

FLORIDA ATLANTIC UNIVERSITY

Office of Student Financial Aid

Financial Fact Sheet for Subsidized / Unsubsidized Federal Direct Loan Borrowers

As a student loan borrower, you are making a large investment in your education. With this in mind, it is important that you make informed decisions when borrowing money. Towards this end, this fact sheet has been prepared to provide you information about borrowing through the Federal Direct Loan Program.

Federal Direct Loans are available to students admitted to a degree granting program and attending at least half time (see the Terms and Conditions of Awards statement for the qualifying criteria for half-time enrollment). Federal Direct Loans are borrowed money that must be repaid, with interest, just like car loans and mortgages. Loans are legal obligations. With this in mind, before you take out a student loan, think about the amount you'll have to repay over the years.

Loan Repayment of Federal Direct Loans begins six months after the student ceases to be enrolled half time.

Subsidized vs. Unsubsidized: A Federal Direct Loan may be either subsidized or unsubsidized. The primary difference between the Subsidized Federal Direct Loan and Unsubsidized Federal Direct Loan is who is deemed to be responsible for paying the interest which accrues on the loan while you are enrolled in school in at least half-time status.

On the **Subsidized Federal Direct Loan**, the federal government pays the interest which accrues while you are enrolled at least half-time, as well as during periods of approved deferment (see the Default Prevention and Debt Management section of our website for more information regarding deferment status). You will be responsible for payment of any interest which accrues on the loan when not enrolled half time or in an approved deferment status.

On the **Unsubsidized Federal Direct Loan**, **YOU** are responsible to pay all interest which accrues on the loan from the time it is disbursed. The federal government DOES NOT pay the interest. Though you are not mandated to make any payments on your Unsubsidized Federal Direct Loan while in school, it is *strongly* advised that you make the monthly interest payments while in school to avoid this interest from being capitalized. When interest is capitalized, it is added to the current principal balance and a new principal balance amount is calculated upon which future monthly interest charges are based. What this means is, if you choose to allow your interest to be capitalized, you will ultimately be paying interest on previously accrued interest.

Please review the chart below to approximate the monthly interest per \$1,000 of Federal Direct Loan borrowing.

	INTEREST RATE					
INTEREST	3.76%	4.29%	5.31%	5.84%	6.31%	6.84%
Monthly Interest per \$1,000 Principal Borrowed	\$ 3.13	\$ 3.57	\$ 4.43	\$ 4.87	\$ 5.26	\$ 5.70

- Direct Loan interest rates vary based on disbursement date, loan type and student grade level. To find out the interest rates being assessed on your loans, contact your loan servicer.

What determines whether the loan I am awarded is Subsidized or Unsubsidized?: To qualify for a Subsidized Federal Direct Loan, you must be an UNDERGRADUATE student and show unmet financial need after all other gift aid and work study is awarded.

Financial need is calculated as the estimated **Cost of Attendance** for the award period you are attending (this is determined by the Financial Aid administration at the school) **minus** your **Expected Family Contribution** for the award period you are attending (this is determined by the U.S. Department of Education based on the information on your FAFSA).

Gift aid is considered to be any assistance program you are receiving towards payment of educational expenses which does not require future repayment by you. Gift aid is viewed as awards which reduce the financial need.

If, after all gift aid and work study is applied, you still show financial need, you may receive a Subsidized Federal Direct Loan as a means towards funding your remaining financial need. The amount of the loan will still be limited by your annual or aggregate borrowing eligibility (see next section).

How much money can I borrow?: There are limits to the amount you may borrow in the Federal Direct Loan program.

One limit is called an **Annual Limit**. As its name implies, Federal Direct Loan Annual limits represent the most a student may borrow through the Federal Direct Loan program in an award year (an award year is commonly defined as the period spanning from the beginning of Fall to the end of the following Summer terms). These limits vary depending on your grade level and dependency status. The annual loan limits are listed below:

ANNUAL DIRECT LOAN LIMITS – EFFECTIVE FOR DISBURSEMENTS ON AND AFTER 07/01/12				
Academic Level	Dependent		Independent*	
	Maximum Total Amount	Maximum Subsidized Amount	Maximum Total Amount	Maximum Subsidized Amount
Freshmen	\$5,500	\$3,500	\$9,500	\$3,500
Sophomore	\$6,500	\$4,500	\$10,500	\$4,500
Junior	\$7,500	\$5,500	\$12,500	\$5,500
Senior	\$7,500	\$5,500	\$12,500	\$5,500
Second Bachelor	\$7,500	\$5,500	\$12,500	\$5,500
Graduate*			\$20,500	

NOTES *:

- A dependent student whose parent has been denied access to the Federal PLUS program may be eligible to borrow at independent student loan limits.
- Graduate students are ineligible to borrow Subsidized Direct Loans.

A second limit is called an **Aggregate Limit**. As its name implies, Federal Direct Aggregate limits represent the most a student may borrow for their academic lifetime. These limits vary depending on your classification (graduate or undergraduate) and dependency status. The aggregate loan limits are listed below:

AGGREGATE LOAN LIMITS – EFFECTIVE FOR DISBURSEMENTS ON AND AFTER 07/01/08				
Academic Level	Dependent		Independent	
	Maximum Total Amount	Maximum Subsidized Amount	Maximum Total Amount	Maximum Subsidized Amount
Undergraduate	\$31,000	\$23,000	\$57,500	\$23,000
Graduate			\$138,500	

Don't Borrow More Than You Can Afford To Repay : To ensure that your post-graduation financial future is successful, it is very important that you borrow responsibly while in school. Don't allow yourself to become one of the many students who graduate with an unmanageable student loan debt. Please review the chart below to approximate your monthly payment per \$1,000 of outstanding principal balance of both Subsidized and Unsubsidized Federal Direct Loans (be sure to include capitalized interest in your Unsubsidized Federal Direct Loan principal balance estimate, if applicable):

PAYMENT	INTEREST RATE					
	3.76%	4.29%	5.31%	5.84%	6.31%	6.84%
Monthly Payment per \$1,000 Principal Balance	\$ 10.01	\$ 10.26	\$ 10.76	\$ 11.02	\$ 11.26	\$ 11.53

- The above chart is based on a 10 year Standard Repayment Term.
- Direct Loan interest rates vary based on disbursement date, loan type and student grade level. To find out the interest rates being assessed on your loans, contact your loan servicer.
- The minimum monthly student loan payment required is \$50.00 per month. If you have a low principal balance, you will be required to pay the minimum \$50.00 per month but likely will be done paying prior to the 10 year term.
- To find out what your current outstanding Federal Direct Loan principal balance is visit www.nslsds.ed.gov
- The U.S. Department of Education Loan Repayment Estimator is available at [this link](#).