Direct Subsidized/Unsubsidized Student Loans
Frequently Asked Questions for 2016-2017

What’s the difference between “Subsidized” and “Unsubsidized?”

Subsidized loan eligibility is always based on demonstrated financial need (file the FAFSA) and the interest is paid (or subsidized) by the federal government until you’re no longer enrolled at least half-time. Graduate students are not eligible for subsidized loans.

Eligibility in the unsubsidized loan program is not contingent upon financial need; however, you must file the FAFSA to be considered for an Unsubsidized Loan. As the borrower, you (the student) are responsible for the interest on an unsubsidized loan while in school, but payment can be deferred.

These loans must be repaid.

Do I need to go to a bank to get the loan?
No. OSU works through the “Federal Direct Loan Program.” You work only with OSU and a U.S. Department of Education loan servicer instead of commercial lenders.

Continuing OSU borrowers:
Once you’ve accepted your loan(s) at my.okstate.edu, you don’t have anything else. The Master Promissory Note (MPN) you completed in a prior year/semester, will be updated when OSU sends your loan eligibility to the U.S. Dept. of Education.

New OSU borrowers:
Master Promissory Note:
If you’re a first-time borrower, or if you haven’t borrowed in the past 12 months, you will complete a Master Promissory Note (MPN), which is retained and updated by the loan servicer throughout your education at OSU. You can complete the MPN at www.studentloans.gov.

Entrance Counseling:
Any new Subsidized/Unsubsidized Direct Student Loan borrower at OSU (even if you borrowed at another school) must complete a one-time Loan Entrance Counseling Session, which includes borrower rights and responsibilities, prior to the first loan disbursement. You can complete this requirement at www.studentloans.gov. The U.S. Dept. of Education will automatically notify OSU within a few days after you complete the session.

What’s the interest rate?
Congress sets rates for new loans each year, on or after June 1st; rates cannot exceed 8.25% for undergraduates and 9.25% for graduate borrowers.

Subsidized Loan (undergraduate only): Carries a fixed 3.76% rate for loans first disbursed between July 1, 2016 and June 30, 2017. Interest is paid for you by the government while you’re enrolled at least half-time.

Unsubsidized Loan (undergraduate and graduate): Carries a fixed 3.76% (undergraduate) and 5.31% (graduate) interest rate for loans first disbursed between July 1, 2016 and June 30, 2017. Interest accrues while you’re in school. If you have previous Unsubsidized Loans, they’ll continue to accrue interest at the rate for each loan until you consolidate your loans when you graduate.

What’s an “Origination Fee”?
The federal government charges Subsidized/Unsubsidized Loan borrowers an origination fee of 1.068% on loans first disbursed between October 1, 2015 and September 1, 2016 and 1.069% for all new loans first disbursed on or after October 1, 2016.

Will OSU ever change the amount of loan I’m offered?
Your loan eligibility is based in part on your cost of education, Expected Family Contribution (EFC) and other sources of financial assistance you’ll receive. Any change to these factors after your original award has been made may cause an adjustment to your loan eligibility.

If your loan eligibility is decreased, we’ll notify you of the adjustment. If this change occurs after you have submitted your promissory note(s), OSU will also notify the U.S. Dept. of Education of the change.

Specific reasons your loan might be adjusted include: additional awards not reflected in your original award, such as OSU cash or tuition scholarships, awards from community organizations or employers, Vocational Rehabilitation, Workforce Investment Act benefits, tribal grants, or any other grants, etc., a change in Expected Family Contribution, or a change of enrollment.

Your initial loan award is also based in part on the grade level (freshman, sophomore, etc.) you report on the FAFSA. If this doesn’t match the OSU Registrar’s record at the time of disbursement, your eligibility will be adjusted accordingly.

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Federal Direct Subsidized/Unsubsidized Loans
at Oklahoma State University (2016-2017)

How much can I borrow?
Federal regulations place annual and aggregate (lifetime) limits on the amount a student can borrow. These limits include Federal Stafford Loans borrowed at other schools you have attended, as well as Direct Loans. The total amount borrowed in all programs combined (including Parent Loans) can’t exceed your annual costs as determined by OSU, minus any other aid you’ll receive.

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<th>Annual Loan Limits</th>
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<td><strong>Dependent Undergraduate</strong></td>
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<td><strong>Independent Undergraduate</strong></td>
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*Undergraduate Dependent students whose parents are denied for the Parent Loan may be eligible for the Independent Undergraduate loan limits.

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<th>Aggregate (Lifetime) Loan Limits</th>
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<td><strong>Independent Undergrad.</strong></td>
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<td><strong>Graduate</strong></td>
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*Graduate limit includes undergraduate Sub and Unsub loans.

Subsidized Loan Limit
Federal regulations limit Direct Subsidized Loan borrowers to borrowing only enough money to cover one-and-a-half times the length of their program of study.

Can I postpone the repayment of my loan?
Under certain conditions, you can receive a “deferment” or “forbearance” on your loan, as long as the loan isn’t in default. A deferment allows you to temporarily postpone payments on your loan.

