SESSION 25

From Source to Student: Direct Loan and FFEL Funds

Instructor's Notes

Time Estimate:

Lecture	45 minutes
Exercise	5 minutes
Total Time:	50 minutes

By the end of this session, you will be able to:

- ***perform the school's role in the flow of Direct Loan funds from the U.S. Department of Education (ED) to the student,***
- ***perform the school's role in the flow of Federal Family Education Loan (FFEL) funds from the lender to the student, and***
- ***certify an FFEL application.***

INTRODUCTION

Schools have very important responsibilities in both the Direct Loan Program and Federal Family Education Loan (FFEL) Program. In this session, we will focus on the roles of the school in both loan programs. While the programs themselves contain may similarities, the movement of funds from source to student is quite different.

The process of connecting students to their loan funds begins when the school receives the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) from the student or Central Processing System (CPS). This is true for all Title IV funds. We discussed this process in detail in Sessions 13 and 14.

Then, the school makes sure the student is eligible for a loan and determines the amount of funds for which the student is eligible. This involves making sure that the student meets his or her eligibility requirements (as we covered in Session 2). Next, the school must calculate the loan amounts for which the student is eligible. In Session 24, we practiced calculating base and additional loan amounts.

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At this point, let's examine the process of loan funds moving from their source to the student. We will begin with the Direct Loan Program.

DIRECT LOAN PROCESSING

Direct Loan processing, which is electronic, parallels Pell processing. Funds and information are exchanged between the school and the U.S. Department of Education (ED) using EDExpress or other software.

The role of a Direct Loan school in the process of originating and disbursing loans depends on the school's level of participation. The three origination options are **Standard**, **Option 1, and Option 2**. (OH 1)

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- All schools are eligible to operate under Standard Origination. They are the most dependent on the Direct Loan Origination Center (LOC) for several steps of the loan process.
- Schools meeting criteria in addition to those required for standard origination are eligible to operate under Options 1 and 2. These schools have more responsibility and are therefore more independent of the LOC than Standard Origination schools.

Note to Instructor: Option 1 or 2 schools may operate at a level with less responsibility at any time by notifying ED and receiving an effective date. Standard Origination and Option 1 schools can apply to participate in a level with more responsibility after one full year of participation under their initial origination status.

PW 3

As we discuss the steps of loan processing, I will not go into significant detail about the differences in responsibilities among the levels. For more details, get a copy of *The 1997-98 Direct Loan Training Guide*. Call 1-800-848-0978 to order this and any other Direct Loan publication or to ask questions about Direct Loan processing. (OH 2)

2

Loan Origination Record

The Direct Loan process begins with schools creating loan origination records for recipients.

Instructor's Notes

Using software developed either by ED or by the school, the school enters relevant data and transmits it to the LOC. (OH 3)

3

- These data include vital information from the FAFSA and the students' Title IV history.

The LOC returns any records with errors or inconsistencies to the school for corrections.

Promissory Notes

Next, Direct Loan schools produce the promissory note. The school's role for this step depends on the school's level of participation. Some schools print their own promissory notes, while other schools must get theirs from the LOC. A sample Direct Loan promissory note is on pages 3 and 4 of your Workbook. [IG, pgs. 15 and 16]

PW 3-4

Requesting Funds

Generally, after the promissory notes are submitted, Direct Loan schools request the funds they need from ED.

- Some schools can request funds at the same time that they submit loan origination records to the LOC. They make the request either electronically or by telephone on the basis of "immediate need," which is defined as the amount of funds the school will need to disburse within **three business days**. (OH 4)

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- For other schools, the Servicing Center requests funds for the school four calendar days before the anticipated dates. (OH 5)

5

Disbursement of Funds

All Direct Loan schools control, within regulatory limits, when students receive their funds.

Instructor's Notes

Before Disbursement

Before disbursement takes place, the school must again check to make sure potential recipients are eligible. This involves a review of enrollment status, previous Title IV debts, and satisfactory academic progress. (OH 6)

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Also, all borrowers must undergo entrance loan counseling.

