

STUDENT LOAN INFORMATION

The federal direct loan program has two types of student loans: subsidized and unsubsidized (sub and unsub).

Subsidized loans are “need based” loans that the government pays the interest on until scheduled repayment begins. On unsubsidized loans, the borrower is responsible for all interest that accrues on the loan. Interest payments may be made as it accrues or be allowed to add to the total loan balance.

The type of loan offered depends upon federal eligibility as determined by the results of the FAFSA and overall financial aid package. Some students may have both sub and unsub eligibility, while others may have unsubsidized only. There are also annual limits for borrowing based on dependency status and grade level, as well as overall aggregate loan limits for undergraduates. A detailed chart of annual and aggregate federal loan limits for undergraduate students is available on the next page.

While subsidized loan eligibility is always priority where possible before unsubsidized loan in the aid package, the USAO Financial Aid Office may not automatically offer students the maximum loan amount they are eligible to receive (such as additional unsubsidized eligibility). The offered loan amount may depend on borrowing history or other factors, such as housing choice or high gift aid. Students are welcome to discuss possible additional loan eligibility and options with the Financial Aid Office.

Students are not required to accept a student loan or borrow the full amount offered. There is also the option to borrow less than the amount stated on the financial aid offer, or the option to decline. Remember, repayment of student loans is required, so borrow only what is necessary.

The Financial Aid Office will not originate a loan until acceptance of the student loan is on record. Student loan eligibility requires enrollment in a minimum of six degree-eligible credit hours, admission as a degree-seeking student at USAO, and Satisfactory Academic Progress (SAP). Eligibility may change according to enrollment intensity: full time (12 or more credit hours), three-quarter time (9-11 credit hours), half time (6-8 credit hours) and less than half time.

Students can change their mind. Students have the right to reduce or cancel a loan prior to the disbursement dates and up to 14 days after. Students also have the right to initially decline a student loan, but during the enrollment period decide it is needed. Students are welcome to visit or contact the Financial Aid Office at any time to discuss options. Eligibility can differ due to factors such as changes in amounts of other aid or grade level. It is recommended that students visit with the Financial Aid Office at least two weeks prior to the end of the enrollment period if they think they may need a new student loan for that period.

All borrowers must complete a master promissory note (MPN) for the direct loan program at studentaid.gov/mpn/. The MPN is signed electronically with the FSA ID. The MPN is valid for a period of ten years, so transfer students may already have this step completed.

All borrowers are required to complete online loan entrance counseling before direct loan funds will disburse. Complete entrance counseling at studentaid.gov/entrance-counseling/. Online loan exit counseling is also required for student borrowers who graduate or stop attending USAO in at least a 6-credit hour enrollment intensity status.

First time entering freshmen borrowers are required to wait 30 days into the term before their first loan disbursement is available. Transfer students should be sure the school they are transferring from has canceled any financial aid so as not to hinder the financial aid process at USAO.

Repayment begins after graduation, or when a student drops below 6-credit hour enrollment intensity or stops attending. There is ONE six-month grace period before the first loan payment is due. **Always stay in contact with the loan servicer, especially with issues affecting ability to make loan payments.** Loan servicers may provide options such as deferment, forbearance, and provide information regarding income-based repayment plans and consolidation. **It is crucial to avoid defaulting on federal student loans.**

Payment calculations and repayment options are available on the Federal Student Aid Loan Simulator at studentaid.gov/loan-simulator/.

The National Student Loan Data System (NSLDS) receives information on all student loans. They are accessible by guaranty agencies, lenders, and schools determined to be authorized users of the data system. Access student loan information at studentaid.gov.

More information regarding the direct loan program is available online at <https://usao.edu/financial-aid/financial-aid-options/student-loans.html> and studentaid.gov/understand-aid/types/loans.

Information regarding interest rates and fees associated with the direct loan program are online at studentaid.gov/understand-aid/types/loans/interest-rates.

FEDERAL LOAN LIMITS FOR UNDERGRADUATE STUDENTS

Under H.R. 5715

For degree seeking students making satisfactory academic progress in eligible undergraduate programs,

annual loan limits are as follows:

	<u>Subsidized Limit</u>	<u>Additional Unsubsidized Limit</u>
Dependent students:		
Freshman	\$3,500	\$2,000
Sophomore	\$4,500	\$2,000
Junior/Senior/Post Bacc	\$5,500	\$2,000

Independent students and dependent students whose parents have applied for and been denied a PLUS loan:

Freshman	\$3,500	\$6,000
Sophomore	\$4,500	\$6,000
Junior/Senior/Post Bacc	\$5,500	\$7,000

Aggregate loan limits (the maximum students can borrow as undergraduates) are as follows:

Undergraduate Dependent Students:	<u>\$31,000</u> (no more than \$23,000 of which can be subsidized)
Undergraduate Independent Students:	<u>\$57,500</u> (no more than \$23,000 of which can be subsidized)

The Financial Aid Office determines loan eligibility. The total aid package, unmet need, and cost of attendance budget are all factors in determining eligibility. Contact the USAO Financial Aid Office with any questions.

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