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ABSTRACT

Intended for financial aid counselors, this document provides guidelines to the Federal Direct Consolidation Loan Program for borrowers who are in school, as well as those in repayment, or in default. An introductory section explains the basics of the consolidated loan program, loan categories, and interest rates. Next, standards for borrower eligibility for consolidation are provided for student borrowers, parent borrowers, and married borrowers, as well as specific guidelines for consolidation by borrowers in school, including eligible loans, ineligible loans, advantages of consolidation, and how consolidation works. The same topics are covered for borrowers out of school. Borrowers in default are discussed in terms of rehabilitation, advantages of consolidation, and consolidation guidelines. Sections also cover repayment, postponing repayment, default, discharge, and consolidation of health professions loans. Each section includes answers to come common questions and relevant definitions. The last section provides contact information. Nineteen appendices provide such items as the application mailing for out-of-school and in-school borrowers, a sample loan statement, a sample "intent to continue" letter, a capitalization chart, poverty guidelines, monthly payment worksheets, and request for deferment forms. (DB)

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GUIDE TO

Direct Consolidation Loans

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U. S. D E P A R T M E N T O F E D U C A T I O N

Welcome to the

Since January 1995, the U.S. Department of Education has been consolidating the federal education loans of borrowers in repayment and borrowers in default. Recently, the Department began consolidating education loans of borrowers who are still in school.

We have prepared this guide to help you counsel borrowers who are in school, as well as those in repayment or in default, on a decision based on their unique circumstances.

The guide is organized around *borrower eligibility*—Borrowers in School, Borrowers out of School, and Borrowers in Default—rather than *loan type*, because some loans cannot be consolidated while a borrower is in school, some eligible loans may lose benefits, and still others may gain benefits only if consolidated while the borrower is in school.

We have also tried to look ahead, concentrating on what's new in consolidation. Therefore, the sections on "How Consolidation Works" incorporate changes. When there are processing or policy changes, the guide may be easily updated and reproduced. Each section is paginated separately, and certain information is repeated rather than referring the reader to other parts of the handbook. Each page also bears a "last revised" date.

We welcome your recommendations for improvement of the guide and have included room for comments on each page and a comment sheet in Appendix S. Please fax your comments about the guide to us at any time.

If you have specific questions about eligibility, grace periods, interest rate computations, or anything else related to Direct Consolidation Loans, please call the Loan Origination Center.

Federal Direct Consolidation Loan Program.

Contents

Introduction

The Basics	2
Loan Categories	3
Interest Rates	4

Borrower eligibility

Student Borrowers	2
Parent Borrowers	7
Married Borrowers	11
Questions & Answers	13
Definitions	15

Borrowers in school

Eligible Loans	2
Ineligible Loans	3
Advantages	4
How Consolidation Works	7
Questions & Answers	12
Definitions	13

Borrowers out of school

Eligible Loans	2
Ineligible Loans	3
Advantages	3
How Consolidation Works	6
Questions & Answers	12
Definitions	13

Borrowers in default

Rehabilitation	2
Advantages	3
Consolidation	4

Eligible Loans	5
Ineligible Loans	6
Advantages	6
How Consolidation Works	9
Questions & Answers	15
Definitions	16
Repayment	
Repayment Plans	2
Choosing a Plan	12
Changing Plans	13
Making Payments	14
Questions & Answers	15
Definitions	16
Postponing repayment	
Deferment	2
Forbearance	6
Definitions	8
Default	
Consequences	2
Definitions	2
Discharge	
Conditions	2
Consolidation of health professions loans	
Eligible Loans	2
Ineligible Loans	2
Health Professions Student Loans & Loans for Disadvantaged Students	3
Health Education Assistance Loans	5
Nursing Student Loans	7
Definitions	8

How to reach us

Applicant Services 1
Borrower Services..... 2
Payments 2
Consolidation Work Group 2


Consolidation Materials/Publications

Appendices

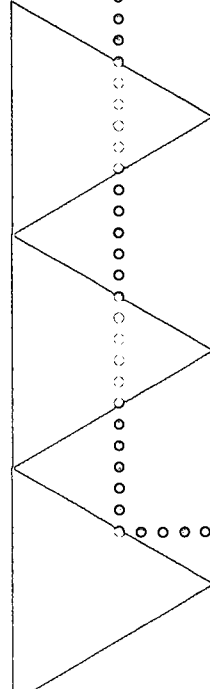
- Appendix A Application mailing for out of school and in-school borrowers
- Appendix B Loan statement
- Appendix C Intent to continue letter
- Appendix D Verification certificate
- Appendix E Promissory note mailing for out of school borrowers
- Appendix F Endorser addendum
- Appendix G Quarterly statement for in-school borrowers
- Appendix H Capitalization chart
- Appendix I Poverty guidelines
- Appendix J Constant multiplier charts
- Appendix K Income percentage factor chart
- Appendix L Monthly payment worksheets
- Appendix M Beginning monthly payments chart
- Appendix N Comparison of loan program benefits
- Appendix O Request for deferment forms
- Appendix P Request for forbearance form
- Appendix Q Discharge chart
- Appendix R Comparison of loan program benefits
- Appendix S Comments sheet



introduction



Students and parents gained a simple way to finance education with the William D. Ford Federal Direct Loan Program. They also gained a simple way to manage education debt with Federal Direct Consolidation Loans (Direct Consolidation Loans).



Through consolidation, borrowers may combine various types of federal education loans, including Direct Loans and loans made through the Federal Family Education Loan (FFEL) Program. Consolidation also may extend a borrower's repayment period, provide an interest rate break in some cases, and eliminate the hassle of dealing with multiple lenders. Direct Consolidation Loans, as with all Direct Loans, have only one lender—the Department of Education. Borrowers send one payment to one place, and they make only one request to update their address or to apply for a deferment.

Department of Education



Direct Loans

The Basics

- ▷ One Direct Loan or FFEL must be included in any Direct Consolidation Loan. Borrowers who are not consolidating at least one loan in an in-school period and at least one Direct Loan must certify on the application that they have checked with a FFEL consolidation lender and have been unable to obtain a Federal Consolidation Loan or, if they are consolidating only student loans (not PLUS Loans), that they have been unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms acceptable to them.¹ Reasons why a borrower would be unable to obtain such a loan include but are not limited to: Lenders may have minimum loan amount requirements, and some lenders do not offer income-sensitive repayment terms.
- ▷ Borrowers do not have to include all of their loans in the consolidation. For instance, a borrower might choose to leave a loan with a lower interest rate out of the consolidation.
- ▷ Borrowers may consolidate a single loan to take advantage of the benefits of the Direct Consolidation Loan Program.
- ▷ There are no minimum or maximum amounts to consolidate.
- ▷ There is no consolidation fee.
- ▷ Borrowers may prepay a Direct Consolidation Loan at any time.
- ▷ Borrowers must keep the Department's Direct Loan Servicing Center up to date. For instance, they must report a change of address. It is also vital that borrowers contact the Direct Loan Servicing Center when they have questions or problems making their payments.

¹ For a discussion of this requirement, see the comments on 34 CFR 685.215(d)(1)(i)(B) at 59 FR 61683 (December 1, 1994).

Loan Categories

The Direct Consolidation Loan Program groups loans into three categories:

Direct Unsubsidized Consolidation Loans
Direct Subsidized Consolidation Loans
Direct PLUS Consolidation Loans

Most subsidized federal education loans can be consolidated in a Direct Subsidized Consolidation Loan. Unsubsidized federal education loans can be consolidated in a Direct Unsubsidized Consolidation Loan. And Direct PLUS Loans and Federal PLUS Loans can be combined in a Direct PLUS Consolidation Loan.

Borrowers who have loans from more than one category still have only one Direct Consolidation Loan and make only one monthly payment. The Direct Loan Servicing Center keeps track of the underlying loan types when loans from different categories are consolidated. Interest rates vary depending on loan category as do repayment and deferment options in certain cases.

Interest Rates

The interest rates for Direct Consolidation Loans are variable with a cap of 8.25 percent on loans to students and 9 percent on loans to parents (PLUS Loans). The rates are adjusted each year on July 1.

Currently, the interest rate on Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans in repayment is equal to the 91-day Treasury bill rate plus 3.1 percentage points. During in-school, grace, and deferment periods, the interest rate on these loans is equal to the 91-day Treasury bill rate plus 2.5 percentage points.

For Direct PLUS Consolidation Loans, the current interest rate during all periods is equal to the 52-day Treasury bill rate plus 3.1 percentage points.

Note: Beginning July 1, 1998, interest rate calculations change. We will update this section when the new calculations are determined.

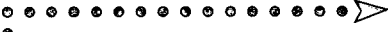
The Direct Loan Servicing Center notifies borrowers each year of the effective interest rate. Monthly payments are adjusted to reflect an annual interest rate change unless a borrower asks that the monthly payment remain the same and the number of monthly payments be extended if necessary.

The federal government pays the interest on a Direct Subsidized Loan while the borrower is in an in-school, grace, or deferment period. Interest is charged to the borrower during a forbearance.

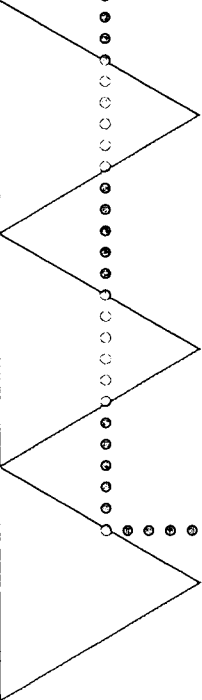
The borrower is responsible for interest charged on a Direct Unsubsidized Loan or Direct PLUS Loan during all periods.



borrower eligibility



➤ Direct Consolidation Loans are available to a wide range of borrowers. The introduction covered the basics; this section will explain who is eligible.



In counseling borrowers on their eligibility for a Direct Consolidation Loan, a financial aid administrator must determine the borrower type (student or parent) and then the borrower status (in school, out of school, in default). Borrowers who are out of school include those in grace, in repayment, or in deferment or forbearance. The following sections outline the eligibility requirements for both student and parent borrowers in each status and address issues for married borrowers.

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Student Borrowers:

Student borrowers have received at least one Direct Loan or FFEL to finance their own education. When applying for a Direct Consolidation Loan, they must meet the eligibility requirements for their status: in school, out of school, or in default.

In School

Borrowers are in school if they are attending school at least half time. They are eligible for in-school consolidation if they

are attending a Direct Loan school

and

include at least one Direct Loan or FFEL in an *in-school period*

OR

are attending a non-Direct Loan school

and

have at least one Direct Loan

and

include at least one Direct Loan or FFEL in an *in-school period*

Generally, a student loan is considered to be in an in-school period from the time the loan is disbursed until the borrower ceases to be enrolled on at least a half-time basis.

Note: Under current law, FFEL borrowers are unable to consolidate a loan in an in-school period under the FFEL Program; therefore, **borrowers who have an in-school loan do not have to certify that they have been unable to obtain a Federal Consolidation Loan.**

Borrowers who have at least one in-school loan and one defaulted loan must meet an additional requirement to consolidate while in school: They must make *satisfactory repayment arrangements* on their defaulted loans. For the purpose of consolidating a defaulted FFEL or Direct Loan, three, consecutive, voluntary, on-time, full monthly payments constitute satisfactory repayment arrangements. Borrowers must work with their current loan holders to make *reasonable and affordable payments*. Borrowers who are in default on other federal education loans must contact their current loan holders to determine how those loan holders define satisfactory repayment arrangements. (Borrowers who are in school and in default, should see the “Bob” example on page 13.)

Parent borrowers who are also students may consolidate in school. While a PLUS Loan does not qualify as an “in-school” loan, parent borrowers may have other eligible loans in an in-school period. These borrowers must then meet the credit requirements for PLUS borrowers on page 7.

Examples:

A borrower who is attending a Direct Loan school half time and wishes to consolidate all of her loans—two FFELs in an in-school period—is eligible for in-school consolidation.

However, a borrower who is attending a non-Direct Loan school half time and wishes to consolidate all of his loans—two FFELs in an in-school period—would NOT be eligible for in-school consolidation.

Out of School

Borrowers are out of school if they are making scheduled payments on their federal education loans or they are in a period of grace, deferment, or forbearance. These borrowers are eligible to consolidate if they

have at least one Direct Loan

or

have at least one FFEL

and

have been unable to obtain a Federal Consolidation Loan with a FFEL consolidation lender or have been unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms acceptable to them

Examples:

A borrower who has recently graduated and wishes to consolidate a Direct Loan with other federal education loans would be eligible for a Direct Consolidation Loan.

A borrower in repayment who wishes to consolidate a FFEL with other federal education loans (no Direct Loans) and has been unable to obtain a Federal Consolidation Loan would be eligible for a Direct Consolidation Loan.

A borrower in repayment who wishes to consolidate a FFEL with other federal education loans (no Direct Loans) and is able to obtain a Federal Consolidation Loan would NOT be eligible for a Direct Consolidation Loan.

In Default

Borrowers who are in default must meet additional requirements for eligibility. The following requirements are divided for those with Direct Loans and those with FFELs. Borrowers are eligible to consolidate while in default if they

have at least one Direct Loan

and

agree to repay under the Income Contingent Repayment (ICR) Plan

or

have made satisfactory repayment arrangements

OR

have at least one FFEL

and

have been unable to obtain a Federal Consolidation Loan with a FFEL consolidation lender or have been unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms acceptable to them

and

agree to repay under the ICR Plan

or

have made satisfactory repayment arrangements

For the purpose of consolidation, three consecutive, voluntary, on-time, full monthly payments on a defaulted FFEL or Direct Loan constitute satisfactory repayment arrangements. Borrowers must work with their current loan holders to set up reasonable and affordable payments. Borrowers who wish to consolidate defaulted Perkins or health professions loans should contact their loan holders for information on satisfactory repayment arrangements under these programs.

Borrowers who have at least one in-school loan and one defaulted loan must make satisfactory repayment arrangements before they are eligible for in-school consolidation. They must then meet the requirements for in-school consolidation on page 2. (Borrowers who are in school and in default, should also see the "Bob" example on page 13.)

Examples:

A borrower in default who wishes to consolidate a Direct Loan or FFEL and cannot afford to make satisfactory repayment arrangements would be eligible for a Direct Consolidation Loan provided the borrower was eligible and agreed to repay under the ICR Plan.

A borrower in default who wishes to consolidate a Direct Loan or a FFEL and repay under the Graduated Repayment Plan must first make satisfactory repayment arrangements.

Parent Borrowers:

Parent borrowers have received at least one Direct PLUS Loan or Federal PLUS Loan to finance their child's education. When applying for a Direct Consolidation Loan, they must meet the eligibility requirements for their status: out of school or in default. (PLUS borrowers who have at least one loan in an in-school period should consult the Student Borrowers section on page 2.) Parent borrowers also must meet additional credit requirements.

Out of School

Parent borrowers are out of school if they have only PLUS loans or have PLUS loans and student loans on which they are making scheduled payments or are in a period of grace, deferment, or forbearance. These borrowers are eligible to consolidate if they

include at least one Direct Loan

OR

include at least one FFEL

and

have been unable to obtain a Federal Consolidation Loan¹ from a FFEL Consolidation lender

Parent borrowers also must meet credit requirements. They are eligible for a Direct Consolidation Loan if they

do not have an *adverse credit history*

or

obtain an endorser who does not have an adverse credit history for the PLUS part of the consolidation loan

or

document extenuating circumstances

¹ Parent borrowers are not eligible for a Direct Consolidation Loan on the basis of being unable to obtain a Federal Consolidation Loan with income-sensitive terms acceptable to them because they are not eligible for the Income Contingent Repayment Plan.

Circumstances that may be considered extenuating include credit problems as the result of illness or divorce. Contact the Loan Origination Center to discuss specific cases.

Examples:

A parent borrower in repayment who does not have an adverse credit history and who has been unable to obtain a Federal PLUS Consolidation Loan would be eligible for a Direct Consolidation Loan.

A parent borrower in repayment who wishes to consolidate a Direct PLUS Loan, but has an adverse credit history, must first obtain an endorser for the PLUS portion of the Direct Consolidation Loan or document extenuating circumstances to the Department.

In Default

Parent borrowers who are in default must meet additional requirements to obtain a Direct Consolidation Loan. They are eligible to consolidate while in default on a PLUS Loan if they

have at least one Direct Loan

and

have made satisfactory repayment arrangements on any defaulted PLUS loans

OR

have at least one FFEL

and

have been unable to obtain a Federal Consolidation Loan² from a FFEL consolidation lender

and

have made satisfactory repayment arrangements on any defaulted PLUS loans

For the purpose of consolidation, three consecutive, voluntary, on-time, full monthly payments on a defaulted Direct Loan or FFEL Program loan constitute satisfactory repayment arrangements. Borrowers must work with their current loan holders to set up reasonable and affordable payments. (Borrowers who are in default on other federal education loans must contact their current loan holders to determine how those loan holders define satisfactory repayment arrangements.)

² Parent borrowers are not eligible for a Direct Consolidation Loan on the basis of being unable to obtain a Federal Consolidation Loan with *income-sensitive terms acceptable to them* because they are not eligible for the Income Contingent Repayment Plan.

Parent borrowers who are in default on a student loan (not a PLUS Loan) may choose to repay that loan under the ICR Plan or to make satisfactory repayment arrangements; either will satisfy the eligibility requirement.

Parent borrowers in default still must undergo a credit check. Any defaulted loans will appear on a borrower's credit report. Parent borrowers with an adverse credit history are eligible for a Direct Consolidation Loan only if they

obtain an endorser who does not have an adverse credit history for the PLUS part of the consolidation loan

or

document extenuating circumstances

Borrowers who have at least one in-school loan and one defaulted loan must make satisfactory repayment arrangements to consolidate while in school. They must then meet the requirements for in-school consolidation on page 2. (Borrowers who are returning to school and in default, should see the "Steve" example on page 13.)

Examples:

A parent borrower who wishes to consolidate defaulted Direct PLUS Loans, has made satisfactory repayment arrangements with the Direct Loan Servicing Center, and has obtained an eligible endorser would be eligible for a Direct Consolidation Loan.

A parent borrower who wishes to consolidate defaulted Federal PLUS Loans; has made three payments to her FFEL loan holder; has been unable to obtain a Federal Consolidation Loan; and has obtained an eligible endorser would be eligible for a Direct Consolidation Loan.

Married Borrowers

Married borrowers are eligible for joint consolidation if either
includes a Direct Loan

OR

includes a FFEL
and

has been unable to obtain a Federal Consolidation Loan with
a FFEL consolidation lender or, if eligible for the ICR Plan,
has been unable to obtain a Federal Consolidation Loan with
income-sensitive repayment terms acceptable to them

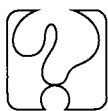
If applying for in-school consolidation, both must meet the
requirements for in-school consolidation on page 2.

If applying while either spouse is in default, a couple must
either agree to repay under the ICR Plan or must make
satisfactory repayment arrangements as defined on pages 3,
6, and 9.

If applying to consolidate PLUS Loans and both spouses
have an adverse credit history, a couple needs only one
endorser.

Tip! Married borrowers should be counseled to weigh carefully their decision to consolidate jointly. Both borrowers must qualify for deferment, forbearance, and discharge. If one spouse dies or becomes permanently disabled, the other spouse is still responsible for payment of the entire consolidation loan. On the other hand, when a single borrower dies or becomes permanently disabled, the consolidation loan is discharged. Thus, each spouse may want to consolidate separately to minimize risk.

Questions & Answers



Bob has a number of FFELs he obtained over three years while he alternated work and school. When one of his loans was sold to another loan holder, he lost track of it. Upon returning to school, he did not reapply for an in-school deferment on that loan and he defaulted on it. To make sure that doesn't happen again and to reinstate his eligibility for federal student aid, Bob wants to consolidate all of his loans while he is attending classes half time at a Direct Loan school. (He has one Direct Loan in an in-school period now.) Can he?

To consolidate his loans while he is in school, Bob first must make satisfactory repayment arrangements with the holder of his defaulted FFEL Program loan. (For the purpose of consolidation, three consecutive, voluntary, on-time, full monthly payments constitute satisfactory repayment arrangements.) Then, if his Direct Loan is still in an in-school period, he would be eligible for in-school consolidation. Consolidation will allow Bob to keep track of his loans and it will restore his eligibility for federal student aid. His credit report will bear the notation "default paid in full," which, while preferable to an unpaid default, does not guarantee that a lender will not deny future credit based on this notation.



Susan helped finance her children's education with Federal PLUS Loans. After they graduated, she lost her job and had difficulty paying her bills. Her car was repossessed so her credit rating was damaged, but she did not default on her PLUS Loans. To gain new skills for the job market, she decided to return to school full time and is receiving Direct Loans while she studies to be a computer analyst. Susan wants to consolidate her Federal PLUS Loans and her new Direct Loans while she is in school. Can she?

Because Susan has an adverse credit history, she must obtain an eligible endorser for the PLUS part of the consolidation loan or document extenuating circumstances. Then she would be eligible for an in-school Direct Consolidation Loan.



Steve helped finance his children's education with Federal PLUS Loans. After they graduated, the payments piled up and Steve's income couldn't keep up. He defaulted on the loans. Steve has since made satisfactory repayment arrange-

ments with his FFEL loan holder to obtain additional federal student aid. For the purpose of regaining Title IV eligibility, six consecutive, voluntary, on-time, full monthly payments constitute satisfactory repayment arrangements.³ Now Steve is considering taking classes at a Direct Loan school half time to better his prospects for a raise. He also wants to consolidate. Can he?

Steve has some alternatives to consider. He could consolidate his defaulted Federal PLUS Loans and any new Direct Loans into an in-school Direct Consolidation Loan, but there is a drawback. With the six payments to his FFEL loan holder, Steve is already halfway to *rehabilitating* the defaulted loans, which would remove the default notation from his credit report. If Steve consolidates the defaulted loans, his credit report will bear the notation "default paid in full," which, while preferable to an unpaid default, does not guarantee that a lender will not deny future credit based on this notation.

So a second option for Steve is to finish rehabilitating the defaulted loans, which may mean putting off school so that he can continue to make the payments. He must make 12 consecutive, voluntary, on-time, full monthly payments to the FFEL holder, and his loan must be resold. He could then return to school and consolidate the Federal PLUS Loans with any new Direct Loans.

Finally, Steve could return to school without consolidating or rehabilitating his loans. This option also has a drawback. Steve is not eligible for an in-school deferment on the defaulted Federal PLUS Loans. Thus, he would be expected to continue to make payments on the loans during school. Guaranty agencies are not required but are strongly encouraged to provide forbearance to such borrowers during an in-school period.⁴

³ See 34 CFR 682.200(b).

⁴ This recommendation can be found in the comments on 34 CFR 682.210 at 60 FR 61754 (December 1, 1995).

Definitions

- In-School Period:*** Generally, a student loan is considered to be in an in-school period from the time it is disbursed until the borrower ceases to be enrolled at an eligible school on at least a half-time basis. (However, a student loan that has entered and only partially completed the grace period because the borrower has reenrolled at least half time at an eligible school before the expiration of the six months is considered to be in an in-school period.)
- Satisfactory Repayment Arrangements:*** Under the Direct Loan and FFEL Programs, for the purpose of consolidation, three consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable given the borrowers's total financial situation constitute satisfactory repayment arrangements. For the purpose of restoring eligibility for Title IV student aid, six consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable given the borrower's total financial situation constitute satisfactory repayment arrangements. (Borrowers who are in default on other federal education loans must contact their current loan holders to determine how those loan holders define satisfactory repayment arrangements.)
- Reasonable and Affordable Payments:*** The holder of a Direct Loan or FFEL Program loan determines what constitutes a reasonable and affordable payment on a case-by-case basis. Loan holders consider disposable income and such expenses as housing, utilities, food, medical costs, work-related expenses, dependent care, and other Title IV education loans. Borrowers are then provided with a written statement of the payment and an opportunity to object to those terms. See 34 CFR 682.401(b)(4)(i) and 34 CFR 685.208(g)(3).
- Adverse Credit History:*** An applicant has an adverse credit history when he or she is 90 days or more delinquent on any debt or has been the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a Title IV education loan during the five years preceding the credit report. See 34 CFR 685.200(b)(7)(ii).
- Rehabilitation:*** The process of bringing a loan out of default and removing the default notation on a borrower's credit report. To rehabilitate a defaulted Direct Loan, a borrower must make 12 consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable given the borrower's total financial situation on the defaulted loan. To rehabilitate a FFEL, a borrower must make 12 consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable given the borrower's total financial situation on the defaulted loan, and the loan must be resold.