The Actual Disbursement

The loan funds are then disbursed to the student by way of cash, check, or credit to the student's school account.

- The earliest a student may be paid by cash or check is 10 calendar days before the first day of the enrollment period. For first-time, first-year borrowers, though, the school must wait until 30 calendar days after the student begins his or her classes to disburse the funds. (OH 7)

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- Schools may credit a student's account at any time, but the disbursement is not considered to have occurred and the student is not considered to have received Title IV funds until 10 calendar days before the first day of the enrollment period.

Schools do not need student authorization to credit student's school accounts with Direct Loan funds to cover tuition and fees and room and board.

- Written authorization is required, though, to credit other cost of attendance charges.

Note that schools usually must make **multiple disbursements**, in two or more installments, for all subsidized and unsubsidized loans.

- The requirements for multiple disbursements are explained in detail in Chapter 11 of the Handbook.

Note to Instructor:
Exception—Single Disbursement:
A single disbursement may be made if the date of the first disbursement occurs on or after the earliest date that the second disbursement could be made.

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Reporting Disbursements

Finally, Direct Loan schools have 30 calendar days to electronically report their disbursements to the LOC.

What questions do you have about processing Direct Loans?

FFEL PROCESSING

Now let's turn to FFEL Program loan processing.

The Common FFEL Application

A student applying for FFEL funds must complete both a FAFSA and an FFEL application. This application has three sections: one to be filled out by the borrower, one by the school, and one by the lender.

Once the student completes the borrower portion of the application and submits it to the school, the school must: (OH 8)

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- review the accuracy of the information that the student provided in the Borrower Section (this includes verifying that the student signed the promissory note);
- complete the School Section;
- sign the application, **certifying** that the information given in the School Section **and** in the Borrower Section is accurate to the best of the school's knowledge; and
- forward the application to the lender.

The Borrower Section

Chris Jackson, our sample student from the FAFSA session, is applying for a Federal Family Education Loan. Page 5 of your Workbook contains her FFEL application. Take a moment to read over items 1 through 16, which make up the Borrower Section. [IG, pg. 17]

PW 5

Instructor's Notes

- Notice that the Borrower Section includes the promissory note itself, which the student must sign. The document then serves as both an application for and agreement to repay FFEL funds.

Most of the items on this application are self-explanatory.

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- Items 11 through 15, though, can be tricky. (OH 9)
  - For the school to certify an application for both a subsidized and an unsubsidized loan, students must specifically request both types of FFEL funds.
  - For example, if students do not request an unsubsidized loan on the application, then the school cannot certify them for an unsubsidized loan on the basis of that application. In that circumstance, students wishing to have that type of loan would have to complete a new FFEL application.
  - For an unsubsidized loan, students need to indicate their preference about paying interest on a monthly basis while in school or capitalizing interest (postponing the payments until later by adding accumulated interest to the principal).
  - Students who leave the interest question blank automatically will be required to make interest payments during the loan's in-school and deferment periods.

Does anyone have any questions about the Borrower Section of the loan application?

The School Section

The School Section of the application is comprised of Items 17 through 30.

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The aid administrator completes this section by: (OH 10)

- determining the student's cost of attendance,

Instructor's Notes

- determining the student's estimated financial aid, and
- confirming the student's dependency status and Social Security number.

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One of the important points emphasized in the Handbook is that the school has control over FFEL certification. (OH 11)

- The school has the authority to refuse to certify an otherwise eligible borrower's FFEL application or to certify it for a lesser amount.
- The school's reasons for refusing certification must be documented and provided, in writing, to the student and kept in the student's file.

Let's highlight some of the items in this section.

Item 19, Loan Period, should be the dates covered by the cost of attendance recorded in Item 24; it normally should agree with the information the student provided in Item 5 (Loan Period).

- For term schools, these dates should be the actual starting and ending dates of the term(s).
- For nonterm schools, these must agree with the dates for the academic year or the length of the student's program of study if less than an academic year.

A loan can be certified for a student after the start of a loan period and retroactively cover the entire loan period.

