

Federal Direct Stafford Loan

A Federal Direct Stafford Loan is a federal financial aid program. It is a low-interest loan available to students who are enrolled at least half-time, pursuing a degree, and meeting other basic requirements. The Direct loan does not require a credit approval and offers a variety of deferment and repayment options. Direct loans are financed directly by the federal government so you do not need to choose a lender.

There are two types of Federal Direct Stafford Loans: Subsidized and Unsubsidized.

- A **subsidized loan** is awarded on the basis of financial need. The federal government pays (i.e. subsidizes) the interest on this loan while you are enrolled at least half-time and during periods of deferment.
- An **unsubsidized loan** is awarded regardless of need. You are charged interest from the time the loan is disbursed and you may either make or defer interest payments while you are in school and during periods of deferment. If you defer your interest payments, the accumulated interest will be capitalized, or added, to the principal of your loan when you enter repayment. All future interest charges are based on the new, higher principal loan amount. It is less expensive over the long run if you pay the interest while you're in school.

Independent students and some dependent students are able to borrow additional, unsubsidized funds through the Federal Direct Stafford Loan program.

- Independent students are automatically considered for the additional loan funds.
- Dependent students whose parents apply for, but are denied, a Federal Direct PLUS Loan will also be considered for these additional loan funds.

Fees

Direct student loans have loan fees that are deducted proportionately from each loan disbursement you receive by the Federal Government. This means the money you receive will be less than the amount you actually borrow. You're responsible for repaying the entire amount you borrowed and not just the amount you received. The current fees for Direct Stafford Loans are 1.073%.

Interest Rates

Interest is money paid to the lender of the loan in exchange for borrowing money. Interest is calculated as a percentage of the unpaid principal amount borrowed. The interest rate varies depending on the loan type and the first disbursement date of the loan.

Interest Rates for Direct Student Loans Disbursed on or after July 1, 2017

Loan Type	Borrower Type	Interest Rate
Direct Subsidized Loans	Undergraduate	4.45%
Direct Unsubsidized Loans	Undergraduate	4.45%
	Graduate	6%

All Interest rates shown in the chart above are fixed rates for the life of the loan.

Note: The interest rates for federal student loans are determined by federal law. If there are future changes to federal law that affect federal student loan interest rates, this information will be updated at that time.

To view the interest rates of federal student loans disbursed before July 1, 2017 go to <https://studentaid.ed.gov/sa/types/loans/interest-rates#older-rates>

Maximum Federal Direct Stafford Loan amounts

The U.S. Department of Education sets borrowing limits that vary by your year in school and FAFSA dependency status (see the chart below). If you qualify for a subsidized loan that is less than the annual subsidized loan limit, you may receive an unsubsidized loan to cover the difference between the annual limit and the subsidized loan amount.

The chart below lists the maximum loan amounts for Federal Direct Stafford Loans that dependent students may borrow each year.

Maximum Annual Loan Amounts for Dependent Students		
Earned Credits	Maximum subsidized	Maximum combined total (subsidized + unsubsidized)
Freshman 0 to 29.9 credits	\$3,500	\$5,500
Sophomore 30 to 59.9 credits	\$4,500	\$6,500
Junior/Senior 60 or more credits	\$5,500	\$7,500

Please Note: (1) Dependent students whose parents are denied a Parent PLUS Loan may be eligible for additional unsubsidized Stafford Loan, see chart below; (2) Associate degree students cannot exceed sophomore loan amounts regardless of total number of earned credits.

The chart below lists the maximum loan amounts for Federal Direct Stafford Loans that independent students, and dependent students whose parents are denied a Parent PLUS Loan, may borrow each year.

Maximum Loan Amounts for Independent Students (and dependent students whose parent was denied a PLUS loan)		
Earned Credits	Maximum subsidized	Maximum combined total (subsidized + unsubsidized)
Freshman 0 to 29.9 credits	\$3,500	\$9,500
Sophomore 30 to 59.9 credits	\$4,500	\$10,500
Junior/Senior 60 or more credits	\$5,500	\$12,500
Graduate Student	\$ 0	\$20,500

Please Note: (1) Associate degree students cannot exceed sophomore loan amounts regardless of total number of earned credits.

Aggregate Federal Direct Stafford Loan Limits

The U.S. Department of Education maintains aggregate limits on your total outstanding debt. For the Direct Student Loan, those limits are as follows:

- **\$31,000** (no more than \$23,000 of which can be subsidized) for **dependent undergraduates**
- **\$57,500** (no more than \$23,000 of which can be subsidized) for **independent undergraduates**
- **\$138,500** (no more than \$65,500 of which can be subsidized) for **graduate students**

How to receive a Federal Direct Stafford Loan

- To apply for a Direct Stafford Loan, students should submit a complete, signed FAFSA at <http://www.fafsa.ed.gov/>.
- Make sure to list LHU as your school- federal school code 003323.
- Promptly submit any additional information, if requested, to the LHU Financial Aid Office by the deadline date suggested.
- New borrowers must complete entrance counseling and sign a Direct Loan Master Promissory Note (MPN) the first time they receive this loan at LHU. You must complete these requirements before the Financial Aid Office can receive your funds. Students must sign in at <https://studentloans.gov> with their identifying information and a FAFSA pin number.

Please Note: Once completed, the MPN will remain valid for 10 years unless a person files for bankruptcy. If you complete the MPN and then decide not to borrow for 12 months, another MPN is required.

How to reduce or cancel a Federal Direct Stafford Loan

Students have the right to reduce or cancel their Federal Direct Stafford Loans.

To cancel or reduce your loan:

- Make a notation on the Financial Aid Award Letter and return it to the Financial Aid Office; or
- Complete and return a Loan Change/Cancellation Form (under the Forms tab on our site); or
- Complete and return the notification received from LHU when loan funds are credited to the student account.

Repayment

After graduating, leaving school, or dropping below half-time enrollment, students have a six-month grace period before repayment begins. During this period, the loan servicer will send repayment information by mail which includes information about the first payment due. Payments are usually due monthly. There are several repayment options available that are designed to meet the individual needs of borrowers. The loan servicer can help students to understand which repayment options are available. Generally, students have 10 to 25 years to repay loans, depending on the repayment plan that is chosen.

When students are unable to make scheduled loan payments, they are urged to contact the loan servicer immediately. Your loan servicer can help them to understand the options for keeping the loan in good standing.

Under certain conditions, students may be eligible to have all or part of their loans discharged or forgiven (canceled). To find out more about loan cancellation, discharge or forgiveness go to <http://studentaid.ed.gov/repay-loans/forgiveness-cancellation>.

To obtain a detailed listing of all loans taken students can log in to the National Student Loan Database at https://www.nslds.ed.gov/nslds_SA/.

LHU Financial Aid Office

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