Financial Aid Loans

Unlike grants or work-study, loans are a form of financial aid that you must pay back at interest rates that are typically lower than consumer rates, usually not until after your studies have been completed. The size of the loan you seek and commit to should be determined only after all available gift-aid has been applied for. You should also determine whether the loan you choose has an interest-free grace period before repayment begins and if all or some of the loan may be deferred or repaid after graduation.

William D. Ford Direct Loan Program

Federal direct loan programs consist of low-interest loans are available to undergraduate students. The loan interest rate is variable (capped at 4.29 percent) and adjusted annually.

Federal Direct Subsidized Loans

Subsidized loan eligibility is based upon demonstrated financial need (filing the FAFSA) and the interest is subsidized (paid) by the federal government until you are enrolled less than half time.

Federal Direct Unsubsidized Loans

Interest accrues while the student is enrolled in school at least half-time, or interest payments can be made on a monthly basis.

We encourage students to submit only one application that estimates the total loan needs for the academic year. Direct loan applications are submitted to the Office of Financial Aid and processed based on the student's federal eligibility.

Fees

As of October 1, 2015, an origination fee of 1.068 percent is deducted automatically from amounts borrowed.

Federal Direct Parent PLUS Loan for Undergraduate Students

Parents of dependent students are eligible to apply for loans under the Federal Direct Loan program. The parent must be a biological parent, step-parent or adoptive parent whose information is on the FAFSA. These loans are based on credit not need. Parents may borrow up to the student's cost of education minus any other financial aid and scholarships.
Repayment on Parent PLUS loans begins within 60 days after the final disbursement of the loan. However, you may request a deferment through your servicer, if you or your child is enrolled at least half-time.

**Master Promissory Note (MPN)**

The borrowing parent must sign a master promissory note online at [studentloans.gov](http://studentloans.gov). Be sure to complete the “Parent Plus” MPN. If the parent has previously completed an MPN, in most cases a new promissory note is not required. If the parent applies with an endorser to get approval, a new PLUS MPN will be required.

**What Happens if the PLUS Application Is Not Approved?**

There are several options you may wish to consider:

- The parent borrower may re-apply with an approved endorser (co-signer), or
- The student is eligible to receive an additional unsubsidized Stafford loan. The maximum loan amounts are based upon the student’s year in college:
  - Freshmen and sophomores can borrow a maximum of $4,000.
  - Juniors and seniors can borrow a maximum of $5,000.

**Federal Direct Loan Consolidation**

The U.S. Department of Education offers a Federal Direct Loan Consolidation Program. The program allows Federal Direct Loan, as well as Federal Family Education Loan (Stafford, PLUS), borrowers to combine one or more federal loans into one new loan.

- Federal loan programs may be consolidated under the Federal Direct Consolidation Program.
- Interest is calculated on the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8 of 1 percent (not to exceed 8.25 percent). This rate is not variable and applies for the life of the loan.
- The program extends repayment period up to 30 years.
- There is no prepayment penalty.

For further information or to apply, contact the U.S. Department of Education [Federal Direct Loan Consolidation Program](http://studentloans.gov).

**What Is the Interest Rate?**

For current loan interest rates and fees, please read more [here](http://www.studentloans.gov).
How Much Can I Borrow?

Annual Loan Limits for Direct Subsidized Loans and Direct Unsubsidized Loans

<table>
<thead>
<tr>
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<th>Dependent Undergraduate Students</th>
<th>Independent Undergraduate Students</th>
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</thead>
<tbody>
<tr>
<td><strong>First Year (freshman)</strong></td>
<td>$5,500 (maximum $3,500 subsidized)</td>
<td>$9,500 (maximum $3,500 subsidized)</td>
</tr>
<tr>
<td><strong>Second Year (sophomore)</strong></td>
<td>$6,500 (maximum $4,500 subsidized)</td>
<td>$10,500 (maximum $4,500 subsidized)</td>
</tr>
<tr>
<td><strong>Third Year (junior) and Beyond</strong></td>
<td>$7,500 (maximum $5,500 subsidized)</td>
<td>$12,500 (maximum $5,500 subsidized)</td>
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Aggregate Loan Limits: Maximum Total Outstanding Loan Debt

