

# FEDERAL DIRECT LOAN — UNDERGRADUATES

These loan funds are made available by the U.S. Department of Education (the Department) to students who apply for federal aid consideration. The University of Dayton's Office of Financial Aid will determine your eligibility for the funds after a careful review of your FAFSA results. The student is the borrower and a co-signer is required only if the borrower is under 18 years of age.

The program offers students the chance to borrow while enrolled at least half-time at an eligible institution.

## DIRECT LOAN ELIGIBILITY

The maximum annual amount that you may borrow under the Federal Direct Loan program (subsidized and/or unsubsidized) depends on your degree program, class level (for undergraduate students) and dependency status (as described below).

UNDERGRADUATE STUDENTS		DEPENDENT STUDENTS	INDEPENDENT STUDENTS
CLASS LEVEL	CREDIT HOURS	ANNUAL MAXIMUM	ANNUAL MAXIMUM
First Year	0-29	\$5,500 <sup>1</sup>	\$9,500 <sup>1</sup>
Second Year	30-59	\$6,500 <sup>2</sup>	\$10,500 <sup>2</sup>
Junior	60-89	\$7,500 <sup>3</sup>	\$12,500 <sup>3</sup>
Senior	90+	\$7,500 <sup>3</sup>	\$12,500 <sup>3</sup>

<sup>1</sup>maximum of \$3,500 subsidized

<sup>2</sup>maximum of \$4,500 subsidized

<sup>3</sup>maximum of \$5,500 subsidized

## INTEREST

The Federal Direct Loans have a fixed interest rate of 6.8%. The interest on a subsidized loan will be paid for by the federal government until the loan enters the grace period. Unsubsidized loan interest will accrue immediately upon disbursement and will be capitalized onto the principal balance at repayment unless paid by the borrower during periods of enrollment and grace.

## ORIGINATION FEE

The Department will retain an origination fee of 1 percent of the principal from the amount of each disbursement.

## REPAYMENT

Repayment begins six months after the student graduates, leaves school or drops below half-time status. The amount of each payment depends on the size of your debt and on the length of your repayment period (usually 10 years). You can estimate your repayment using the repayment calculator at [www.studentloans.gov](http://www.studentloans.gov).

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## AGGREGATE LIMITS

Generally, the total combined debt you can have outstanding from all Direct Subsidized and Unsubsidized loans is:

- \$31,000 as a dependent, undergraduate student (of which no more than \$23,000 can be subsidized)
- \$57,500 as an independent, undergraduate student or certification student (of which no more than \$23,000 can be subsidized)

## MASTER PROMISSORY NOTE

The Master Promissory Note (MPN) is a legal document in which you promise to repay your loan(s) and any accrued interest and fees to the Department. It also explains the terms and conditions of your loan(s). All first-time borrowers in the DL program must complete an MPN.

To complete an MPN online, you will be required to use your Department of Education-issued PIN (used to file the FAFSA). In most cases, once you've submitted the MPN and it's been accepted, you won't have to fill out a new MPN for future loans you receive. You can borrow additional Direct Loans on a single MPN for up to 10 years. You'll receive a disclosure statement that gives you specific information about any loan that the school plans to disburse under your MPN, including the loan amount, fees, and the expected disbursement dates and amounts.

## STEPS TO SECURING YOUR LOAN

Regardless of your borrowing status, you must first officially 'Accept' your loan offer on your financial aid award in order for your loan(s) to be originated. We recommend you do this before the end of June so the loan(s) appear as anticipated aid on your first billing statement. You may choose to reduce or decline your loan(s) by making the appropriate changes online or by calling the office. Only those loans which have been 'Accepted' will be originated, beginning in mid-July, for the new academic year.

### *If you have no prior borrowing history:*

Once your loan has been originated, first-time borrowers will be notified via e-mail (or postal mail if no e-mail address provided) to complete the online MPN process; which includes the federally mandated student loan Entrance Counseling session. Once these items are complete, the Department will disburse the loan funds directly to the University at the start of each term.

### *If you have borrowed before under the DL program, but are new to UD:*

Once your loan has been originated, first-time borrowers will be notified via e-mail (or postal mail if no e-mail address provided) to complete the federally mandated student loan Entrance Counseling session. Once this is complete, the Department will disburse the loan funds directly to the University at the start of each term.

### *If you have already borrowed under the DL program while a student at UD:*

Since Entrance Counseling and MPN requirements have been fulfilled, you should not be required to do anything more to secure the loan other than accept the offer. Funds will be sent to the University at the start of each term.

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## **BORROWER RESPONSIBILITIES**

When you sign a promissory note, you are agreeing to repay the loan according to the terms of the note. The note is a binding legal document and states that (except in cases of discharge), you must repay the loan — even if you do not complete your education, aren't able to get a job after you complete the program, or are dissatisfied with, or don't receive, the education for which you paid.

If you apply for deferment or forbearance, you still must continue to make payments until you are notified that the request has been granted. If you do not, you may end up in default. You should keep a copy of any request form you submit, and you should document all contacts with the organization that holds your loan.

You must notify the appropriate representative (school, agency, lender) that manages your loan when you graduate, withdraw from school or drop below half-time status; change your name, address or social security number; or transfer to another school. Additionally, you must complete Exit Counseling before you leave the school. This counseling session will be completed online and will provide you with important information about your loan and repayment responsibilities.

More information about the Federal Direct Loan, including repayment, can be found at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).