



Direct Subsidized/Unsubsidized Student Loans Frequently Asked Questions

What is the difference between “Subsidized” and “Unsubsidized?”

Subsidized loan eligibility is always based on demonstrated financial need (file the FAFSA) and the interest is paid (or *subsidized*) by the federal government until you are no longer enrolled at least half-time. Basically, it’s a zero-percent loan while you’re in school and for six (6) months after you leave school.

Eligibility in the **unsubsidized** loan program is not contingent upon financial need; however, you must file the FAFSA to be considered for an Unsubsidized Loan. As the borrower, you (the student) are responsible for the interest on an unsubsidized loan while in school.

Typically, only independent students receive an offer of an Unsubsidized Loan, as the Parent Loan is typically used to meet any remaining need after the Subsidized Loan has been awarded for dependent students.

How much can I borrow?

Federal regulations place annual and aggregate (lifetime) limits on the amount a student can borrow. These limits include Federal Stafford Loans borrowed at other schools you have attended, as well as Direct Loans. The total amount borrowed in all programs combined (including Parent Loans) cannot exceed your annual costs as determined by OSU, minus any other aid you will receive.

2008-2009 Annual Loan Limits

Dependent Undergraduate*	Base Amount	Additional Unsub
Freshman	\$3,500	\$2,000
Sophomore	\$4,500	\$2,000
Junior/Senior	\$5,500	\$2,000
Independent Undergraduate	Base Amount	Additional Unsub
Freshman	\$3,500	\$6,000
Sophomore	\$4,500	\$6,000
Junior/Senior	\$5,500	\$7,000
Graduate	Base Amount	Additional Unsub
Graduate	\$8,500	\$12,000

*Undergraduate Dependent students whose parents are denied for the Parent Loan may be eligible for the Independent Undergraduate loan limits.

Aggregate (Lifetime) Loan Limits (as of July 1, 2008)

	Subsidized Limit	Overall Limit
Dependent Undergrad.	\$23,000	\$31,000
Independent Undergrad.	\$23,000	\$57,500
Graduate	\$65,000	\$138,500

What is the interest rate?

The Federal government sets the interest rate, which is fixed at 6.0% for new Subsidized Loans for undergraduate students disbursed after July 1, 2008; graduate subsidized loans have a 6.8% fixed rate. The interest on the Subsidized Loan is paid for you by the government while you are enrolled at least half-time.

All Unsubsidized Loans carry a fixed **6.8%** interest rate and the interest accrues while you are in school. If you have previous Unsubsidized Loans, they will continue to accrue interest at the rate for each loan until you consolidate your loans when you graduate.

What is an “Origination Fee”?

The federal government charges Subsidized/Unsubsidized Loan borrowers an origination fee of 2.0% on loans disbursed after July 1, 2008. For example, if you borrow \$3,500, you will actually receive \$3,430 ($\$3,500 \times .02 = \70).

I’ve never borrowed at OSU before; what else do I need to do?

Master Promissory Note:

If you are a first-time borrower, or if you have not borrowed in the past 12 months, you will complete a *Master Promissory Note (MPN)*, which is retained and updated by the loan servicer throughout your education at OSU. You will electronically 'sign' your MPN on the web, using the PIN you received from the U.S. Dept. of Education when you completed the FAFSA. **Once the promissory note has been created, OSU will send you instructions for completing the MPN.**

Entrance Counseling:

Any new Subsidized/ Unsubsidized Direct Student Loan borrower at OSU (even if you borrowed at another school) must complete a *one-time Loan Entrance Counseling Session*, which includes borrower rights and responsibilities, prior to receiving the first loan disbursement. You can complete the entrance counseling at www.dlsonline.com, prior to signing the promissory note. The Direct Loan Servicer will automatically notify OSU within a few days after you complete the session.

I’m a continuing OSU student who borrowed last year; what else do I need to do?

Once you have accepted your loan(s), via SIS-Web for Students, you don’t have anything else to complete! The Master Promissory Note (MPN) you completed in a prior year/semester, will be updated when OSU sends your loan eligibility to the Direct Loan Servicer.

You can find answers to more questions asked by students about Subsidized and Unsubsidized Loans on the next page.

More Questions and Answers About Federal Direct Subsidized/Unsubsidized Loans at Oklahoma State University

Do I go to a bank to get the loan?

No. OSU works through the “Federal Direct Loan Program.” You work only with OSU and a U.S. Department of Education loan servicer instead of commercial lenders and guarantee agencies. All Direct Student Loans can be consolidated into one student loan when you graduate.

What is a “Grace Period”?

After you graduate, leave school, or drop below half-time enrollment, you have a six-month period, called the grace period, before you begin repayment on a Direct Subsidized or Unsubsidized Loan. If you return to school at least half-time before your grace period ends, repayment of your loan will again be delayed until six months after you leave school.

Is it ever possible to postpone the repayment of my loan?

Yes, under certain conditions, you can receive a “deferment” or “forbearance” on your loan, as long as the loan isn’t in default. A deferment allows you to temporarily postpone payments on your loan. If you have a subsidized loan, you won’t be charged interest during the deferment. If your loan is unsubsidized, you’ll be responsible for the interest during the deferment. In that case, if you don’t pay the interest as it accrues (accumulates), it will be capitalized and the amount you’ll have to pay will increase.

A forbearance is a temporary delay or reduction of payments when the borrower is willing, but unable, to pay the full payment. Interest continues to accrue during forbearance.

Will OSU ever change the amount of loan I’m offered?

Your loan eligibility is based in part on your cost of education, Expected Family Contribution (EFC) and other sources of financial assistance you will receive. Any change to these factors after your original award has been made may cause an adjustment to your loan eligibility. If your loan eligibility is decreased, we will notify you of the adjustment. If this change occurs after you have submitted your promissory note(s), OSU will also notify the Direct Loan Servicer of the change.

Specific reasons your loan might be adjusted include: additional awards not reflected in your original award, such as OSU cash or tuition scholarships, awards from community organizations or employers, Vocational Rehabilitation, JTPA, tribal grants, or any other grants, etc., a change in Expected Family Contribution; or a change to less-than-half-time enrollment.

Your initial loan award is also based in part on the grade level (freshman, sophomore, etc.) you report on the FAFSA. If the grade level you reported on the FAFSA does not match the Registrar’s record, your eligibility will be adjusted accordingly.

How will I repay my loan?

Repayment on a Direct Subsidized or Unsubsidized Loan starts six (6) months after you graduate or cease to be enrolled at least half-time. You will make your payments to the federal Direct Loan Servicer.

When you leave school, you will select the repayment plan that fits your financial circumstances. You may switch repayment plans at any time without penalty by contacting Direct Loan Borrower Services Department.

The **Standard Repayment Plan** requires fixed monthly payments (at least \$50) for up to 10 years.

The **Graduated Repayment Plan** allows payments to start at one level and increase every two years, with full repayment within 10 years.

The **Extended Repayment Plan** allows loan repayment to be extended up to a total of 25 years, depending on the total amount you owe when your loans enter repayment.

The **Income Contingent Repayment Plan** bases monthly payments on your yearly income, family size, and loan amount. As your income rises or falls each year, so do your payments. After 25 years, any remaining balance on the loan will be forgiven, but you may have to pay taxes on the amount forgiven.

Questions?

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Stillwater, OK 74078
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Phone: 405-744-6604
Web: www.okstate.edu/finaid

This information sheet was prepared on the basis of the best information available at the time it was printed (July, 2008). However, all information is subject to change without notice or obligation.

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