Financial Aid: Federal Direct Ford Loan

As part of the Federal Direct Loan Program, Subsidized and Unsubsidized loans are made directly to you through the U.S. Department of Education. These loans are given to degree-seeking students attending school at least half time. The main difference between Subsidized loans and Unsubsidized loans is that the federal government pays the interest on Subsidized loans while in school at least half time, during the grace period, and during periods of authorized deferment. This makes Subsidized loans a less-expensive option. If the financial aid award does not fully cover costs, the Parent PLUS loan may be another option.

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Federal Direct Subsidized Loan

Eligibility

You must complete a FAFSA and have a financial need to qualify for a Direct Subsidized Loan. The loan is awarded as part of your financial aid award if you have remaining need after any grants and scholarships.

Accepting the Loan

You must accept the loan in Self Service before any funds can be processed. First-time borrowers must also sign a Master Promissory Note and complete entrance counseling before loan funds may be disbursed; both can be found on the Federal Student Aid website.

Interest and Loan Fees

The interest rate on your Direct Subsidized Loan is fixed, and you will not be charged interest while you are enrolled in school at least half time, during your 6-month grace period*, or during deferments. You will begin repaying your loan six months after you graduate, leave school, or drop below half-time enrollment status. The monthly payment and actual length of the repayment period depends on the amount of the loan you owe, your interest rate, and the loan repayment option you chose.

While there is no interest on the Direct Subsidized Loan while you are in school, there is a loan fee of about 1% deducted from your loan when it is disbursed.
NOTE: Subsidized Direct Loans that disbursed between July 1, 2012 and July 1, 2014 accrue interest during their grace period.

Borrowing Limitations

There are limits to the amount you may borrow annually depending on your grade level, as well as a cumulative undergraduate borrowing amount. First year students receive up to $3,500 annually, students with a Sophomore standing receive up to $4,500 annually, and students with a Junior or higher status receive up to $5,500 annually. The cumulative limit undergraduates may receive is $23,000.

Federal regulations limit your eligibility for Direct Subsidized Loans; you are able to borrow Subsidized Direct Loans for up to 150% of the published length of your educational program. This means if you are enrolled in a four-year program, you would be eligible for direct subsidized loans for up to six years.

Federal Direct Unsubsidized Loan

Eligibility

As part of the Federal Direct Loan Program, Unsubsidized Direct Loans are made directly to you through the U.S. Department of Education. These loans are made to degree-seeking students attending school at least half time. Unlike Subsidized loans, financial need is not a factor in determining your eligibility for an Unsubsidized loan. This means you may qualify for an Unsubsidized loan regardless of your family's income.

Accepting the Loan

You must accept the loan in Self Service before any funds can be processed. First time borrowers must also sign a Master Promissory Note and complete entrance counseling before loan funds may be disbursed; both can be found on the Federal Student Aid website.

Interest and Loan Fees

With an Unsubsidized Direct Loan, interest begins to accumulate once the loan is disbursed, even while you are in school. The interest begins the day the loan is paid to you until the day the loan is repaid in full. The interest rate on loans taken out for the academic year is a fixed rate and will not change. A statement of accrued interest will be sent to you periodically. You may choose to pay the accumulating interest while you are in school, or have the interest capitalized. Capitalizing means adding unpaid, accumulated interest to the principal balance of the loan. Capitalization increases the total cost of your loan, so if you choose to let your interest be capitalized, you will repay more money in total than if you pay it while you are in school.

In addition to interest payments, there is also a loan fee charged on all direct loans of about 1%. The loan fee is deducted from your loan at the time of disbursement.
Borrowing Limitations

There are limits to the amount you may borrow annually depending on your grade level, as well as a cumulative undergraduate borrowing amount.

Dependent undergraduate students can borrow:

- Freshman – $5,500 (up to $3,500 subsidized);
- Sophomore – $6,500 (up to $4,500 Subsidized);
- Junior+ – $7,500 (up to $5,500 Subsidized);
- Aggregate/Cumulative – $31,000 (up to $23,000 Subsidized).

Independent undergraduate students can borrow:

- Freshman – $9,500 (up to $3,500 Subsidized);
- Sophomore – $10,500 (up to $4,500 Subsidized);
- Junior+ – $12,500 (up to $5,500 Subsidized);
- Aggregate/Cumulative – $57,500 (up to $23,000 Subsidized).

Parent PLUS Loan

The Federal Direct Parent PLUS Loan enables parents of dependent students to receive funds directly from the U.S. Department of Education. If your financial aid award does not cover your costs, the Parent PLUS Loan is an option. For this loan, the Department is the lender rather than a bank, and the loan proceeds are delivered through UW-Eau Claire.

Definition of a Dependent Student

See the Federal Student Aid Website for a precise definition of a dependent student for the academic year you plan to apply for financial aid. In general, students are considered independent for financial aid purposes if they are:

- 24 years old prior to January 1 of the academic year.
- A graduate student.
- Married at the time the FAFSA is filed.
- Providing more than half the support for dependents.
- A veteran or on active duty.
- An orphan, ward of the court, or designated as homeless.

Eligibility

The student must be enrolled as a degree seeking student and attending UW Eau Claire at least half time. Financial need is not considered when determining eligibility, however, a credit check will be
performed during the application process. If the Parent PLUS Loan is approved, the parent on the application must complete a Master Promissory Note on the student loans website.

**Options if Plus Loan is Denied**

If a parent is denied the PLUS Loan, there are three options available to them.

1. Halt the PLUS Loan application and opt to have the student borrow an additional Direct Unsubsidized Loan.
2. Have an endorser co-sign the loan. The endorser must create an FSA ID on the student loans website and complete an Electronic Endorser Addendum. The endorser’s credit history will be reviewed. If the endorser is approved, UW-Eau Claire will be notified. After the addendum is completed, the parent must complete the PLUS Credit Counseling and the PLUS Loan Master Promissory Note on the student loans website using their own FSA ID.
3. Appeal the credit decision on the student loans website and complete PLUS Credit Counseling and the PLUS Master Promissory Note.

**Interest and Loan Fees**

The current origination fee and interest rate are available on the Federal Student Aid site with prior PLUS loan interest rates available on NSLDS.

Parents may borrow up to the amount of their child’s financial aid cost of attendance minus any other financial aid received.

The parent borrower is required to pay both the principal and the interest that accumulates. Interest on the loan begins to accumulate on the date of the first loan disbursement.

**Repayment or Deferment**

Repayment on the Parent PLUS Loan begins 60 days after the loan is fully disbursed or six months after the student ceases to be enrolled for at least a half time basis. Parent PLUS borrowers have the option to contact their lender to request an in-school deferment for their dependent child. Parents should wait until the first disbursement of the loan occurs before making this request. With a deferment, repayment on the loan, including the accumulated interest, begins after the student ceases to be enrolled at least half time.