rate you pay will fluctuate with the market.
3. ***Repayment terms.*** These define how the amount you borrowed has to be repaid.

LOANS ARE YOUR RESPONSIBILITY

Although loans can provide much-needed assistance in meeting college costs, be careful. Don't bite off more than you can chew, and borrow only what you need. Unlike scholarships and grants, borrowed money must be repaid, regardless of whether you complete your education. Be honest about what you can expect to earn in the future and what you can anticipate to pay back each month. Borrow responsibly now and you'll reap the rewards later.

TIP! You may reduce or cancel your federal loans at any time before you receive the loan funds. If your school receives loan monies electronically, you must be notified when these funds are applied to your school account.

STAFFORD LOAN FACTS

- Your school will certify you for the maximum loan amount that you are eligible for unless you request less.
- Your school, lender or guarantor will notify you about the proposed loan amount and type. You may decline a portion or all of a loan or reject a loan type if you do not want it.
- There is a 30-day waiting period after classes begin before your loan can be released.
- You must continue to complete the Free Application for Federal Student Aid (FAFSA) **each year** and meet the Stafford loan eligibility requirements as long as you continue to attend school.

Under the Federal family education Loan Program (FFELP), lenders such as banks, credit unions, savings and loan associations, and state agencies can make loans. For loans first disbursed after July 1, 2008 there is a default fee of 1% deducted from each disbursement. Some guarantors may decide to waive the default fee. In cases where the guarantor does not waive the fee, lenders may choose to pay the default fee on the borrower's behalf. All Stafford loans are federally guaranteed.

INTEREST RATE ON STAFFORD LOANS

Thanks to federal subsidies, federal student loans are made to any eligible borrower at below-market interest rates. As a result, interest rates on federal student loans are the best option available in the consumer marketplace for education borrowers. Please ask the Loan Specialist for the current interest rate.

LOAN LIMITS

The federal government limits the amount of money that you can borrow under the Stafford loan program. Loan amounts depend on your year in school.

Your school's financial aid office determines your eligibility for a subsidized loan, on which the government pays interest during school, grace and deferment payments.

If you have remaining "unmet need" you may qualify for an unsubsidized loan, on which borrowers pay interest during school, grace and deferment periods—or the interest accrues and, if unpaid, is added to the principal at repayment (capitalized).

WHAT IS A MASTER PROMISSORY NOT (MPN)?

Contra Costa College is a school that is utilizing the annual MPN feature. You must sign a new MPN each time you apply for a Stafford loan.

When you sign a MPN, you agree to repay your lender for all loans made to you under the terms of the MPN and confirm you understanding that multiple loans may be made under this note. Your Master Promissory Note (MPN) also contains your Rights & Responsibilities. Your lender may revoke the terms of the MPN in situations such as bankruptcy. Your school or lender may require that you confirm the loan package or each disbursement.

WITHDRAWALS AND REFUNDS

Federal law specifies the amount of financial assistance that you are eligible for each academic year and how your school determines your eligibility. If you received more assistance than you have earned, the excess funds must be returned to the lender program.

If you cease attendance at your school before the end of your loan period, your school may be required to refund all or part of your loan to your lender.

BORROWER BENEFITS

All student-lending companies are governed by federal regulations that set the maximum interest rates that can be charged on federally guaranteed student loans. However, many lenders offer their borrowers special borrower benefit programs. Borrower benefit programs are usually interest rate discounts or loan credits after a specific number of on-time payments. Borrower benefit programs vary from lender to lender, and you should examine them closely before you apply for a student loan, because they can save you hundreds or thousands of dollars over the life of your loan, depending on your loan amount and the length of repayment period.

When comparing lenders, you should read the fine print and pay attention to what the benefits actually mean. Foe example, some lenders offer a discount on the interest rate while others offer a loan credit off the principal.

