

## **Direct Loan Frequently Asked Questions**

### **What is the Direct Loan Program and how does it work?**

- Schools work directly with the Department of Education to provide low-interest student loans to help students pay for educational costs.
- Federal Direct Lending provides a stable source of student loan funding. The funds are provided by the U.S. Treasury, and loans are never sold in the Direct Loan program.
- All funds are received electronically – making disbursement a more efficient process.
- Once a student graduates, withdraws, drops below 6 credits, or stops attending, the college will notify Department of Education, and he/she will be assigned a servicer during the six-month grace period. This servicer will be the agency collecting loan payments when they become due.

### **Will I need to complete a Master Promissory Note (MPN) to get a student loan?**

Continuing students who had prior Direct Loans will not need to complete the Master Promissory Note or Entrance Loan Counseling. MPNs completed through Direct Loans are valid for ten years. However, new students will be required to do both the MPN and Entrance Loan Counseling before funds can be disbursed.

The MPN and Entrance Counseling must be completed before any loan funds will be credited to the student's account.

Log on to: [www.studentloans.gov](http://www.studentloans.gov),

- Select "Complete New MPN for Student Loans"
- Select the "Subsidized/Unsubsidized" option

### **I have previously completed Entrance Loan Counseling (prior to July 1, 2010) under the FFELP Program. Do I have to complete Direct Loan Entrance Counseling?**

Students are not required to complete Entrance Loan Counseling if they have previously completed it for a similar federal loan under the FFELP program. Only new borrowers will be required to complete Entrance Loan Counseling. However, Mid-State Technical College encourages all borrowers to "refresh" themselves in their knowledge of the terms, conditions and responsibilities of accepting a loan to help fund their education. Take a few minutes to do the Entrance Loan Counseling at [www.studentloans.gov](http://www.studentloans.gov).

### **What will happen to the existing loans that I have borrowed from other lenders?**

Loans borrowed before July 1, 2010 have been assigned to a servicer. Many loans were sold to the Department of Education, so pay close attention to any letters or mailings that you might receive regarding this. Your loans will not go into repayment as long as you remain enrolled at least half time (6 credits or more). Once your loans do go into repayment, students will have a choice to make individual payments to their previous lender/servicer(s) and to the Department of Education for your current Direct Loan or to consolidate your loans into one payment with the Department of Education. You can find out about consolidation on the Department of Education's website page located at <https://studentloans.gov>. Borrowers can also track their loans (whether they are through the FFELP or the Federal Direct Loan Program) online through the National Student Data System (NSLDS) at <http://www.nsls.ed.gov>.

## When will my loans be disbursed?

All student loans must be paid in two disbursements, once each semester. If a student is only enrolled for one semester, loans must still be doubled disbursed – half on the standard disbursement (census date) and half at the mid-point of the semester. If a student is a first-time borrower, funds cannot be disbursed until 30 days after the first day of the semester. Tuition can be deferred until your loan funds are disbursed as long as the Master Promissory Note and Entrance Loan Counseling are complete and the student is enrolled and attending classes.

## What is a parent PLUS Loan?

A parent PLUS Loan (Parent Loan for Undergraduate Students) is a loan that a parent of a dependent student can apply for to help pay for the student's educational costs. If the parent plans to process a PLUS Loan, they will need to complete the MPN for the loan. The PLUS Loan requires a credit approval, and the approval is valid for 180 days.

## What steps should I take to apply for a Parent PLUS loan?

Under the Federal Direct PLUS Loan program, parents may borrow up to the full cost of their student's education minus other financial aid received. Credit checks are required. Parents should not apply through any lender other than the Department of Education. Application instructions are provided on Mid-State's website <http://www.mstc.edu/paying-for-college/loans>. Complete the Parent PLUS Request Form and the DL PLUS MPN. After completing an application for the PLUS Loan, Mid-State will submit the information to the Department of Education for a credit check. There is no need to be pre-approved through another lender.

## What are the interest rates and fees for Direct Loans?

Interest rates and fees as of Oct 1, 2015 are:

<u>Direct Loan Program</u>	<u>Interest</u>	<u>Fees</u>
Subsidized Federal Direct Loan (for undergraduates only)	3.29%	1.068%
Unsubsidized Federal Direct Loan	3.29%	1.068%
Federal Direct PLUS Loan	6.84%	4.272%

## How much can I borrow on a student loan?

The Department of Education has set maximum levels for student borrowing which is driven by the total number of credits that you have completed toward graduation in your program of study to determine if you are a first-year or second-year student. Those limits are listed below. Each student's eligibility is determined based on the results of the FAFSA, if the student is dependent or independent, the unmet need, and cost of attendance.

<b>Dependent Undergraduate Student</b>			<b>Independent Undergraduate Student</b>		
	<u>Subsidized</u>	<u>Unsubsidized</u>	<u>Subsidized</u>	<u>Unsubsidized</u>	
1 <sup>st</sup> year	\$3500	\$2000	1 <sup>st</sup> year	\$3500	\$6000
2 <sup>nd</sup> year	\$4500	\$2000	2 <sup>nd</sup> year	\$4500	\$6000

### What are the Direct Loan repayment options?

Do not let your loans go into DEFAULT - work with your servicer.

There are five repayment options available for Direct Loans:

- 1) Standard – pay a fixed amount each month until loan is paid in full. Minimum payment is \$50/month.
- 2) Extended – must have more than \$30,000 in Direct Loan debt and must not have an outstanding balance on a Direct Loan as of October 7, 1998. You have 25 years for repayment and two payment options – fixed or graduated.
- 3) Graduated – payments start out low and increase every two years. The length of repayment is up to ten years.
- 4) Income-Contingent Repayment – not available for PLUS loans. This plan gives you the flexibility to meet your loan obligations without causing undue financial hardship. Each year your monthly payments will be calculated on the basis of your adjusted gross income, family size and total amount of your Direct Loans.
- 5) Income-Based Repayment – the required monthly payment will be based on your income during any period when you have a partial financial hardship. Your monthly payment may be adjusted annually. The maximum repayment period may exceed 10 years.

### How do I contact the Direct Loan Program?

The U.S. Department of Education Student Loan Support number is 1-800-557-7394

#### Direct Loan Program Websites:

General Direct Student Loan Information:

<https://studentaid.ed.gov/sa/>

Master Promissory Note:

<https://studentloans.gov>

General Direct PLUS Loan Information:

<http://studentaid.ed.gov/PORTALSWebApp/students/english/parentloans.jsp>

Direct Loan Account Information:

[https://www.nsls.ed.gov/nsls/nsls\\_SA/](https://www.nsls.ed.gov/nsls/nsls_SA/)