If you have a subsidized loan, you won’t be charged interest during the deferment. If your loan is unsubsidized, you’ll be responsible for the interest during the deferment. In that case, if you don’t pay the interest as it accrues (accumulates), it will be capitalized (added to the principal loan amount and additional interest will be calculated on that higher amount) and the amount you’ll have to pay will increase.

A forbearance is a temporary delay or reduction of payments when the borrower is willing, but unable, to pay the full payment. Interest continues to accrue during forbearance.

What’s a “Direct Loan Servicer” and how do I contact mine?
A Direct Loan servicer is the U.S. Dept. of Education’s agent contracted to collect Direct Loans and handle deferments, repayment options, and consolidation.

With Direct Loans, you:
- 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.
- Can choose from several repayment plans, and you can switch repayment plans if your needs change.

Once the first portion of your Direct Loan has been disbursed (credited to your OSU Bursar account), you’ll receive correspondence from your assigned servicer.

You can also find contact information and web links to your servicer by logging into the National Student Loan Data System (NSLDS) at www.nslds.ed.gov.

National Student Loan Data System (NSLDS)
You can find information about all of your Direct Loans, Federal Family Education Loans, Federal Perkins Loans and federal grants at the National Student Loan Data System (NSLDS). You’ll also find contact information for the federal loan servicer holding your loans once the first disbursement of the loan has occurred.

You can access NSLDS at www.nslds.ed.gov. You’ll need your Federal Student Aid ID (FSAID) (the one you used to sign the FAFSA) to log into the system.

Information relating to your federal student loans at OSU will be submitted to NSLDS and will be accessible by guaranty agencies, lenders, and institutions authorized to use the system.

What’s a “Grace Period”?
After you graduate, leave school, or drop below half-time enrollment, you have a six-month period, called a grace period, before you start repaying a Direct Subsidized or Unsubsidized Loan. For new Subsidized loans received before July 1, 2012 or after July 1, 2014, the interest is paid by the federal government during the grace period. For Subsidized Loans received between July 1, 2012 and July 1, 2014, the interest will accrue during the grace period. The repayment period still begins 6 months after you are no longer enrolled at least half-time, but interest that accrues during those six months will be payable by you, rather than by the federal government.

If you return to school at least half-time before your grace period ends, repayment of your loan will again be delayed until six months after you leave school.

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How will I repay my loan?
Repayment on a Direct Subsidized or Unsubsidized Loan starts six (6) months after you graduate or cease to be enrolled at least half-time. You’ll make your payments to your Federal Direct Loan servicer. All Direct Student Loans can be consolidated into one student loan when you graduate.

When you leave school, you’ll select the repayment plan that fits your financial circumstances. You may switch repayment plans at any time without penalty by contacting your Federal Direct Loan servicer.

The following descriptions are general in nature. You can find detailed repayment information and a loan repayment calculator link at https://studentloans.gov.

The Standard Repayment Plan requires fixed monthly payments (at least $50) for up to 10 years.

The Extended Repayment Plan allows loan repayment to be extended up to a total of 25 years, depending on the total amount you owe when your loans enter repayment.

The Graduated Repayment Plan allows payments to start at one level and increase every two years, with full repayment within 10 years.

The Income Contingent Repayment Plan bases monthly payments on your yearly income, family size, and loan amount. As your income rises or falls each year, so do your payments. After 25 years, any remaining balance on the loan will be forgiven, but you may have to pay taxes on the amount forgiven.

The Income-Based Repayment Plan allows for adjustments, based on your income, to your monthly payment amount during any period when you have a partial financial hardship. The maximum repayment period may exceed 10 years.

Are there any tax credits available for paying back these loans?
Yes, there are tax incentives for certain higher education expenses, including a deduction for student loan interest for certain borrowers. IRS Publication 970, Tax Benefits for Higher Education, explains these credits and other tax benefits. You can find this publication at www.irs.gov.

Satisfactory Academic Progress-
You must maintain satisfactory academic progress, as outlined in the OSU Financial Aid Policy on Satisfactory Academic Progress, to remain eligible for aid, including Federal Direct Subsidized/Unsubsidized Loans. Even though this loan requires repayment, you must meet the academic standards to receive this loan. The Policy is available at financialaid.okstate.edu under “Policies.”

What is loan proration?
Federal regulations require OSU to prorate an undergraduate student’s annual Stafford loan limits, when they are enrolled in one semester and will graduate in the same academic year. This mostly will affect students who graduate at the end of the fall term.

If you fail to notify the financial aid office of your upcoming graduation prior to the disbursement of your loans, the financial aid office will receive an official graduation list from the registrar’s office and your loans may be adjusted which could result in a bill with the university. Loan proration examples: https://financialaid.okstate.edu/loan-proration-graduating-borrowers.

Questions?
OSU Office of Scholarships and Financial Aid
119 Student Union
Stillwater, OK 74078
Email: finaid@okstate.edu
Phone: 405-744-6604
Web: http://financialaid.okstate.edu

This information sheet was prepared on the basis of the best information available at the time it was printed (June 2016); however, all information is subject to change without notice or obligation.

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