Other lenders may offer a higher interest rate discount after 48 months of consecutive on-time payments. This means that if you pay your student loan bill on time for four years, never once being late for a payment, the lender will give you an interest rate discount after 48 months. Still other lenders may require 24 months of on-time payments to qualify, and their discount rate payment may be a lower percentage. Be careful: if you make a late payment after receiving your benefit, you could lose the benefit entirely.

Upfront discounts, such as reduced origination fees for Stafford loans, are also popular, because your savings are guaranteed and immediate.

If you consolidate your loans down the road, remember that you may lose any original benefits that were offered when you took out the loan. However, the lower fixed-interest rate you lock in at consolidation may offset any of your lost benefits. If you are late with a payment, your benefits or interest rate discounts could also be taken away from you, even if your payment is late by one day beyond the limit. Some lenders will only allow you to be six days late on your payment without penalty.

BORROWER RIGHTS AND RESPONSIBILITIES

You have a right to:

- Receive a copy of your loan promissory note from your lender once the loan has been disbursed. You may request that the original promissory note be returned to you when your loan is paid in full.
- An interest-free grace period before your subsidized Stafford loan repayment begins. A grace period is allowed for the principal portion of an unsubsidized Stafford loan; however, interest will continue to accrue during grace period. A grace period begins when you leave school or drop below half-time status while

in school. Half-time status is determined by your school. Your loan promissory note shows the exact length of your grace period.

- Prepay you loan in whole or part at any time without penalty.
- Receive a payment schedule from your lender, with detailed information about interest rates, fees, the balance you owe and the repayment options available to you.
- Defer payment of your loan for certain defined periods after the grace period has expired, if you qualify.
- Request forbearance (a temporary halting of your loan payments) from your lender if you are willing but unable to make payments. Forbearance is granted at the lender's option.

It is your responsibility to:

- Attend a loan counseling exit interview before you leave school.
- Notify your lender or the holder of your loan if you:
    - Change your address and/or your telephone number
    - Transfer to another school
    - Graduate or withdraw from school, or drop below half-time status
    - Change your name
    - Fail to enroll in school for the intended loan period

- Repay the full amount of your loan even if: you do not complete your education program, are unable to find employment, or if you are dissatisfied with the education received.
- Repay at least $50 each month ($600 a year) unless you have received a deferment or forbearance, or your lender agrees to accept a lesser payment amount.
- Notify your lender about anything that might change your eligibility for an existing deferment.

CAN MY LENDER SELL MY LOAN?

Your lender may sell your loan to another holder, such as another lender or secondary market. If this happens:

- The original lender and new holder will notify you in writing
- The notification must include the name, address and telephone number of the new holder
- The terms and conditions of your loan will remain the same

REPAYMENT

Your federal Stafford loans will have a grace period of six months before you enter repayment. This grace period begins the day after you stop attending school at least half time.

Your lender or servicer will advise you of your first payment due date while you are in your grace period. If you do not receive this information, it is YOUR responsibility to contact your lender or servicer.

Important: Each Stafford loan has only one six-month grace period.
If you took some time off from school, you already may have used the grace period on some of your student loans, so if you return to school, you may go directly into repayment on those loans as soon as you leave school or drop below half time.

NSLDS ACCESS FOR STUDENTS

The National Student Loan Data System (NSLDS) is the U. S Department of Education's central database for student aid. It provides a centralized view of loans and grants that are tracked through their cycle from approval through repayment. Financial Aid data is accessible online at www.nslds.ed.gov 24 hours a day, 7 days a week for review of loan and/or grant amounts, outstanding balances, loan status and disbursement information. Or, contact the Federal Student Aid Information center toll-free at 800-4-FED-AID (800-433-3243) Monday through Friday, from 8 a.m. to Midnight (ET) and Saturday, from 9 a.m. to 6 p.m. (ET).