Item 20, Grade Level, is very important because Federal Family Education Loan limits are based on the student's grade level.

- Generally, the code is **1** for a first-year undergraduate, **2** for a second-year undergraduate, and so on.
- These grade levels may be on the basis of the student's completing specified hours, or they may be based on the student's actual year in college.

Instructor's Notes

- Different guaranty agencies may have different policies for how the Grade Level Code is determined—if in doubt, check with them.

Item 21, Enrollment Status, must be checked, indicating the student's status during the loan period.

Q: What happens if the student's enrollment status is less than half time?

A: The student is ineligible for a loan.

Item 22, Anticipated Completion Date, allows lenders to estimate when loan repayment will begin.

Item 23, School Code/Branch, is the six-digit or eight-digit ED code assigned when the school was certified to participate in the FFEL Program.

Item 24, Cost of Attendance, is for the actual loan period. We covered the details of COA in Sessions 8 and 18.

For Item 25, if the EFC is a negative dollar amount, enter $0.

- The EFC is not needed for Federal PLUS Loans or unsubsidized FFELs.

Item 26 is the Estimated Financial Aid (EFA) for the loan period. We discussed EFA last session.

Item 27, Certified Loan Amounts, is divided into two parts—subsidized and unsubsidized. (OH 12)

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- You must enter an **amount for both loan types** or processing will be delayed, so if the student is not eligible for, or not interested in, one of the loan types, enter $0.
  - **Do not leave either 27(a) or (b) blank**.
- The fact that the student's requested loan amount is within the calculated need does not mean that the loan amount is valid or that it will be awarded. It is a **requested** amount.

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- You still have to check that the student's requested amount will not exceed annual or aggregate maximums. Also consider the need for prorated loan limits, as we discussed last session.

Item 29, Recommended Disbursement Dates, is used to specify when disbursements must be made by a lender.

PW 5

- The disbursement dates provided by the school must include month, day, and year.
- We'll discuss disbursement and delivery later in this session.

We have now covered all of the items in the School Section of Chris's FFEL application, except for the signature certifying the loan application.

However, before certifying applications, there are other factors that you must consider. (OH 13)

13

- Determine Pell Grant eligibility for undergraduates before certifying their applications for FFEL funds.
- Check the student's enrollment status. Remember, the student must be enrolled at least half time.
- Finally, make sure the student is making satisfactory academic progress.

After completing the checks, the financial aid administrator completes Item 30, certifying the loan by signing his or her name, printing the name, and dating the application.

At this point, the application is ready to be sent to the lender for processing.

Are there any questions?

Lender Certification

The lender then completes the final section of the loan application. The lender also provides each student with an

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initial disclosure statement. The contents of this statement are described in Chapter 10 of the Handbook, as well as in section 682.205 of the regulations.

School Requests Funds from Lender

The term disbursement has a different meaning in FFEL than in Direct Loans. For FFEL purposes, the movement of loan funds from lender to school is called **disbursement**. (Funds moving from school to student is called **delivery**, which we will discuss shortly.)

For FFEL funds disbursed by electronic funds transfer (EFT) or master check, the school must request disbursement of the loan funds by the lender more than 13 calendar days before the start of the student's period of enrollment. (OH 14)

14

- In the case of a first-time, first-year borrower, the school may not request the disbursement earlier than the 24th calendar day of the student's enrollment period.

The lender, having received and certified a loan application for each potential borrower, disburses the funds to the school. The lender also provides a copy of the completed promissory note and repayment information for each student for the school's files.

- Loan proceeds are disbursed to the school in the form of an EFT or by a check.
  - On the loan application the student authorizes the school to transfer funds by EFT or
  - Checks are made either payable to the student borrower **or** co-payable to the student borrower and school.

Instructor's Notes

School Delivery to the Student

As with Direct Loans, the school must reaffirm that the student is still eligible before it can deliver any funds to the student.

Once this is done, the school can deliver the funds by paying the student directly or crediting the student's account.

If the funds were disbursed to the school by a check **payable to the borrower only,** the school must promptly deliver the check to the student.

