What are Direct Loans?

- Low-interest loans for 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**
  - The entity (loan servicer) you deal with can be a private business
    - (ex. Greater Lakes, National Educational Loan Network, etc.)
Direct Loans Allow Students To……

- Borrow directly from the federal government and have a single contact – your loan servicer – for everything related to repayment, even if you receive Direct loans at different schools.
- Have online access to your Direct Loan account information via your servicer’s website.
- Choose from several repayment plans that are designed to meet the needs of almost any borrower, and you can switch repayment plans if your needs change.
How to Apply?

- Must apply at www.studentloans.gov
- Complete Entrance Counseling
- Complete James Sprunt Community College Loan Application
Interest Rates

- Interest rates differ depending on first disbursement dates
- Direct Subsidized Loans for undergraduates with a first disbursement date between July 1, 2010, and June 30, 2011 is 4.5%
- Direct Unsubsidized Loans for undergraduates 6.8%
How are Loans Applied to my Financial Aid Award?

- Loans are applied to your financial aid award after all other funds have been awarded.

Pell Grants are the base of your aid. Applied first.

- Loans applied last.
## Loan Amount

<table>
<thead>
<tr>
<th>Year</th>
<th>Dependent Undergraduate</th>
<th>Independent Undergraduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Year</td>
<td>$3500 Subsidized $2000 Unsubsidized</td>
<td>$3500 Subsidized $6000 Unsubsidized</td>
</tr>
<tr>
<td>Second Year</td>
<td>$4500 Subsidized $2000 Unsubsidized</td>
<td>$4500 Subsidized $6000 Unsubsidized</td>
</tr>
</tbody>
</table>

*Annual Loan Limits*

Amount of loan may differ from the amount above. What you are eligible for will be determined by

**Need – Federal Pell- Scholarships/Grants=Loan Eligibility**
When Does Repayment Begin?

- Repayment begins once you leave your academic program
- Leaving school includes
  - Graduating
  - Withdrawing
  - Below Half-time (6SH)
- Grace period of 6 months after leaving program
- **MUST** begin repayment at end of grace period
Things to Remember

- Do not borrow more than you need (this is a loan and you will have to pay this money back with interest!)
- www.studentloans.gov has a repayment calculator that will show you how much your payments will be based on the amount you borrowed
- Serious consequences to DEFAULT
DEFAULT Consequences

- National credit bureaus can be notified of your default, which will harm your credit rating, making it hard to buy a car or a house
- You will be ineligible for additional federal student aid if you decide to return to school
  - All Title IV Funds
    - Federal Pell
    - State Grants
    - Additional Loans
- Loan payments can be deducted from your paycheck
- State and federal income tax refunds can be withheld and applied toward the amount you owe
- You will have to pay late fees and collection costs on top of what you already owe
- You can be sued
Don’t leave Community College with a mountain of debt. BE RESPONSIBLE!! Loans should be your last option!
Student Default Documentary

DEFAULT

The Student Loan Documentary

PLAY