REPAYMENT PLAN OPTIONS AVAILABLE TO YOU

Prepayment – You may prepay part or your entire loan at any time without penalty, which can decrease your total costs. This can be done by increasing the amount of your monthly payment. Additional payments, including amounts paid during a deferment or grace period, will be applied to the principal of your loan and will advance your next payment due date.

Standard Repayment – Allows you to make fixed, equal monthly payments depending on your original loan amount. Payments will be at least $50 per month and the repayment term cannot exceed 10 years.

Income-Sensitive Repayment – Allows you to increase or decrease your monthly payment amount each year as your income rises or falls.

Graduated Payment – Allows you to make reduced monthly payments at the start of the repayment period. Payments gradually become larger later.

Extended Payment – Allows you up to 25 years to repay if your Federal Stafford loan debt is at least $30,000. (This is available if you were a new Federal loan borrower with one or more of these loans first disbursed on or after October 7, 1998.

Income Based Repayment (IBR) – Effective July 2009

Standard payment amounts are capped based on income and family size

- Remaining debt is forgiven after 25 years
- PLUS and private loans are not eligible for this new program
- Staffords, Grad Plus, and Consolidation loans (that do not have Plus in them) and Perkins if they are in a consolidation loan, are eligible.

How is eligibility calculated?

If a student' standard loan payments exceed 15% of whatever they make above 150% of Poverty Guidelines, then IBR will lower their payment amount.

What about the interest?

If the borrower's payments do not cover the interest, it will be paid by the government for the first three years, and capitalized thereafter.

What is a "qualified" payment for the 25 years?

- Income contingent plans made before July 1, 2009
- Income contingent or standard payments made after July 1, 2009
- Periods of economic hardship deferment
- Periods when the calculated payment is $0

Public Service Forgiveness Program

- Forgives remaining debt after 10 years of eligible employment and qualifying loan payments
- During those 10 years the income based payment plan keeps payments affordable

Eligible Loans: Federal Stafford, Grad Plus, or consolidation loans as long as they are in the Direct Loan program. Borrowers with loans in the Guaranteed (or FFEL)loan program must switch to the Direct Loan program to get this benefit.

Only payments made after October 1, 2007 count towards the 10 years (120 monthly payments, not necessarily consecutive) required for Public Service Loan Forgiveness. Qualifying payments must be made through the Direct Loan program and include Income Contingent Repayment, Standard (10-year) repayment, or Income-Based Repayment (available in July 2009).

What is “eligible employment?”

- Any nonprofit, tax-exempt 501(c) (3) organization
- The federal government, a state government, local government, or tribal government (this includes the military and public schools and colleges)
- A full-time AmeriCorps or Peace Corps position

TIP! You may change your repayment plan once every 12 months to accommodate changes in your financial situation. Check to see if your lender offers automatic payment withdrawal. This is an easy way to make sure your payments are made on time

LOAN CONSOLIDATION

This is another repayment option that allows you to consolidate you federal student loan into one loan, and it keeps you from having to make multiple monthly payments. The maximum repayment period on consolidation loans is based on your total education debt, which may include student loans that you are consolidating. The interest rate is fixed and is a weighted average of the loans being consolidated.

A consolidation loan may:

- Extend repayment up to 30 years
- Lower your monthly payments
- Have higher interest costs using a weighted average of your loans
- Not qualify for certain deferments
- Not include private loans or other consumer debt

Check with you loan service provider for more information.

DEFERMENT AND FORBEARANCE

If you are experiencing difficulty in making your student loan payments, you may qualify for a deferment or forbearance. A deferment is an entitlement, and if you meet specific criteria and demonstrate eligibility, you may not be denied a deferment. You are not required to make payments during a deferment. If you have a subsidized Federal Stafford loan, the government will pay interest that accrues during a deferment. Borrowers are responsible for interest that accrues on an unsubsidized Federal Stafford loan during a deferment. Check with your loan servicer for further details.

