

# Direct Stafford Loan

## Four Simple Steps to Process a Direct Stafford Loan

### Step 1: File the FAFSA

Eligibility for a student loan is based on the information provided on the Free Application for Federal Student Aid (FAFSA). You can apply online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

### Step 2: Accepting/Declining/ Reducing Loan Amounts

Award notifications are mailed to students beginning April 1 for the following academic year. The loan amount reflected on the award notification is the maximum for which you are currently eligible. To accept, decline or reduce the loan amount being offered, please refer to the instructions on the award notification.

### Step 3: Master Promissory Note (MPN)

Acceptance of a Direct Stafford Loan creates a record for the Department of Education. If you do not have a valid promissory note on file, you may complete this process electronically. To do so, you will need to obtain a U.S. Department of Education issued PIN. To obtain a PIN, you may apply online at [www.pin.ed.gov](http://www.pin.ed.gov). Once you have your PIN, you may sign your MPN electronically at <http://dlenote.ed.gov>. It is important that you understand your rights and responsibilities as a borrower. Your promissory note will explain repayment options, grace period, time of repayment, deferment and cancellation opportunities and the interest rate.

### Step 4: Entrance Interview

If you are borrowing a Direct Subsidized or Unsubsidized Stafford Loan for the first time at UT, you will need to complete an online Entrance Interview session at [www.financialaid.utoledo.edu/entrance.html](http://www.financialaid.utoledo.edu/entrance.html).

All steps must be completed prior to loans being disbursed.

## Understanding a Direct Stafford Loan

### The Direct Subsidized Stafford Loan

- Is need based, (determined by the information provided on the FAFSA).
- No interest is charged while you are in school, during your grace period and during authorized period of deferment.
- You must be enrolled at least half time (6 hours) to qualify.
- Repayment begins six months after you are no longer enrolled at least half time basis. The six months is known as your grace period.
- The interest rate is variable but cannot exceed 8.25 percent. The interest rate is adjusted July 1 every year.

## The Direct Unsubsidized Stafford Loan

- Not based on need
- Interest begins accumulating at time of disbursement.
- Interest rate is variable but will never exceed 8.25 percent.  
The interest rate is adjusted July 1 every year.
- You may make interest payments while enrolled in school or defer interest payments until repayment begins. If you defer payments, the interest will be capitalized. Capitalization means that the interest will be added to the original amount of the loan and will result in a higher repayment total over the life of the loan.
- Repayment begins six months after you are no longer enrolled at least half time. The six months is your grace period.

## Loan Amounts

Whether or not your loan is subsidized, unsubsidized or a little of both, your total loan amount for the year depends on your earned credit hours and dependency status (as defined by the Department of Education).

If you are a dependent undergraduate student, you may be eligible to borrow up to:

- \$2,625 – If you have earned between 0-29 credit hours
- \$3,500 – If you have earned between 30-59 credit hours
- \$5,500 – If you have earned 60 or more credit hours

If you are an independent undergraduate or a dependent student whose parents applied for the parent loan (PLUS) and were denied, you may be eligible to borrow up to:

- \$6,625 – If you have earned between 0-29 credit hours  
(at least \$4,000 of this amount would be unsubsidized).
- \$7,500 – If you have earned between 30-59 credit hours  
(at least \$4,000 of this amount would be unsubsidized).
- \$10,500 – If you have earned between 60 or more credit hours (at least \$5,000 of this amount would be unsubsidized).

If you are a graduate student, you may be eligible to borrow up to:

- \$18,500 – Only \$8,500 of this amount may be subsidized. These amounts may be offset if you receive other assistance (i.e. tuition waiver, scholarships, etc.).

## Disbursement Delays

(First-time borrower & one-semester loans)

First-time borrower – If you are a first-year undergraduate and a first-time borrower, your initial disbursement will be reflected on your student account bill as Estimated Aid, but will not disburse until after the 30th day. This may delay when you will receive your excess aid check.

One-semester loans – Loans processed for one-semester only, will be applied to your account in two disbursements. The first made no sooner than the first day of the term, the second at the midpoint of the term. Your loan is first applied to your student account to pay for tuition and fees, room and board and other school charges. This may delay when you will receive your excess aid check.

## Additional Student Eligibility / PLUS (Parent Loan) Denial

Students whose parents are denied a PLUS loan, due to an unfavorable credit rating, may apply for an additional Direct Unsubsidized Stafford Loan for up to \$4,000 or \$5,000 (depending on academic level) to replace the denied PLUS Loan. To request the additional loan, students should complete

a Direct Stafford Loan Change Form available online at [www.financialaid.utoledo.edu/forms.html](http://www.financialaid.utoledo.edu/forms.html) or you may pick one up at 1200 Rocket Hall. For additional information on the parent loan please refer to our PLUS and Alternative Loan Information sheet.

## Aggregate Limit

If you've borrowed loans in the past, and are considering how much to borrow for the future, please be aware there are aggregate limits which students cannot exceed, so plan ahead! Borrowing over your aggregate limit jeopardizes your eligibility for all Title IV financial aid programs. If you're not sure how large your outstanding loan principal is, consult your loan records, your most recent Student Aid Report, or access this information online at [www.nslds.ed.gov](http://www.nslds.ed.gov) with your Department of Education PIN.

The aggregate limits which students cannot exceed are:

- \$23,000 as a dependent undergraduate student
- \$46,000 as an independent undergraduate student  
(only \$23,000 of this amount may be subsidized)
- \$138,500 as a graduate or professional student  
(only \$65,500 of this amount may be subsidized)



[www.financialaid.utoledo.edu/scholarships.html](http://www.financialaid.utoledo.edu/scholarships.html) • [utfinaid@utnet.utoledo.edu](mailto:utfinaid@utnet.utoledo.edu) • 419.530.8700 • 800.5TOLEDO