



FEDERAL DIRECT LOAN FACT SHEET FOR UNDERGRADUATE STUDENTS 2024-2025

Federal Direct Loans are federally supported student loans with flexible repayment options. Subsidized loans are offered to students who are eligible on the basis of calculated financial eligibility, while unsubsidized loans are available even for those who do not qualify for need-based financial aid.

Students must demonstrate financial eligibility which is determined by a federally legislated analysis of family financial information provided on the FAFSA (Free Application for Federal Student Aid). The FAFSA must be completed to apply for the loan. Students who do not qualify for the full Direct Subsidized Loan (for their class year) may be approved for the difference in the Direct Unsubsidized Loan. The combination of the Subsidized and Unsubsidized Loans may not exceed the annual and aggregate limits for loans under the Federal Direct Loan Program. Repayment of principal for both the subsidized and unsubsidized loan begins 6 months after the student is no longer enrolled at least half time. Provisions for the Subsidized Loan and Unsubsidized Loan are the same with the exception of those noted below.

Federal Direct Subsidized Loan

The federal government pays the interest while the student is enrolled at least half-time (6 credits per semester) and, for loans disbursed after July 1, 2012, as long as 150% of the program length (6 years for a 4 year program) has not expired. Thus, no interest accrues during the in-school period. The interest rate is fixed for the life of the loan. The interest rate for loans that disburse on or after July 1, 2024, and before July 1, 2025 will be 6.533%. Repayment (principal and interest) begins 6 months after the student ceases to be enrolled at least half-time.

Federal Direct Unsubsidized Loan

The government will not pay the interest while the student is enrolled as it does for the Subsidized Loan. The interest rate is fixed for the life of the loan. The interest rate for loans that disburse on or after July 1, 2024, and before July 1, 2025 will be 6.533%. Beginning after the loan is disbursed and while the student is enrolled, interest is charged. Students may pay the interest or elect to have it capitalized (added to the principal) and pay it during the repayment period.

Annual Loan Limits	First-Year	Sophomore	Junior	Senior
Subsidized Only	\$3,500	\$4,500	\$5,500	\$5,500
Subsidized & Unsubsidized Total	\$5,500	\$6,500	\$7,500	\$7,500

The cumulative maximum for dependent students is **\$31,000** (no more than \$23,000 of which may be subsidized) for undergraduate study.

Exceptions to Direct Unsubsidized Loan Borrowing Limits

A dependent undergraduate with a parent who has been credit denied on a Federal Direct PLUS loan may be eligible to borrow a higher amount of unsubsidized loan. Also, an independent undergraduate may be eligible to borrow a higher amount of unsubsidized loan, provided they meet the federal criteria to apply for federal financial aid as an independent applicant.

Annual Loan Limits for:	First-Year	Sophomore	Junior	Senior
<ul style="list-style-type: none"> ➤ Dependent undergraduate with parent who has been credit denied for a Federal Direct PLUS Loan ➤ Independent undergraduate (must meet federal criteria) 				
Subsidized Only	\$3,500	\$4,500	\$5,500	\$5,500
Subsidized & Unsubsidized Total	\$9,500	\$10,500	\$12,500	\$12,500

The cumulative maximum for a dependent undergraduate with a parent who has been credit denied for a Federal Direct PLUS Loan and an independent undergraduate is **\$57,500** (no more than \$23,000 of which may be subsidized) for undergraduate study.

WHO IS ELIGIBLE TO APPLY?

Students are eligible to participate in the Federal Direct Loan Programs if they: (1) are U.S. citizens or permanent residents; (2) are enrolled in a degree program; (3) are registered for at least 6.0 credit hours each semester, which are accepted towards the degree program; (4) do not have an outstanding balance from a prior period of enrollment at Boston University; and (5) are making satisfactory academic progress. Academic progress standards require full-time students to successfully complete at least 12 credits each semester in the prior academic year. Overall, students must complete at least 75% of the total academic credits for which they enroll. In addition, borrowers must also meet the minimum cumulative Grade Point Average (GPA) requirements (bu.edu/finaid/eligibility/satisfactory-academic-progress) for receipt of federal and state financial aid funds.

HOW DO I APPLY?

1. Complete a **FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA)** if you are applying solely for federal loan(s). The FAFSA can be completed at StudentAid.gov. If you wish to have consideration for non-federal financial aid, additional forms may be required. For information on requirements, undergraduate students should contact BU Financial Assistance at 881 Commonwealth Ave., 2nd floor, 617-353-2965 or by email at finaid@bu.edu.
2. First time borrowers will need to complete a **SUBSIDIZED/UNSUBSIDIZED MASTER PROMISSORY NOTE**. You can complete the promissory note online at StudentAid.gov using their FSA ID, which is made up of a username and password. If you do not already have an FSA ID, you can create one when logging in to StudentAid.gov. Boston University will be notified within 3-5 business days that you have completed your promissory note online. **Failure to complete the promissory note requirement immediately will result in cancellation of the loan.**

Continuing students who are prior Federal Direct Loan borrowers will not need to complete a new promissory note.

3. If you are a first time borrower, federal regulations require you to complete an **ENTRANCE COUNSELING SESSION** prior to the crediting of loan funds to your student account. The entrance counseling session provides information on your rights and responsibilities as a borrower of a Federal Direct Loan. You may fulfill this requirement online at StudentAid.gov.
4. Students must apply for the Federal Direct Loan as well as complete the promissory note and entrance counseling requirements at least two weeks before the end of the academic period. Federal legislation prohibits Boston University from certifying a federal loan after the academic period has ended.

WHEN WILL THE LOAN FUNDS BE AVAILABLE TO ME?

Once your loan has been approved by the Direct Loan Federal Processor, you will receive a disclosure statement detailing the amount of your loan and when your funds will be credited to your account electronically. An origination fee of 1.057% is set by the U.S. Department of Education and is deducted from loans with first disbursement dates on or after October 1, 2023, and before October 1, 2024. This fee is deducted automatically from amounts borrowed. This is why the net amount disbursed is less than the loan amounts approved.

Funds cannot be disbursed until the entrance counseling and promissory note requirements have been fulfilled. If there is a credit balance on your account after the loan funds are credited, you may request a refund. Federal legislation requires that all Direct Loans (both subsidized & unsubsidized) be disbursed in two equal installments unless at least one half of the loan period has passed when your loan is processed. The second disbursement cannot be made until halfway through the loan period.