

Things You Should Know...

WHAT IS A DIRECT LOAN?

Direct Loans are low interest loans to students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education rather than a bank or other financial institution.

MASTER PROMISSORY NOTE (MPN)

The Master Promissory Note (MPN) for Direct Subsidized Loans and Direct Unsubsidized Loans is a legal document in which you promise to repay your loan(s) and any accrued interest and fees to the U.S. Department of Education. It also explains the terms and conditions of your loan(s).

You may receive more than one loan under an MPN over a period of up to 10 years to pay for your educational costs, as long as the school is authorized to use the MPN in this way and chooses to do so.

ENTRANCE COUNSELING REQUIREMENT

All new borrowers must complete the Entrance Loan Counseling before submitting a loan request document. This will ensure that students understand their rights and responsibilities as a student loan borrower. Go to <http://www.studentaid.gov> and the student will need his/her Federal Student Aid (FSA) ID and password to access the site. Click "Complete the Financial Aid Process" then complete Entrance Loan Counseling.

EXIT COUNSELING REQUIREMENT

You will receive a notice from our office about Exit Counseling when you graduate or drop below six (6) units or withdraw from classes. The Direct Loan Servicing Center will send you information on your loan repayment options and when repayment begins.

NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

Federal student loans borrowers should be aware that information about those loans will be transferred to the National Student Loan Data System (NSLDS). Certain government agencies, lenders, and approved private companies will have access to that student loan data. To access your NSLDS record, visit <http://www.studentaid.gov>.

ANNUAL STUDENT LOAN ACKNOWLEDGMENT (ASLA)

We require you complete an Annual Student Loan Acknowledgment (ASLA) each year you accept a new federal student loan. Our goal is to help you understand your loans and how they affect your financial future.

If this is your first time accepting a federal student loan, you are acknowledging that you understand your responsibility to repay your loan. If you have existing federal student loans, you are acknowledging that you understand how much you owe and how much more you are eligible to borrow.

You'll also see other federal student aid information, including the interest rates and repayment options to make managing your student loans easier.

To complete the ASLA requirement, please visit <https://studentaid.gov/asla/>.

SUBSIDIZED VS. UNSUBSIDIZED

³/₄ **Subsidized loans** are awarded based on financial need. The federal government subsidizes the interest during the time you are enrolled in six (6) or more units. Effective July 2012, the government no longer subsidizes the interest during the six-month grace period. If on July 1, 2013 you did not have an outstanding balance on a Direct loan you are considered a new borrower. Subsidized Direct loans will be limited to 150% of your academic program. This means that if you are pursuing a two-year program your eligibility for subsidized Direct will be limited to three (3) years.

³/₄ **Unsubsidized loans** charge interest from the time the money is first disbursed until it is paid in full. The Thdonto

I enroll in preparatory coursework that I am required to complete to enroll in a graduate or professional program?		X
I enroll in a teacher certification program (where my school does not award an academic credential)?		X
I am no longer eligible for Direct Subsidized Loans and I stay enrolled in my current program?	X	

During what period am I responsible for paying the interest on my Direct Subsidized Loans . . .	Before meeting the 150% limit?	After meeting the 150% limit?
While enrolled in school at least half-time	No	Yes
During my grace period on loans first disbursed (paid out) July 1, 2013 through June 30, 2014	Yes	Yes
During my grace period on loans first disbursed (paid out) July 1, 2014 or after	No	Yes
During deferment periods	No	Yes
During certain periods of repayment under the Income-Based Repayment or Pay As You Earn Plan	No	Yes
During forbearance periods	Yes	Yes
During all other periods of repayment	Yes	Yes

REGAINING ELIGIBILITY FOR DIRECT SUBSIDIZED LOANS

If you become ineligible for Direct Subsidized Loans because you have received Direct Subsidized Loans for your maximum eligibility period, you may again become eligible to receive Direct Subsidized Loans if you enroll in a new program that is longer than your previous program.

FEDERAL LOAN BORROWING LIMITS

¾ A student's unmet financial need, Remaining Eligibility Period, and annual loan limits determine how much a student may borrow in subsidized Direct. Students will either be classified as **Grade Level One** (0-30 units completed) or **Grade Level Two** (over 30 units completed and student is enrolled in a program of more than one year). Students enrolled in preparatory coursework required for admittance into a program will be classified as **Grade Level 0**. The annual subsidized limits are:

Grade Level	Annual Subsidized Maximum
Grade Level 0 - Preparatory courses for undergrad program (maximum one award year allowance)	\$2,625
Grade level 1	\$3,500

STUDENT LOAN PRORATION FOR GRADUATING STUDENTS

³/₄ Federal regulations require that when an undergraduate 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, their Federal Direct Loan amount must be prorated. A student will be eligible for an amount that is less than the annual limit. At East Los Angeles College the loan amount will be determined based on the following equation:

SubsidizedDirect

$$\text{Units Maximum loan based on Unmet Cost} \times \frac{\text{Number of Eligible Financial Aid}}{24}$$

Example: A second year independent student is enrolled in 11 units and has an unmet need of \$8,000. The maximum subsidized

Sample Repayment Plans

Repayment Plan	Repayment Period	Monthly Payment	Projected Loan Forgiveness	Total Interest Paid	Total Principal
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Federal Loan Servicers

¾ The Loan Servicer is the organization responsible for billing, collecting, and managing your loan repayment, and deferment/forbearance processing. You will send loan