Ineligible Loans

Some loans are always ineligible for consolidation. While these loans may not be included in a Direct Consolidation Loan, they may be considered in the calculation of a borrower's maximum repayment period under the Graduated or Extended Repayment Plan. These include but are not limited to the following:

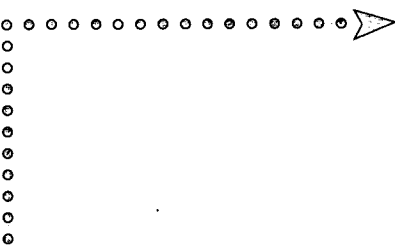
- ▷ Loans made by a state or private lender and not guaranteed by the federal government
- ▷ Primary Care Loans
- ▷ Law Access Loans
- ▷ MedicalAssist Loans
- ▷ PLATO Loans

Advantages

- ▶ Consolidation holds many advantages for borrowers in school, especially convenience. To update an address, change student status or request deferment forms, a borrower need only call one loan holder, the Department of Education's Direct Loan Servicing Center. A borrower will no longer have to keep track of multiple loans and multiple lenders, and the Department of Education will not sell Direct Consolidation Loans. In-school consolidation is not available under the FFEL Program or with HEAL Refinancing.
- ▶ A Direct Consolidation Loan will receive a six-month grace period if one of the loans consolidated is in an *in-school period* at the time of application. Generally, a loan is considered to be in an in-school period from the time the loan is disbursed until the borrower ceases to be enrolled on at least a half-time basis. (If the borrower's enrollment status changes to less than half time after application but prior to the first disbursement of the Direct Consolidation Loan, the Direct Consolidation Loan will receive a grace period equal to the number of months of grace remaining when the first disbursement is made.)
- ▶ If none of the loans consolidated is in an in-school period and the borrower is not eligible for a deferment, the first payment on the Direct Consolidation Loan will be due within 60 days of the first disbursement of the loan. (Because the borrower's original federal education loans may be paid off through multiple disbursements, the first payment due date is calculated based on the first such disbursement.)
- ▶ A borrower in school may also benefit from a lower interest rate. The interest rate on all Direct Loans is variable but will never exceed 8.25 percent for student loans and 9 percent



borrowers in school



After obtaining counseling on their eligibility, borrowers should explore the advantages and disadvantages of consolidation, along with the restrictions. A borrower's status governs which rules apply. The following section addresses borrowers in school.

Consolidation



Direct Loans

Eligible Loans

A borrower may consolidate one or more federal education loans in a Direct Consolidation Loan. The types of loans that may be consolidated into an in-school Direct Consolidation Loan are restricted. These are the only loans eligible for in-school consolidation:

- ▷ Direct Subsidized and Unsubsidized Loans
- ▷ Subsidized and Unsubsidized Federal Stafford Loans
- ▷ Direct PLUS Loans, Federal PLUS Loans, and Parent Loans for Undergraduate Students Loans
- ▷ Direct Consolidation Loans and Federal Consolidation Loans
- ▷ Guaranteed Student Loans
- ▷ Federal Insured Student Loans
- ▷ Federal Supplemental Loans for Students
- ▷ Auxiliary Loans to Assist Students

Other federal education loans are eligible for consolidation once a borrower enters repayment. (See Borrowers out of School page 2.)

for Direct PLUS Loans. The rate is adjusted annually on July 1. In addition, borrowers in school may benefit from a change in interest rate calculation during in-school, grace, and deferment periods. Effective July 1, 1995 through June 30, 1998, the formula for calculating interest during these periods on new subsidized and unsubsidized Direct Loans or FFELs, excluding PLUS Loans, is the 91-day Treasury bill rate plus 2.5 percentage points. The formula for calculating the interest rate on these loans during other periods is the average 91-day Treasury bill rate plus 3.1 percentage points. The formula for calculating the interest rate on Direct PLUS Loans is the average 52-week Treasury bill rate plus 3.1 percentage points.

- ▷ A borrower may take advantage of other benefits upon entering repayment. The minimum monthly payment on a Direct Consolidation Loan may be lower than the combined payments charged on a borrower's federal education loans. The repayment period on a Direct Consolidation Loan may be extended up to a maximum of 30 years under certain repayment plans, depending on a borrower's debt. (However, extending the repayment period will increase the total interest charged.) And a borrower may choose the ICR Plan, which bases monthly payments on a borrower's annual income and total Direct Loan amount. All Direct Loan borrowers send one payment to the Direct Loan Servicing Center instead of multiple checks to different lenders. (For more on the benefits of a Direct Consolidation Loan for borrowers in repayment, see Borrowers out of School page 3.)

▶ Varied deferment options are available on a Direct Consolidation Loan. Borrowers may be eligible for additional deferments if they have an outstanding balance on an FFEL made before July 1, 1993, when they obtain a Direct Consolidation Loan. (For more on deferments, see Postponing Repayment page 2.)

How Consolidation Works

When a borrower consolidates loans in the Direct Consolidation Loan Program, the federal government repays the original federal education loans and originates a new loan for the total. Here's how that works from a borrower's point of view.

Application

Applications are available from the Loan Origination Center. In the application mailing for in-school consolidation (Appendix A), a borrower will receive an application packet that contains questions and answers about consolidation, a comparison of loan benefits, instructions, a worksheet, an application, and a return envelope. A borrower should fill out the application accurately and completely. The application and any documentation that identifies the loan holder, loan ID and loan amounts of each loan should be submitted to the Loan Origination Center in the return envelope.

Hint! Borrowers should apply as soon as the loan that qualifies them for in-school consolidation is fully disbursed and before their last day of attendance to allow time for the application to be processed and to take full advantage of the six-month grace period.

When the Loan Origination Center receives a borrower's application it is edited and assigned an application identification number. This application ID becomes part of the loan identification numbers for each portion of a borrower's Direct Consolidation Loan. A Direct Consolidation Loan may be assigned up to three loan identification numbers depending on which loans the borrower chooses to include.

Credit Check (for PLUS Consolidation Loans only)

The loan identification numbers represent the portions of the Direct Consolidation Loan made up of the borrower's underlying subsidized, unsubsidized, and PLUS loans. The Loan Origination Center keeps track of these underlying loans and their associated requirements and benefits. The borrower, however, only has one new loan and one monthly payment.

If the application includes a PLUS Loan, the Loan Origination Center performs a credit check on the borrower. If the borrower passes the credit check, the borrower is notified and *verification* begins. If the borrower has an *adverse credit history*, the Loan Origination Center sends a letter (Appendix C) asking whether the borrower intends to continue the consolidation and outlining the borrower's options. The borrower may appeal the credit check, document extenuating circumstances, or obtain an eligible endorser for the PLUS part of the consolidation loan. The borrower may also choose to exclude the PLUS Loan from the consolidation and proceed with the rest. If the borrower indicates the consolidation is to continue, verification begins.

Verification

The Loan Origination Center, using information on the borrower's application and the support documentation provided by the borrower, attempts to verify the loan's eligibility for consolidation and its payoff balance. The center can verify electronically Direct Loans and defaulted loans held by the Department. For other loans, the center sends a verification certificate (Appendix D) to each loan holder to obtain that information. However, borrowers sometimes provide incomplete or inaccurate information on their applications because their loans have been sold or they have lost track of them. When loan information on the application is

insufficient, the Loan Origination Center may contact borrowers for more information and may consult the National Student Loan Data System.

Partial Consolidation

Sometimes loan verification can be a long process, but the Loan Origination Center keeps working to move the consolidation along. The Loan Origination Center reminds loan holders when verification certificates have not been returned and may ask a borrower to help by contacting a loan holder.

However, about 60 days after applying, the borrower has a choice to make. The Loan Origination Center will send the borrower a letter with a loan statement, which lists the loans that have been verified to date. The borrower may choose to proceed with a partial consolidation while waiting for the other loans to be verified. The Loan Origination Center will send the borrower supplemental promissory notes when additional loans are verified — as often as every 20 days.

The borrower may also choose to put a “hold” on the consolidation pending the verification of all loans or one in particular.

Promissory Note

A promissory note is mailed to borrowers after their loans are verified. The package (Appendix E) includes information on borrowers’ rights and responsibilities, instructions, a promissory note, a loan statement, an endorser addendum if required, and a return envelope.

▷ The promissory note is the legal document by which a borrower promises to repay the consolidation loan; only the borrower’s personal information may be altered, provided that the alterations are initialed. The promissory note provides subtotals for each of the loan types consolidated — subsidized, unsubsidized and PLUS — and a total for the Direct Consolidation Loan, allowing the

borrower to decide whether to proceed. (Borrowers who wish to change the loan amount must contact the Loan Origination Center.) **The promissory note should be signed, dated, and returned within two weeks of receipt.** If the borrower takes no action upon receipt of the promissory note, the consolidation will be canceled about 240 days after the borrower's application was received.

- ▷ The loan statement provides a listing of all loans that have been verified and included in the accompanying promissory note.
- ▷ An endorser addendum (Appendix F) is sent only if the consolidation loan includes a PLUS Loan and the borrower has an adverse credit history and has not documented extenuating circumstances. If the borrower chooses to obtain an eligible endorser, the addendum must be signed and returned with the promissory note. When the endorser addendum is received, a credit check on the endorser is completed.

Consolidation

When the Loan Origination Center receives a signed promissory note, the borrower's loan balances are paid off. The previous loan holders are required by regulation to notify the borrower that the loans have been paid in full.¹ The Department of Education notifies the borrower of the consolidation. Any payments a borrower makes to the previous loan holders after the loans are paid off will be forwarded to the Loan Origination Center. These payments will be applied to the consolidation loan balance.

No payments are due while the loan is in an in-school period. Borrowers of subsidized loans receive annual statements while in school. The federal government pays the interest on

¹ See 34 CFR 685.215(f)(2)

their loans while they are in school. Borrowers of unsubsidized loans receive quarterly statements (Appendix G) that note the amount of interest charged on their loans. These borrowers may either pay the interest or allow it to accumulate and have it *capitalized* when they enter repayment. (See Appendix H for a comparison of the results of capitalizing or paying the interest.)

Borrowers will receive a six-month grace period at the end of the in-school period on the entire consolidation loan, including the PLUS portion. After six months, the first payment will be due on the Direct Consolidation Loan. (If the borrower's enrollment status changes to less than half time after application but prior to the first disbursement of the Direct Consolidation Loan, the Direct Consolidation Loan will receive a grace period equal to the number of months of grace remaining when the first disbursement is made.)

Repayment

Before entering repayment, the borrower will receive information on repayment plans and will be asked to choose one. If the borrower neglects to choose a plan, the Department will assign the borrower to the Standard Repayment Plan. However, the borrower may change repayment plans at any time. (For more information, see the Repayment section.)

Questions & Answers



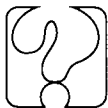
Can a borrower consolidate a loan that is in a grace period?

Yes, but the borrower should be encouraged to wait until the last month of grace to apply. Unless one of the loans the borrower is consolidating is in an in-school period, the first payment on a Direct Consolidation Loan is due within 60 days of the first loan disbursement. Thus, a borrower who applied too early would forfeit the remaining months of grace.



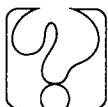
Can a borrower consolidate a loan that is in deferment?

Yes, but the borrower must reapply for the deferment once the loan has been consolidated.



Does a borrower have to reconsolidate with each new loan?

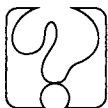
To add a “new” loan, that is, a loan that was not fully disbursed prior to the origination of a borrower’s Direct Consolidation Loan, the borrower must reapply through the Loan Origination Center. New loans are not included automatically in a Direct Consolidation Loan. However, if the new loan is a Direct Loan, the borrower does not need to reconsolidate, because all of the borrower’s Direct Loans will be combined into one bill. (See below for more on adding to a Direct Consolidation Loan.)



Can a borrower add loans to a Direct Consolidation Loan?

Preexisting eligible loans, that is, loans that were fully disbursed prior to the origination of a borrower’s Direct Consolidation Loan, may be added within 180 days of origination. The borrower must contact the Loan Origination Center to add such loans. If a preexisting eligible loan was listed on the borrower’s original application, the loan may be added with a phone call to the Loan Origination Center; if the loan was not listed on the original application, the borrower must request the loan’s addition in writing.

To add preexisting eligible loans after 180 days or to add “new” loans, a borrower must reapply through the Loan Origination Center.



Can a borrower use a loan that is partially disbursed to be eligible for in-school consolidation?

No, a partially disbursed loan does not qualify as an eligible loan.

Definitions

In-School Period: Generally, a student loan is considered to be in an in-school period from the time it is disbursed until the borrower ceases to be enrolled at an eligible school on at least a half-time basis. (However, a student loan that has entered and only partially completed the grace period because the borrower has reenrolled at least half time at an eligible school before the expiration of the six months is considered to be in an in-school period.)

Verification: The process of requesting that a loan holder certify a loan's payoff balance.

Adverse Credit History: An applicant has an adverse credit history when he or she is 90 days or more delinquent on any debt or has been the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a Title IV education loan during the five years preceding the credit report. See 34 CFR 685.200(b)(7)(ii).

Capitalization: The addition of accrued interest to the principal of a loan, increasing the cost of the loan.

Questions & Answers



Can a borrower consolidate a loan that is in a grace period?

Yes, but the borrower should be encouraged to wait the last month to apply. Unless one of the loans the borrower is consolidating is in an in-school period, the first payment on a Direct Consolidation Loan is due within 60 days of the first loan disbursement. Thus, a borrower who applied too early would forfeit the remaining months of grace.



Can a borrower consolidate a loan that is in deferment?

Yes, but the borrower must reapply for the deferment once the loan has been consolidated.



Does a borrower have to reconsolidate with each new loan?

To add a "new" loan, that is, a loan that was not fully disbursed prior to the origination of a borrower's Direct Consolidation Loan, the borrower must reapply through the Loan Origination Center. New loans are not included automatically in a Direct Consolidation Loan. However, if the new loan is a Direct Loan, the borrower does not need to reconsolidate, because all of the borrower's Direct Loans will be combined into one bill. (See below for more on adding to a Direct Consolidation Loan.)



Can a borrower add loans to a Direct Consolidation Loan?

Preexisting eligible loans, that is, loans that were fully disbursed prior to the origination of a borrower's Direct Consolidation Loan, may be added within 180 days of origination. The borrower must contact the Loan Origination Center to add to such loans. If a preexisting eligible loan was listed on the borrower's original application, the loan may be added with a phone call to the Loan Origination Center; if the loan was not listed on the original application, the borrower must request the loan's addition in writing.

To add a preexisting eligible loans after 180 days or to add "new" loans, a borrower must reapply through the Loan Origination Center.




Can a borrower use a loan that is partially disbursed to be eligible for in-school consolidation?

No, a partially disbursed loan does not qualify as an eligible loan.



borrowers out of school



After obtaining counseling on their eligibility, borrowers should explore the advantages and disadvantages of consolidation, along with the restrictions. A borrower's status governs which rules apply. The following section addresses borrowers who are out of school (in grace, in repayment, or in deferment or forbearance).

Consolidation



Direct Loans

Eligible Loans

A borrower may consolidate one or more federal education loans in a Direct Consolidation Loan. These are the loans eligible for consolidation out of school:

- ▷ Direct Subsidized and Unsubsidized Loans*
- ▷ Subsidized and Unsubsidized Federal Stafford Loans*
- ▷ Direct PLUS Loans, Federal PLUS Loans, and Parent Loans for Undergraduate Student Loans*
- ▷ Direct Consolidation Loans and Federal Consolidation Loans*
- ▷ Guaranteed Student Loans*
- ▷ Federal Insured Student Loans*
- ▷ Federal Supplemental Loans for Students*
- ▷ Auxiliary Loans to Assist Students*
- ▷ Federal Perkins Loans
- ▷ National Direct Student Loans
- ▷ National Defense Student Loans
- ▷ Health Education Assistance Loans
- ▷ Health Professions Student Loans
- ▷ Loans for Disadvantaged Students
- ▷ Nursing Student Loans

*Loans that are also eligible for in-school consolidation

Ineligible Loans

Some loans are always ineligible for consolidation. While these loans may not be included in a Direct Consolidation Loan, they may be considered in the calculation of a borrower's maximum repayment period under the Graduated or Extended Repayment Plan. These include but are not limited to the following:

- ▷ Loans made by a state or private lender and not guaranteed by the federal government
- ▷ Primary Care Loans
- ▷ Law Access Loans
- ▷ MedicalAssist Loans
- ▷ PLATO Loans

Advantages

- ▷ Consolidation holds many advantages for borrowers who are out of school, especially convenience. To update an address, change student status or request deferment forms, a borrower need only call one loan holder, the Department of Education's Direct Loan Servicing Center. A borrower will no longer have to keep track of multiple loans and multiple lenders, and the Department of Education will not sell Direct Consolidation Loans.
- ▷ All Direct Loan borrowers send one monthly payment to the Direct Loan Servicing Center instead of multiple checks to different lenders.

- ▷ A borrower out of school may also benefit from a lower interest rate. The interest rate on all Direct Loans is variable but will never exceed 8.25 percent for student loans and 9 percent for Direct PLUS Loans. The rate is adjusted annually on July 1. In addition, borrowers out of school may benefit from a change in the interest rate calculation during in-school, grace, and deferment periods. Effective July 1, 1995 through June 30, 1998, the formula for calculating interest during these periods on new subsidized and unsubsidized Direct Loans or FFELs, excluding PLUS Loans, is the 91-day Treasury bill rate plus 2.5 percentage points. The formula for calculating the interest rate on these loans during other periods is the average 91-day Treasury bill rate plus 3.1 percentage points. The formula for calculating the interest rate on Direct PLUS Loans is the average 52-week Treasury bill rate plus 3.1 percentage points.
- ▷ A Direct Consolidation Loan may also ease the strain on a borrower's budget. The minimum monthly payment on a Direct Consolidation Loan may be lower than the combined payments charged on a borrower's underlying federal education loans. The repayment period on a Direct Consolidation Loan may be extended up to a maximum of 30 years under certain repayment plans, depending on a borrower's debt. (However, extending the repayment period will increase the total interest charged.) And a borrower may choose the ICR Plan, which bases monthly payments on a borrower's annual income and total Direct Loan amount. (For more on repayment plans, see Repayment page 2.)

- ▶ Varied deferment options are available on a Direct Consolidation Loan. Borrowers may be eligible for additional deferments if they have an outstanding balance on a FFEL made before July 1, 1993, when they obtain a Direct Consolidation Loan. (For more on deferments, see Postponing Repayment page 2.)

How Consolidation Works

When a borrower consolidates loans in the Direct Consolidation Loan Program, the federal government repays the original federal education loans and originates a new loan for the total. Here's how that works from a borrower's point of view.

Estimate

Prior to applying for a Direct Consolidation Loan, a borrower may wish to receive an estimate of monthly payments under each of the repayment plans. The application mailing includes a Request for Estimated Repayment Information form (Appendix A) that may be sent in for an estimate. Application packages are available from the Loan Origination Center. Borrowers may also call the Loan Origination Center for an estimate.

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 242800
Louisville, KY 40224
(800) 557-7392
TDD: (800) 557-7395
FAX: (800) 557-7396

Borrowers should list all their federal education loans, including those they do not wish to consolidate and those that are ineligible, when talking to a customer service representative or filling out the form for an estimate. Loans that are not included in the consolidation are considered when calculating the length of repayment under the Extended or Graduated Repayment Plan. If a borrower would like an estimate of monthly payments under the ICR Plan, yearly income and family size must also be provided.

Borrowers who return the request form will receive a loan statement (Appendix B) with estimated repayment information from the Loan Origination Center. Borrowers who receive an estimate by phone may request that a loan statement be sent.

Application

A borrower may choose to apply with or without first receiving an estimate. Applications are available from the Loan Origination Center. In the application mailing (Appendix A), a borrower will receive an application packet that contains questions and answers about consolidation, a comparison of loan benefits, instructions, a worksheet, and an application. Also included in the mailing are an outline of the consolidation process, tips on completing the application materials, an overview of repayment plans, a "Request for Estimated Repayment" form, a "Repayment Selection" form, a "Consent to Disclosure of Tax Information" form, and a return envelope. A borrower should fill out the application accurately and completely and submit it to the Loan Origination Center in the return envelope. The Repayment Selection form, the "Consent to Disclosure of Tax Information" (if required) and the latest billing statement for all loans should be returned with the application to expedite the consolidation process.

- ▷ If the borrower neglects to choose a plan, the Department will assign the borrower to the Standard Repayment Plan. However, a borrower may change repayment plans at any time.
- ▷ The consent to disclosure of tax information form must be signed by borrowers who choose the ICR Plan and, if they are married, by their spouses. Borrowers who choose the ICR Plan must allow the Internal Revenue Service to release income figures necessary to calculate their monthly payment.

Credit Check (for PLUS Consolidation Loans only)

When the Loan Origination Center receives a borrower's application it is edited and assigned an application identification number. This application ID becomes part of the loan identification numbers for each portion of a borrower's Direct Consolidation Loan. A Direct Consolidation Loan may be assigned up to three loan identification numbers depending on which loans the borrower chooses to include.

The loan identification numbers represent the portions of the Direct Consolidation Loan made up of the borrower's underlying subsidized, unsubsidized, and PLUS loans. The Loan Origination Center keeps track of these underlying loans and their associated requirements and benefits. The borrower, however, only has one new loan and one monthly payment.

If the application includes a PLUS Loan, the Loan Origination Center performs a credit check on the borrower. If the borrower passes the credit check, the borrower is notified and *verification* begins. If the borrower has an *adverse credit history*, the Loan Origination Center sends a letter (Appendix C) asking whether the borrower intends to continue the consolidation and outlining the borrower's options. The borrower may appeal the credit check, document extenuating circumstances, or obtain an eligible endorser for the PLUS part of the consolidation loan. The borrower may also choose to exclude the PLUS Loan from the consolidation and proceed with the rest. If the borrower indicates the consolidation is to continue, verification begins.

Verification

The Loan Origination Center, using information on the borrower's application and the support documentation provided by the borrower, attempts to verify the loan's eligibility for consolidation and its payoff balance. The center can verify electronically Direct Loans and defaulted loans held by the Department. For other loans, the center sends a

verification certificate (Appendix D) to each loan holder to obtain that information. However, borrowers sometimes provide incomplete or inaccurate information on their applications because their loans have been sold or they have lost track of them. When loan information on the application is insufficient, the Loan Origination Center may contact borrowers for more information and may consult the National Student Loan Data System. Borrowers in repayment should continue to make payments until their previous loan holders notify them that their loans have been paid in full.

Partial Consolidation

Sometimes loan verification can be a long process, but the Loan Origination Center keeps working to move the consolidation along. The Loan Origination Center reminds loan holders when verification certificates have not been returned and may ask a borrower to help by contacting a loan holder.

However, about 60 days after applying, the borrower has a choice to make. The Loan Origination Center will send the borrower a letter with a loan statement, which lists the loans that have been verified to date. The borrower may choose to proceed with a partial consolidation while waiting for the other loans to be verified. The Loan Origination Center will send the borrower supplemental promissory notes when additional loans are verified — as often as every 20 days.

The borrower may also choose to put a “hold” on the consolidation pending the verification of all loans or one in particular.

Promissory Note

A promissory note is mailed to borrowers after their loans are verified. The package (Appendix E) includes information on borrowers’ rights and responsibilities, instructions, a promissory note, a loan statement, an endorser addendum if required, and a return envelope.

- ▷ The promissory note is the legal document by which a borrower promises to repay the consolidation loan; only the borrower's personal information may be altered, provided that the alterations are initialed. The promissory note provides subtotals for each of the loan types consolidated — subsidized, unsubsidized and PLUS — and a total for the Direct Consolidation Loan, allowing the borrower to decide whether to proceed. (Borrowers who wish to change the loan amount must contact the Loan Origination Center.) **The promissory note should be signed, dated, and returned within two weeks of receipt.** If the borrower takes no action upon receipt of the promissory note, the consolidation will be canceled about 240 days after the borrower's application was received.
- ▷ The loan statement provides a listing of all loans that have been verified and included in the accompanying promissory note. The loan statement also includes repayment estimates. (These will be revised estimates for borrowers who requested repayment estimates earlier in the process.)
- ▷ An endorser addendum (Appendix F) is sent only if the consolidation loan includes a PLUS Loan and the borrower has an adverse credit history and has not documented extenuating circumstances. If the borrower chooses to obtain an eligible endorser, the addendum must be signed and returned with the promissory note. When the endorser addendum is received, a credit check on the endorser is completed.



Consolidation

When the Loan Origination Center receives a signed promissory note, the borrower's loan balances are paid off. The previous loan holders are required by regulation to notify the borrower that the loans have been paid in full.¹ The Department of Education notifies the borrower of the consolidation. Any payments a borrower makes to the previous loan holders after the loans are paid off will be forwarded to the Loan Origination Center. These payments will be applied to the consolidation loan balance.



Repayment

The first payment on the consolidation loan will be due within 60 days of the first disbursement on the loan. Because the borrower's underlying federal education loans may be paid off through multiple disbursements, the first payment due date is calculated based on the first such disbursement. There is no grace period on Direct Consolidation Loans unless the borrower consolidates at least one loan in an in-school period. (For more information, see the Repayment section.)



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¹ See 34 CFR 685.215(f)(2) December 1, 1994.

Questions & Answers



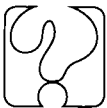
Can a borrower consolidate a loan that is in a grace period?

Yes, but the borrower should be encouraged to wait until the last month of grace to apply. Unless one of the loans the borrower is consolidating is in an *in-school period*, the first payment on a Direct Consolidation Loan is due within 60 days of the first loan disbursement. Thus, a borrower who applied too early would forfeit the remaining months of grace.



Can a borrower consolidate a loan that is in deferment?

Yes, but the borrower must reapply for the deferment once the loan has been consolidated.



Does a borrower have to reconsolidate with each new loan?

To add a “new” loan, that is, a loan that was not fully disbursed prior to the origination of a borrower’s Direct Consolidation Loan, the borrower must reapply through the Loan Origination Center. New loans are not included automatically in a Direct Consolidation Loan. However, if the new loan is a Direct Loan, the borrower does not need to reconsolidate because all of the borrower’s Direct Loans will be combined into one bill. (See below for more on adding to a Direct Consolidation Loan.)



