



OFFICE OF STUDENT FINANCIAL AID  
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Office of Student Financial Aid  
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[www.umes.edu/financialaid](http://www.umes.edu/financialaid)

## **Federal Direct Student Loan Information Sheet**

As part of your financial aid package, you have been offered a Federal Direct Subsidized and/or Unsubsidized Loan. To accept/decline your federal loan(s), please follow our “How To Respond To Your Financial Aid Offer” guide which can be accessed at [www.umes.edu/financialaid/HowToRespond](http://www.umes.edu/financialaid/HowToRespond).

*NOTE: You must be enrolled at least half-time (6 credit hours) to be eligible to receive a federal direct loan.*

**If you are a first-time borrower** at UMES (freshman, transfer or continuing student) you must complete **mandatory** Loan Entrance Counseling by accessing <http://www.StudentLoans.gov> and selecting “Complete Counseling”. You are only required to complete the Loan Entrance Counseling session once during your matriculation at UMES.

You may also be required to complete a Master Promissory Note (MPN) utilizing the same website if you have never borrowed federal loans at UMES or any other institution. You cannot complete the MPN until you have accepted your loan(s) via your Hawk Web Student Center and UMES has originated the loan. If a MPN is required, it will be added to your Hawk Web Student Center “To Do” list and you will also be notified.

### Important Loan Terms You Should Know:

**Academic Year** – The measure of the academic work to be accomplished by a student during the Fall and Spring Semester of each year.

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

**Federal Direct Subsidized Loan** – The U. S. Department of Education will pay the interest charged to your loan as long as you are enrolled at least half-time (6 credit hours)

**Federal Direct Unsubsidized Loan** – Interest will be charged to this loan on a quarterly basis. You may pay the interest amount due or allow it to be added to (capitalized) to your loan balance.

**Capitalizing Interest** – Adding unpaid accumulated interest to the loan principal. This increases the principal amount of the loan and, therefore, the total cost of the loan.

**Interest** – A loan expense charged by the lender and paid by the borrower for the use of the borrowed money. Interest may be “fixed” – meaning that the rate does not change OR it may be “variable” – meaning that the rate changes annually every July 1<sup>st</sup>. Currently, all federal loans are being offered at a fixed rate.

**Disbursement** – When loan proceeds are paid by the school to the student or parent borrower in two separate payments.

**Loan Fee** – An expense of borrowing that is deducted proportionately from each loan disbursement.

**Grace Period** – A six-month period before the first payment must be made on a loan. The grace-period begins the day after the borrower ceases to be enrolled at least half-time.