

Applying for Direct Loans

Applying for aid

As with all federal student aid, you apply for Direct Loans by filling out the Free Application for Federal Student Aid (FAFSA). Most students use [FAFSA on the Web](#) to complete their applications. The information on your FAFSA is transmitted to the schools that you list on the application, and those schools use the information to assess your financial need for student aid.

The award package

Direct Loans are generally awarded as part of a larger "[award package](#)," which may contain other types of aid as well, to help you meet the costs of going to college or career school.

The Direct Loan Program offers the following types of loans:

- **Subsidized:** for students with demonstrated financial need, as determined by federal regulations. No interest is charged while a student is in school at least half-time, during the grace period, and during deferment periods.
- **Unsubsidized:** not based on financial need; interest is charged during all periods, even during the time a student is in school and during grace and deferment periods.
- **PLUS:** unsubsidized loans for the parents of dependent students and for graduate/professional students. PLUS loans help pay for education expenses up to the cost of attendance minus all other financial assistance. Interest is charged during all periods.
- **Consolidation:** Eligible federal student loans can be combined into one Direct Consolidation Loan.

Student borrowers are not required to begin making payments until after they separate from the school or graduate.

See [When you graduate or leave school](#) for more information.

Your school will tell you how much you may borrow and the types of loans you are eligible to receive. The information below will give you an idea of how much you may be eligible to receive.

Note: PLUS loan borrowers cannot have an adverse credit history (a credit check will be done).

Accepting a loan

Your school will notify you of the loan amounts that it is offering, usually in an "award letter" that lists all of your proposed financial aid awards (your award package).

You should evaluate the aid offer carefully. In the case of loans, keep in mind that whatever amount you borrow must be paid back with interest. If your living expenses are not as high as the standard allowance projected by your school, you may not have to borrow as much as the amount in the award letter.

To get an idea of your monthly loan payments after you graduate, take a look at our [repayment calculator](#).

To get an idea of your college expenses, use our [budget calculator](#).

You have the right to decline the loan or to request a lower loan amount. In the award letter your school will tell you how to do this.

Credit check & endorser alternative

When you apply for a Direct PLUS Loan, the Department will check your credit history. To be eligible to receive a PLUS loan, you must not have an adverse credit history. If you are determined to have an adverse credit history, you may still receive a Direct PLUS Loan if you obtain an endorser who does not have an adverse credit history. An endorser is someone who agrees to repay the Direct PLUS Loan if you do not repay the loan. If you are a parent borrowing on behalf of your dependent student, the endorser may not be the student on whose behalf a parent obtains a Direct PLUS Loan. In some cases, you may also be able to obtain a Direct PLUS Loan if you document to our satisfaction that there are extenuating circumstances related to your adverse credit history.

Loan limits

The maximum amount you can borrow each year in Direct Subsidized and Unsubsidized Loans depends on your grade level and on whether you are a [dependent student](#) or an [independent student](#). The following table shows the maximum amount of money you may borrow each academic year in Direct Subsidized and Unsubsidized Loans:

	Dependent student ¹	Independent student ²
1st-year undergraduate	\$5,500 (maximum \$3,500 subsidized)	\$9,500 (\$3,500) ³
2nd-year undergraduate	\$6,500 (\$4,500)	\$10,500 (\$4,500)
3rd- and 4th-year undergraduate	\$7,500 (\$5,500)	\$12,500 (\$5,500)
Graduate/professional	NA (All graduate and professional students are considered independent.)	\$20,500 (\$8,500)

¹Except those whose parents are unable to borrow a PLUS loan.

²These limits also apply to dependent students whose parents are unable to borrow a PLUS loan.

³The numbers in parentheses represent the maximum amount that may be subsidized.

The actual loan amount you are eligible to receive for an academic year is determined by your school and may be less than the maximum annual amounts shown in the chart above.

Below are the aggregate (total) limits for Direct Subsidized and Unsubsidized Loans:

- \$31,000 for dependent undergraduate students excluding those whose parents are unable to borrow a PLUS Loan (no more than \$23,000 may be subsidized)
- \$57,500 for independent undergraduate students and dependent undergraduates whose parents are unable to borrow a PLUS loan (no more than \$23,000 may be subsidized)
- \$138,500 for graduate or professional students (no more than \$65,000 may be subsidized; includes loans for undergraduate study)

These aggregate limits include both Direct Subsidized and Unsubsidized Loans and any subsidized and unsubsidized Federal Stafford Loans received through the Federal Family Education Loan (FFEL) Program.

With a Direct PLUS Loan, a graduate/professional student or the parent of a dependent student can borrow up to the cost of the student's attendance minus other financial aid the student receives.

Entrance counseling

Except for parent Direct PLUS Loan borrowers, you must complete entrance counseling before your school can make the first disbursement of your loan. This helps you to understand your responsibilities regarding your loan. Your school may require in-person counseling or you may be able to [complete this counseling online](#).

The Master Promissory Note

To take out a Direct Loan for the first time, you must complete a Master Promissory Note (MPN). The MPN will be provided either by your school or the Department. If your school offers the option of completing the MPN electronically, you can complete the MPN online at the Direct Loans [Master Promissory Note website](#). The MPN is a legal document in which you promise to repay your loan(s) and any accrued interest and fees to the Department. It also explains the terms and conditions of your loan(s).

To complete an MPN online, you will be required to use your Department of Education-issued PIN. If you do not have a PIN, you may request one from the official [PIN site](#). A parent borrower must also request a PIN number from the PIN site to use when completing a PLUS MPN.

In most cases, once you've submitted the MPN and it's been accepted, you won't have to fill out a new MPN for future loans you receive. Unless your school does not allow more than one loan to be made under the same MPN, you can borrow additional Direct Loans on a single MPN for up to 10 years. If you are applying for a Direct PLUS for the first time as a graduate/professional student, you'll need to complete and sign a PLUS MPN that is separate from the one that you use for your Direct Subsidized and Unsubsidized Loans.

You'll receive a disclosure statement that gives you specific information about any loan that the school plans to disburse under your MPN, including the loan amount, fees, and the expected disbursement dates and amounts.