Can a borrower add loans to a Direct Consolidation Loan?

Preexisting eligible loans, that is, loans that were fully disbursed prior to the origination of a borrower’s Direct Consolidation Loan, may be added within 180 days of origination. The borrower must contact the Loan Origination Center to add such loans. If a pre-existing eligible loan was listed on the borrower’s original application, the loan may be added with a phone call to the Loan Origination Center; if the loan was not listed on the original application, the borrower must request the loan’s addition in writing.

To add preexisting eligible loans after 180 days or to add “new” loans, a borrower must reapply through the Loan Origination Center.



Is it ever wise to consolidate a loan with a lower interest rate, such as a Perkins Loan?

Borrowers should think twice before consolidating a loan with a lower interest rate. Some borrowers want the convenience of “one holder” for all of their loans and feel that outweighs the higher rate of interest. It’s an individual choice.

Definitions

Verification:

The process of requesting that a loan holder certify a loan's payoff balance.

Adverse Credit History:


An applicant has an adverse credit history when he or she is 90 days or more delinquent on any debt or has been the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a Title IV education loan during the five years preceding the credit report. See 34 CFR 685.200(b)(7)(ii).

In-School Period:

Generally, a student loan is considered to be in an in-school period from the time it is disbursed until the borrower ceases to be enrolled on at least a half-time basis. (However, a student loan that has entered and only partially completed the grace period because the borrower has reenrolled at least half time is also considered to be in an in-school period.)



borrowers in default



Consolidation has specific advantages, disadvantages, and restrictions for borrowers in default. In addition, borrowers in default must be made aware of the advantages of rehabilitating their loans. The following section addresses the options for borrowers in default.

COMMON DEFINITION

Rehabilitation

While consolidation holds many advantages for borrowers in default, borrowers should first consider *rehabilitation*, in which a loan is brought out of default and the default notation is removed from a borrower's credit record. Only Direct Loans and FFELs are eligible for rehabilitation.

To rehabilitate a Direct Loan, a borrower must make 12 *reasonable and affordable*, consecutive, voluntary, on-time, full monthly payments to the Department of Education. To rehabilitate an FFEL, a borrower must make 12 reasonable and affordable, consecutive, voluntary, on-time, full monthly payments to the holder of the defaulted loan, and the loan must be resold. Payments secured from a borrower on an involuntary basis, such as through wage garnishment or litigation, cannot be counted toward the borrower's 12 payments. The reasonable and affordable payment amount would have to be more than the amount of the involuntary payment.

A borrower who wishes to rehabilitate a FFEL on which a judgment has been entered must sign a new promissory note prior to the sale of the loan to an eligible lender. A borrower who wishes to rehabilitate a Direct Loan on which a judgment has been entered must also sign a new promissory note.

Note: It has been a loan industry practice not to repurchase FFEL Program loans with a balance of less than \$1,500. If a FFEL Program loan cannot be resold, it will not be rehabilitated.

Advantages

- ▶ A defaulted loan is reported to credit bureaus and may remain on a borrower's credit report for up to seven years. Rehabilitation removes the default notation from a borrower's credit report.
- ▶ Rehabilitation also reinstates a borrower's eligibility for Title IV aid. After six payments a borrower's eligibility is restored, but the borrower is expected to continue making payments toward rehabilitating the loan.
- ▶ A borrower is once again eligible for deferment after rehabilitation.
- ▶ Wage garnishment will end, and the Internal Revenue Service will no longer withhold a borrower's income tax refund.

Consolidation

Consolidation may help a borrower who cannot rehabilitate a defaulted loan get back on track. Some of the advantages of rehabilitation are available through consolidation.

Borrowers who are in default must meet additional requirements for consolidation. They must either agree to repay under the ICR Plan, or they must make *satisfactory repayment arrangements*. Under the Direct Loan and FFEL Programs, for the purpose of consolidation, three consecutive, voluntary, on-time, full monthly payments constitute satisfactory repayment arrangements. Borrowers must work with their current loan holders to set up *reasonable and affordable payments*. (Borrowers who are in default on other federal education loans must contact their current loan holders to determine how those loan holders define satisfactory repayment arrangements.) PLUS borrowers are not eligible for the ICR Plan and thus must make satisfactory repayment arrangements before they may consolidate a defaulted PLUS Loan.

Borrowers who have at least one loan in an *in-school period* and one defaulted loan must make satisfactory repayment arrangements before they are eligible for in-school consolidation. Borrowers who apply while in school but before making satisfactory repayment arrangements will be notified of this requirement, and their application will be canceled. They may reapply after making the required payments.

Borrowers who are in default also should be made aware of the addition of collection costs to their loan. When a defaulted Direct Loan or FFEL is included in a Direct Consolidation Loan, collection costs of up to 18.5 percent of the outstanding principal and interest will be added to the outstanding balance. When Perkins Loans and health professions loans are consolidated, collection costs are added then also. But collection costs on these loans are not capped and may exceed 18.5 percent of the outstanding principal and interest.

Eligible Loans

A borrower may consolidate one or more federal education loans in a Direct Consolidation Loan. These are the loans eligible for consolidation while a borrower is out of school and in default:

- ▷ Direct Subsidized and Unsubsidized Loans*
- ▷ Subsidized and Unsubsidized Federal Stafford Loans*
- ▷ Direct PLUS Loans, Federal PLUS Loans, and Parent Loans for Undergraduate Students Loans*
- ▷ Direct Consolidation Loans and Federal Consolidation Loans*
- ▷ Guaranteed Student Loans*
- ▷ Federal Insured Student Loans*
- ▷ Federal Supplemental Loans for Students*
- ▷ Auxiliary Loans to Assist Students*
- ▷ Federal Perkins Loans
- ▷ National Direct Student Loans
- ▷ National Defense Student Loans
- ▷ Health Education Assistance Loans
- ▷ Health Professions Student Loans
- ▷ Loans for Disadvantaged Students
- ▷ Nursing Student Loans

*Loans that are also eligible for in-school consolidation

Ineligible Loans

Some loans are always ineligible for consolidation. While these loans may not be included in a Direct Consolidation Loan, they may be considered in the calculation of a borrower's maximum repayment period. These include but are not limited to the following:

- ▷ Loans made by a state or private lender and not guaranteed by the federal government
- ▷ Primary Care Loans
- ▷ Law Access Loans
- ▷ MedicalAssist Loans
- ▷ PLATO Loans

Advantages

- ▷ A defaulted loan is reported to credit bureaus and may remain on a borrower's credit report for up to seven years. Consolidating a defaulted loan will result in a credit report bearing a notation that the defaulted loan was paid in full. This notation is preferable to an unpaid default, but it does not guarantee that lenders will not deny future credit, such as mortgages, auto loans or credit cards, based on this notation.
- ▷ Consolidation, like rehabilitation, reinstates a borrower's eligibility for Title IV aid.

- ▷ No payments are required as a precondition for consolidation if the borrower is eligible and agrees to repay under the ICR Plan.
- ▷ Wage garnishment will end, and the Internal Revenue Service will no longer withhold a borrower's income tax refund.
- ▷ Borrowers in default also benefit from the advantages available with all Direct Consolidation Loans, especially convenience. To update an address, change student status or request deferment forms, a borrower need only call one loan holder, the Department of Education's Direct Loan Servicing Center. A borrower will no longer have to keep track of multiple loans and multiple lenders, and the Department of Education will not sell Direct Consolidation Loans.
- ▷ A borrower may receive a lower interest rate. The interest rate on all Direct Loans is variable but will never exceed 8.25 percent for student loans and 9 percent for Direct PLUS Loans. The rate is adjusted annually on July 1. In addition, borrowers may benefit from a change in the interest rate calculation during in-school, grace and deferment periods. Effective July 1, 1995 through June 30, 1998, the formula for calculating interest during these periods on new subsidized and unsubsidized Direct Loans or FFELs, excluding PLUS Loans, is the 91-day Treasury bill rate plus 2.5 percentage points. The formula for calculating the interest rate on these loans during other periods is the average 91-day Treasury bill rate plus 3.1 percentage points. The formula for calculating the interest rate on Direct PLUS Loans is the average 52-week Treasury bill rate plus 3.1 percentage points.

- ▷ A Direct Consolidation Loan may also ease the strain on a borrower's budget. The minimum monthly payment on a Direct Consolidation Loan may be lower than the combined payments charged on a borrower's underlying federal education loans. The repayment period on a Direct Consolidation Loan may be extended up to a maximum of 30 years under certain repayment plans, depending on a borrower's debt. (However, extending the repayment period will increase the total interest charged.) In addition, a borrower may choose the ICR Plan, which bases monthly payments on a borrower's annual income and total Direct Loan amount. (For more on repayment plans, see Repayment page 2.)
- ▷ All Direct Loan borrowers send one payment to the Direct Loan Servicing Center instead of multiple checks to different lenders.
- ▷ Consolidation restores a defaulted borrower's eligibility for deferments, and varied deferment options are available on a Direct Consolidation Loan. Borrowers may be eligible for additional deferments if they have an outstanding balance on an FFEL made before July 1, 1993, when they obtain a Direct Consolidation Loan. (For more on deferments, see Postponing Repayment page 2.)

How Consolidation Works

When a borrower consolidates loans in the Direct Consolidation Loan Program, the federal government repays the original federal education loans and originates a new loan for the total. Here's how that works from a borrower's point of view.

Estimate

Prior to applying for a Direct Consolidation Loan, a borrower may wish to receive an estimate of monthly payments under each of the repayment plans. The Loan Origination Center can provide such an estimate by phone or provide the borrower with a Request for Estimated Repayment Information form (Appendix A) to return. (The application mailing for out of school borrowers includes the request form.)

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 242800
Louisville, KY 40224
(800) 557-7392
TDD: (800) 557-7395
FAX: (800) 557-7396

Borrowers should list all their federal education loans, including those they do not wish to consolidate and those that are ineligible, when talking to a customer service representative or filling out the form for an estimate. Loans that are not included in the consolidation are considered when calculating the length of repayment under the Extended or Graduated Repayment Plan. Borrowers in default, who are required to repay under the ICR Plan unless they have made satisfactory repayment arrangements, must include yearly income and family size for the estimate.

Borrowers who return the request form will receive a loan statement (Appendix B) with estimated repayment information from the Loan Origination Center. Borrowers who receive an estimate by phone may request that a loan statement be sent.

Application

Applications are available from the Loan Origination Center. For borrowers in school, the application mailing includes: an application packet that contains questions and answers about consolidation, a comparison of loan benefits, instructions, a worksheet, an application, and a return envelope. For borrowers out of school, this package (Appendix A) includes: all of the above and a Request for Estimated Repayment form, a Consent to Disclosure of Tax Information form, and an overview of repayment plans. A borrower should fill out the application accurately and completely and submit it to the Loan Origination Center in the return envelope. The latest billing statement for all loans or documents that identify each loan holding and amount(s) borrowed and required repayment forms should be returned with the application to expedite the consolidation process.

- ▷ Borrowers who are in default and have not made satisfactory repayment arrangements must select the ICR Plan.
- ▷ The consent to disclosure of tax information form must be signed by borrowers who choose the ICR Plan and, if they are married, by their spouses. Borrowers who choose the ICR Plan must allow the Internal Revenue Service to release income figures necessary to calculate their monthly payment.

When the Loan Origination Center receives a borrower's application it is edited and assigned an application identification number. This application ID becomes part of the loan identification numbers for each portion of a borrower's Direct Consolidation Loan. A Direct Consolidation Loan may be assigned up to three loan identification numbers depending on which loans the borrower chooses to include.

The loan identification numbers represent the portions of the Direct Consolidation Loan made up of the borrower's underlying subsidized, unsubsidized, and PLUS loans. The Loan Origination Center keeps track of these underlying loans and their associated requirements and benefits. The borrower, however, only has one new loan and one monthly payment.

Note: Borrowers who have at least one in-school loan and one defaulted loan must make satisfactory repayment arrangements to consolidate while in school. Borrowers who have not made satisfactory repayment arrangements will be notified that their application has been canceled. They may reapply after making the required payments.

Credit Check (for PLUS Consolidation Loans only)

If the application includes a PLUS Loan, the Loan Origination Center performs a credit check on the borrower. Because a defaulted loan will appear on a borrower's credit history, the Loan Origination Center will send a letter (Appendix C) asking whether the borrower intends to continue the consolidation and outlining the borrower's options. The borrower may appeal the credit check, document extenuating circumstances, or obtain an eligible endorser for the PLUS part of the consolidation loan. The borrower may also choose to exclude the PLUS Loan from the consolidation and proceed

with the rest. If the borrower indicates the consolidation is to continue, *verification* begins.

Verification

The Loan Origination Center, using information on the borrower's application and support documentation, attempts to verify the loan's eligibility for consolidation and its payoff balance. The center can verify electronically Direct Loans and defaulted loans held by the Department. For other loans, the center sends a verification certificate (Appendix D) to each loan holder to obtain that information. However, borrowers sometimes provide incomplete or inaccurate information on their applications because their loans have been sold or they have lost track of them. When loan information on the application is insufficient, the Loan Origination Center may contact borrowers for more information and may consult the National Student Loan Data System. Borrowers in repayment should continue to make payments until their previous loan holders notify them that their loans have been paid in full.

Partial Consolidation

Sometimes loan verification can be a long process, but the Loan Origination Center keeps working to move the consolidation along. The Loan Origination Center reminds loan holders when verification certificates have not been returned and may ask a borrower to help by contacting a loan holder.

However, about 60 days after applying, the borrower has a choice to make. The Loan Origination Center will send the borrower a letter with a loan statement, which lists the loans that have been verified to date. The borrower may choose to proceed with a partial consolidation while waiting for the other loans to be verified. The Loan Origination Center will send the borrower supplemental promissory notes when additional

loans are verified — as often as every 20 days.

The borrower may also choose to put a “hold” on the consolidation pending the verification of all loans or one in particular.

Promissory Note

A promissory note is mailed to borrowers after their loans are verified. This package includes: information on borrowers' rights and responsibilities, instructions, a promissory note, a loan statement, an endorser addendum if required, and a return envelope.

- ▷ The promissory note is the legal document by which a borrower promises to repay the consolidation loan; only the borrower's personal information may be altered, provided that the alterations are initialed. The promissory note provides subtotals for each of the loan types consolidated — subsidized, unsubsidized and PLUS — and a total for the Direct Consolidation Loan, allowing the borrower to decide whether to proceed. (Borrowers who wish to change the loan amount must contact the Loan Origination Center.) **The promissory note should be signed, dated, and returned within two weeks of receipt.** If the borrower takes no action upon receipt of the promissory note, the consolidation will be canceled about 240 days after the borrower's application was received.
- ▷ The loan statement provides a listing of all loans that have been verified and included in the accompanying promissory note. Borrowers in default may want to check the loan statement to see how collection costs have increased their loan total. For borrowers out of school, the loan statement also includes repayment estimates. (These will be revised estimates for borrowers who requested repayment estimates earlier in the process.)

- ▶ An endorser addendum (Appendix F) is sent only if the consolidation loan includes a PLUS Loan and the borrower has an *adverse credit history* and has not documented extenuating circumstances. If the borrower chooses to obtain an eligible endorser, the addendum must be signed and returned with the promissory note. When the endorser addendum is received, a credit check on the endorser is completed.

Consolidation

When the Loan Origination Center receives a signed promissory note, the borrower's loan balances are paid off. For defaulted loans, guaranty agencies are notified to release the loans, and fees and collection costs are paid. The previous loan holders are required by regulation to notify the borrower that the loans have been paid in full or, in the case of defaulted loans, transferred to the Department of Education.¹ The Department notifies the borrower of the consolidation. Any payments a borrower makes to the previous loan holders after the loans have been paid off or transferred will be forwarded to the Loan Origination Center. These payments will be applied to the consolidation loan balance.

Repayment

The first payment on the consolidation loan will be due within 60 days of the first disbursement on the loan. Because the borrower's original federal education loans may be paid off through multiple disbursements, the first payment due date is calculated based on the first such disbursement. There is no grace period on Direct Consolidation Loans unless the borrower consolidates at least one loan in an in-school period. (For more information, see the Repayment section.)

¹ See 34 CFR 685.215(f)(2) December 1, 1994.

Questions & Answers



Does a borrower have to reconsolidate with each new loan?

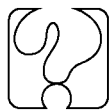
To add a “new” loan, that is, a loan that was not fully disbursed prior to the origination of a borrower’s Direct Consolidation Loan, the borrower must reapply through the Loan Origination Center. New loans are not included automatically in a Direct Consolidation Loan. However, if the new loan is a Direct Loan, the borrower does not need to reconsolidate, but only to request combined billing. (See below for more on adding to a Direct Consolidation Loan.)



Can a borrower add loans to a Direct Consolidation Loan?

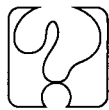
Preexisting eligible loans, that is, loans that were fully disbursed prior to the origination of a borrower’s Direct Consolidation Loan, may be added within 180 days of origination. The borrower must contact the Loan Origination Center to add such loans. If a preexisting eligible loan was listed on the borrower’s original application, the loan may be added with a phone call to the Loan Origination Center; if the loan was not listed on the original application, the borrower must request the loan’s addition in writing.

To add preexisting eligible loans after 180 days or to add “new” loans, a borrower must reapply through the Loan Origination Center.



Can a borrower in default regain eligibility for Title IV aid more than once?

No, borrowers may regain their eligibility only once by making the required satisfactory repayment arrangements.



Can a borrower who consolidated a defaulted loan reconsolidate after defaulting again?

Borrowers who default again after consolidating a defaulted loan must obtain the Department’s approval to reconsolidate.

Definitions

Rehabilitation:

The process of bringing a loan out of default and removing the default notation on a borrower's credit report. To rehabilitate a defaulted Direct Loan, a borrower must make 12 reasonable and affordable, consecutive, voluntary, on-time, full monthly payments on the defaulted loan. To rehabilitate a FFEL, a borrower must make 12 reasonable and affordable, consecutive, voluntary, on-time, full monthly payments on the defaulted loan, and the loan must be resold.

Reasonable and Affordable Payments:

The holder of a Direct Loan or FFEL Program loan determines what constitutes a reasonable and affordable payment on a case-by-case basis. Loan holders consider disposable income and such expenses as housing, utilities, food, medical costs, work-related expenses, dependent care, and other Title IV education loans. Borrowers are then provided with a written statement of the payment and an opportunity to object to those terms. See 34 CFR 682.401(b)(4)(i) and 34 CFR 685.208(g)(3).

Satisfactory Repayment Arrangements:

Under the Direct Loan and FFEL Programs, for the purpose of consolidation, three consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable given the borrower's total financial situation constitute satisfactory repayment arrangements. For the purpose of restoring eligibility for Title IV student aid, six consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable given the borrower's total financial situation constitute satisfactory repayment arrangements. (Borrowers who are in default on other federal education loans must contact their current loan holders to determine how those loan holders define satisfactory repayment arrangements.)

In-School Period:

Generally, a student loan is considered to be in an in-school period from the time it is disbursed until the borrower ceases to be enrolled at an eligible school on at least a half-time basis. (However, a student loan that has entered and only partially completed the grace period because the borrower has reenrolled at least half time at an eligible school before the expiration of the six months is considered to be in an in-school period.)

Verification:

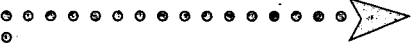
The process of requesting that a loan holder certify a loan's payoff balance.

Adverse Credit History:

An applicant has an adverse credit history when he or she is 90 days or more delinquent on any debt or has been the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a Title IV education loan during the five years preceding the credit report. See 34 CFR 685.200(b)(7)(ii).



repayment



Direct Consolidation Loans offer convenience and choice in repayment. Four different repayment plans fit different budgets, and borrowers can change plans when their circumstances change. The following sections explain repayment and the plans in detail and provide suggestions on how to choose among the plans.



Direct Loans

FOR INFORMATION

Repayment Plans

Before entering repayment, borrowers are sent information on the four plans:

- ▷ Standard Repayment Plan: fixed payments over 10 years or less
- ▷ Extended Repayment Plan: lower monthly payments than through the Standard Plan over a longer term, 12 to 30 years
- ▷ Graduated Repayment Plan: payments that rise gradually over 12 to 30 years
- ▷ Income Contingent Repayment Plan: payments that are linked to a borrower's income and total Direct Loan debt and spread over a term of up to 25 years

All four repayment plans are available to borrowers of Direct Subsidized and Unsubsidized Consolidation Loans. Direct PLUS Consolidation Loan borrowers may not choose the ICR Plan.

Borrowers who consolidate loans from more than one category (subsidized, unsubsidized and PLUS) still have only one Direct Consolidation Loan and make only one payment. (Remember, the Direct Loan Servicing Center tracks the underlying loans and interest rates.) In general, borrowers choose only one repayment plan. However, borrowers who consolidate a PLUS Loan with student loans may repay the PLUS portion under a different plan than the rest of the consolidation loan.

Borrowers who don't choose a plan are assigned to the Standard Repayment Plan; however, borrowers may change plans at any time.

If a borrower can document that none of these plans meets his needs, the borrower may request an alternative repayment plan by contacting the Direct Loan Servicing Center. Such a plan would be provided only on a case-by-case basis.

Standard Repayment Plan

With the Standard Plan, borrowers make fixed monthly payments of at least \$50 for up to 10 years. Some borrowers pay less interest in this plan than the others because the repayment period is shorter. In general, the shorter the repayment period, the lower the total interest paid. (See Example A below.)

Example A

This example shows a Direct Subsidized Consolidation Loan repaid at an 8.25 percent interest rate under the Standard Repayment Plan for 10 years (120 payments).

Loan Amount	Beginning Monthly Payment	Total Amount Repaid
\$15,000	\$184	\$22,080*

*\$15,000 in principal and \$7,080 in interest

Extended Repayment Plan

With the Extended Plan, borrowers make fixed monthly payments of at least \$50 over a 12- to 30-year period, depending on the borrower's education debt. (See the table below.) Education loans that are not included in the consolidation may be considered when calculating the length of repayment under the Extended Plan; however, they may not exceed the amount of the Direct Consolidation Loan. Borrowers with small loans may repay in less than 12 years because they must make at least the \$50 minimum payment.

<i>Amount of Debt</i>	<i>Length of Repayment Period May Not Exceed</i>
Less than \$10,000	12 years
\$10,000 - \$19,999	15 years
\$20,000 - \$39,999	20 years
\$40,000 - \$59,999	25 years
\$60,000 or more	30 years

Because most borrowers take longer than 10 years to repay their loans under the Extended Plan, their monthly payments are lower than they would be in the Standard Plan. However, the amount they repay is greater because they pay more interest. (See Example B below.)

Loan Amount	Beginning Monthly Payment	Total Amount Repaid
\$15,000	\$146	\$26,280*

*\$15,000 in principal and \$11,280 in interest

Graduated Repayment Plan

Under the Graduated Plan, payments start out low and increase, generally, every two years. The length of the repayment period will vary from 12 to 30 years, depending on the borrower's education debt. (See the table on page 4.) Education loans that are not included in the consolidation may be considered when calculating the length of repayment under the Graduated Plan; however, they may not exceed the amount of the Direct Consolidation Loan.

This plan works for borrowers who expect their income to increase steadily over time. A borrower's minimum monthly payment is the greater of the interest that accumulates on the loan between payments or half of what the borrower would pay under the Standard Plan. The maximum monthly payment is 1.5 times what the borrower would pay under the Standard Plan. Generally, borrowers repay more over the term of the loan in the Graduated Plan than in the Extended Plan. However, the Graduated Plan offers lower payments when borrowers are just starting out in their careers. (See Example C below.)

Example C

This example shows a Direct Subsidized Consolidation Loan repaid at an 8.25 percent interest rate under the Graduated Repayment Plan for 15 years (180 payments).

Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Amount Repaid
\$15,000	\$105	\$238	\$28,628*

*\$15,000 in principal and \$13,628 in interest

Note: Regulations published December 1, 1995, made substantial changes to the Income Contingent Repayment Plan. The following revised plan took effect July 1, 1996.

Income Contingent Repayment Plan

The ICR Plan gives borrowers the flexibility to meet their obligations without causing them financial hardship. A borrower's monthly payment is based on annual Adjusted Gross Income (AGI), as reported on a federal tax return or, if a borrower submits alternative documentation of income, on current income and the total amount of the borrower's Direct Loans.

To participate in the ICR Plan, borrowers (and if married, their spouses) must sign the Income Contingent Repayment Plan Consent to Disclosure of Tax Information (included in the promissory note packet for out of school borrowers). This allows the IRS to release income information to the Department of Education to calculate monthly payments. Borrowers' monthly payments are adjusted annually to reflect income and interest rate changes.

The monthly payments of borrowers with low incomes may not keep up with the interest accruing on their loans. In such cases, the unpaid interest is *capitalized* annually until the loan principal has increased by 10 percent. After that, interest continues to accrue but is not added to the principal. (This limit does not apply to interest that accrues during deferment or forbearance.)

The maximum repayment period in the ICR Plan is 25 years. Earlier payment periods for borrowers who began repaying in the Standard Plan or 12-year Extended Plan count toward the 25-year maximum. Earlier payment periods in other plans do not count toward the maximum. If a borrower has not fully repaid the Direct Consolidation Loan after 25 years, the unpaid portion will be discharged. However, the borrower must pay taxes on the portion discharged.

