RACC Institutional Loan Certification Policy – Prior Default History

Effective Date: [Insert date]
Responsible Office: Financial Aid Office

Purpose

Reading Area Community College (RACC) is committed to maintaining the integrity of its federal Title IV student aid programs, ensuring compliance with federal regulations, and safeguarding the institution's continued participation in those programs. As a public institution, RACC closely monitors its federal student loan cohort default rate (CDR). Our default rate has previously peaked at 26%, which is significantly higher than the national average. Under 34 CFR 668.187–668.202, institutions with three consecutive CDRs of 30% or greater, or a single CDR of 40% or greater, risk sanctions including the loss of eligibility to participate in Title IV loan and Pell Grant programs. To mitigate this risk and preserve access to federal financial aid for all students, RACC has adopted the following institutional policy regarding loan certification for individuals with a prior federal student loan default.

Policy

In addition to the federal eligibility requirements described in 34 CFR 668.32(g), RACC applies the following institutional standard: - If the College becomes aware that a student has a prior history of default on a federal student loan, and that student has not yet re-borrowed through RACC since that default occurred, the College may deny certification of a new federal Direct Loan. - This restriction applies even if the default has been resolved and the borrower has regained federal eligibility under Title IV rules. - This institutional standard is permitted under federal regulations, which allow schools to establish additional conditions for loan certification, provided they are applied consistently and published to students (34 CFR 685.301(a)(7)).

Rationale

Federal rules set the minimum eligibility criteria for federal student loans. However, institutions may adopt stricter criteria to manage risk. Students with a history of loan default represent a statistically higher risk of re-default, which could negatively impact RACC's cohort default rate and jeopardize the College's continued participation in Title IV aid programs. By applying this standard, RACC seeks to protect the availability of federal financial aid for the broader student body.

Appeal Process

Students who are denied certification under this policy may request an exception by submitting a Loan Eligibility Appeal to the Financial Aid Office. The appeal must include: 1. A written statement explaining the circumstances of the prior default. 2. Documentation showing substantial and verifiable changes in the student's financial situation or repayment capacity (e.g., consistent employment, credit improvement, financial counseling completion). 3. Evidence that the student has successfully managed other educational or consumer debt since the resolution of the default. Review Process: - Appeals will be reviewed by the Loan Eligibility Appeal Committee, consisting of representatives from the Financial Aid Office, Student Accounts, and Enrollment Management. - The committee's decision will be issued in writing within 15 business days. - Decisions are final for the academic year in which they are made. Reapplication After Denial: - A student denied loan certification under this policy may submit a new appeal after grades are posted for the semester in which the denial occurred. - The appeal must include evidence of satisfactory academic progress and any additional documentation supporting financial stability and repayment readiness.

Publication

This policy will be published: - In RACC's Financial Aid Policies and Procedures Manual - On the College's financial aid website under "Loan Eligibility" - In consumer information disclosures provided to all enrolled and prospective students

Regulatory References

- 34 CFR 668.32(g): Student eligibility—In default on Title IV loans - 34 CFR 685.301(a)(7): School may refuse to originate a Direct Loan or may reduce the borrower's loan amount on a case-by-case basis - 34 CFR 668.187–668.202: Cohort default rates and loss of eligibility