

## Direct Loans 101

*Direct Loans are federal education loans with competitive interest rates and flexible repayment terms. Borrowers should consider maximizing Direct Loan options before borrowing other loans with higher interest rates and/or possibly more stringent terms and conditions.*

### What is a Direct Loan?

[Direct Loans](#) are made available to student borrowers through the federal government. Students who are enrolled at least half-time may borrow a Direct Loan to pay for their education expenses. Before a student can borrow a loan, the student must apply for financial aid and be eligible to receive the loan.

### How Is Eligibility Determined?

In order to apply for a Direct Loan, you must first complete the [Free Application for Federal Student Aid \(FAFSA\)](#). The resulting Institutional Student Information Report (ISIR) is sent to your school and determines your eligibility. This sets the stage for how much you can borrow. Whether you apply electronically, or complete a hard copy loan application, the financial aid office must certify your eligibility for the loan before the application can be processed.

### Direct Unsubsidized Loans

While there are two types of Direct Loans – subsidized and unsubsidized – medical students and other graduate students, are only eligible for unsubsidized loans. Direct Unsubsidized Loans accrue interest from the date the loan is disbursed until the loan is paid in full.

### Interest Rates

Interest rates are set by the federal government and the law currently dictates that loans disbursed after July 1, 2013 will have a variable/fixed interest rate. This means that interest rates on Direct Loans will be adjusted annually on July 1<sup>st</sup> and then when the loan is disbursed, the rate will be a fixed rate, which will remain fixed for the life of the loan. Therefore, depending on when the loan is disbursed, borrowers may have multiple Direct Loans with different interest rates. To view current and historical federal loan interest rates, visit the [Federal Student Aid](#) website.

### How Much Can You Borrow?

Students can borrow only what's needed to meet their personal budget, or cost of attendance, as determined by their school. Typically, the cost of attendance includes tuition, fees, books/supplies, an allowance for room and board, and possibly required miscellaneous expenses.



### What if a Direct Loan Doesn't Cover All Your Expenses?

If you need additional aid, contact your financial aid office to learn about other federal loan options or institutional aid that may be available.

The financial aid administrator at your school should be your first resource when you have questions about student loans or other financial aid concerns.

### Additional Resources

[The Financial Aid Application Process](#)

[What is an Award Letter?](#)

[Direct PLUS Loans for Graduate/Professional Students](#)

[Debt Management Relies on Good Record Keeping](#)

[MedLoans® Organizer and Calculator](#)