Alternative Documentation of Income

Alternative documentation of income is required from borrowers in their first year of repayment because their reported AGI may not reflect their current income. Borrowers in their second year of repayment will probably be required to provide alternative documentation of income also. Such documentation includes pay stubs, canceled checks, or, if these are unavailable, a signed statement explaining income sources. This requirement does not apply to borrowers with new consolidation loans if they have been in repayment on their underlying loans for two years.

Other borrowers who may be required to submit alternative documentation of income include those whose AGI is not available or whose AGI does not reasonably reflect their current income. In addition, borrowers may choose to submit alternative documentation of current income, if special circumstances, such as loss of employment, warrant a payment adjustment.

Calculating Payments

Until the Department receives income information from the IRS or alternative documentation of income, borrowers' monthly payments are equal to the interest that accrues each month. If they are unable to make those payments, borrowers may request a forbearance until their monthly payments are calculated based on their income information.

Under the new plan, the monthly payment would be zero for borrowers with incomes less than or equal to the U.S. Department of Health and Human Services poverty level for their family size. (Appendix I) Borrowers whose calculated monthly payment is greater than zero but less than \$5 are required to make a \$5 monthly payment. Other borrowers must pay the calculated monthly payment.

Because the ICR Plan is designed to keep payments affordable, it contains calculations to protect low-income borrowers. Borrowers pay the lesser of

- ▷ the amount they would pay if they repaid their loan in 12 years multiplied by an income percentage factor that varies with their annual income
- ▷ 20 percent of their *discretionary income* (AGI minus the poverty level for their family size)

Monthly payments are calculated as follows:

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ *Step 1:* Determine monthly payments based on what the borrower would pay over 12 years in equal monthly installments. To do this, multiply the principal balance by the *constant multiplier* for the interest rate on the borrower's loan. (See Appendix J. If the exact interest rate is not listed, choose the next highest rate for estimation purposes.)

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ *Step 2:* Multiply the result by the income percentage factor that corresponds to the borrower's income. (See Appendix K. If the borrower's income is not listed, choose the factor corresponding to the next highest income for estimation purposes.)

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ *Step 3:* One of the ICR Plan's protective measures is that borrowers' payments will never exceed 20 percent of their discretionary income. To determine 20 percent of a borrower's discretionary income, first subtract the poverty guideline for the borrower's family size (Appendix I) from the borrower's income to get the borrower's annual discretionary income. Multiply the result by 20 percent. Then divide that figure by 12 to get the borrower's monthly payment.

Borrowers' monthly payments will be the lesser of the result in step 2 or step 3. (See Example D on the following page.)

Example D

This example shows a borrower with a family size of one and a \$30,000 AGI repaying a \$15,000 Direct Subsidized Consolidation Loan at an 8.25 percent interest rate under the ICR Plan.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Repayment
\$15,000	\$30,000	\$149*	14	\$24,792**

*Calculated as follows:

Step 1: Multiply the principal balance by the constant multiplier for 8.25% interest (.0109621).

(For constant multipliers, see Appendix J.)

$$0.0109621 \times 15,000 = 164.4315$$

Step 2: Multiply the result by the income percentage factor that corresponds to the borrower's income.

(For income percentage factors, see Appendix K.)

$$90.89\% (0.9089) \times 164.4315 = \$149$$

Step 3: Determine 20 percent of discretionary income.*** (See Appendix I for poverty guidelines chart.)

$$[\$30,000 - \$7,890] \times 0.20 \div 12 = \$369$$

Step 4: Payment is the amount determined in step 2 because it is less than 20 percent of discretionary income.

**\$15,000 in principal and \$9,792 in interest

***Poverty guideline for a family size of one

Payments for Married Borrowers

The income of both spouses is considered when a married borrower repays under the ICR Plan. Both incomes are considered whether a couple repays jointly or separately and whether they file joint or separate tax returns. Further, married borrowers who submit alternative documentation of income (see page 7) also will be required to submit alternative documentation of income for their spouses.

The monthly payments of married borrowers repaying jointly are based on their joint debt and their joint income. While married borrowers are not required to repay their loans jointly, it is important to remember that if only one spouse chooses to repay under the ICR Plan, the Department will use the AGI (or alternative documentation of income) for both spouses to determine a monthly payment. (See Example E on the following page.)

Example E

This example shows a married couple with a family size of two and a \$25,000 AGI. They are jointly repaying a \$15,000 Direct Subsidized Consolidation Loan (\$10,000 for one spouse and \$5,000 for the other) at an 8.25 percent interest rate under the ICR Plan.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Repayment
\$15,000	\$25,000	\$131*	16	\$27,083**

*Calculated as follows:

Step 1: Add the Direct Loan balances of the husband and wife together to determine the aggregate loan balance.
 $\$5,000 + \$10,000 = \$15,000$

Step 2: Multiply the principal balance by the constant multiplier for 8.25% interest (.0109621). (For constant multipliers, see Appendix J.)
 $0.0109621 \times 15,000 = 164.4315$

Step 3: Multiply the result by the income percentage factor that corresponds to the joint income. (For income percentage factors, see Appendix K.)
 $79.91\% (0.7991) \times 164.4315 = \131

Step 4: Determine 20 percent of discretionary income.*** (See Appendix I for poverty guidelines chart.)
 $[\$25,000 - \$10,610] \times 0.20 \div 12 = \240

Step 5: Payment is the amount determined in step 3 because it is less than 20 percent of discretionary income.

**\$15,000 in principal and \$12,083 in interest

***Poverty guideline for a family size of two

Choosing a Plan

Borrowers may compare monthly payments and the total amount repaid under the four plans by using the worksheets in Appendix L and the chart in Appendix M. However, the choice of a repayment plan should not be solely based on the monthly payment. Each plan has specific advantages.

Borrowers who select the Standard Plan have a **shorter repayment period** than under the other plans. They pay off their loan quickly and pay less interest than under the other plans. However, the Standard Plan may require high monthly payments.

Borrowers who expect to have a good income benefit from the Standard Plan. Borrowers who think a higher monthly payment would be difficult to manage or who are unsure of their income would be better off with another plan.

Borrowers who select the Extended or Graduated plans will have a **longer repayment period** than under the Standard Plan. Thus, they will likely have lower monthly payments than under the Standard Plan, but pay more interest over the life of the loan. Under the Extended Plan, payments are fixed, and borrowers generally pay less interest than under the Graduated Plan.

The Standard and Extended plans offer fixed payments for borrowers. However, borrowers who prefer to make **smaller payments at first** and larger payments as their income rises benefit from the Graduated Plan.

Note: Direct PLUS Loans and Direct PLUS Consolidation Loans are not eligible for Income Contingent Repayment.

Borrowers who select the ICR Plan have monthly payments that vary with their annual income. Borrowers with low

incomes probably will have longer repayment periods than they would receive under another plan. As a result, borrowers pay more in interest, but should have an easier time keeping up with monthly payments and avoiding default. When a borrower's income increases, the monthly payment increases. This reduces the repayment period and the interest paid over time. In general, borrowers who want **manageable monthly payments** given their income will benefit from the ICR Plan.

Changing Plans

Most borrowers may change repayment plans at any time. Borrowers who were in default and had agreed to repay under the ICR Plan must make three monthly payments before switching to another plan. There is no limit to the number of times borrowers may change plans.

- ▷ A borrower may change to the ICR Plan at any time. After the switch, the borrower's repayment period will be 25 years, less any time spent in the ICR, Standard, and 12-year Extended plans. Time spent in the Extended Plan under the 15- to 30-year periods and in the Graduated Plan does not count toward the 25-year maximum.
- ▷ A borrower may change to another plan as long as that plan has a repayment term longer than the amount of time the borrower has already spent in repayment. For example, a borrower in the Extended Plan may only change to the Standard Plan if the borrower has spent fewer than 10 years in repayment. The new repayment term will be determined by subtracting the amount of time a borrower has spent in repayment from the term allowed under the new plan. For example, a borrower who has spent three years in the Extended Plan would have a new seven-year repayment period under the Standard Plan.

Coming Soon! The Department of Education plans to offer borrowers new options for repaying their loans. Borrowers may soon have payments deducted electronically from a bank account or automatically from their paycheck.

Making Payments

For most borrowers, repayment begins 60 days after the first disbursement on the Direct Consolidation Loan. For borrowers with an in-school Direct Consolidation Loan, repayment begins after their six-month grace period expires.

Borrowers will receive a billing statement from the Direct Loan Servicing Center each month for the first year of the repayment period. Borrowers in certain repayment plans who have been in repayment for a year and are current will receive a book of monthly payment coupons.

Monthly payments are adjusted each year in July to reflect changes in the variable interest rate unless the borrower requests that the monthly payments remain the same and the number of monthly payments be extended if necessary.

Borrowers can prepay a Direct Consolidation Loan at any time without penalty. If a borrower makes a payment that exceeds the required monthly payment, the prepayment will be applied in this order: first to any charges or collection costs, then to outstanding interest, and last to principal. However, if a borrower's account is current, the prepayment is applied entirely to principal and, unless the borrower specifies otherwise, the next payment due date is advanced. The borrower will be notified of a revised due date.

Borrowers must keep the Direct Loan Servicing Center informed of any name or address changes. They are responsible for making payments on time regardless of whether they receive billing statements or a coupon book. Borrowers should send payments to:

U.S. Department of Education
Direct Loan Payment Center
P.O. Box 746000
Atlanta, GA 30374-6000

Questions & Answers



Under what plan do borrowers repay when they consolidate both a PLUS Loan (excluded from the ICR Plan) and a defaulted loan on which they have not made satisfactory repayment arrangements (ICR Plan only)?

Borrowers in this situation are placed in two repayment plans: Standard, Graduated or Extended for the PLUS portion and ICR for the portion in default. These borrowers still have only one loan and make one monthly payment. The Direct Loan Servicing Center keeps track of the underlying calculations.



Can a borrower choose to repay under two repayment plans?

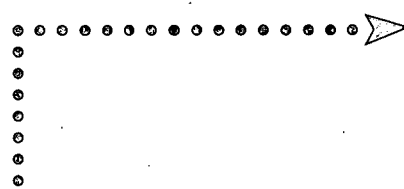
In general, no. However, borrowers who consolidate a PLUS Loan and other loans may choose to repay the PLUS portion under the Standard, Graduated or Extended Plan and the non-PLUS portion under any plan. These borrowers still have only one loan and make one monthly payment. The Direct Loan Servicing Center keeps track of the underlying calculations. In addition, circumstances may require that a borrower

Definitions

- Capitalization:** repay under two plans. See above.
- Discretionary Income:** The addition of accrued interest to the principal of a loan, increasing the cost of the loan.
- Constant Multiplier:** A borrower's federal Adjusted Gross Income (AGI) minus the U.S. Department of Health and Human Services poverty level for the borrower's family size.
- A factor used to calculate payments at a given interest rate over a fixed period of time.



postponing repayment



Borrowers who are having trouble making their monthly payments may be able to postpone repayment through *deferment* or *forbearance*. Each has separate conditions and requirements.

COMMON LIBRARY

Deferment

Borrowers who qualify for a deferment may temporarily postpone payments on their loan. The federal government pays the interest charged on subsidized consolidation loans during a deferment, but the borrower is responsible for interest charged on unsubsidized and PLUS consolidation loans. The borrower may either pay the interest as it accrues or allow it to accumulate and be *capitalized* when the deferment period ends. For borrowers whose consolidation loan contains subsidized as well as unsubsidized and PLUS portions, interest will only be charged on the unsubsidized and PLUS portions.

Note: The length of a repayment period does not include periods of deferment.

The following sections and Appendix N outline the deferments available on Direct Consolidation Loans.

For all Direct Consolidation Loans, deferments are available for borrowers who meet at least one of the following conditions:

- ▶ The borrower is enrolled at least half time at an eligible school. (Borrowers participating in a medical internship or residency — except for a dentistry residency — are not eligible for this deferment. For information on forbearance, see page 6.)

- ▷ The borrower is enrolled full time in a graduate fellowship program approved by the Department of Education.
- ▷ The borrower is enrolled full time in a rehabilitation training program that is approved by the Department of Education.
- ▷ The borrower is unemployed and seeking but unable to find full-time employment. Eligibility for this deferment is limited to three years.
- ▷ The borrower is experiencing or will experience an economic hardship. Criteria for this deferment include receiving payment under a public assistance program or earning a salary below the poverty line. Contact the Direct Loan Servicing Center for more information or see 34 CFR 685.204(b)(3) and 34 CFR 682.210(s)(6).

Borrowers who had an outstanding balance on a FFEL made before July 1, 1993, at the time they obtained their Direct Consolidation Loan may be eligible for additional deferments under the following conditions:

- ▷ The borrower is serving in a required internship or residency program. Eligibility for this deferment is limited to two years.
- ▷ The borrower is temporarily totally disabled or required to provide full-time care for a temporarily totally disabled dependent. Eligibility for this deferment is limited to three years.
- ▷ The borrower is teaching in a designated teacher shortage area. Eligibility for this deferment is limited to three years, and Direct PLUS Consolidation Loans are ineligible.

- ▷ The borrower is serving in the U.S. Armed Forces, Peace Corps, or the Commissioned Corps of the Public Health Service, or serving as a full-time paid volunteer for a tax-exempt organization or an ACTION program. Under certain circumstances, members of the reserve component of the National Guard or the U.S. Armed Forces who are on active duty also may qualify for this deferment. Eligibility for this deferment is limited to three years.
- ▷ The borrower is serving on active duty in the National Oceanic and Atmospheric Administration. Eligibility for this deferment is limited to three years, and Direct PLUS Consolidation Loans are ineligible.
- ▷ The borrower is pregnant, caring for a newborn child, or caring for a newly adopted child. The borrower must not be working full time or attending school, but must have attended at least half time within the six months preceding application for this deferment. Eligibility for this deferment is limited to six months, and Direct PLUS Consolidation Loans are ineligible.
- ▷ The borrower is the mother of a preschool-age child. The borrower must be working at least 30 hours per week at a salary of no more than \$1 more than the federal minimum wage. The borrower must also have entered or reentered the work force within one year preceding application for this deferment. Eligibility for this deferment is limited to one year, and Direct PLUS Consolidation Loans are ineligible.

PLUS borrowers who had an outstanding balance on an FFEL made before July 1, 1993, at the time they obtained their Direct Consolidation Loan may be eligible for additional deferments if the student for whom they borrowed PLUS Loans is dependent and meets at least one of the following conditions:

- ▷ The student is enrolled full time at an eligible school.
- ▷ The student is enrolled at least half time at an eligible school and has received a Direct Loan or FFEL for that period of enrollment.
- ▷ The student is enrolled full time in an approved graduate fellowship program.
- ▷ The student is enrolled full time in an approved rehabilitation training program.

Note: Married borrowers are eligible for a deferment on a joint consolidation loan only if both spouses are eligible for a deferment; however, they do not have to meet the requirements for the same deferment.

Borrowers who meet any of these conditions and want to postpone repayment of their loan must call or write the Direct Loan Servicing Center to ask for the appropriate form. They will be asked to document that they meet the requirements for the deferment they are requesting. For example, a borrower who is requesting an unemployment deferment will be asked to document his search for a job. The deferment forms (Appendix O) explain what proofs will be accepted.

Note: Borrowers will lose the deferments that apply to their underlying loans and gain the deferments available on a Direct Consolidation Loan when they consolidate. Borrowers should weigh carefully the advantages and disadvantages when deciding whether or not to consolidate.

Forbearance

Borrowers who are willing but unable to make payments and do not qualify for a deferment may be eligible for forbearance. Forbearance means temporarily postponing payments or making smaller payments for a limited and specified period of time. Interest is charged on all Direct Consolidation Loans during forbearance. While both principal and interest payments will be forborne, borrowers may choose to pay the interest as it accumulates or have it capitalized at the end of the forbearance period.

Note: Endorsers on Direct PLUS Consolidation Loans may be eligible for forbearance.

Note: The length of a repayment period does not include periods of forbearance.

Borrowers may request forbearance if they meet at least one of the following conditions:

- ▷ The borrower is experiencing financial or health problems.
- ▷ The borrower is serving in a medical or dental internship or residency.
- ▷ The borrower is serving in a position under the National and Community Service Trust Act of 1993.
- ▷ The borrower is obligated to make payments on Title IV loans that are equal to or greater than 20 percent of the borrower's total monthly gross income. Eligibility is limited to three years.

Note: Married borrowers are eligible for forbearance on a joint consolidation loan only if both spouses meet the requirements for forbearance.


Borrowers who meet any of these conditions and want to postpone repayment of their loan must call or write the Direct Loan Servicing Center to ask for the appropriate form (Appendix P). They will be asked to document that they meet the requirements for forbearance. The Department also grants administrative forbearance, which does not require documentation, for such periods as the time prior to a borrower's filing of a bankruptcy petition and the period for which payments are overdue at the beginning of a deferment. Contact the Direct Loan Servicing Center with specific questions about administrative forbearance.

Definitions

- Capitalization:** The addition of accrued interest to the principal of a loan, increasing the cost of the loan.
- Deferment:** A temporary postponement of payments on a loan.
- Forbearance:** A postponement of payments or a reduction in monthly payments for a limited and specified period of time during which a borrower is willing but unable to make payments.



default



Borrowers who fail to make a payment on time are considered delinquent on a Direct Consolidation Loan. Borrowers who do not make payments for 180 days are considered to be in *default*.

Direct Consolidation Loans



Direct Loans

Consequences

The consequences of default are severe and long-lasting:

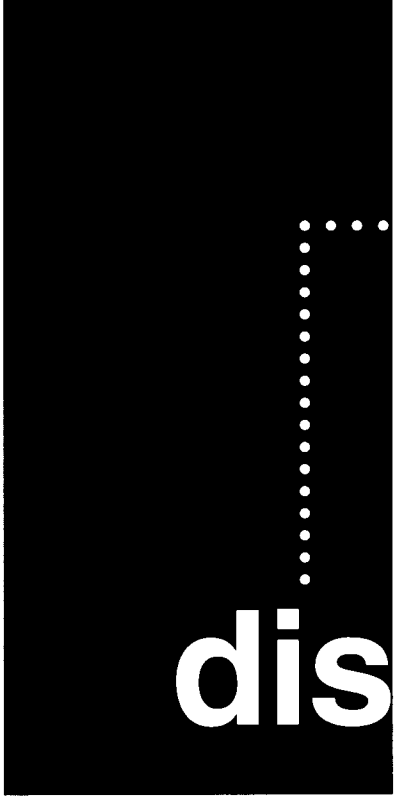
- ▷ The Department of Education can immediately demand repayment of the total amount due on the loan.
- ▷ The Department of Education will attempt to collect the debt and may charge the borrower for the costs of collecting.
- ▷ The default will be reported to national credit bureaus. The borrower's credit rating will be damaged, which will make it difficult for the borrower to make purchases such as a car or house.
- ▷ Borrowers in default are ineligible for Title IV student aid.
- ▷ Borrowers in default are ineligible for deferments.
- ▷ The Internal Revenue Service can withhold a borrower's federal income tax refund.
- ▷ The borrower's wages may be garnished.

It is important that borrowers stay in touch with the Direct Loan Servicing Center. Default can occur when a borrower fails to keep the Direct Loan Servicing Center up to date on address or name changes and billing statements go astray. The Direct Loan Servicing Center also can offer alternatives when a borrower is having trouble making monthly payments. Borrowers may apply for a deferment or forbearance or may change repayment plans.

Definitions

Default:

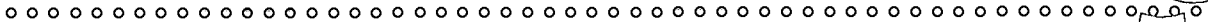
Failure to repay a loan according to the terms of the promissory note. This failure must persist for 180 days.



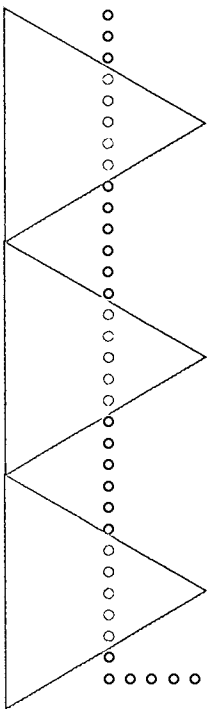
discharge



Under a few special circumstances, a borrower's Direct Consolidation Loan may be discharged, which means a borrower is released from all obligation to repay the loan.



Direct Consolidation Loan



Direct Loans

Conditions

A borrower can receive a discharge with proof of the following:

- ▶ The borrower becomes totally and permanently disabled. A physician must certify total and permanent disability. Also, the condition cannot have existed at the time the borrower applied for the Direct Consolidation Loan, unless a doctor certifies that the condition substantially deteriorated after the loan was made.
- ▶ The borrower dies. **However, spouses who consolidate jointly agree to repay the entire consolidation loan if either spouse dies.**
- ▶ The borrower's school closes or the school falsely certifies a borrower's eligibility. If a parent has a PLUS Loan for the borrower, it will also be discharged.
- ▶ The borrower's obligation to repay a loan is discharged in bankruptcy (in rare cases).

Note: Married borrowers who consolidate jointly are eligible for discharge only if both meet the requirements for discharge, with the exception of a discharge for a closed school or false certification of eligibility.

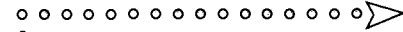
Borrowers may not avoid repaying their loans because they did not complete a course of study (for reasons other than school closure or false certification), did not like a school or program, or did not obtain employment after completing school.

Note: Borrowers who have Federal Perkins Loans are eligible for cancellation under other conditions, such as performing certain kinds of public service. (See Appendix Q.) This benefit is lost when a Perkins Loan is included in a Direct Consolidation Loan.



consolidation

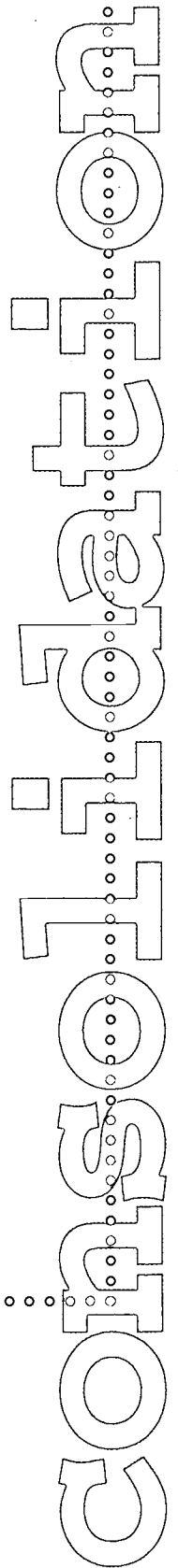
of health professions loans



➤ Differences exist between the Direct Consolidation Loan Program and the health professions and nursing student financial aid programs because the former is authorized by the Higher Education Act and the latter by the Public Health Service Act. Borrowers should be made aware of the advantages and disadvantages of consolidating because of these program differences. They are outlined in the following sections and in Appendix R.



Direct Loans



Eligible Loans

The following health professions loans are eligible for consolidation under the Federal Direct Consolidation Loan Program :

- ▷ Health Professions Student Loans (HPSL)
- ▷ Loans for Disadvantaged Students (LDS)
- ▷ Health Education Assistance Loans (HEAL)
- ▷ Nursing Student Loans (NSL)

At least one Direct Loan or FFEL must be included in a Direct Consolidation Loan. Health professions loans are not eligible for in-school consolidation.

Ineligible Loans

Primary Care Loans are not eligible for consolidation under Direct Consolidation or FFELP.

Health Professions Student Loans & Loans for Disadvantaged Students

- ▶ HPSL and LDS borrowers receive a one-year grace period. Direct Consolidation Loans that include a HPSL or LDS do not qualify for a grace period.
- ▶ To qualify for an in-school *deferment*, Direct Consolidation Loan borrowers must be attending school at least half time. HPSL and LDS borrowers are required to attend school full time to be eligible for an in-school deferment.
- ▶ For HPSL and LDS borrowers, the interest rate is fixed at 3, 5, 7, or 9 percent — depending on the date the loan was made. The interest rate on the unsubsidized portion of a Direct Consolidation Loan that includes a HPSL or LDS is variable with an 8.25 percent cap.
- ▶ Interest does not accrue on HPSL and LDS loans during periods of grace and deferment. However, borrowers who include a HPSL or LDS in a Direct Consolidation Loan will be charged interest during these periods. They may either pay the interest as it accumulates or allow it to be *capitalized*.
- ▶ HPSL and LDS borrowers have 10 years to repay their loans. Direct Consolidation Loan borrowers may choose from four repayment plans with 10 to 30 years to repay their loans depending on the repayment plan and how much they owe.

▷ Borrowers who include a HPSL or LDS in a Direct Consolidation Loan do not retain the deferments that apply to the health professions loan. However, they gain the deferments that apply to Direct Consolidation Loans. They may be eligible for additional deferments if they have an outstanding balance on an FFEL made before July 1, 1993, when they obtain a Direct Consolidation Loan. (For more on deferments, see Postponing Repayment page 2.)

Note: HPSL and LDS borrowers may be eligible for either a Federal Consolidation Loan or a Direct Consolidation Loan. In either case, the terms applying to the new consolidation loan supersede those of the underlying loans. The repayment period starts over, and borrowers may apply for deferments for which the time limit had been exhausted.

