

## What the student needs to do to apply for a loan

All students interested in applying for a Federal Direct loan (Subsidized and/or Unsubsidized) must:

- Complete a Free Application for Federal Student Aid (FAFSA) at <https://studentaid.gov/>.
- Obtain a FSA ID during the FAFSA process, or apply at <https://studentaid.gov/fsa-id/sign-in/landing>.

## Maximum annual Federal Direct loan limits for students

Year In College	Dependent Undergrads	Independent Undergrads
1st Year or (0-29 Credits)	Subsidized: \$3,500/ Unsubsidized: \$2,000	Subsidized: \$3,500/ Unsubsidized: \$6,000
2nd Year or (30 or more credits)	Subsidized: \$4,500/ Unsubsidized: \$2,000	Subsidized: \$4,500/ Unsubsidized: \$6,000

## How to complete Loan Counseling and Master Promissory Note

Federal regulations require that ALL first-time Federal Direct loan borrowers at Middlesex College complete an on-line Entrance Counseling before being awarded a Federal Direct Loan. Federal regulations require that student borrowers complete an on-line Federal Direct Loan Master Promissory Note (MPN) in order to receive a Direct Loan. The MPN is good for 10 years and can be used for multiple disbursements. The College will receive an electronic notification of your completed Loan Counseling and MPN. The student borrower must complete this process not the parent. The MPN is a legal document.

1. Go to <https://studentaid.gov>.
2. Click on "Log In/Create Account" in the upper right hand corner and follow the instructions.
3. The student borrower must have a FSA ID, and it must be in effect for at least 48 hours to log in.
4. There is a link to the FSA ID website above, to apply for an FSA ID or obtain an FSA ID already created.
5. Hover over Loans and Grants tab at the top of page and click on Loan Entrance Counseling. Click start on the applicable section and follow the directions. When finished click on "**submit**."
6. Hover Over Loans and Grants and click on Master Promissory Note (MPN). Click start on the applicable section and follow the directions. When finished click "**submit**."

## Request the student loan through Financial Aid Self Service

1. All student borrowers (New, Returning, and Transfer) must request student loans through Financial Aid Self Service.

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## Glossary of Terms

**Borrower:** Person responsible for repaying a loan that has signed and agreed to the terms in the promissory note.

**Capitalization:** Adding unpaid interest to the loan principal. Capitalization increases the principal amount of the loan and its total cost.

**Default:** Failure to repay a loan according to the terms of the promissory note. This failure must persist for 270 days.

**Deferment:** A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue for subsidized loans.

**Dependent student:** A student who does not meet the criteria for an independent student.

**Disbursement:** A payment of loan money to the student or parent borrower.

**Discharge:** The release of a borrower from the obligation to repay his or her loan.

**Direct Loan Program:** The William D. Ford Federal Direct Loan Program provides loans to student and parent borrowers directly through the U.S. Department of Education rather than through a bank or other lender.

**Direct Loan Servicing Center:** The U.S. Department of Education's agent contracted to collect Direct Loans and handle deferments, repayment options and consolidation.

**Direct Subsidized Loan:** A loan for students with financial need as determined by federal regulations. No interest is charged while you are in school at least half-time, during your grace period, and during deferment periods.

**Direct Unsubsidized Loan:** A student loan that is not based on financial need. Interest is charged during all periods.

**Expected Family Contribution (EFC):** The EFC is a measure of the financial strength of a student's family. The U.S. Department of Education calculates a student's EFC based on information provided on the Free Application for Federal Student Aid (FAFSA).

**Forbearance:** A postponement of payment on a loan, typically if the borrower doesn't qualify for a deferment and is unable to make payments for a reason such as poor health. Interest continues to accrue during forbearance.

**Grace period:** A six-month period before the first payment must be made on a subsidized or unsubsidized Direct Loan. The grace period begins the day after the borrower ceases to be enrolled at least half time.

**Independent student:** A student who is at least 24 years old, married, a graduate or professional student, a veteran or on active duty in the military for other than training or state purposes, an orphan, a ward of the court, or who has legal dependents other than a spouse.

**Interest:** An expense of borrowing money that is calculated as a percentage of the amount borrowed.

**Loan:** Money borrowed that must be repaid.

**Loan fee:** An expense of borrowing deducted proportionately from each loan disbursement.

**Principal balance:** The amount owed on a loan or loans at any given time. The principal balance may include capitalized interest.

**Promissory note:** A legally binding contract between a lender and a borrower. The promissory note contains the terms and conditions of the loan, including how and when the loan must be repaid.

**Repayment period:** The period during which a borrower is obligated to make payments on his or her loan(s).

**Repayment schedule:** A statement provided by the Direct Loan Servicing Center to the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

**Variable interest:** Rate of interest on a loan that is tied to a stated index and changes annually every July 1 as the index changes.