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<tr>
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<th>Dependent Undergraduate Students</th>
<th>Independent Undergraduate Students</th>
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</thead>
<tbody>
<tr>
<td><strong>Undergraduate</strong></td>
<td>$31,000 (maximum $23,000 subsidized)</td>
<td>$57,500 (maximum $23,000 subsidized)</td>
</tr>
</tbody>
</table>

Federal regulations require that when a student is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year, the loan must be prorated. Students who graduate in the summer session or fall term will have their loans prorated.

How Do I Know if I Meet the Requirements for a Direct Loan?

In order to qualify for a Direct Loan(s), a student must first have filed a FAFSA application and his or her SAR must be complete for the current academic year.

In addition, the student:

- must be matriculated,
- must be registered for at least six credits for the semester(s) of the loan(s),
- cannot be in default of any loans,
- cannot be over the aggregate limit (exceed annual award limit), and
- must meet program pursuit and academic progress guidelines.

You must participate in the Entrance Interview for the William D. Ford Direct Loan. You must download the Direct Loan Application (Subsidized and Unsubsidized)
What Is the Process After I Complete and Submit My Direct Loan Application?

Once the loan is processed, you will receive a disclosure statement from the federal government explaining the type of loan, loan amount and anticipated disbursement dates of the loan. Please note that anticipated disbursement dates are not actual disbursement dates. You may be required to sign a Master Promissory Note (MPN). To sign an MPN you will need to have a FSA ID and password. If you do not have a FSA ID and password must apply for an Fsa.ID at fsaid.ed.gov.

Please note that all students who previously borrowed Direct Loans from Brooklyn College may not be required to sign an MPN because their previous MPN is good for up to 10 years. If you are uncertain whether you must sign a promissory note, consult the Office of Financial Aid, Direct Loan Department.

All first-time direct loan borrowers will need to sign a Master Promissory Note and should follow the instructions above.

How Long Will It Take to Get My Check?

Once your Direct Loan application process is completed, the Direct Loan servicer will notify you of the anticipated availability date of your loan check(s). Disbursement of any loan check(s) usually takes three to four weeks after the federal government has received and accepted your Master Promissory. It is strongly advised that you enroll in Direct Deposit or the Scholar card if you elect not to have your check mailed.

What Can I Do if I Need to Increase, Decrease or Cancel My Direct Loan?

You must complete and submit a Direct Loan increase/decrease/cancellation form. Contact the Office of Financial Aid, Direct Loan Department for further instructions.

What Should I Do if I Have Already Applied for a Direct Loan and Plan to Drop or Withdraw Below Six Credits or Completely?

It is highly recommended that you contact the Office of Financial Aid if you plan on dropping or withdrawing from your classes. A financial aid adviser will provide you with information regarding your loan eligibility and tuition liability.
When Do I Pay Back Direct Loans?

After you graduate, leave school, or drop below half-time enrollment, you have six months before you begin repayment. This period of time is called a grace period.

During the grace period on a subsidized and unsubsidized loan, you do not have to pay any principal, but you will be charged interest. You can either pay the interest or it will be capitalized to the original loan amount.

After you leave school or drop below half-time enrollment, your lender will send you information about repayment and you will be notified of the date repayment begins. However, you are responsible for beginning repayment on time, even if you do not receive this information. Failing to make payments on your loan is likely to have a negative effect on your credit rating.

What Should I Do if I Have Forgotten the Type of Federal Student Loan(s) I Have Borrowed?

You can review your federal student loan history through the U.S. Department of Education's National Student Loan Data System (NSLDS), which requires you to FSA.ID and password.

If you have further questions, contact the Financial Aid office.