Federal Direct Loans

What is a Federal Direct Loan?

A federal direct loan is money you borrow from the government that you have to pay back with interest. We encourage students to apply for grants and scholarships before taking out a student loan. A loan is a serious and long-term obligation.

Loan Eligibility

To be eligible for a federal student loan, you must:

- Submit the Free Application for Federal Student Aid (FAFSA) (https://studentaid.gov/h/apply-for-aid/fafsa)
- Demonstrate that you are qualified to enroll in college by one of the following means:
  - You have a high school diploma
  - You have a General Education Development (GED) Certificate
  - You passed the California High School Proficiency Exam (CHSPE)
- Be a US citizen or eligible non-citizen with a social security number (SSN)
- Be enrolled in an eligible degree or certificate program
- Be enrolled in six units that apply toward the completion of your program
- Maintain satisfactory academic progress
- Register with the US Selective Service (for males age 18 to 25)
- Have never been convicted of selling or possessing illegal drugs
- Certify that you will use federal financial aid only for educational purposes
- Certify that you are not in default on a federal student loan and do not owe money on a federal student grant

All borrowers must sign the Master Promissory Note (MPN) annually. New borrowers must also complete entrance loan counseling through the Student Aid website (https://studentaid.gov/entrance-counseling/).

Types of Federal Loans

Subsidized Direct Loans

Subsidized direct loans are given to eligible students who demonstrate financial need.

The federal government pays the interest on subsidized loans while you are enrolled in school at least half-time (six units in the fall or spring semester; three units in the summer semester). If you graduate, drop below half-time, or withdraw from school, then you have a six-month grace period where the federal government will continue to pay the interest on your loan. After the six-month grace period, you are responsible for paying the interest on your loan.

Unsubsidized Direct Loans

Unsubsidized direct loans are given to eligible students, regardless of their financial need. The combined amount of an unsubsidized direct loan and all other financial aid that you receive cannot exceed the cost of attendance.

Interest accrues from the time the loan is disbursed, and interest payments begin immediately but can be deferred until you are done with school. It is advantageous to pay the interest while you are in school. This way, the debt will be the principal amount only when repayment begins. Regular monthly payments begin six months after you graduate, drop below half-time status, or withdraw from school.

Annual Loan Limits

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DEPENDENT STUDENTS (EXCEPT STUDENTS WHOSE PARENTS</th>
<th>INDEPENDENT STUDENTS (AND DEPENDENT UNDERGRADUATES)</th>
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<tr>
<td>First-Year Undergraduate Annual Loan Limit</td>
<td>$5,500 – no more than $3,500 of this amount may be in subsidized loans.</td>
<td>$9,500 – no more than $3,500 of this amount may be in subsidized loans.</td>
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### Borrower's Rights and Responsibilities

When you accept a loan, you accept legal rights and responsibilities that last until the loan is repaid.

#### Borrower's Rights

You have the right to:

- Receive a copy of your promissory note either before or at the time the loan is made
- Receive a disclosure statement before repayment on your loan begins, including information about:
  - Interest rates
  - Fees
  - Loan balance
  - The number of payments
  - The amount of each payment
- A grace period after you leave school or drop below half-time status and before your loan payments begin (if applicable)
- Prepay all or part of your loans without a repayment penalty
- Receive written notice if your loan is sold to a new holder
- Apply for deferment for your loan payments for certain specified periods (if eligible)
- Request forbearance from the holder of your loan if unable to make payments and don't qualify for deferment
- Receive proof when your loan is paid in full

#### Borrower's Responsibilities

You agree to:

- Repay your loan(s), including accrued interest and fees, even if you do not:
  - Complete or find satisfaction in your education
  - Complete the program within the regular timeframe
  - Obtain employment
- Attend exit counseling before you leave school or drop below half-time enrollment
- Notify your loan holder within ten days if you:
  - Change your name, address, or phone number
  - Drop below half-time status
  - Withdraw from school
  - Transfer to another school
  - Change your graduation date
- Direct all correspondence to your loan holder or servicer
- Make monthly payments on your loan after leaving school, unless you are granted a deferment or forbearance
- Notify your loan holder of anything that might change your eligibility for an existing deferment

### Loan Exit Counseling

All students who receive a loan must complete mandatory online loan exit counseling through the Department of Education. Loan exit counseling provides important information regarding repayment, deferment, and default prevention.

#### How to Complete Loan Exit Counseling

Visit the Student Aid website to complete loan exit counseling (https://studentaid.gov/exit-counseling). You will need your FAFSA PIN to complete the loan exit counseling. Be sure to select Cosumnes River College (federal school code: 007536) when asked, otherwise the Financial Aid Office will not receive confirmation that you completed the requirement.

#### When to Complete Loan Exit Counseling

Loan recipients must complete loan exit counseling when they do any of the following:

- Withdraw from college
Drop below half-time units
Transfer to another college
Graduate

Failure to complete loan exit counseling may result in the delay of your financial aid processing.