Health Education Assistance Loans

HEAL Program

- ▶ HEAL borrowers receive a nine-month grace period. Direct Consolidation Loans that include a HEAL do not qualify for a grace period.
- ▶ To qualify for an in-school deferment, Direct Consolidation Loan borrowers must be attending an eligible school at least half time. HEAL borrowers are required to attend school full time to be eligible for an in-school deferment.
- ▶ HEALs may be offered as fixed or variable rate loans. The maximum interest rate on a variable rate HEAL is based on the average 91-day Treasury bill rate plus 3 percentage points and is not capped. This rate is adjusted quarterly. Actual HEAL interest rates are frequently much lower than the maximum. For example, in Fiscal Year 1996 interest rates have been as low as the quarterly Treasury bill rate plus 1.59 percentage points. Some HEALs may be offered as fixed interest rate loans. The interest rate cannot exceed the maximum interest rate assessed for the quarter in which the borrower obtains the HEAL.

HEAL Refinancing

The interest rate on the unsubsidized portion of a Direct Consolidation Loan that includes a HEAL is variable with an 8.25 percent cap.

- ▶ HEAL borrowers have from 10 to 25 years to repay their loans. Direct Consolidation Loan borrowers may choose from four repayment plans with 10 to 30 years to repay their loans depending on the repayment plan and the loan amount.
- ▶ Under the Direct Consolidation Loan Program, HEAL borrowers may repay under the ICR Plan for the entire repayment period. HEAL lenders are only required to offer an ICR plan for the first five years of repayment.
- ▶ Borrowers who have defaulted on a HEAL may include the collection costs and late fees in a Direct Consolidation Loan. These fees may not be included under HEAL Refinancing.
- ▶ Borrowers who include a HEAL in a Direct Consolidation Loan do not retain the deferments that apply to the HEAL, as they would under HEAL Refinancing. However, they gain the deferments that apply to Direct Consolidation Loans. They may be eligible for additional deferments if they have an outstanding balance on an FFEL made before July 1, 1993, when they obtain a Direct Consolidation Loan. (For more on deferments, see Postponing Repayment page 2.)

Note: Under both the HEAL Refinancing and Direct Consolidation Loan programs, the terms applying to the new loan supersede those of the underlying loans. The repayment period starts over, and borrowers may apply for deferments for which the time limit had been exhausted.

Nursing Student Loans

- ▶ NSL borrowers receive a nine-month grace period. Direct Consolidation Loans that include an NSL do not qualify for a grace period.
- ▶ For NSL borrowers, the interest rate is fixed at 3, 5, or 6 percent — depending on the date the loan was made. The interest rate on the unsubsidized portion of a Direct Consolidation Loan that includes an NSL is variable with an 8.25 percent cap.
- ▶ Interest is not charged on NSLs during periods of grace and deferment. However, borrowers who include an NSL in a Direct Consolidation Loan will be charged interest during these periods. They may either pay the interest as it accumulates or allow it to be capitalized.
- ▶ NSL borrowers have 10 years to repay their loans. Direct Consolidation Loan borrowers may choose from four repayment plans with 10 to 30 years to repay their loans depending on the repayment plan and how much they owe.
- ▶ Borrowers who include an NSL in a Direct Consolidation Loan do not retain the deferments that apply to the NSL. However, they gain the deferments that apply to Direct Consolidation Loans. They may be eligible for additional deferments if they have an outstanding balance on an FFEL made before July 1, 1993, when they obtain a Direct Consolidation Loan. (For more on deferments, see Postponing Repayment page 2.)

Note: NSL borrowers may be eligible for either a Federal Consolidation Loan or a Direct Consolidation Loan. In either case, the terms applying to the new consolidation loan override some of the limits on the underlying loans. The repayment period starts over, and borrowers may apply for deferments for which the time limit had been exhausted.

Definitions

Deferment: A temporary postponement of payments on a loan.

Capitalization: The addition of accrued interest to the principal of a loan, increasing the cost of the loan.



how to reach us



➤ Applicant Services/Loan Origination.....(800) 557-7392

- General information about consolidation
- Estimated repayment information
- Applications
- Replacement forms
- Questions about application processing
- Working hours from 8 a.m. to 8 p.m. (EST) Monday-Friday

TDD: (800) 557-7395

FAX: (800) 557-7396

VOICE: (800) 557-7392

Mail applications, correspondence, repayment plan selection forms, disclosure of tax information (ICR) and alternate documentation of income (ADI) to:

William D. Ford Direct Loan Program
PO Box 242800
Louisville, KY 40224

Mail verification certificates, promissory notes and endorser addenda to:

William D. Ford Direct Loan Program
P.O. Box 2007
Montgomery, AL 36102-2007



Direct Loans

Borrower Services/Loan Servicing.....(800) 848-0979

- Payment information
- Changing repayment plans
- Deferment and forbearance forms
- Address/name changes
- Working hours from 8 a.m. to 8:30 p.m. (EST) Monday-Friday

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 4609
Utica, NY 13504-4609

TDD: (800) 848-0983

Payments

U.S. Department of Education
Direct Loan Payment Center
P.O. Box 746000
Atlanta, GA 30374-6000

Department of Education Consolidation Work Group

- Program development and coordination
- Working hours from 9 a.m. to 5 p.m. (EST) Monday-Friday

U.S. Department of Education
Consolidation Work Group
Regional Office Building 3, Room 5036
7th and D Streets SW
Washington, DC 20202-5388

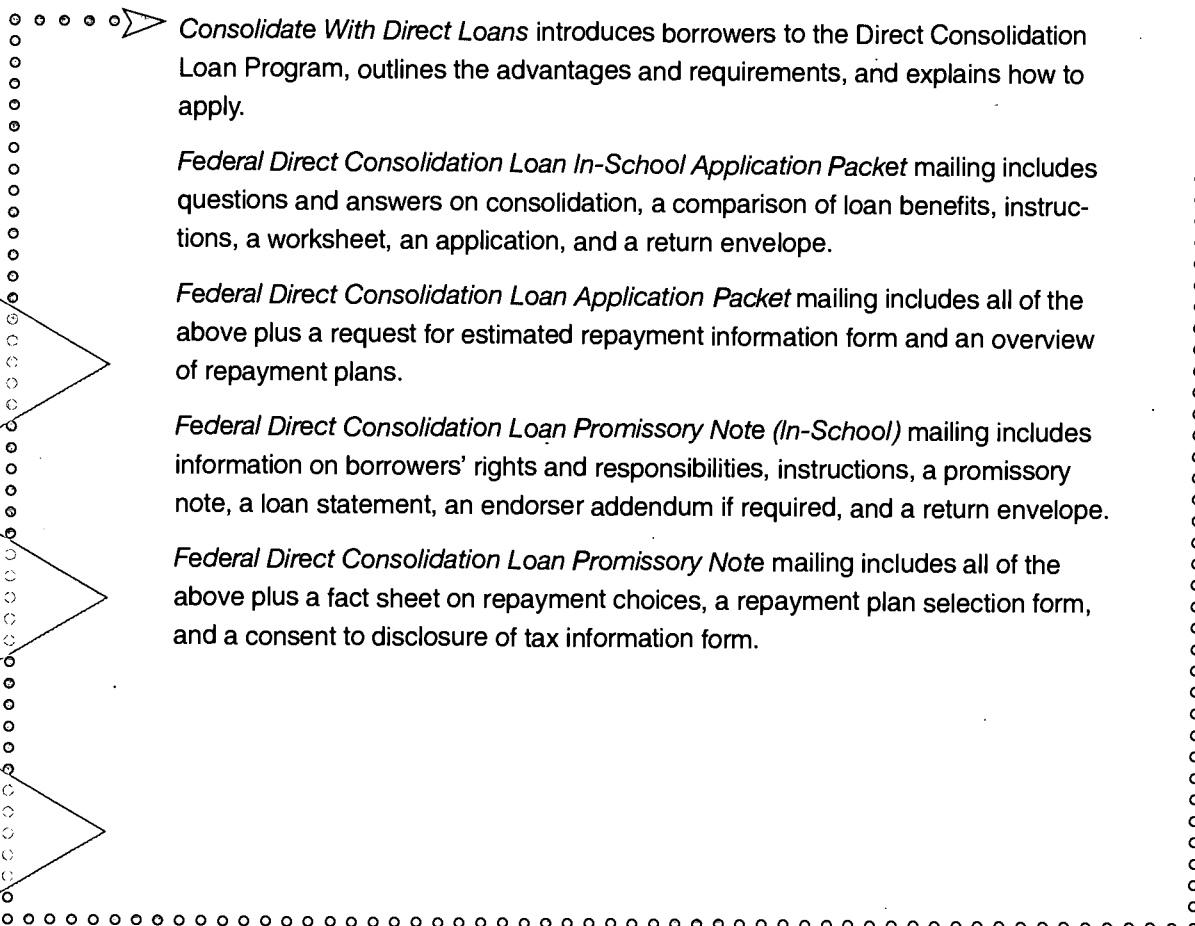
(202) 708-9951

FAX: (202) 401-3424

Telephone numbers and information are subject to change without notice



consolidation materials/publications



➤ *Consolidate With Direct Loans* introduces borrowers to the Direct Consolidation Loan Program, outlines the advantages and requirements, and explains how to apply.

Federal Direct Consolidation Loan In-School Application Packet mailing includes questions and answers on consolidation, a comparison of loan benefits, instructions, a worksheet, an application, and a return envelope.

Federal Direct Consolidation Loan Application Packet mailing includes all of the above plus a request for estimated repayment information form and an overview of repayment plans.

Federal Direct Consolidation Loan Promissory Note (In-School) mailing includes information on borrowers' rights and responsibilities, instructions, a promissory note, a loan statement, an endorser addendum if required, and a return envelope.

Federal Direct Consolidation Loan Promissory Note mailing includes all of the above plus a fact sheet on repayment choices, a repayment plan selection form, and a consent to disclosure of tax information form.



Direct Loans

General information on consolidation may also be found in the following:

All About Direct Loans offers borrowers detailed information on the Direct Loan Program with an overview of consolidation.

Direct PLUS Loan Basics offers borrowers detailed information on Direct PLUS loans with an overview of PLUS consolidation.

Entrance and exit counseling guides for borrowers and counselors introduce borrowers to the Direct Loan Program and Direct Consolidation Loans.

Updates are also available on the William D. Ford Federal Direct Loan Web site. The address is <http://www.ed.gov/DirectLoan/>. The following fact sheets are available on the Web site:

Helpful Hints

Consolidation After Graduation

In-School Consolidation

Consolidating Defaulted Loans

Health Professions Loans



appendix a



Federal Direct Consolidation Loan Application Packet Mailing

**(includes all of the items in the Federal Direct
Consolidation Loan In-School Application
Packet mailing)**

Direct Loans

William D. Ford Federal Direct Loan Program

Dear Borrower,

Thank you for your interest in a Direct Consolidation Loan from the U.S. Department of Education. Because this is an important decision that will affect your financial future, along with the application we've enclosed a lot of background information about consolidating your federal education loans. Here's what's enclosed:

- an application packet,
- an overview of available repayment plans,
- an *optional* form to use if you'd like to request information about what your estimated monthly payments would be with each repayment plan ("Request for Estimated Repayment Information"),
- a form where you select your repayment plan ("Repayment Plan Selection"),
- a form where – for the Income Contingent Repayment Plan – you consent for the IRS to disclose tax information about you ("Consent to Disclosure of Tax Information"), and
- a return envelope.

Note: Before you complete the application and select a repayment plan, if you would like estimates of what your monthly payments would be under each of the four available repayment plans, complete and return the *optional* form requesting estimated repayment information.

After you've read the application packet and the overview of repayment plan options, you'll be ready to fill out the application. It's important that you complete your application carefully. If it isn't legible or accurately filled out, there will be a delay before we can begin processing your application. To help you fill it out, we've enclosed a sheet of helpful hints inside your application packet. Before you begin filling out your application, please refer to these helpful hints as well as to the instructions on pages 11-14 of the application packet.

Once you've finished filling out your application, here's a checklist of what you need to send us in the return envelope:

- your completed application
- a photocopy of the document(s) where you found the information for each loan that you list in Section D of your application
 - If you are unable to provide copies of these documents, we may need to use other methods, such as running a credit check, to get the loan information we need to begin processing your application. (See the sheet of helpful hints for the kinds of documents that are acceptable.)
- your completed form selecting a repayment plan
 - Remember, you can use the *optional* form to find out what your estimated monthly payments would be with each repayment plan.
 - If you are consolidating a defaulted student loan(s) and have not made satisfactory

repayment arrangements, you must select the Income Contingent Repayment Plan and complete Section 4 of the repayment plan form. (See pages 3-4 of the application packet for more information on consolidating loans when you're in default. Note that parent PLUS loan borrowers are not eligible for the Income Contingent Repayment Plan.)

- your completed form -- if you selected the Income Contingent Repayment Plan -- consenting for the IRS to disclose tax information about you

You need to complete and return this form only if you select the Income Contingent Repayment Plan. If you select this plan and you are married, your spouse also must complete the form.

As soon as we receive your completed application and supporting documents, we'll begin processing. During this time, we might call you with questions, and we'll be sending you loan consolidation papers to sign.

In the meantime, if you currently are required to make payments on your loan(s), continue to do so. You will need to continue making payments until you receive written notification that your loan(s) has been successfully consolidated and it's time to start paying your Direct Consolidation Loan. If you are having difficulty making payments on your loan(s), contact the correspondence address or telephone number on your current loan statement(s) to find out ways you might be able to postpone loan payments; ask specifically about your "deferment" or "forbearance" options.

If you have any questions about your application for a Direct Consolidation Loan, please call us toll-free at 1-800-557-7392. For the hearing impaired, our toll-free TDD number is 1-800-557-7395. Our customer service representatives are available to assist you from 8 a.m. to 8 p.m. (Eastern Time), Monday through Friday.

We're looking forward to receiving your completed application.

Consolidation Department
Loan Origination Center

Enclosures

113

How Your Application Is Processed

After receiving your application, we do a quality-control check to make sure all the information we need is provided. If something is missing, we will send the application back to you to be completed, or we will call you for the information at one of the phone numbers you listed on the application. **The loan consolidation process can't begin until we have your completed application in hand.**

- Step 1.** After we receive your fully completed application, we enter the information into our system and begin processing it.
- Step 2.** Using the loan and lender information in the photocopies you sent with your application, we contact your loan holder(s) or loan servicer(s) to get the current balances to be paid off on your loan(s).
- Step 3.** In certain circumstances, we contact the IRS or a credit bureau.
- Step 3a.** If you selected the Income Contingent Repayment Plan, we make the first of several contacts with the IRS.
- Step 3b.** If you are consolidating parent PLUS loans, we conduct a credit check.
- Step 4.** After your loan holder(s) or loan servicer(s) certifies the pay-off balance(s) on your loan(s), we send you loan papers to sign. You'll have a promissory note giving the approximate amount the U.S. Department of Education will spend to pay off your federal education loan(s); this will be the approximate amount you owe the U.S. Department of Education on your Direct Consolidation Loan. Interest is additional.
- Step 5.** After you review the information in the loan papers, please sign them, and return them to us. These papers include time-sensitive information, so it's important that you return them as quickly as possible. We then pay off your loan holder(s) or loan servicer(s) and consolidate your loan(s).
- Step 6.** We forward your files to the Direct Loan Servicing Center, which notifies you that you have received a Direct Consolidation Loan.

This multi-step consolidation process generally takes 60 to 90 days.

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Application Packet

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Summary of Your Rights and Responsibilities as a Direct Consolidation Loan Borrower

Terms defined in the glossary are *italicized* the first time they appear.

You have the right to:

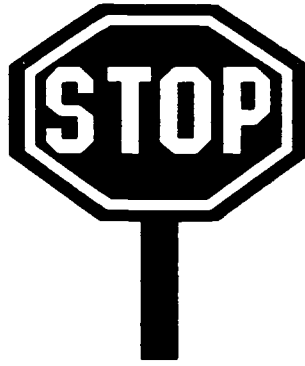
- receive written information on your *loan* obligations
- receive a copy of your *promissory note* either before or at the time you receive a loan
- receive a written statement of your rights and responsibilities as a *borrower*, including information about *deferment*, *forbearance*, and *cancellation* provisions
- receive, before you begin repaying your loan, a disclosure statement that includes information about *interest* rates and fees, the *loan principal* you owe, your monthly payment amount, and the expected number of payments you'll be making
- consolidate additional eligible loans at a later date
- change your *repayment plan*
- defer *repayment* for certain periods, if you qualify and if you request it
- receive forbearance (a type of loan repayment postponement), if you qualify and if you request it
- prepay your loan in whole or in part at any time without an early-repayment penalty (*prepayment*)
- receive, when your loan is fully repaid and all your loan obligations are fulfilled, documentation that your loan has been paid in full

You have the responsibility to:

- notify the *Direct Loan Servicing Center* if, before your loan is repaid, you
 - change employer
 - have a change in your employer's address or phone number
 - change your name
 - change your address
 - have any other change in status that would affect your loan status (for example, you lose eligibility for an unemployment deferment by obtaining a job)
- repay your loan(s) by making regular monthly payments, unless you are in school or you receive a deferment or forbearance

If you are in school when you get your Direct Consolidation Loan, you have the additional responsibility to:

- attend exit counseling before you leave school or drop below half-time enrollment
- notify your school's financial aid office if you
 - fail to enroll or reenroll in school for any term
 - stop attending classes
 - withdraw from school or drop below *half-time* enrollment
 - change your expected graduation date
 - change your name, local address, or permanent address



Don't delay processing of your consolidation loan by making mistakes on the application!

Instructions for completing an application for a Direct Consolidation Loan are in this packet. Here are a few additional helpful hints for items that have been a problem for some people.

Helpful Hints

You should complete the application in ink. If you cross out anything and write in new information, put your initials beside the change.

Section A: Borrower Information

Item 10: By "Employer's Telephone Number," we mean a telephone number where you can be reached at work.

Section B: Reference Information

Item 11: By "References," we mean relatives or friends who will always know how to contact you. If you are including your spouse's loan(s) in this application, your references must also always know how to get in touch with your spouse. The two people you list here must:

- be adults,
- have known you for at least three years,
- live in the United States,
- not have the same address as each other, and
- not have the same address as you.

Section D: Education Loan Indebtedness

This section asks about your education loans. List **all** your education loans in Section D, even the ones you are not consolidating. Sometimes, the more education debt you have, the longer you will be given to repay. To find the information you will need to answer these items, there are several places you can look, such as:

- the last monthly billing statement you received,
- your quarterly interest statement,
- your annual statement, or
- your coupon book.

If you are currently in school, you can contact the financial aid administrator at your school.



Item 21: You must give us at least the name, city, and state of your loan holder or servicer. Use the resources listed above to find this information. For example, on your statement, there might be two addresses: first, the address where you send your payment, and, second, an address that is sometimes called the "correspondence address." For Item 21, we want you to give us the information about the "correspondence address." If there is only one address on your documents, give us that address. If you cannot find this information on your documents, call the telephone number on the statement or use the other resources listed above. **For each loan, send a photocopy of the document where you found the information.**

Item 22: See Chart 3 on page 13 of the packet. If you are not sure about the loan type, leave this item blank and we will follow up on it.

Item 23: You must complete this item, even if you never have been married.

Item 24: You must complete this item. "In-school period" refers to your **loan**, not to whether you are in school. "In-school period" means there **never** has been a time when you made payments on the loan, or there **never** has been a time when you were supposed to make payments on the loan. If your loan is in an "in-school" period, answer "Yes." If there **has** been a time when you did make payments on the loan, or you were supposed to make payments on the loan, answer "No."

Item 25: If you cannot find the account number of your loan, leave this item blank, and we will follow up on it.

Item 26: You must complete this item. Use the amount on your last statement or give us an approximate amount.

Item 27: You must answer this item.

Section E: Certification, Authorization, and Release

Item 28: You must sign and date the application; this must be done in ink (page 3). If you are consolidating loans with your spouse, your spouse must also sign and date the application; this also must be done in ink.

CONTENTS

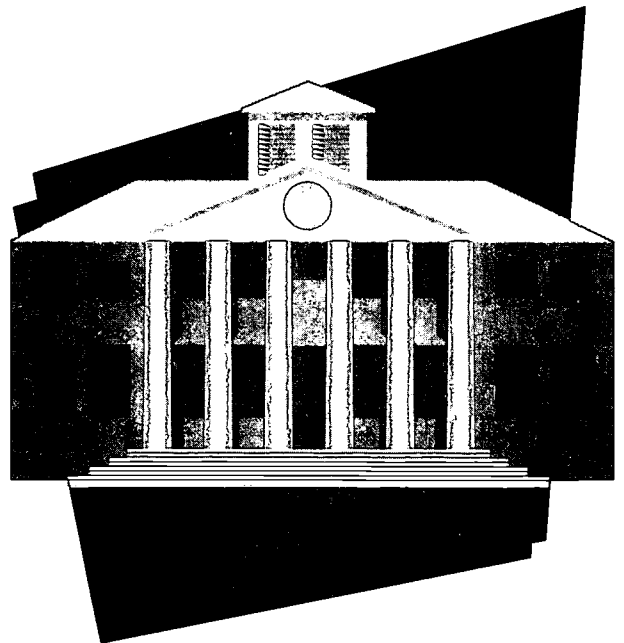
Introduction	1
Questions and Answers About Direct Consolidation Loans	2
Comparison of Loan Benefits	7
Instructions for Completing the Application	11
Application Worksheet	15
Glossary	16

INTRODUCTION

If you borrowed money to help pay for your education after high school and you still owe money on these loans, the U.S. Department of Education's **Federal Direct Consolidation Loan Program** (Direct Consolidation Loan Program) can help you manage your loan repayment.

The *William D. Ford Federal Direct Loan Program* (Direct Loan Program), which includes Federal Direct *Consolidation* Loans (Direct Consolidation Loans), was created to give students a less complicated way to obtain federal education loans. Direct Consolidation Loans (as with all Direct Loan Program loans) have only one lender to be repaid—the U.S. Department of Education.

The Direct Consolidation Loan Program is designed to help you manage and repay the money you borrowed to pay for postsecondary education. A Direct Consolidation Loan allows you to combine one or more of your federal education loans into a new loan that offers you several advantages.



QUESTIONS AND ANSWERS ABOUT DIRECT CONSOLIDATION LOANS

What are the advantages of a Direct Consolidation Loan?

(The charts on pages 7 - 10 provide an overview of the benefits of the various federal education loan programs.)

A Direct Consolidation Loan offers many advantages. Among them:

- **Efficiency** - A Direct Consolidation Loan allows you to consolidate loans from different lenders. If you have *subsidized, unsubsidized, and parent (PLUS)* federal education loans, you can consolidate each into a single consolidation loan. You'll receive only one monthly bill.

There are no origination fees required, and there are no minimum or maximum loan amounts in the Direct Consolidation Loan Program.

- **Convenience** - By consolidating your education loans, you simplify your loan updating and communication requirements. You'll have only one place to send your monthly payment and only one phone call to make to report a change of address or phone number, request a deferment, or ask a question about your loan(s).

If you are married, you can consolidate your federal education loans and your spouse's federal education loans into one loan.

However, if you do, you both are responsible for repaying the total consolidation loan, even if you become separated or divorced or if one spouse dies.

- **Flexibility** - If you consolidate your loans, you'll gain financial flexibility. You'll be able to choose from several different repayment plans, and change your repayment plan as your financial circumstances change. **You** pick the plan that best fits **your** needs.
- **Affordability** - By consolidating your education loans, you may be able to extend your loan repayment period. Extending your repayment period reduces your monthly payments. But, remember, if you take longer to repay your loan, you'll pay more interest and therefore a higher total amount over the life of the loan.

When you consolidate your federal education loans into a Direct Consolidation Loan, you'll be able to take advantage of the favorable interest rates available in the Direct Loan Program. This may reduce the total amount of money you repay over the length of your loan.

120

Who is eligible for a Direct Consolidation Loan?

You may be eligible for a Direct Consolidation Loan if you:

- (1) have an outstanding balance on a Direct Loan or
- (2) have an outstanding balance on a Federal Family Education Loan (FFEL) Program loan and cannot obtain a Federal Consolidation Loan from a FFEL Program lender or
- (3) have an outstanding balance on a FFEL Program loan, are eligible for the Income Contingent Repayment Plan under the Direct Loan Program, and cannot obtain a Federal Consolidation Loan from a FFEL Program lender with income-sensitive repayment terms you find acceptable.

If you have a loan(s) in an *in-school period* or a loan(s) in *default*, you must meet the conditions explained below.

If you want to consolidate a loan(s) made to you as a parent, a credit check is required. A parent with an adverse credit history can obtain a Direct PLUS Consolidation Loan by using an endorser with a good credit history or by providing documentation of extenuating circumstances. (An endorser is a person who agrees to repay the loan if the parent does not.)

Are there any special considerations if I'm in school at the time I apply for a Direct Consolidation Loan?

If you are enrolled at least half time in school when you apply for a Direct Consolidation Loan, you may be eligible for in-school consolidation if you:

- (1) have at least one Direct Loan Program loan or do not have a Direct Loan

Program loan but attend a Direct Loan school and

- (2) consolidate at least one fully disbursed loan that is in an in-school period at the time you apply.

You may only include Direct Loan and/or FFEL Program loans in an in-school consolidation. Additionally, if you meet the conditions for in-school consolidation, your Direct Consolidation Loan will receive a *grace period*. This means that after you graduate, or reduce your enrollment to less than half time, you will not have to make payments on your Direct Consolidation Loan for six months. (If your enrollment status changes to less than half time after you apply but before the first disbursement of your Direct Consolidation Loan, you will not have to make payments on your Direct Consolidation Loan for the number of months of grace remaining when the first disbursement is made.)