Loans may be deferred if you:

- Are unemployed
- Experience economic hardship
- Engage in a graduate fellowship program
- Are involved in rehabilitation training
- Enroll in school at least half-time

A forbearance allows you to temporarily postpone your payments, extend the period of time allowed to make your payments, or allow you to temporarily make smaller payments. You are responsible for the interest that accrues during the forbearance period regardless of your loan type. Forbearance is granted at the lender's discretion. Check with you loan servicer for further details.

Common situations for which a discretionary forbearance may be granted include:

- Personal problems (such as economic hardship) which are affecting your ability to make schedules payments.
- Unemployment (if you've used the maximum time allowed for that deferment).
- Poor health or disability when you may not qualify for disability deferment criteria.
- Request for a change of payment amount or payment due date on a loan that requires the lender to bring loan current.

Other possible forbearance situations include the following:

- Medical or dental internship/residency
- Department of Defense loan repayment program
- Debt exceeds monthly income
- Bankruptcy filing
- Serving in a national service position such as AmeriCorps
- Natural disasters
- Local or national emergency'
- Closed school
- Military mobilization

LOAN DISCHARGE

Federal student loan debt is cancelled entirely if a Stafford loan borrower dies. Other conditions in which a student loan debt may be discharged either partially or in full include bankruptcy filing, school closure, false loan certification, an unpaid refund from a school, and total disability. For federal consolidation loans made with a spouse who becomes permanently disabled may also be discharged. Check with your loan servicer for further details.

DELINQUENCY AND DEFAULT

If you are having trouble making your monthly payment, you should immediately contact your lender or loan servicer. You may have options in times of financial difficulty, but you must ask for assistance.

If you fail to make your student loan payments for a period of 270 days, your loan will default.

Lenders may "accelerate" a defaulted loan, which means that the entire balance of the loan (principal and interest) becomes due in single payment.

Once you loan is assigned to a guaranty agency or the U.S. Department of Education for collection, the following steps may be taken to recover the outstanding balance due:

1. The U.S. Treasury may withhold a portion of your federal income tax refund of Social Security payments toward repayment of your loan.
2. You may have to pay additional collections costs after your loan is assigned to a private collection agency.
3. You may be subject to Administrative Wage Garnishment, whereby the Department of Education will require your employer to forward 10% to 15% of your disposable pay toward repayment of your loan.
4. Federal employees face the possibility of having 15% of their disposable pay offset by the Department of Education toward repayment of their loan through the Federal Employee Salary Offset Program.
5. The Department of Education may take legal action to force you to repay loan.
6. Finally, credit bureaus may be notified, and your credit rating will suffer.

To restore your eligibility to receive additional Title IV federal financial aid, you must:

- Repay or satisfy the loan in full
- Make 12 agreed-upon monthly payments over a 12-month period
- Consolidate your loan through a federal loan consolidation program
- Rehabilitate your loan through the Department of Education's loan rehabilitation program

Since defaulted student loans have no statute of limitations for enforceability, you would remain ineligible for additional federal financial aid until you complete one of the options mentioned above.

Failure to repay your defaulted student loan can be damaging to your credit report.

Consumer reporting agencies may continue to report on your account for 7 years from the opening date. If you want to remove all negative credit reports made to your credit record by the Department of Education, you must successfully complete the Department of Education's loan rehabilitation program. After you have made 12 consecutive monthly payments that are both reasonable and affordable, the Department will agree to reinsure the loan. You will then be eligible to have the loan purchased by a lending institution. Once the loan is rehabilitated, it will be taken out of default, the credit bureau reports made by the servicing agency will be revised, you will be able to repay the loan over the remaining loan term, and you will again be eligible for additional Title IV student financial aid funds.

Repaying you student loans is a very serious obligation. Ask for help when you need it. Keep in touch with your loan servicer and other organizations that offer support on debt management issues. Help is usually available if you ask!

Keep good records. It is your responsibility to maintain good records and proper documentation on your student loans. Good record keeping could prove very helpful if you ever run into loan servicing difficulties.