If the check disbursed to the school was made **copayable to the borrower and the school**, a school performs one of the two following procedures:

- The school endorses the check on its own behalf and, after the student has registered, promptly delivers it to the student; **OR**
- The school obtains the student's endorsement on the check, endorses the check on its own behalf and, after the student has registered, credits the student's account for outstanding school charges—for example, tuition and fees—and promptly delivers the remaining funds to the student.
    - The school must notify the borrower that funds have been credited to his or her account.

As with Direct Loans, FFELs can't be delivered more than 10 calendar days before the start of the student's enrollment period. For first-time, first-year borrowers, the school may not deliver the funds until 30 calendar days after the first day of the student's classes.

When a student ceases enrollment, all of his or her loan proceeds may not have been disbursed or delivered. In this case, a late disbursement of funds to cover costs incurred while the student was enrolled may be allowable. We will discuss late disbursements in Session 27.

Instructor's Notes

Documenting Loan Delivery

The final step in the loan process for FFEL schools is to provide a **clear audit trail** of loan delivery. These schools must be able to document the following items: (OH 15)

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- The date the funds were received, the amount of the loan check, and the name of the student for whom the check is intended.
- The date the student endorsed the check.
- The amount credited to the student's account and the date it was credited.
- The amount paid directly to the student and the date it was paid. (OH 16)

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- The amount of any funds returned to the lender and the date they were returned.

What questions do you have about the FFEL process?

REVIEW QUIZ

Regardless of whether a student's loan is Direct or FFEL, regulations require the loan to move from source to school to student within a given number of days.

Please take the quiz regarding timing on page 6 of your Workbook.

PW 6

» Give the participants 2 minutes to answer the questions.

Q1: "Immediate need" is defined as how many days?

A1: 3 business days.

Q2: An FFEL school may not request loan funds from a lender earlier than how many days before the enrollment period starts?

A2: 13 calendar days.

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Q3: How many days do Direct Loan schools have to report disbursements?

A3: 30 calendar days.

Q4: How many days before the beginning of a student's period of enrollment may a school disburse or deliver loan funds?

A4: 10 calendar days.

Q5: How many days after classes start must a school wait to disburse or deliver loan funds for first-time, first-year borrowers?

A5: 30 calendar days.

PLUS LOANS

Although we haven't specifically mentioned parents' PLUS Loans, most of the rules of delivery and disbursement are the same as for student loans.

There is a separate PLUS application that a parent must complete, whether they're applying for a Direct Loan or an FFEL. If PLUS will be the only source of student aid, a FAFSA is not necessary.

As with a student loan, the school may require the parent borrower to endorse a PLUS check before the school negotiates the check. If the school uses EFT to deliver funds, the school must get written authorization from the parent borrower before delivering the loan proceeds to the student. This written authorization must not be obtained by the school earlier than 30 calendar days prior to the start of the enrollment or payment period.

- The loan may be delivered to the parent or, if authorized by the parent, to the student.

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The school must confirm student eligibility before sending a check to the parent for endorsement and before delivering loan proceeds.

BACK AT THE OFFICE

PW 7

If you are interested in becoming a Direct Loan school, you should order *The 1997-98 Direct Loan Training Guide* by calling 1-800-848-0978. If you're an FFEL school, you should locate and review an FFEL application. Also, ensure that a mechanism is in place to verify student eligibility before loan funds are disbursed or delivered to the student.

What else should you do when you return to your office?

Direct Loans

William D. Ford Federal Direct Loan Program
U.S. Department of Education

OMB No. 1840-0567
Form Approved
Exp. Date 12/31/98

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan
Promissory Note and Disclosure

Section A: To Be Completed By The Borrower

1. Name (last, first, middle initial) and Address (street, city, state, zip code)

2. Social Security Number

3. Date of Birth

4. Area Code/Telephone Number

5. Driver's License Number (List state abbreviation first.)

6. References: You must list two persons with different U.S. addresses who have known you for at least three years. The first reference should be a parent or legal guardian.

