

There are two types of student loans that a student may qualify for by filling out a FAFSA (Free Application for Federal Student Aid). They are: *Subsidized* and/or *Unsubsidized* Direct Loans. Below is a list of frequently asked questions regarding the Direct Loan program.

Q. What is the difference between a Subsidized and Unsubsidized Loan?

A. The Subsidized Direct Loan is awarded to students who demonstrate financial need, as determined by federal regulations. No interest is charged while the student is in school at least half-time and during deferment.

The Unsubsidized Direct Loan is awarded to students who have NOT demonstrated financial need or to those independent students who have already borrowed the maximum allowable amount for their grade level under the Subsidized program. The student is responsible for all of the interest that accrues during all periods. The student can pay the interest while in school or it can be deferred.

Q. What is this Master Promissory Note (MPN) and what do I do with it?

A. The MPN is the legal document stating your obligation to repay the loan and provides important information about the loan, including terms and conditions. You must complete a MPN directly through the Department of Education.

Q. What is Loan Entrance Counseling and do I have to do it?

A. Loan Entrance Counseling is required of every borrower at SCCC/ATS. It provides valuable information regarding your Direct Loan and outlines what your rights and responsibilities are regarding the loan.

**\*\*Master Promissory Notes and Loan Entrance Counseling are MANDATORY. Go to [www.studentloans.gov](http://www.studentloans.gov) to complete both. Verification of completion will be sent to each school that you choose during these sessions.**

Q. How will I receive the money from my loan?

A. Provided the student has completed the MPN and Loan Entrance Counseling and meets all the eligibility requirements for the loan, the student can expect the loan funds to be available after the first 30 days of each semester. (This is normally around the first part of October and the first part of March.) The loan is normally disbursed in two equal amounts, one for the fall semester and one for the spring semester. Our school will disburse loan money by crediting it to the student account. If the student owes the school for unpaid tuition, fees, books, dorms, etc., the loan money will be applied to their account. If the check is greater than the charges owed, the student will be issued a check for the difference.

Q. Do I have to reapply every year for the Direct Loan?

A. Yes, you must file the Free Application for Federal Student Aid (FAFSA) every year. This application is used to determine eligibility for all federal student aid.

Q. When will I have to begin repaying the Direct Loan back?

A. You will begin repayment on your Direct Loans six months after you cease to be a half-time student. (Half-time is normally considered six hours during the fall and spring semesters). For example, if you are a continuously enrolled half-time student at SCCC/ATS for the first year and then decide to not return to any college or university your second year, you can expect to begin repayment on your Direct Loans around the month of November. You ceased to be a half-time student in May (at the end of the spring semester); so, your six month grace period would be over in November and repayment would begin. If you return to school again on a half-time basis, your loan will again be considered for deferment. You would need to contact your loan servicer to get information on how to do this.

Q. What can I do if I cannot make my loan payments?

A. If you ever have a problem making your monthly student loan payments, you may have several options available to you. Call your loan servicer to explain your situation and see if you qualify for forbearance or deferment or a different repayment plan. A list of your options can be found at <https://studentaid.ed.gov/repay-loans/understand>. You should also make sure your loan servicer always has your correct address and phone number so that you can receive all correspondence from them.

Q. What are the penalties if I default on my Direct Loan?

A. The consequences for defaulting on a student loan are severe and long-lasting, including no access to further federal financial aid, a bad credit rating, legal action against you, garnishment of your tax refund(s) and/or wages, pursuit by a collection agency, and loss of loan deferment privileges or of long-term payment options.

If you have any questions regarding the MPN, Loan Entrance Counseling or your Direct Loan, please feel free to contact our office.