Note: Unless your Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan in an in-school period or you are eligible for a deferment, the first payment on your Direct Consolidation Loan will be due within 60 days of the first disbursement of your loan.

What if one or more of my education loans is in default?

If you're in default on a federal education loan(s) made while you were a student, you may be allowed to consolidate if you:

- (1) agree to repay the loan(s) under the Income Contingent Repayment Plan or
- (2) make satisfactory repayment arrangements with your current *holder(s)*.

If you're in default on a federal parent (PLUS) loan(s) you may be allowed to consolidate if you make satisfactory repayment arrangements with your current holder(s).

If you have a defaulted Direct Loan or FFEL Program Loan(s), a satisfactory repayment arrangement is defined as making three consecutive monthly payments to your current holder(s). Your holder(s) will work with you to establish payments that are reasonable and affordable given your total financial circumstances. If you have defaulted on another federal education loan(s), you must contact your current loan holder(s) to determine how that loan holder(s) defines a satisfactory repayment arrangement.

When you consolidate a defaulted Direct Loan or FFEL Program loan(s), any collection costs that you now owe up to a maximum of 18.5 percent of the outstanding principal and interest will be added to your outstanding principal loan balance(s). For any other defaulted federal education loan(s), all collection costs that you now owe will be added to your outstanding principal loan balance(s).

Note: If before applying for consolidation you want to completely clear the default notation from your credit record, you may want to consider another option—loan rehabilitation. You can rehabilitate your defaulted Direct Loan Program loan(s) if you make 12 consecutive monthly payments (that are reasonable and affordable given your total financial circumstances). You can rehabilitate your defaulted FFEL Program loan(s) if you make the 12 consecutive monthly payments to your current holder(s) and your loan(s) is resold. You must contact your holder(s) to obtain more information about this option.

Is there more than one type of Direct Consolidation Loan?

There are three categories of Direct Consolidation Loans:

- (1) Direct Subsidized Consolidation Loans
- (2) Direct Unsubsidized Consolidation Loans
- (3) Direct PLUS Consolidation Loans

Most **subsidized** federal student loans can be consolidated into a Direct **Subsidized** Consolidation Loan. **Unsubsidized** federal student loans can be consolidated into a Direct **Unsubsidized** Consolidation Loan. Direct PLUS Loans and Federal PLUS Loans (both of which are made to parents) can be combined into one Direct PLUS Consolidation Loan. Even if you have loans from more than one category, you still have only one Direct Consolidation Loan and make just one monthly payment.

Note: You must consolidate at least one Direct Loan or FFEL Program loan.

What are the interest rates on Direct Consolidation Loans?

(See charts on pages 7 - 10.)

The annual interest rates for Direct Consolidation Loans are *variable*; the rates are adjusted each year on July 1.

For Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans **that are in repayment**, the rate is equal to the 91-day Treasury bill rate plus 3.1 percentage points, but it will never exceed 8.25 percent (see **Example A**).

During an authorized period of deferment, the interest rate on Direct Subsidized Consolidation Loans and Direct

Example A		
This example shows how the interest rate is calculated for student borrowers' Direct Consolidation Loans in repayment.	If the Treasury bill rate were 4.4 percent, the interest rate would be 7.5 percent because	However, if the Treasury bill rate were 5.6 percent, the interest rate would be 8.25 percent because
Treasury bill rate + 3.1% = Interest rate	4.4% + 3.1% = 7.5%	5.6% + 3.1% = (8.7%) = 8.25%*
*This interest rate is "capped" because the calculated rate is higher than the legally set maximum rate of 8.25 percent for student borrowers.		

Unsubsidized Consolidation Loans is equal to the 91-day Treasury bill rate plus 2.5 percentage points, but it will never exceed 8.25 percent.

For Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans **that included a loan in an in-school period and are not yet in repayment**, the rate is equal to the 91-day Treasury bill rate plus 2.5 percentage points, but it will never exceed 8.25 percent.

The interest rate on a Direct PLUS Consolidation Loan is always equal to the 52-week Treasury bill rate plus 3.1 percentage points, but it will never exceed 9 percent.

Direct Consolidation Loan interest rates are often the lowest rates available. However, as a careful, informed consumer, you will want to compare the Direct Consolidation Loan Program to similar programs that might be available.

Once you have your Direct Consolidation Loan, the Direct Loan Servicing Center will write each year notifying you of the interest rate going into effect July 1. The amount you pay will be adjusted to reflect the annual interest rate change, unless you ask for the length of your repayment period to be changed.

When will interest be charged on my Direct Consolidation Loan?

No interest is charged on a Direct Subsidized Consolidation Loan while you're in an in-school, grace, or deferment period. Interest will be charged during a forbearance period.

Interest is charged on Direct Unsubsidized Consolidation Loans and Direct PLUS Consolidation Loans during all periods—you may pay that interest or you may allow it to accumulate and have it added to the principal owed (*capitalized*) (see **Example B**, page 6).

What if my circumstances change?

If you return to school, are unable to find full-time employment, or experience financial hardship, you may be eligible for a deferment or forbearance. (If, at the time you consolidate, you have an outstanding balance on a FFEL Program loan borrowed before July 1, 1993, you may be eligible for additional deferments.) Once you have your Direct Consolidation Loan, you should contact the Direct Loan Servicing Center to request additional information about your deferment and forbearance options.

Example B

This chart compares the costs of paying (not capitalizing) interest and capitalizing interest on a \$2,625 Direct Unsubsidized Loan at 8.25 percent interest (the maximum interest rate) under the Standard Repayment Plan. The borrower attended school for 9 months and then had a 6-month grace period.

Type of Interest	Loan Amount	Interest Charged	Interest Paid	Principal to be Repaid	Monthly Payment	Number of Payments	Total Repayment
Not Capitalized	\$2,625	\$230	\$230	\$2,625	\$50	65	\$3,498*
Capitalized**	\$2,625	\$230	\$0	\$2,855	\$50	73	\$3,638

* Total repayment includes the \$230 in interest paid before the loan went into repayment.

** Interest was capitalized once, when the borrower entered repayment (15 months after the loan was made).

What is a deferment, and what does it do?

During deferment of Direct Subsidized Consolidation Loans, payments on principal are postponed, and interest is not charged. In the case of Direct Unsubsidized Consolidation Loans, payments on principal are postponed, but interest is charged during the deferment period. The interest may be paid on a regular basis during the deferment period or it may accumulate and be capitalized when the deferment period ends.

What is forbearance, and what does it do?

Under forbearance, you can, if eligible, temporarily reduce your payment amount or temporarily stop making payments, as long as you intend to repay your loan. During forbearance, interest is charged on all loans. You may choose to pay the interest on a regular basis during the forbearance period or have it capitalized when the forbearance period ends.

Please remember...

Consolidating your loan debt is an important financial decision that requires information and careful thought. If you have additional questions, call the *Loan Origination Center's* Consolidation Department at 1-800-557-7392.



After reviewing the various options available to you, if you find that the Direct Consolidation Loan Program is able to offer features and benefits that you want, complete the application using the instructions that begin on page 11.

Chart 1 Federal Direct Consolidation Loan Program Comparison of Loan Benefits

This chart compares the main benefits of some current loans (last four columns) with the benefits the borrower will receive when consolidating under the William D. Ford Federal Direct Loan Program (first two columns). The information contained in this chart is valid for consolidation loans made **on or after July 1, 1995**. A detailed overview of current benefits of other education loan programs is available from the Loan Origination Center's Consolidation Department. For more information or assistance with using the chart, call 1-800-557-7392.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS
Consolidation Loans

FFEL Program
GSL/FISL

Supplemental Loans for Students
(SLS)/Auxiliary Loans to Assist
Students (ALAS)

FFEL Program
PLUS Loans

Overview of Major Benefits

	Variable with 8.25% cap	Variable with 9% cap	7, 8, 9, 10% or variable with cap	9, 12, 14% or variable with cap	9, 12, 14% or variable with cap	Weighted average rounded up to next whole percent ¹
Interest rate						
Maximum Repayment term	30 years ²	30 years ²	10 years	10 years	10 years	30 years ³
Available Repayment Plans						
Standard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Income Contingent	<input checked="" type="checkbox"/>	No	No	No	No	No
Income Sensitive	No	No	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Graduated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Extended	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	<input checked="" type="checkbox"/> ³
Alternative	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Prepayment without penalty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cancellation upon borrower's death or total disability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>
Discharge due to school closing or falsely certifying loan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶
Grace period	6 months ⁷	No	6 months ⁸	6 months ⁹	No	No

Notes

- Before 7/1/94, greater of 9 percent or weighted average; after 7/1/94; weighted average rounded up to nearest whole percent.
- For standard repayment plan, 10 years; for income contingent, 25 years; for graduated and extended, may range from 12 to 30 years, depending on amount borrowed.
- May range from 10 to 30 years, depending on amount borrowed.
- Income sensitive and graduated available for new borrowers on or after 7/1/93.
- For death: parent's or student's, if student died on or after July 23, 1992; for disability: parent's only.
- For loans received on or after 1/1/86.
- For a Direct Consolidation Loan which includes a Direct Loan or a Federal Family Education Loan (FFEL) Program loan for which the borrower is in an in-school period at the time of consolidation.
- For 7 percent loans, 9-12 months.
- If borrower has a Stafford Loan; otherwise none.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS
Consolidation Loans

FFEL Program Stafford Loans/
GSL/FISL

Supplemental Loans for Students
(SLS)/Auxiliary Loans to Assist
Students (ALAS)

FFEL Program
Consolidation Loans
PLUS Loans

Deferment Options All Borrowers Borrowers Prior to 7/1/93

Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ¹¹
Attending school full time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ¹²	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 2 years	Up to 2 years	Up to 2 years	Up to 2 years
Economic Hardship	Up to 3 years	Up to 3 years	No	No	No	No
Serving required internship/residency	Up to 2 years ¹³	Up to 2 years ¹³	Up to 2 years	Up to 2 years	Up to 2 years ¹²	No
Temporarily totally disabled or required to provide full-time care for disabled dependent	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Teaching in designated teacher shortage area	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Serving in the: Armed Forces, Peace Corps, Public Health Service, ACTION, full-time volunteer for tax-exempt organization	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years ¹²	No
Active duty in NOAA corps	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Qualifying parental leave	Up to 6 mos. ¹³	No	Up to 6 mos. ¹⁰	Up to 6 mos. ¹⁰	No	No
Working mother	Up to 1 year ¹³	No	Up to 1 year ¹⁰	Up to 1 year ¹⁰	No	No

New Borrowers as of 7/1/93

Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years

Notes

- 10 Only for borrowers with no outstanding loans as of 7/1/87.
- 11 If borrower has received a Stafford Loan or SLS for the deferment period, or for PLUS borrower only, has a dependent student who borrows a Stafford loan for the deferment period.
- 12 For loans made before 8/15/83.
- 13 If borrower currently has a loan with this deferment option, or has an outstanding balance on a FFEL Program loan made prior to 7/1/93.

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Application

OMB No. 1840-0693
Form Approved
Exp. Date 1/31/99

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Before You Begin

This form should be printed in blue or black ink or typewritten and must be signed by the applicant(s). Some items in Section A may be preprinted. Review these items carefully and correct and initial any incorrect information.

Are you presently attending school at least half time? Check the appropriate box.

Yes No

Section A: Borrower Information

1. Last Name	First Name	Middle Initial	2. Social Security Number - -
3. Permanent Street Address (if P.O. box, see instructions)			4. Home Area Code/Telephone Number ()
City	State	Zip Code	5. Driver's License Number (put state abbreviation first) ()
6. Former Name(s)			7. Date of Birth
8. Employer's Name		9. Employer's Address	
10. Employer's Area Code/Telephone Number ()		City	State Zip Code
11. If you are married, does your spouse have an eligible loan(s) (see instructions) that you want to consolidate with your loan(s)? If yes, complete Section C and include your spouse's loan(s) in Section D. Yes <input type="checkbox"/> No <input type="checkbox"/>			

Section B: Reference Information

(See instructions before completing this section)

12. References:

Name 1. _____ 2. _____

Permanent Address _____

City, State, Zip Code _____

Area Code/Telephone Number () _____ () _____

Section C: Spouse Information

(To be completed only if you responded "Yes" to item 11)

13. Last Name	First Name	Middle Initial	14. Social Security Number - -
15. Date of Birth	16. Driver's License Number (put state abbreviation first) ()		
17. Former Name(s)			
18. Employer's Name		19. Employer's Address	
20. Employer's Area Code and Telephone Number ()		City	State Zip Code

Section D: Education Loan Indebtedness

(See instructions before completing this section)

21. Loan Holder/Service's Name, Address, and Area Code/Telephone Number	22. Loan Type	23. B = Borrower S = Spouse J = Joint	24. In-School Period?		25. Account Number	26. Current Balance	27. To Be Consolidated?	
			Yes	No			Yes	No
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Direct Loans

William D. Ford Federal Direct Loan Program

FEDERAL DIRECT CONSOLIDATION LOAN

SECTION E

CERTIFICATION, AUTHORIZATION, AND RELEASE

- (1) I certify that the information I (and my spouse, if applicable) am providing in this application is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- (2) I certify that all of the loans selected have been used to finance my education, my spouse's education, or my child's education.
- (3) I certify that I do not have an application pending for a Federal Consolidation Loan with any other lender.
- (4) **If I am not in school and if none of the loans I am consolidating is a William D. Ford Federal Direct Loan Program (Direct Loan Program) loan, I (or my spouse, if applicable) certify that I have sought and been unable to obtain a Federal Consolidation Loan from a Federal Family Education Loan (FFEL) Program lender, or, if I am consolidating student loans, that a lender would not provide me with a Federal Consolidation Loan with income-sensitive repayment terms acceptable to me.**
- (5) I certify that I do not now owe a refund on a Federal Pell Grant, Basic Educational Opportunity Grant, Federal Supplemental Educational Opportunity Grant, or State Student Incentive Grant. I further certify that I am not now in default on any loan that was received under the Federal Perkins Loan Program (including NDSL Loans), the FFEL Program, or the Direct Loan Program, or, if I am in default, I have either made satisfactory repayment arrangements with the holder of that defaulted loan or I am consolidating all of these loans and will repay under the Income Contingent Repayment Plan. I understand that income contingent repayment is not available for Federal Direct PLUS Consolidation Loans.
- (6) I understand that the amount of my Federal Direct Consolidation Loan will be the sum of the balance(s) of my outstanding eligible loan(s) that I have chosen to

consolidate. My outstanding balance on each loan to be consolidated will include unpaid principal, unpaid accrued interest, and late charges as defined by federal regulations and as certified by the holder. Collection costs may also be included. For a Direct Loan or FFEL Program loan that is in default, the U.S. Department of Education (ED) limits collection costs that may be charged to the borrower to no more than those currently authorized under the FFEL Program and may impose reasonable limits on collection costs paid to the holder. If the amount ED advances to my holder(s) exceeds the amount needed to pay off the balance(s) of the selected loan(s), I understand that the holder will refund the excess to ED for application against the outstanding balance of this loan. If the amount that ED advances to my holder(s) is less than the amount needed to pay off the balance(s) of the loan(s) selected for consolidation, ED will include the remaining amount in this loan unless I pay the remaining balance myself.

- (7) I authorize ED to investigate my credit record and report information concerning my loan status to proper persons and organizations authorized to receive this information.
- (8) I authorize ED to contact the loan holder(s) identified on my application to determine the eligibility and/or payoff amount for the loan(s) I have identified.
- (9) I authorize my school(s), ED, and their agents, to verify my social security number with the Social Security Administration (SSA) and, if the social security number on my loan record is incorrect, then I authorize SSA to disclose my correct social security number to these parties.
- (10) I hereby authorize release to ED or its agent any information required to consolidate my education loan(s) pursuant to the Higher Education Act of 1965, as amended. A copy of this authorization may be deemed an original release.

<p>28.</p> <p style="text-align: center;">_____ Signature of Borrower</p> <p style="text-align: center;">_____ Signature of Spouse (if consolidating jointly)</p>	<p style="text-align: center;">_____ Date</p> <p style="text-align: center;">_____ Date</p>
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Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a *et seq.*). The principal purpose for collecting this information is to determine your eligibility for a Federal Direct Consolidation Loan under the William D. Ford Federal Direct Loan (Direct Loan) Program.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Application (application) on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process your application because the Department needs the information to determine whether you qualify for a Federal Direct Consolidation Loan.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published

on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may

send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

Direct Loans

William D. Ford Federal Direct Loan Program

Chart 2 Federal Direct Consolidation Loan Program Comparison of Loan Benefits

This chart compares the main benefits of some current loans (last four columns) with the benefits the borrower will receive when consolidating under the William D. Ford Federal Direct Loan Program (first two columns). The information contained in this chart is valid for consolidation loans made on or after July 1, 1995. A detailed overview of current benefits of other education loan programs is available from the Loan Origination Center's Consolidation Department. For more information or assistance with using the chart, call 1-800-557-7392.

Direct Consolidation Loans (Subsidized & Unsubsidized) Direct PLUS Consolidation Loans Perkins/National Direct Student Loans (NDSL) National Defense Student Loans (NDSL) Health Education Assistance Loans (HEAL) Health Professions Student Loans (HPSL) Loans for Disadvantaged Students (LDS) Nursing Student Loans (NSL)

Overview of Major Benefits

	Direct Consolidation Loans (Subsidized & Unsubsidized)	Direct PLUS Consolidation Loans	Perkins/National Direct Student Loans (NDSL) National Defense Student Loans (NDSL)	Health Education Assistance Loans (HEAL)	Health Professions Student Loans (HPSL) Loans for Disadvantaged Students (LDS)	Nursing Student Loans (NSL)
Interest rate	Variable with 8.25% cap	Variable with 9% cap	3, 4, or 5%	Variable no cap	3, 5, 7, or 9%	3, 5, or 6%
Maximum repayment term	30 years ¹	30 years ¹	10 years	25 years	10 years	10 years
Available repayment plans						
Standard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Income Contingent	<input checked="" type="checkbox"/>	No	No	<input checked="" type="checkbox"/>	No ²	No ²
Graduated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Extended	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Alternative	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	<input checked="" type="checkbox"/> ²	<input checked="" type="checkbox"/> ²
Prepayment without penalty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cancellation upon borrower's death or total disability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ³	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discharge due to school closing or falsely certifying loan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Grace period	<input checked="" type="checkbox"/> ⁴	No	6-9 months ⁵	9 months ⁶	1 year	9 months
Cancellation for public service	No	No	<input checked="" type="checkbox"/> ⁷	No	No	<input checked="" type="checkbox"/> ⁸

Notes

- For standard repayment plan, 10 years; for income contingent, 25 years; for graduated and extended, may range from 12 to 30 years, depending on amount borrowed.
- Renegotiated repayment schedules may be arranged between the school and the borrower, but must be repaid within the 10-year limit.
- For death: parent's or student's if student died on or after July 23, 1992; for disability: parent's only.
- For a Direct Consolidation Loan which includes a Direct Loan or a Federal Family Education Loan (FFEL) Program loan for which the borrower is in an in-school period at the time of consolidation.
- 6 months for National Direct Student Loans made on or after 10/1/80; 9 months for Perkins Loans made on or after 7/1/87 and National Direct Student Loans made before 10/1/80; Perkins Loans and National Direct Student Loans made on or after 10/1/80 also have a 6-month post-deferment grace period.
- After leaving school or a qualified internship/residency.
- For Perkins Loans, National Direct Student Loans, and National Defense Student Loans made prior to 7/1/93, borrowers are eligible for "postponement of payments in anticipation of cancellation" during periods of public service.
- If program is funded, for 2 years' service as a registered nurse in a designated facility or area.
- Deferment benefits in the Perkins Loan, National Direct Student Loan, and National Defense Student Loan Programs are granted in accordance with the date the loan is made; these benefits are not borrower specific.
- For loans disbursed on or after 11/4/88, if enrolled in collegiate nursing program leading to baccalaureate or graduate degree, advanced training in nursing or training to become a nurse anesthetist, or combination of these; 5-year limit for loans disbursed prior to 11/4/88.
- For loans disbursed on or after 11/4/88; attendance must be at health professions school.
- For loans made after 10/21/85.
- Also for up to 4 years in advanced health professional training (including internships and residencies); up to 2 years for fellowship training program or full-time educational activity directly related to profession borrower is preparing for, if prior to or within 12 months after completion of advanced professional training, for loans made after 10/21/85.
- But available for advanced health professional training (including internships and residencies); up to 2 years for fellowship training program or full-time educational activity directly related to profession borrower is preparing for.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS Consolidation Loans

Perkins/National Direct Student Loans (NDSL)
National Defense Student Loans (NDSL)

Health Education Assistance Loans (HEAL)

Health Professions Student Loans (HPSL)
Loans for Disadvantaged Students (LDS)

Nursing Student Loans (NSL)

Deferment Options	All Borrowers		Borrowers Prior to 7/1/93 ⁹			
Attending school half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	Up to 10 years ¹⁰
Attending school full time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ¹¹	Up to 10 years ¹⁰
In graduate fellowship program	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	Up to 2 years ^{12, 13}	No ¹⁴	No
Attending rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Unemployed	Up to 3 years	Up to 3 years	No	No	No	No
Economic hardship	Up to 3 years	Up to 3 years	No	No	No	No
Serving required internship/residency	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁶	Up to 4 years ¹⁷	<input checked="" type="checkbox"/>	No
Serving internship/residency leading to degree/certificate	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁶	<input checked="" type="checkbox"/> ¹⁹	No	No
Temporarily totally disabled or required to provide full-time care for disabled dependent	Up to 3 years ¹⁵	Up to 3 years ¹⁵	Up to 3 years ²⁰	No	No	No
Teaching in designated teacher shortage area	Up to 3 years ¹⁵	No	No	No	No	No
Serving in the: Armed Forces, Peace Corps, Public Health Service, ACTION, full-time volunteer for tax-exempt organization	Up to 3 years ¹⁵	Up to 3 years ¹⁵	Up to 3 years ²¹	Up to 3 years ²²	Up to 3 years ²³	Up to 3 years ²³
Active duty in the NOAA corps	Up to 3 years ¹⁵	No	Up to 3 years ¹⁸	No	Up to 3 years	Up to 3 years
Qualifying parental leave	Up to 6 mos. ¹⁵	No	Up to 6 mos. ¹⁸	No	No	No
Working mother	Up to 1 year ¹⁵	No	Up to 1 year ¹⁸	No	No	No
New Borrowers as of 7/1/93⁹						
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No ²⁴	No ²⁴	Up to 10 years ¹⁰
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Up to 2 years ²⁵	No ¹⁴	No
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No
Other	No	No	<input checked="" type="checkbox"/> ²⁶	<input checked="" type="checkbox"/> ²⁷	No	No

Notes

- 15 If borrower currently has a loan with this deferment option, or has an outstanding balance on a FFEL Program loan made prior to 7/1/93.
- 16 For loans made on or after 10/1/80.
- 17 Must be in field related to health education.
- 18 For Perkins Loans only.
- 19 Must be in field related to health education; unlimited for loans disbursed before 10/22/85; 48 months for loans disbursed after 10/22/85.
- 20 For National Direct Student Loans made on or after 10/1/80, and for Perkins Loans; care for spouse only for National Direct Student Loans.
- 21 Service in Public Health Service only for loans made on or after 10/1/80 and before 7/1/93; volunteer for tax-exempt organizations only for loans made on or after 10/1/80 and before 7/1/93.

- 22 Up to 3 years each in Armed Forces, National Health Service, Peace Corps, and ACTION; 12 year maximum.
- 23 Service in ACTION and volunteer for tax-exempt organization not eligible.
- 24 Must be full time.
- 25 For graduate fellowships only; see also notes 12 and 13.
- 26 For Perkins Loans made on or after 7/1/93, borrowers performing public service that qualifies them for loan cancellation are eligible for deferment.
- 27 Up to 1 year for chiropractic school graduates; up to 3 years for practicing primary health care.

INSTRUCTIONS FOR COMPLETING THE APPLICATION

Before You Begin

Note: Please read the Privacy Act Notice on page 4 of the application before completing the form.

Before beginning, you'll need to gather all of your loan records, account statements, and bills so that you'll have on hand all the information you'll need to complete the application.

The form should be printed in blue or black ink or typewritten, and it must be signed by the applicant(s).

Incorrect or incomplete information may cause your application's processing to be delayed.

If you have questions about how to complete the application or need assistance, call the Loan Origination Center's Consolidation Department. You can call Monday through Friday 8 a.m. - 8 p.m. Eastern Time, at 1-800-557-7392 [TDD 1-800-557-7395].

Check the appropriate box in the "Before You Begin" section of the application to let us know whether you are presently attending school at least half time.

Note: Remember, if you are eligible for in-school consolidation you may only consolidate loans made under the Direct Loan and FFEL Programs.

Section A: Borrower Information

Note: Some items in this section may be preprinted. Review these items carefully and correct and initial any incorrect information.

Items 1 and 2: Enter the information requested.

Item 3: Enter your permanent home street address. If your mailing address is an RFD, post office box, or general delivery, you must list **both** the street address and mailing address.

Item 4: Enter the information requested.

Item 5: First, enter in the parentheses the two letter abbreviation for the state that issued your driver's license. Then, enter your driver's license number. (If none, enter "none.")

Item 6: Enter any former names under which one or more of your loans may have been made. (If none, enter "none.")