	1.	2.
Name		
Permanent Address		
City, State, Zip Code		
Area Code/Telephone Number	( )	( )

Section B: To Be Completed By The School

7. School Name

8. Loan Period Approved From: MM/DD/YY To: MM/DD/YY

9. School Address (street, city, state, zip code)

10. School Code/Branch

The chart below shows anticipated disbursement amounts and dates. Actual amounts and dates may vary.

	Anticipated Disbursement Dates	Loan Amount Approved	Loan Fee Rate	Loan Fee Amount	Net Disbursement Amount	Interest Rate
Direct Subsidized Loan						
	Total					
Direct Unsubsidized Loan						
	Total					

I promise to pay the U.S. Department of Education all sums (hereafter "loan" or loans") disbursed under this Promissory Note plus interest and other fees which may become due, as provided in this Promissory Note. If I fail to make payments on this Promissory Note when due, I will also pay collection costs including attorney's fees and court costs. I understand that I may cancel or reduce the size of my loan by refusing any disbursement that is issued to me. I certify that the total amount of loan that I receive under this Promissory Note will not exceed the allowable annual maximum or cumulative maximum under the Higher Education Act of 1965, as amended.

I understand that this is a Promissory Note. I will not sign this Promissory Note before reading it, even if I am advised not to read this Promissory Note. I am entitled to an exact copy of this Promissory Note and a statement of the Borrower's Rights and Responsibilities. My signature certifies that I have read, understand and agree to the terms and conditions of this Promissory Note. My signature on this Promissory Note will serve as my authorization for my loan proceeds to be credited to my student account by the school identified in Section B.

Under penalty of perjury, I certify that the information contained in the Borrower Section of this Promissory Note is true and accurate. The proceeds of this loan will be used for authorized educational expenses at the certifying school for the specified loan period. I certify that I do not owe a refund on a Federal Pell Grant, Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant or a State Student Incentive Grant and that I am not now in default on any loan received under the Federal Perkins Loan Program (including National Defense Student Loans) or the Federal Family Education Loan Program, or if I am in default, I have made repayment arrangements that are satisfactory to the Secretary of the Department of Education.

I UNDERSTAND THAT THIS IS A FEDERAL LOAN THAT I MUST REPAY.

11. Loan Identification Number(s)

12. Signature of Borrower

Date

Promissory Note and Disclosure (continued)

INSTRUCTIONS

Section A: To Be Completed By Borrower

Section A must be completed by the student who is applying to be a borrower of a Federal Direct Stafford/Ford Loan (Direct Subsidized Loan) and/or a Federal Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan). Items 1 through 5 may have been pre-printed on the Promissory Note by the school certifying your loan, if you provided this information on your Free Application for Federal Student Aid (FAFSA). You should review all the questions and responses, and enter information for any items that are not pre-printed, so that your loan may be certified.

All references to "you" mean the student borrower.

Item 1: Enter your legal name, placing the last name first, followed by your first name and middle initial. Next enter your street address including the apartment number, city, state, and zip code.

Item 2: Enter your nine-digit social security number. The social security number will be used to verify your identity, to determine eligibility for the loan, to service the loan, and to collect on a delinquent or defaulted loan. Your social security number may be furnished to your school, to an agent of the U.S. Department of Education, and to federal or state agencies, to assist in the servicing or collection of the loan. Disclosure of your social security number is required by the William D. Ford Federal Direct Loan (Direct Loan) Program.

Item 3: Using only numbers, enter the month, day, and year of your birth. For example, if your birth date was June 14, 1964, you would enter 06/14/64.

Item 4: Enter your area code and phone number.

Item 5: Enter the two-letter abbreviation for the state that issued your current driver's license followed by the driver's license number. If you do not have a current driver's license, enter the letters "NA."

Item 6: Enter the requested reference information for two adults who do not share a common address. The first reference should be a parent or legal guardian. References with addresses outside the United States are not acceptable.

Student Borrower: You have completed the information section on the Promissory Note. Go to Item 12, read the certification statement carefully, and sign and date this Promissory Note and Disclosure.

