

FEDERAL DIRECT LOANS

Loans are funding you must repay. This type of aid is considered self-funding, and while you do receive this from the Federal Department of Aid, you must repay these loans which ultimately comes from your pocket.

What is a Subsidized Loan?

Subsidized loans are borrowed money but do not have interest while you attend school; the U.S. Department of Education will pay the interest on your behalf while you are in school and during authorized periods of deferment. Subsidized loan interest is fixed annually. Yearly Loan Limits: First year \$3,500; second year \$4,500.

IMPORTANT! If you believe you are a second-year student (you are enrolled in a two-year technical diploma or an associate of applied science degree program, and have completed more than 30 credits), please contact the Financial Aid Office to request a review of your federal loan limits.

What is an Unsubsidized Loan?

Unsubsidized loans are borrowed money. You are responsible for paying the interest from the date of disbursement until the loan is paid in full. If you choose not to pay the interest on the unsubsidized loan while you are in school, the interest will accrue from the time of disbursement. Interest can be paid periodically or can accrue and will be capitalized (added to the principal amount of the loan). Unsubsidized interest is fixed annually. Amounts vary from: First year \$5,500; second year \$6,500 (less your Subsidized Federal Direct Loan eligibility).

An additional Unsubsidized Federal Direct Loan may be available in addition to your initial financial aid offer. If you feel you need an additional loan to attend Moraine Park, complete the **Additional Loan Request Form** available at Financial Aid Forms (<https://www.morainepark.edu/pay-for-college/financial-aid/financial-aid-forms/>). Loans must be paid out equally over your semesters so any additional loan you request will be split half for fall and half for spring, unless you indicate you would like it for spring semester only.

First-Time Borrowers of any Federal Direct Loan

First-time, first-year loan borrowers are required to be in school 30 days before receiving their first loan disbursement.

Federal Direct Loan Requirements

You must log into StudentAid.gov and complete the Loan Entrance Counseling (<https://studentaid.gov/entrance-counseling/>) and Master Promissory Note (<https://studentaid.gov/mpn/>).

Both the Entrance Counseling and Master Promissory Note must be completed in order to receive the loan(s) you accepted on myMPTC Student – during this process, you will sign for your loans and learn about the funding you have accepted. If you have previously completed these two items while you were a student at Moraine Park, we will have this in your file and you do not need to repeat the process. If these two items are not completed **within 30 days** of your loans being offered, they will be canceled.

Students will receive a Direct Loan Disclosure Statement from the Federal Direct Loan Program when their loan has been processed. It will show the

total amount of the loan, the disbursement amounts and the estimated disbursement dates. This is an estimate for when the funds will be transferred to Moraine Park, not the date the funds will be released to the student.

Repayment of Loans

The federal government requires that you complete Student Loan Exit Counseling (<https://studentaid.gov/exit-counseling/>) prior to graduating or upon change of status during the school year, such as:

- Falling below half-time status.
- Withdrawal from a program.
- Graduating from a program.

The purpose of this counseling is to help you understand your rights and obligations as a student loan borrower; it will guide you through your responsibilities to repayment and help prevent you from going into default.

Loan Default

The consequences of defaulting (not paying) on your student loan obligation will be the reporting of your nonpayment to a credit bureau and any or all of the following:

- Loan due and payable immediately.
- Ineligible for further federal financial aid.
- Reported to the IRS for offset against future tax refunds.
- Referred to private collection agency.
- Subject to legal action.
- Garnishment of wages.
- Property liens.
- Increase of loan interest rate.

Loan Deferments and Forbearance (<https://studentaid.gov/h/manage-loans/>) are not automatic; they must be applied for.

Loan Deferment

Repayment of student loans may be deferred if the borrower meets specific conditions. Deferments are not automatic and vary depending on the type of loan—contact your servicer. Some reasons for deferments are:

- In-school at least half-time
- Unemployment
- Economic hardship

Unsubsidized and PLUS Loan deferments apply only to the principal. Repayment of the interest begins within 60 days of disbursement unless the lender agrees to let it accrue and capitalize (add on to the principal while the principal is deferred).

Loan Forbearance

If you are unable to make regular scheduled monthly payments, your loan servicer may grant forbearance. Forbearance may be reduced monthly payments, interest-only payments or no monthly payments (interest accrues). Forbearance is not automatic—contact your loan servicer.

National Student Loan Data System (NSLDS Disclosure)

The National Student Loan Data System, or NSLDS, shows all data involving federal student loans for undergraduate students. This is an important website to log in to once a year to review your total amounts of loans you have received.

You can access your NSLDS information at studentaid.gov (<https://studentaid.gov/>).

Every semester you are enrolled in you will receive an email containing this information as well – it is called the College Cost Meter. This will be sent to your student email account and it will provide details to assist you in making informed borrowing choices for future semesters.