Items 7 - 10: Enter the information requested. (For items 8 - 10, if none, enter "none.")

Item 11: If married, check "Yes" or "No" to indicate whether you want to consolidate your loan(s) with your spouse's loan(s). See the instructions for "Section D" (Chart 3, page 13) for a list of eligible loans.

Section B: Reference Information

Item 12: Enter the requested information for two adults who do not share a common address and who have known you for at least three years. References may not live with you or live outside the United States. If you are consolidating jointly, both references should be relatives or acquaintances who are likely to know how to contact you and your spouse.

Section C: Spouse Information

Note: Complete this section only if you are married and wish to consolidate your loans with those of your spouse. Remember, if you do this, you are both responsible for repaying the total consolidation loan, even if you become separated or divorced or if one spouse dies.

Items 13 - 15: Enter the information requested.

Item 16: First, enter in the parentheses the two letter abbreviation for the state that issued your spouse's driver's license. Then, enter your spouse's driver's license number. (If none, enter "none.")

Item 17: Enter any former names under which one or more of your spouse's loans may have been made. (If none, enter "none.")



Items 18 - 20: Enter the information requested. (If none, enter "none.")

Section D: Education Loan Indebtedness

In this section, you are asked to tell us about education loans on which you (and your spouse, if you are applying for a joint consolidation loan) have an outstanding balance. You will need to tell us the present holder/*servicer* of each loan and the amount owed.

If you are uncertain about the identity of the holder of one or more of your loans, call the Loan Origination Center's Consolidation Department at: **1-800-557-7392** [TDD **1-800-557-7395**] for assistance.

If you are eligible for in-school consolidation, you may consolidate only loans made under the Direct Loan and FFEL Programs. The codes for these loans are: A, B, C, D, E, G, H, J, K, L, O, P, S, T, U, and V (see **Chart 3**, page 13).

If you are in default on any student loan(s) being consolidated, you must:

1. agree to repay your loan(s) under the Income Contingent Repayment Plan, or
2. have made satisfactory repayment arrangements with the current holder(s) of your loan(s).

If you are in default on a federal parent (PLUS) loan(s), you must have made satisfactory repayment arrangements with the current holder(s) of your loan(s).

Use the chart below to identify the loan type to be entered in item 22 of the application or the worksheet on page 15.

Chart 3 Types of Education Loans and Their Codes		
Subsidized Loans	Unsubsidized Loans	
A Subsidized Federal Stafford Loans	G Unsubsidized Federal Stafford Loans (Including Non-Subsidized Stafford Loans made prior to 10/1/92)	Q Health Professions Student Loans (HPSL)
B Guaranteed Student Loans (GSL)	H Federal Supplemental Loans for Students (SLS)	R Health Education Assistance Loans (HEAL)
C Federal Insured Student Loans (FISL)	J Unsubsidized Federal Consolidation Loans	S Federal PLUS Loans
D Federal Direct Stafford/Ford Loans	K Federal Direct Unsubsidized Consolidation Loans	T Parent Loans for Undergraduate Students (PLUS)
E Federal Direct Subsidized Consolidation Loans	L Federal Direct Unsubsidized Stafford/Ford Loans	U Federal Direct PLUS Loans
F Federal Perkins Loans	P Auxiliary Loans to Assist Students (ALAS)	V Federal Direct PLUS Consolidation Loans
M National Direct Student Loans (NDSL)		Y Nursing Student Loans (NSL)
N National Defense Student Loans (NDSL)		Z Loans for Disadvantaged Students (LDS)
O Subsidized Federal Consolidation Loans		W Other education loans ineligible for consolidation

Note: You must consolidate at least one Direct Loan or FFEL Program loan.

First, using the worksheet on page 15, list only those eligible loans from the chart above that you (and your spouse, if applicable) wish to consolidate.

Step 1 (Item 21): Enter the information requested (you can copy this information from your most recent statement).

Step 2 (Item 22): Enter the letter that corresponds to the loan type from the chart above.

Step 3 (Item 23): Tell us whether the loan was made to you, to your spouse, or to both of you by entering:

- B** - for borrower
- S** - for spouse
- J** - for loans to both of you

Step 4 (Item 24): Enter "Y" in the "Yes" column if the loan is not in grace or repayment because you are in school. Enter "N" in the "No" column if the loan is in grace or repayment.

Note: You will receive a grace period on your Direct Consolidation Loan if at least one of the Direct Loan or FFEL Program loans that you are consolidating is in an in-school period and your application is received prior to the end of your in-school period.

Remember, unless your Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan in an in-school period or you are eligible for a deferment, the first payment on your Direct Consolidation Loan will be due within 60 days of the first disbursement of your loan.

Step 5 (Item 25): Enter the account number for each loan (the number should be on your statement or in your payment book).

Step 6 (Item 26): Enter the current balance for each loan as of your last payment (your loan servicer or holder can provide this).

Step 7 (Item 27): Tell us whether you wish to consolidate this loan by entering "Y" in the "Yes" column or "N" in the "No" column.

Step 8: Now list any eligible education loans that you do **NOT** want to consolidate (for example, a Federal Perkins Loan made at a lower interest rate than is available under consolidation). You still may want to have them considered when your minimum repayment term is calculated because, under certain repayment plans, the period of repayment is longer when your total loan debt is higher. If you have such loans, list them now and complete items 21-27 for each of them.

Step 9: If you have education loans that are **NOT** eligible for consolidation (for example, loans from an institution that makes loans under a loan program to finance postsecondary education, not personal loans from family or friends) that you wish considered when your minimum repayment term is calculated, list them now and complete items 21-27 for each of these loans.

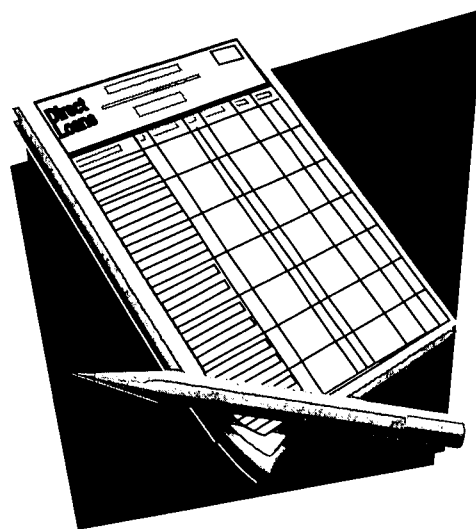
Now, transfer the information from the worksheet to page 2 of the application. If you need additional space, use a blank sheet of paper.

Section E: Certification, Authorization, and Release

Note: Please enter your name and social security number in the spaces indicated at the top of page 3 of your application. Then, read the Certification, Authorization, and Release on that page carefully before signing and dating it as indicated.

Item 28: Sign and date the certification in blue or black ink. If you and your spouse are applying for a joint consolidation loan, you **both** must sign and date the application. If you fail to do so, your application will not be processed.

Review all the information on your Direct Consolidation Loan Application. When the application is complete, forward it to the Loan Origination Center's Consolidation Department in the envelope provided. Keep a copy for your records.



Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Application Worksheet

Before completing Section D on the application, fill out this worksheet.

Section D: Education Loan Indebtedness

21. Loan Holder/Service's Name, Address, and Area Code/Telephone Number	22. Loan Type	23. B = Borrower S = Spouse J = Joint	24. In-School Period?		25. Account Number	26. Current Balance	27. To Be Consolidated?	
			Yes	No			Yes	No
Oz Bold Trust	G	B		N	00-000	\$10,000	Y	
1313 Eastwitch Place								
Melting, KS 64118; Suite 02								
(501) 555-5545								
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SAMPLE

GLOSSARY

Borrower Individual who signed and agreed to the terms in the promissory note and is responsible for repaying a loan.

Cancellation Some student loan programs allow for all or part of the total loan principal and accrued interest to be cancelled in certain circumstances. A cancelled loan may also be referred to as a "discharged loan."

Capitalized Interest Rather than paying interest on a periodic basis as it accrues, a borrower may choose to let that interest accumulate and be added to the loan principal. It then becomes *capitalized interest*. Capitalizing interest increases the principal amount of the loan and, therefore, the total cost of the loan.

Consolidation When a borrower combines loans by taking out one new loan to repay all the old loans.

Default Failure to repay a loan or meet other terms of a signed promissory note.

Deferment A temporary postponement of loan payments.

Direct Loan Servicing Center The U.S. Department of Education's agent contracted to service and collect Direct Loan Program loans.

Forbearance An arrangement to postpone or reduce a borrower's monthly loan repayment amount for a limited and specified period. The borrower is charged interest during a forbearance.

Grace Period A six-month period after a student borrower graduates or drops below half-time enrollment during which he or she is not required to make payments on a loan.

Half Time A student is considered half time when carrying at least one half the academic workload of a full-time student as determined by the school.

Holder An entity that holds a loan promissory note and has the right to collect from the borrower.

In-School Period A period prior to a loan entering the grace or repayment periods, and during which a borrower is enrolled at least half time at an eligible school.

Interest A loan expense charged by the lender and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the unpaid principal amount (loan amount).

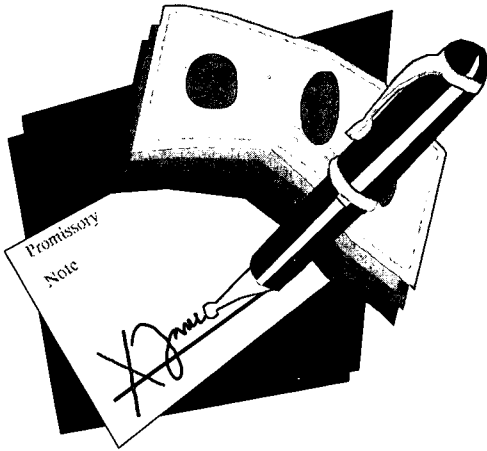
Loan(s) Money borrowed that must be repaid.

Loan Origination Center The U.S. Department of Education's agent contracted to make and disburse Direct Loan Program loans.

Loan Principal Total money borrowed.

Prepayment Any amount paid on a loan by the borrower before it is required to be paid under the terms of the promissory note. There is never a penalty for prepaying principal or interest on Direct Loan Program loans.

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 (also "repayment period") Making payments on a loan. The "repayment period" is the period during which payments are required to be made.

Repayment Plan(s) In the Direct Loan Program, borrowers may select from four plans that will determine the length of their repayment period and the amount of their monthly payments. The plans are the Standard Repayment Plan, Extended Repayment Plan, Graduated Repayment Plan, and Income Contingent Repayment (ICR) Plan.

Servicer An entity designated to track and collect a loan on behalf of a loan holder.

Subsidized Loan A loan on which the borrower is not charged interest during certain prescribed times. In the case of Direct Subsidized Consolidation Loans, the subsidy is provided by the federal government not charging interest during specified periods.

Unsubsidized Loan A loan on which interest begins to accrue as soon as the loan is made. The interest may be paid or capitalized.

Variable Interest Rate of interest on a loan that is tied to a stated index and changes periodically as the index changes.

William D. Ford Federal Direct Loan Program (also referred to as "Direct Loan Program") A federal program that provides loans to student and parent borrowers. The loans are Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, and Federal Direct Consolidation Loans. Funds are provided by the federal government, through participating schools or the Loan Origination Center, to eligible students/borrowers.

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Repayment Plans

Repaying Your Loans

If you take out a Federal Direct Consolidation Loan (Direct Consolidation Loan), you must repay it. Your first payment will be due within 60 days of the first disbursement, unless you are eligible for a deferment or your Direct Consolidation Loan includes at least one William D. Ford Federal Direct Loan (Direct Loan) or Federal Family Education Loan (FFEL) Program loan in an in-school period.

The information in this pamphlet is designed to help you understand the **repayment plans** available to you in the Direct Consolidation Loan Program. In addition, the staff of the Loan Origination Center's Consolidation Department is available to assist you and to answer any questions you have. You can call the Loan Origination Center's Consolidation Department Monday through Friday, 8 a.m. - 8 p.m., Eastern Time, at 1-800-557-7392 [TDD 1-800-557-7395].

Understanding the Repayment Plans

There are three categories of Direct Consolidation Loans:

- Direct Subsidized Consolidation Loans
- Direct Unsubsidized Consolidation Loans
- Direct PLUS Consolidation Loans

Even if you have loans from more than one category, you still have only one Direct Consolidation Loan and make just one monthly payment.

In most cases, you may choose to repay a Direct Consolidation Loan through one of these four repayment plans:

- Standard Repayment Plan
- Extended Repayment Plan
- Graduated Repayment Plan
- Income Contingent Repayment Plan

All four repayment plans are available to borrowers of Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans. Direct PLUS Consolidation Loan borrowers may not choose the Income Contingent Repayment Plan.

Borrowers who have a Direct PLUS Consolidation Loan as well as a Direct Subsidized Consolidation Loan and/or Direct Unsubsidized Consolidation Loan may repay the Direct PLUS Consolidation Loan under a different repayment plan from the repayment plan under which they repay the Direct Subsidized and/or Unsubsidized Consolidation Loan(s).

If you don't select a repayment plan, your Direct Consolidation Loan will be placed on the Standard Repayment Plan.

If you can document that none of these plans meets your needs, you may request an alternative repayment plan by contacting the Direct Loan Servicing Center.

Repayment Periods

The length of time your loan will be in repayment will vary depending on the total amount of your loan(s) and the repayment plan you select (see Table 1).

<i>Repayment Plan</i>	<i>Repayment Period</i>
Standard Repayment Plan	up to 10 years
Extended Repayment Plan	12 - 30 years
Graduated Repayment Plan	12 - 30 years
Income Contingent Repayment Plan	up to 25 years

1. Standard Repayment Plan

With standard repayment, you will make a fixed payment of at least \$50 a month for up to 10 years. For some borrowers, this plan results in the lowest total amount of interest paid because the repayment period is shorter than it would be under the other plans. In general, the shorter the repayment period, the lower your total interest payment (see Example A).

Loan Amount	Monthly Payment	Total Amount Repaid
\$15,000	\$184	\$22,080*

2. Extended Repayment Plan

With extended repayment, you'll make fixed payments of at least \$50 a month over a period that varies from 12 to 30 years, depending on the total amount of your Direct Consolidation Loan, Direct Loans, and other education loans. (Your other education loans may not exceed the amount of the Direct Consolidation Loan.) (see Table 2).

Note: For lower loan amounts, the period may be less than 12 years because you must make at least the \$50 minimum payment each month.

Because you take more than 10 years to repay your loan under the extended plan, the amount of your monthly payment will be less than if you choose standard repayment. However, the total amount you repay will be greater because you pay more interest (see Example B).

<i>Amount of Debt</i>	<i>Repayment Period May Not Exceed</i>
Less than \$10,000	12 years
\$10,000 - \$19,999	15 years
\$20,000 - \$39,999	20 years
\$40,000 - \$59,999	25 years
\$60,000 or more	30 years

Loan Amount	Monthly Payment	Total Amount Repaid
\$15,000	\$146	\$26,280*

3. Graduated Repayment Plan

With graduated repayment, your payments start out low, then increase, generally every two years. The length of your repayment period will vary from 12 to 30 years and depends on the total amount of your Direct Consolidation Loan, Direct Loans, and other education loans. (Your other education loans may not exceed the amount of the Direct Consolidation Loan.) (see Table 2).

This plan might be right for you if you expect your income to increase steadily over time. The minimum monthly payment will be the greater of the interest that accumulates on your loan between payments, or half of the payment you would make each month using the Standard Repayment Plan. However, your monthly payments will never increase to more than one-and-one-half times what you would pay under standard repayment. Generally, the amount you'll repay over the term of your loan will be higher under graduated repayment than under extended repayment. However, graduated repayment has the advantage of offering you lower payments earlier in your career while your income is lower (see Example C).

Example C

This example shows a Direct Subsidized Consolidation Loan repaid at the maximum interest rate for student borrowers (8.25 percent) under the Graduated Repayment Plan for 15 years (180 payments).

Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Amount Repaid
\$15,000	\$105	\$238	\$28,628*

*\$15,000 in principal and \$13,628 in interest

capitalization increases the total amount you owe to 10 percent more than the original amount you owed when you entered repayment, interest will continue to accumulate but will no longer be capitalized.

The maximum repayment period is 25 years. If you make payments under the Standard Repayment Plan or the 12-year Extended Repayment Plan and then switch to the Income Contingent Repayment Plan, those periods are counted toward your 25-year repayment period. Earlier payment periods in other plans do not count toward the maximum 25 years. If you haven't fully repaid your loans after 25 years under this plan, the unpaid portion will be discharged. However, you will have to pay taxes on the amount that is discharged.

Changes to the Income Contingent Repayment Plan

Effective July 1, 1996, there will be a new Income Contingent Repayment Plan for borrowers who enter repayment after July 1, 1996, and for borrowers who switch from another repayment plan to the Income Contingent Repayment Plan. Borrowers who are in repayment under the Income Contingent Repayment Plan prior to July 1, 1996, will continue to make payments in accordance with the provisions of the old Income Contingent Repayment Plan. However, they will be given the option to switch to the new plan.

4. Income Contingent Repayment Plan

This plan gives you the flexibility to meet your Direct Loan obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your annual income and the total amount of your Direct Loans. (Remember that parents may not use this plan to repay Direct PLUS Consolidation Loans.)

To participate in the Income Contingent Repayment Plan, you must sign a form that permits the Internal Revenue Service (IRS) to inform the U.S. Department of Education (ED) of your income. This information will be used to calculate your monthly payment, which will be adjusted annually.

If your payments are not large enough to cover the interest that has accumulated on your loans, the unpaid interest will be capitalized once each year. If

Under this plan, you will pay an amount based on the Adjusted Gross Income (AGI) you report on your federal tax return, or, if you submit alternative documentation of income (see page 4), you will pay an amount based on your current income. If you're married, the amount you pay will be based on your income and your spouse's income.

New Formula

Under the new plan, you will pay the lesser of

- 1) the amount you would pay if you repaid your loan in 12 years multiplied by a factor that varies with your annual income
- 2) 20 percent of your **discretionary income**, which is your AGI minus the poverty level for your family size (see Examples D and E)

Example D: You are a single borrower with a family size of one, and your prior year AGI was \$15,000. You have a \$15,000 Direct Subsidized Consolidation Loan, and the interest rate on your loan is 8.25 percent. Your beginning payment would be about \$106 a month. This amount is less than 20 percent of your monthly discretionary income (which would be \$121). In this example, you would repay your loan in about 25 years, and you would repay a total of \$36,047 (\$11,857 in principal and \$24,190 in interest). Note that in this example, you would not repay the total principal amount. After 25 years, the remaining balance on the loan would be discharged.

Example E: You are a borrower with a family size of one, and your prior year AGI was \$30,000. You have a \$15,000 Direct Subsidized Consolidation Loan, and the interest rate on your loan is 8.25 percent. Based on your income, your beginning monthly payment would be \$151. This amount is less than 20 percent of your monthly discretionary

income (which would be \$371). In this example, you would repay your loan in about 13 years and would repay a total of about \$24,554 (\$15,000 in principal and \$9,554 in interest).

Alternative Documentation of Income

If you are in your first year of repayment, you will be required to submit alternative documentation of your current income (that is, other than IRS-reported AGI) to ED. You will probably be required to submit alternative documentation in your second year of repayment also. Such documentation includes pay stubs, canceled checks, or, if these are unavailable, a signed statement explaining your income sources. The reason for this requirement is that if you filed a tax return for years that included time you were in school (and probably not working full time), the AGI that ED would receive from the IRS would be unlikely to reflect your current income.

Example D

This example shows a borrower with a family size of one and a \$15,000 AGI. The borrower is repaying a \$15,000 Direct Subsidized Consolidation Loan at 8.25 percent interest under the Income Contingent Repayment Plan. A 5 percent annual income growth is assumed. Your income may grow at a different rate, which would affect the amount of your monthly payment and total payment.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Amount Repaid
\$15,000	\$15,000	\$106	25	\$36,047*

*\$11,857 in principal and \$24,190 in interest

Example E

This example shows a borrower with a family size of one and a \$30,000 AGI repaying a \$15,000 Direct Subsidized Consolidation Loan at 8.25 percent interest under the Income Contingent Repayment Plan.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Amount Repaid
\$15,000	\$30,000	\$151	13	\$24,554*

*\$15,000 in principal and \$9,554 in interest

If you are not in your first or second year of repayment, you may still be required to submit alternative documentation of income if your AGI is not available or if your AGI does not reasonably reflect your current income. In addition, you may choose to submit alternative documentation of current income, if special circumstances, such as loss of employment for you or your spouse, warrant an adjustment to your monthly payment.

Please note that if you are married and submit alternative documentation of income for any of the reasons discussed above, you will also be required to submit alternative documentation for your spouse.

Minimum \$5 Payment

Under the new plan, if your income is less than or equal to the poverty level for your family size, your monthly payment will be zero. If your calculated monthly payment is greater than zero but less than \$5, you will be required to make a \$5 monthly payment. If your monthly payment is calculated to be more than \$5, you will be required to pay that calculated amount.

Information for Married Borrowers

The total AGI of both you and your spouse (if you have one) will be used to calculate your monthly payments under the Income Contingent Repayment

Plan. You will be required to provide your spouse's written consent to disclosure of tax return information. Further, if you submit alternative documentation of income, you will be required to submit alternative documentation of your spouse's income.

If your spouse has a Direct Loan, you can repay your loans jointly. Your payment will be based on your joint debt and your joint income. While you are not required to repay your loans jointly, it is important to remember that if only one of you chooses to repay under the Income Contingent Repayment Plan, ED will use the AGI (or alternative documentation of income) of you and your spouse to determine the monthly payments.

Example F: You and your spouse want to repay your Direct Subsidized Consolidation Loans under the Income Contingent Repayment Plan. Your family size is two, and your joint prior year AGI was \$25,000. You owe \$10,000, and your spouse owes \$5,000, for a total of \$15,000 in loans. Based on your joint income and your outstanding balances, your beginning monthly payment would be \$134. This amount is less than 20 percent of your monthly discretionary income (which would be \$244). In this example, you and your spouse would repay your loans in about 16 years and would repay a total of about \$26,732 (\$15,000 in principal and \$11,732 in interest).

Example F

This example shows a married couple with a family size of two and a \$25,000 AGI. They are jointly repaying \$15,000 in Direct Subsidized Consolidation Loans (\$10,000 for one spouse and \$5,000 for the other) at 8.25 percent interest under the Income Contingent Repayment Plan.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Amount Repaid
\$15,000	\$25,000	\$134	16	\$26,732*

*\$15,000 in principal and \$11,732 in interest

Comparing Repayment Plans

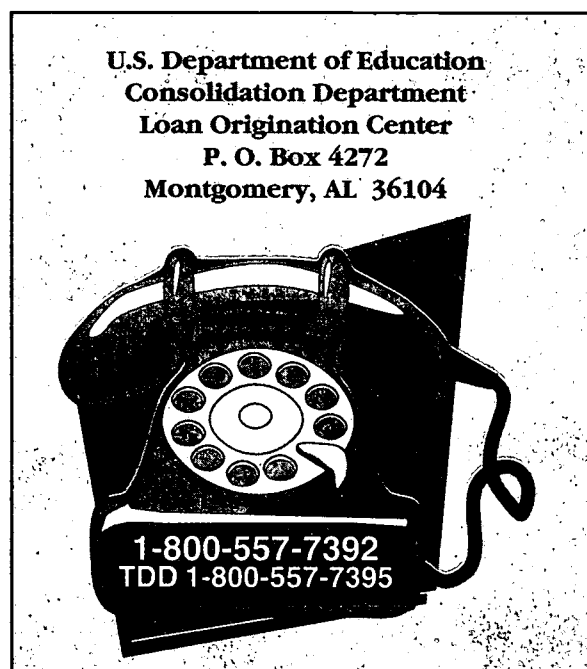
You might be wondering what repayment plan is best for you. The chart on page 7 compares monthly payment amounts under the four plans.

It shows the estimated beginning monthly payment and the total amount repaid for various loan amounts under the four repayment plans. To use the chart, find the amount you owe in the left-hand column labeled "Initial Debt When Loan Enters Repayment." (If the exact amount you owe is not shown, choose the closest amount.) Next, compare what your monthly payment would be under each of the plans, which are shown across the top row of the chart. For the Income Contingent Repayment Plan, select the income level closest to your anticipated income to estimate the amount you would begin paying.

Remember, you don't necessarily want to choose a plan just because it has the lowest monthly payments. That might seem tempting, but it may not be the best course of action for every borrower. In general, the shorter your repayment period, the lower your total interest expense.

Also, you may need more information about what you can afford before you select a plan. Making a monthly budget is a way to take a close look at your finances to see what you can afford. A budget will show you what's coming in (income) and what's going out (expenses), as well as where it's going. It could show you that you can afford larger monthly loan payments than you thought you could, or it could show you that you need to cut back on nonessential spending so you can meet your loan obligations.

The Loan Origination Center's Consolidation Department can help you choose a repayment plan. If you need more advice about selecting the right plan once you've considered your options, write or call the Loan Origination Center's Consolidation Department.



Changing Plans

If you decide that the plan you selected is no longer meeting your needs, you can switch plans as long as the maximum repayment period for your new plan is longer than the amount of time your loan has already been in repayment. Call or write the Direct Loan Servicing Center if you decide you want to switch plans.