Item 12: After reviewing the terms of the Promissory Note, you the student, must sign your full legal name, in black or blue ink, and enter the date you signed this Promissory Note and Disclosure.

Section B: (Items 7 through 11) To Be Completed By The School

This section must be completed by the school. Only a Financial Aid Administrator or another authorized school official is permitted to complete this section. Improperly certified information can create a financial liability for the school.

Be sure you receive and read the statement of Borrower's Rights and Responsibilities. It contains important additional information about your loan and repayment obligations.

DISCLOSURE OF TERMS

This Promissory Note applies to Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) and Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans). In this note, the Higher Education Act of 1965, as amended, 20 U.S.C. 1070, et seq., and applicable U.S. Department of Education regulations, are referred to as "the Act." The terms of this note will be interpreted in accordance with the Act and other applicable federal statutes.

With the exception of interest charged that the federal government will pay on the borrower's behalf for a Direct Subsidized Loan, I agree to pay interest on the principal amount of the loan from the date of disbursement until the loan is paid in full.

If I fail to make the required interest payment when due, I agree that the U.S. Department of Education may add the accrued interest to the unpaid balance of the loan. This is called capitalization.

INTEREST RATE

For Direct Subsidized Loans and Direct Unsubsidized Loans in repayment, the interest rate during any twelve-month period beginning on July 1 and ending on June 30 is determined on the June 1 immediately preceding that period. The interest rate is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to that June 1 plus 3.1 percentage points, but does not exceed 8.25 percent.

For Direct Subsidized Loans and Direct Unsubsidized Loans prior to the beginning of the repayment period or during the period of deferment, the interest rate during any twelve-month period beginning on July 1 and ending on June 30, is determined on the June 1 immediately preceding that period. The interest rate is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to that June 1 plus 2.5 percentage points, but does not exceed 8.25 percent.

If this note is signed before July 1, with an anticipated disbursement date that is after July 1, the interest rate that is printed on this Promissory Note may be inaccurate since that variable interest rate on this Promissory Note is determined on the preceding June 1 and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to that June 1. I will receive a statement of the actual interest rate after the first disbursement of the loan. If, after reviewing the actual interest rate, I decide to decline this loan, I am entitled to a refund of all loan origination costs if I pay back the principal on this note in full to the U.S. Department of Education within 120 days of disbursement.

LOAN FEE

The loan fee charged for each Direct Subsidized Loan and Direct Unsubsidized Loan is 4% of the amount borrowed. The loan fee is deducted proportionally from each loan disbursement.

LATE CHARGE

A late charge may be assessed if I fail to pay all or a portion of a required installment payment when due.

ACCELERATION AND DEFAULT

At the option of the U.S. Department of Education, the entire unpaid balance will become immediately due and payable upon the occurrence of any one of the following events: (a) I fail to enroll as at least a halftime student at the school that certified the loan; (b) I fail to use the proceeds of the loan solely for educational expenses; (c) I make a false representation that results in my receiving a loan for which I am ineligible; or (d) I default on the loan.

Information concerning the loan including the date of disbursement, the amount of the loan, and the repayment status of the loan will be reported to national credit bureaus. The following events will constitute a default on the loan: (a) I fail to pay the entire unpaid balance after the U.S. Department of Education has exercised its option under the preceding paragraph; or (b) I fail to make installment payments when due or to comply with the other terms of this note, and the U.S. Department of Education reasonably concludes that I no longer intend to honor the repayment obligation, provided the failure persists for at least 180 days, for payments due monthly, or 240 days, for payments due less frequently than monthly. If I default, the U.S. Department of Education may capitalize all the outstanding interest into a new principal balance.

If I default on this loan, the default will be reported to national credit bureaus. I understand that the resulting credit report will have a significant negative affect on my credit rating. If I default on this loan, my federal income tax refund may be withheld to pay the debt, my wages may be garnished or offset, and legal action may be brought against me to enforce the terms of this note. I will be ineligible for additional federal student financial aid and for assistance under most federal benefit programs.

Any notice that is required to be given to me will be effective when mailed by first class mail to the latest address the U.S. Department of Education has for me. I will immediately notify the U.S. Department of Education of a change of address. Failure to enforce or insisting on compliance with any term of this note shall not be a waiver of any right of the U.S. Department of Education.

The provisions of this note can only be waived or modified in writing, by the U.S. Department of Education. If any provision of this note is deemed to be unenforceable, the invalidity of that provision will not invalidate this Promissory Note.

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. [illegible]) requires that the following notice be provided to you:

The authority for collecting the requested information from and about you is in Section 484(a)(4)(B) of the Higher Education Act of 1965, as amended (20 U.S.C. 1091 (a)(4)(B)). You are advised that participation in the Direct Loan Program is voluntary, but the requested information is necessary for participation.

The principal purpose of this information is to verify your identity, to determine your Direct Loan Program eligibility and benefits, to permit the servicing of your loan(s), and, in the event it is necessary, to locate you and collect on your loan(s) if you become delinquent or defaulted.

The routine uses of this information include its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to guaranty agencies, to credit bureau organizations, educational and financial institutions, and to agency contractors in order to verify your identity, to determine your Direct Loan Program eligibility and benefits, to permit the servicing of your loan(s), to counsel you in repayment efforts, to investigate possible fraud, to verify compliance with Direct Loan Program regulations, to locate you if you become delinquent in your loan(s) payments or if you default.

You must provide all of the information requested in order to have your application processed.

Section 7(b) of the Privacy Act of 1974 (5 U.S.C. 552a note) requires that when any federal, state, or local government requests that you disclose your Social Security Number (SSN), you must also be advised whether that disclosure is mandatory or voluntary, by what statutory or other authority your SSN is solicited, and what uses will be made of it.

Section 7(a)(2) of the Privacy Act provides that an agency may continue to require disclosure of your SSN as a condition to grant you a right, benefit, or privilege provided by law in cases in which the agency required this disclosure under statute or regulation prior to January 1, 1975, in order to verify the identity of an individual.

Disclosure of your SSN is required to participate in the Direct Loan Program. ED consistently requires the disclosure of the SSN on application forms and other necessary Direct Loan Program documents adopted pursuant to published regulations.

Your SSN will be used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) in order to record necessary data accurately. As an identifier, the SSN is used in such Direct Loan Program activities as determining your Direct Loan Program eligibility, certifying your school attendance and student status, determining your eligibility for deferment of payments, determining your eligibility for disability or death claims, and for tracing and collecting from you in case you become delinquent in your loan payments or you default.

Financial Privacy Act Notice. Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0667. The time required to complete this information collection is estimated to average 0.1666 hours (10 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:

Applicant Services
Loan Origination Center
P.O. Box 5667
Montgomery, Alabama 36103

☆ U.S. GOVERNMENT PRINTING OFFICE: 1996—[illegible]

Application and Promissory Note for Federal Stafford Loans *(subsidized and unsubsidized)*

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 U.S.C. 1097.

Guarantor or Program Identification

Borrower Section

Please print neatly or type. Read the instructions carefully.

1. Last Name: Jackson
First Name: Chris
MI: B
2. Social Security Number: 999-99-9999
3. Permanent Street Address (If P.O. Box, see instructions.): 2912 Bluefield Court
4. Telephone Number: (301) 111-0000
5. Loan Period (Month/Year) From: 8/97 To: 5/98
City: Rockville State: MD Zip Code: 20906
6. Driver's License Number (List state abbreviation first.): None
7. Lender Name: Town Bank City: Rockville State: MD Zip Code: 20907
8. Lender Code, if known: 009944
9. Date of Birth (Month/Day/Year): 02/10/79

10. References: You must provide two separate references with different U.S. addresses. The first reference should be a parent or legal guardian (if living). Both references must be completed fully.

	1.	2.
Name	Anne Jackson	Stan Jackson
Permanent Address	2912 Bluefield Court	600 Falls Way
City, State, Zip Code	Rockville, MD 20906	Rockville, MD 20907
Area Code/Telephone	(301) 111-0000	(301) 264-0000
Relationship to Borrower	Mother	Uncle

Loan Assistance Requested

11. I request the following loan type(s), to the extent I am eligible (see instructions): ☑ a. Subsidized Federal Stafford ☑ b. Unsubsidized Federal Stafford
12. I request a total amount under these loan types not to exceed (see instructions for loan maximums): My school will certify my eligibility for each loan type for which I am applying. The amount and other details of my loan(s) will be described to me in a disclosure statement. $ 2,625 .00
13. If I check yes, I am requesting postponement (deferment) of repayment for my Stafford and prior SLS loan(s) during the in-school and grace periods. If I check no, I do not want to defer repayment. ☐ a. Yes, I want a deferment ☐ b. No, I do not want a deferment
14. If I check yes, I am requesting that the lender add the interest on my unsubsidized Stafford and prior SLS loan(s) which accrues during the in-school and deferment periods, to my loan principal (capitalization). If I check no, I prefer to pay the interest. ☑ a. Yes, I want my interest capitalized ☐ b. No, I prefer to pay the interest
15. If my school participates in electronic funds transfer (EFT), I authorize the school to transfer the loan proceeds received by EFT to my student account. ☐ a. Yes, transfer funds ☑ b. No, do not transfer funds

Promissory Note

Continued on the reverse side.

Promise to Pay: I promise to pay to the lender, or a subsequent holder of this Promissory Note, all sums disbursed (hereafter "loan" or "loans") under the terms of this Note, plus interest and other fees which may become due as provided in this Note. If I fail to make payments on this Note when due, I will also pay reasonable collection costs, including attorney's fees, court costs, and collection fees. I understand I may cancel or reduce the size of any loan by refusing to accept any disbursement that is issued. I understand that this is a Promissory Note. I will not sign this Note before reading it, including the writing on the reverse side, even if otherwise advised. I am entitled to an exact copy of this Promissory Note and the Borrower's Rights and Responsibilities. My signature certifies I have read, understand, and agree to the terms and conditions of this Application and Promissory Note, including the Borrower Certification and Authorization printed on the reverse side and the accompanying Borrower's Rights and Responsibilities statement.

THIS IS A LOAN(S) THAT MUST BE REPAID.

16. Borrower's Signature: Chris Jackson Today's Date *(Month/Day/Year)* 8/4/97

School Section

To be completed by an authorized school official.

17. School Name: Chesapeake State University
18. Street Address: 2222 College Circle
City: Frederick State: MD Zip Code: 22202
19. Loan Period (Month/Day/Year) From: 8/19/97 To: 5/20/98
20. Grade Level: 01
21. Enrollment Status (Check one.) ☑ Full Time ☐ At Least Half Time
22. Anticipated Completion (Graduation) Date (Month/Day/Year): June 1, 2001
23. School Code/Branch: 099999
24. Cost of Attendance: $ 11,000 .00
25. Federal Expected Family Contribution: $ 0 .00
26. Estimated Financial Aid: $ 8,000 .00
27. Certified Loan Amounts
a. Subsidized $ 2,625 .00
b. Unsubsidized $ 0 .00
28. Telephone Number: (301) 999-0000
29. Recommended Disbursement Date(s) (Month/Day/Year) 1st 9/29/97 2nd 1/6/98 3rd 4th
30. School Certification (See box on the reverse side.)
E. A. Wright
Signature of Authorized School Official
E. A. Wright, Assistant Director
Print or Type Name and Title
8/4/97
Date
Check box if electronically transmitted to guarantor: ☐

Lender Section

To be completed by an authorized lending official.

31. Lender Name
Street Address
City State Zip Code
32. Lender Code/Branch
33. Telephone Number ( )
34. Lender Use Only
35. Amount(s) Approved
a. Subsidized $ .00 b. Unsubsidized $ .00
36. Signature of Authorized Lending Official Print or Type Name, Title, and Date

1/31/94

LENDER COPY