Examples of Debt Levels, Beginning Monthly Payments, and Total Amounts Repaid for All Direct Loan Repayment Plans¹

Initial Debt When Loan Enters Repayment	Standard		Extended		Graduated		Income Contingent ²											
	Per Month	Total	Per Month	Total	Per Month	Total	Income=\$15,000			Income=\$25,000			Income=\$45,000					
							Single	Married/HOH ³	Single	Married/HOH ³	Single	Married/HOH ³	Single	Married/HOH ³	Single	Married/HOH ³		
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total		
\$2,500	\$50	\$3,074	\$50	\$3,074	\$25	\$4,029	\$18	\$6,008	\$17	\$5,991	\$23	\$4,412	\$22	\$4,455	\$29	\$3,766	\$28	\$3,779
5,000	61	7,359	55	7,893	35	8,655	35	12,016	34	11,983	46	8,825	45	8,911	57	7,533	56	7,559
7,500	92	11,039	82	11,639	53	12,982	53	18,024	51	17,974	69	13,237	67	13,366	86	11,299	84	11,338
10,000	123	14,718	97	17,463	70	19,085	71	24,031	68	23,965	93	17,650	89	17,822	114	15,065	112	15,117
15,000	184	22,077	146	26,194	105	28,628	106	36,047	77	35,139	139	26,474	134	26,732	171	22,598	169	22,676
20,000	245	29,437	170	40,899	140	44,115	121	47,594	77	44,235	185	35,299	178	35,643	228	30,131	225	30,235
25,000	307	36,796	213	51,124	175	55,144	121	57,373	77	51,606	231	44,124	223	44,554	285	37,664	281	37,794
30,000	368	44,155	256	61,349	210	66,173	121	65,527	77	57,434	278	52,949	244	54,554	342	45,196	337	45,352
40,000	491	58,873	315	94,614	280	100,567	121	77,471	77	64,918	288	77,602	244	87,141	456	60,262	450	60,470
50,000	613	73,592	394	118,268	350	125,708	121	84,262	77	67,613	288	117,537	244	134,284	570	75,327	562	75,587
75,000	920	110,387	563	202,842	526	212,324	121	86,751	77	67,638	288	173,013	244	158,639	621	127,397	577	133,081
100,000	1,227	147,183	751	270,456	701	283,098	121	86,751	77	67,638	288	182,203	244	163,090	621	214,096	577	229,664

¹Payments are calculated using the maximum interest rate for student borrowers, 8.25 percent.

²Assumes a 5 percent annual income growth (Census Bureau).

³HOH is Head of Household. Assumes a family size of two.

Section A: Instructions

- If you'd like to find out if a Direct Consolidation Loan is right for you, fill out this form by:**
 - completing the Borrower Information (Before you begin, you'll need to gather your loan records so that you'll have on hand all the information you need.)
 - listing all your education loans (including your spouse's loans if you wish to consolidate them as well)
 - indicating which loans you want to consolidate
- Return the completed form in the enclosed envelope to:**

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104
- We'll do the calculations and send you an estimate of your payments under each repayment plan.**

Section B: Borrower Information (Review preprinted items and correct any incorrect information)

1. Last Name	First Name	Middle Initial	2. Social Security Number
			- - -
3. Permanent Street Address			
City		State	4. Daytime Phone Number
		Zip Code	()
5. If you would like payment estimates under the Income Contingent Repayment Plan, enter the following information.			
Borrower's Adjusted Gross Income _____		Family Size _____	
Spouse's Adjusted Gross Income _____			

Current Student Loan Information

Loan #	Student Loan? ¹		Current Balance	Interest Rate	Monthly Payment	To Be Consolidated?	
	Yes	No				Yes	No
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

¹If the loan is a PLUS (parent) loan, check "No."

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a *et seq.*). The principal purpose for collecting this information is to calculate estimated payments under each of the repayment plans available in the William D. Ford Federal Direct Loan (Direct Loan) Program.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Request for Estimated Repayment Information form on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process your form because the Department needs the information to calculate payment estimates for you.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published

on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may

send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

150

Repayment Plan Selection

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Instructions

Read the enclosed information carefully to understand your repayment options and then complete this form to make your selection or to change your previous selection. All Direct Loans obtained by a borrower must be repaid together under the same repayment plan (though PLUS and PLUS Consolidation Loans may be repaid together under a different plan). When you select a repayment plan on this form, all of your corresponding Direct Loans (either "Student Loans or "Parent Loans") will be put into that repayment plan.

If you need assistance in completing this form, call 1-800-557-7392 (for telecommunications device for the deaf (TDD) call 1-800-557-7395). Return the completed form to the address shown on the back of this form.

Section 1: Identifying Information

Required for All Borrowers

Provide your name and your Social Security Number.

Your Name (Please Print) _____

SSN [] [] [] - [] [] - [] [] [] []

Section 2: Repayment Plan Selection

Required for All Borrowers

Place an "X" in the box that corresponds to your repayment plan selection for each loan type. Note that parent loans (PLUS and PLUS Consolidation Loans) are not eligible for Income Contingent Repayment.

	Income Contingent	Standard	Extended	Graduated
STUDENT LOANS <i>Includes Subsidized and Unsubsidized Loans and Consolidation Loans</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PARENT LOANS <i>Includes PLUS and PLUS Consolidation Loans</i>	<input type="checkbox"/> Not Available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section 3: Spouse Information

Required for Income Contingent Repayment and Consolidation Borrowers Only

Provide your spouse's name and Social Security Number if you are married and selecting repayment under the Income Contingent Repayment Plan (unless you are separated from your spouse), or if you are selecting a repayment option for a Direct Consolidation Loan held jointly by you and your spouse.

Spouse's Name (Please Print) _____

SSN [] [] [] - [] [] - [] [] [] []

Section 4: Income Contingent Repayment - Additional Information

Required for Income Contingent Repayment Borrowers Only

If you selected "Income Contingent Repayment" (ICR), you must complete all items in this section. (If you did not select ICR, do not complete any part of "Section 4.")

Please note that when you begin repaying your loan under ICR, your repayment amount will be the amount of the interest that accumulates monthly on your loan until we receive your income information. If you cannot afford to make this interest payment, you will have the opportunity to request a forbearance by contacting the Consolidation Department. During a forbearance, you are not required to make payments of interest or principal, but interest continues to accumulate on your loan. If you choose not to pay the interest, it will be capitalized (added to your outstanding principal balance) at the end of the forbearance. Capitalized interest increases the principal amount of the loan and, therefore, the total cost of the loan.

A. Enter your family size. Your family size number includes yourself and your spouse. It includes your children if they get more than half their support from you. It includes other people only if they meet the following criteria: (1) they now live with you, and (2) they now get more than half their support from you and they will continue to get this support from you. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc. (Notify the Consolidation Department in writing at the address on the back of this form if your family size number changes.)

Family Size _____

B. Select joint repayment option (if applicable). If you and your spouse have both chosen ICR for repayment of your Direct Loans, you may choose to repay jointly. If you choose to repay jointly, place an "X" in the box below. (If you do not choose to repay jointly, do not complete this item -- go to "Section 4.C." below.)

I wish to repay my loan(s) jointly with my spouse.

C. Sign this certification. After completing "A." and "B." of "Section 4," read the certification statement below. You must sign and date this form. If you selected joint repayment in "Section 4.B." above, both you and your spouse must sign.

All of the information provided by me on this form is true and complete to the best of my knowledge. If asked by an authorized official, I agree to provide proof of the information that I have given on this form.

Borrower's Signature _____ Date _____

Spouse's Signature (if applicable) _____ Date _____

Return this form to:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723

If you need assistance in completing this form, or if you need to report a change in your address, call 1-800-557-7392. Individuals who use a telecommunications device for the deaf (TDD) may call 1-800-557-7395.

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 et seq. of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a et seq.). The principal purpose for collecting this information is to allow you to select the method of repayment of your Direct Loan.

We ask that you provide the information requested on this Repayment Plan Selection form on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department can process your request and/or perform the appropriate calculations needed to implement your selection.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0714. The time required to complete this information collection is estimated to average 0.33 hours (20 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723

I (We) authorize the Internal Revenue Service (IRS) to disclose certain tax return information (for the tax years listed below) which includes my (our) name(s), address(es), Social Security Number(s), filing status, tax year, and Adjusted Gross Income(s). This information will be disclosed to the U.S. Department of Education (ED) and the William D. Ford Federal Direct Loan (Direct Loan) Program contractors and subcontractors for the sole purpose of determining the appropriate income contingent repayment amount on the Direct Loan Program loan(s) that is subject to income contingent repayment.

Request for Tax Years: 1994, 1995, 1996, 1997, and 1998.

(1) Borrower's (Taxpayer's) Name Printed

(2) Borrower's (Taxpayer's) Social Security Number

(3) Borrower's (Taxpayer's) Signature

Date
(Signature is valid for 60 days.)

(4) Spouse's (Taxpayer's) Name Printed
(If married, spousal information and signature are required.)

(5) Spouse's (Taxpayer's) Social Security Number

(6) Spouse's (Taxpayer's) Signature

Date
(Signature is valid for 60 days.)

**Return this form to: U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723**

See the back of this form for instructions.

William D. Ford Federal Direct Loan Program Income Contingent Repayment Plan Consent to Disclosure of Tax Information

Borrower Instructions: In order to be considered for the Income Contingent Repayment Plan, you and/or your spouse must complete the Consent to Disclosure of Tax Information on the front of this form. Please complete the form using the following instructions:

- Item 1. Print (or type) your name as it appears on your tax returns.
- Item 2. Print (or type) your Social Security Number.
- Item 3. Sign and date the form in blue or black ink only.
- Item 4. If you are married, print (or type) your spouse's name as it appears on tax returns.
- Item 5. If you completed Item 4, print (or type) your spouse's Social Security Number.
- Item 6. If you completed Items 4 and 5, have your spouse sign and date the form in blue or black ink only.

Send this form to the U.S. Department of Education (ED) at the address indicated on the front of this disclosure form. **DO NOT SEND THIS FORM TO THE INTERNAL REVENUE SERVICE (IRS).** Once your application to participate in the Income Contingent Repayment Plan has been approved, ED will forward this form to the IRS.

Request to Revoke Tax Information Authorization: You and/or your spouse may revoke the consent to disclose tax information at any time. To revoke consent, send a copy of the original authorization with the word "**REVOKE**" across the top directly to the IRS at the address given below. (If the revocation is sent to ED, there will be a delay before the revocation becomes effective.) The revocation must be signed by the taxpayer(s) who signed the original Consent to Disclosure of Tax Information. If you and/or your spouse do not have a copy of the original form, a statement of revocation is acceptable. The statement must indicate that the authority to disclose tax information to the Direct Loan Program is revoked, and must be signed by the taxpayer(s) who signed the original authorization form.

NOTE: If you and/or your spouse revoke(s) consent to disclose tax information, you and/or your spouse become(s) ineligible for income contingent repayment, and you and/or your spouse must contact the Consolidation Department Loan Origination Center to select another repayment option. If you and/or your spouse fail(s) to contact the Consolidation Department Loan Origination Center, ED will assign you and/or your spouse to the Standard Repayment Plan.

Revocation Address: IRS
P.O. Box 400
Stop 125
Holtsville, NY 11742

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C.552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 *et seq.* of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for the Income Contingent Repayment Plan. The information on this form will be used to determine your eligibility for repayment of your Direct Loan Program loan(s) under the Income Contingent Repayment Plan. The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0699. The time required to complete this information collection is estimated to average 0.2 hours (12 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723

154

Direct Loans

William D. Ford Federal Direct Loan Program

Dear Borrower,

Thank you for your interest in a Direct Consolidation Loan from the U.S. Department of Education. Because this is an important decision that will affect your financial future, we've enclosed an application packet with background information about consolidating your federal education loans.

After you've read the application packet, you'll be ready to fill out the application. It's important that you complete your application carefully. If it isn't legible or accurately filled out, there will be a delay before we can begin processing your application. To help you fill it out, we've enclosed a sheet of helpful hints inside the application packet. Before you begin filling out your application, please refer to these helpful hints and the instructions on pages 11-14 of the application packet.

Once you've finished filling out your application, here's a checklist of what you need to send us in the return envelope:

- your completed application
- a photocopy of the document(s) where you found the information for each loan you list in Section D of your application
 - If you are unable to provide copies of these documents, we may need to use other methods, such as running a credit check, to get the loan information we need to begin processing your application. (See the sheet of helpful hints for the kinds of documents that are acceptable.)

As soon as we receive your completed application and supporting documents, we'll begin processing. As you'll see from the sheet in the application packet on how your application is processed, we might call you with questions, and we'll be sending you loan consolidation papers to sign. Generally, the consolidation process takes 60 to 90 days. Processing may take longer if your application is incomplete or if your loan holder(s) or loan servicer(s) doesn't reply promptly to our request for loan pay-off information.

In the meantime, if you currently are required to make payments on your loan(s), continue to do so. You will need to continue making payments until you receive written notification that your loan(s) has been successfully consolidated. If you are having difficulty making payments on your loan(s), contact the correspondence address or telephone number on your current loan statement(s) to find out ways you might be able to postpone loan payments; ask specifically about your "deferment" or "forbearance" options.

If you have questions about your application for a Direct Consolidation Loan, please call us toll-free at 1-800-557-7392. For the hearing impaired, our toll-free TDD number is 1-800-557-7395. Our customer service representatives are available to assist you from 8 a.m. to 8 p.m. (Eastern Time), Monday through Friday.

We're looking forward to receiving your completed application.

Consolidation Department
Loan Origination Center

Enclosures

155

How Your Application is Processed

After receiving your application, we do a quality-control check to make sure all the information we need is provided. If something is missing, we will send the application back to you to be completed, or we will call you for the information at one of the phone numbers you listed on the application. **The loan consolidation process can't begin until we have your completed application in hand.**

- Step 1.** After we receive your fully completed application, we enter the information into our system and begin processing it.
- Step 2.** Using the loan and lender information in the photocopies you sent with your application, we contact your loan holder(s) or loan servicer(s) to get the current balances to be paid off on your loan(s).
- Step 3.** In certain circumstances, we contact the IRS or a credit bureau.
- Step 3a.** If you selected the Income Contingent Repayment Plan, we make the first of several contacts with the IRS.
- Step 3b.** If you are consolidating parent PLUS loans, we conduct a credit check.
- Step 4.** After your loan holder(s) or loan servicer(s) certifies the pay-off balance(s) on your loan(s), we send you loan papers to sign. You'll have a promissory note giving the approximate amount the U.S. Department of Education will spend to pay-off your federal education loan(s); this will be the approximate amount you owe the U.S. Department of Education on your Direct Consolidation Loan. Interest is additional.
- Step 5.** After you review the information in the loan papers, please sign them, and return them to us. These papers include time-sensitive information, so it's important that you return them as quickly as possible. We then pay off your loan holder(s) or loan servicer(s) and consolidate your loan(s).
- Step 6.** We forward your files to the Direct Loan Servicing Center, which notifies you that you have received a Direct Consolidation Loan.

This multi-step consolidation process generally takes 60 to 90 days.

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan In-School Application Packet

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Summary of Your Rights and Responsibilities as a Direct Consolidation Loan Borrower

Terms defined in the glossary are *italicized* the first time they appear.

You have the right to:

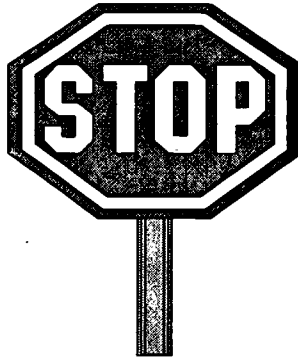
- receive written information on your *loan* obligations
- receive a copy of your *promissory note* either before or at the time you receive a loan
- receive a written statement of your rights and responsibilities as a *borrower*, including information about *deferment*, *forbearance*, and *cancellation* provisions
- receive, before you begin repaying your loan, a disclosure statement that includes information about *interest* rates and fees, the *loan principal* you owe, your monthly payment amount, and the expected number of payments you'll be making
- consolidate additional eligible loans at a later date
- change your *repayment plan*
- defer *repayment* for certain periods, if you qualify and if you request it
- receive forbearance (a type of loan repayment postponement), if you qualify and if you request it
- prepay your loan in whole or in part at any time without an early-repayment penalty (*prepayment*)
- receive, when your loan is fully repaid and all your loan obligations are fulfilled, documentation that your loan has been paid in full

You have the responsibility to:

- notify the *Direct Loan Servicing Center* if, before your loan is repaid, you
 - change employer
 - have a change in your employer's address or phone number
 - change your name
 - change your address
 - have any other change in status that would affect your loan status (for example, you lose eligibility for an unemployment deferment by obtaining a job)
- repay your loan(s) by making regular monthly payments, unless you are in school or you receive a deferment or forbearance

If you are in school when you get your Direct Consolidation Loan, you have the additional responsibility to:

- attend exit counseling before you leave school or drop below half-time enrollment
- notify your school's financial aid office if you
 - fail to enroll or reenroll in school for any term
 - stop attending classes
 - withdraw from school or drop below *half-time* enrollment
 - change your expected graduation date
 - change your name, local address, or permanent address



Don't delay processing of your consolidation loan by making mistakes on the application!

Instructions for completing an application for a Direct Consolidation Loan are in this packet. Here are a few additional helpful hints for items that have been a problem for some people.

Helpful Hints

You should complete the application in ink. If you cross out anything and write in new information, put your initials beside the change.

Section A: Borrower Information

Item 10: By "Employer's Telephone Number," we mean a telephone number where you can be reached at work.

Section B: Reference Information

Item 11: By "References," we mean relatives or friends who will always know how to contact you. If you are including your spouse's loan(s) in this application, your references must also always know how to get in touch with your spouse. The two people you list here must:

- be adults,
- have known you for at least three years,
- live in the United States,
- not have the same address as each other, and
- not have the same address as you.

Section D: Education Loan Indebtedness

This section asks about your education loans. List **all** your education loans in Section D, even the ones you are not consolidating. Sometimes, the more education debt you have, the longer you will be given to repay. To find the information you will need to answer these items, there are several places you can look, such as:

- the last monthly billing statement you received,
- your quarterly interest statement,
- your annual statement, or
- your coupon book.

If you are currently in school, you can contact the financial aid administrator at your school.



Item 21: You must give us at least the name, city, and state of your loan holder or servicer. Use the resources listed above to find this information. For example, on your statement, there might be two addresses: first, the address where you send your payment, and, second, an address that is sometimes called the "correspondence address." For Item 21, we want you to give us the information about the "correspondence address." If there is only one address on your documents, give us that address. If you cannot find this information on your documents, call the telephone number on the statement or use the other resources listed above. **For each loan, send a photocopy of the document where you found the information.**

Item 22: See Chart 3 on page 13 of the packet. If you are not sure about the loan type, leave this item blank and we will follow up on it.

Item 23: You must complete this item, even if you never have been married.

Item 24: You must complete this item. "In-school period" refers to your loan, not to whether you are in school. "In-school period" means there **never** has been a time when you made payments on the loan, or there **never** has been a time when you were supposed to make payments on the loan. If your loan is in an "in-school" period, answer "Yes." If there **has** been a time when you did make payments on the loan, or you were supposed to make payments on the loan, answer "No."

Item 25: If you cannot find the account number of your loan, leave this item blank, and we will follow up on it.

Item 26: You must complete this item. Use the amount on your last statement or give us an approximate amount.

Item 27: You must answer this item.

Section E: Certification, Authorization, and Release

Item 28: You must sign and date the application; this **must** be done in ink (page 3). If you are consolidating loans with your spouse, your spouse must also sign and date the application; this also must be done in ink.

CONTENTS

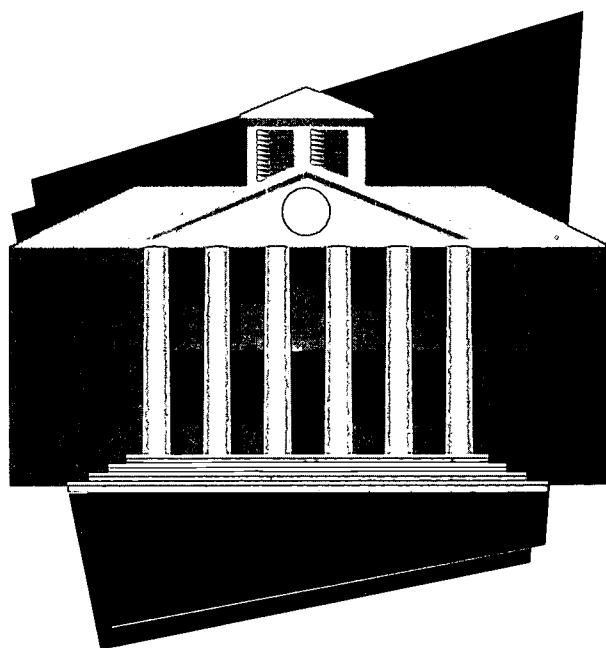
Introduction	1
Questions and Answers About Direct Consolidation Loans	2
Comparison of Loan Benefits	7
Instructions for Completing the Application	11
Application Worksheet	15
Glossary	16

INTRODUCTION

If you borrowed money to help pay for your education after high school and you still owe money on these loans, the U.S. Department of Education's **Federal Direct Consolidation Loan Program** (Direct Consolidation Loan Program) can help you manage your loan repayment.

The *William D. Ford Federal Direct Loan Program* (Direct Loan Program), which includes Federal Direct *Consolidation Loans* (Direct Consolidation Loans), was created to give students a less complicated way to obtain federal education loans. Direct Consolidation Loans (as with all Direct Loan Program loans) have only one lender to be repaid—the U.S. Department of Education.

The Direct Consolidation Loan Program is designed to help you manage and repay the money you borrowed to pay for postsecondary education. A Direct Consolidation Loan allows you to combine one or more of your federal education loans into a new loan that offers you several advantages.



QUESTIONS AND ANSWERS ABOUT DIRECT CONSOLIDATION LOANS

What are the advantages of a Direct Consolidation Loan?

(The charts on pages 7 - 10 provide an overview of the benefits of the various federal education loan programs.)

A Direct Consolidation Loan offers many advantages. Among them:

- **Efficiency** - A Direct Consolidation Loan allows you to consolidate loans from different lenders. If you have *subsidized, unsubsidized*, and parent (PLUS) federal education loans, you can consolidate each into a single consolidation loan. You'll receive only one monthly bill.

There are no origination fees required, and there are no minimum or maximum loan amounts in the Direct Consolidation Loan Program.

- **Convenience** - By consolidating your education loans, you simplify your loan updating and communication requirements. You'll have only one place to send your monthly payment and only one phone call to make to report a change of address or phone number, request a deferment, or ask a question about your loan(s).

If you are married, you can consolidate your federal education loans and your spouse's federal education loans into one loan.

However, if you do, you both are responsible for repaying the total consolidation loan, even if you become separated or divorced or if one spouse dies.

- **Flexibility** - If you consolidate your loans, you'll gain financial flexibility. You'll be able to choose from several different repayment plans, and change your repayment plan as your financial circumstances change. **You** pick the plan that best fits **your** needs.
- **Affordability** - By consolidating your education loans, you may be able to extend your loan repayment period. Extending your repayment period reduces your monthly payments. But, remember, if you take longer to repay your loan, you'll pay more interest and therefore a higher total amount over the life of the loan.

When you consolidate your federal education loans into a Direct Consolidation Loan, you'll be able to take advantage of the favorable interest rates available in the Direct Loan Program. This may reduce the total amount of money you repay over the length of your loan.

Who is eligible for a Direct Consolidation Loan?

You may be eligible for a Direct Consolidation Loan if you:

- (1) have an outstanding balance on a Direct Loan or
- (2) have an outstanding balance on a Federal Family Education Loan (FFEL) Program loan and cannot obtain a Federal Consolidation Loan from a FFEL Program lender or
- (3) have an outstanding balance on a FFEL Program loan, are eligible for the Income Contingent Repayment Plan under the Direct Loan Program, and cannot obtain a Federal Consolidation Loan from a FFEL Program lender with income-sensitive repayment terms you find acceptable.

If you have a loan(s) in an *in-school period* or a loan(s) in *default*, you must meet the conditions explained below.

If you want to consolidate a loan(s) made to you as a parent, a credit check is required. A parent with an adverse credit history can obtain a Direct PLUS Consolidation Loan by using an endorser with a good credit history or by providing documentation of extenuating circumstances. (An endorser is a person who agrees to repay the loan if the parent does not.)

Are there any special considerations if I'm in school at the time I apply for a Direct Consolidation Loan?

If you are enrolled at least half time in school when you apply for a Direct Consolidation Loan, you may be eligible for in-school consolidation if you:

- (1) have at least one Direct Loan Program loan or do not have a Direct Loan

Program loan but attend a Direct Loan school and

- (2) consolidate at least one fully disbursed loan that is in an in-school period at the time you apply.

You may only include Direct Loan and/or FFEL Program loans in an in-school consolidation. Additionally, if you meet the conditions for in-school consolidation, your Direct Consolidation Loan will receive a *grace period*. This means that after you graduate, or reduce your enrollment to less than half time, you will not have to make payments on your Direct Consolidation Loan for six months. (If your enrollment status changes to less than half time after you apply but before the first disbursement of your Direct Consolidation Loan, you will not have to make payments on your Direct Consolidation Loan for the number of months of grace remaining when the first disbursement is made.)

Note: Unless your Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan in an in-school period or you are eligible for a deferment, the first payment on your Direct Consolidation Loan will be due within 60 days of the first disbursement of your loan.

What if one or more of my education loans is in default?

If you're in default on a federal education loan(s) made while you were a student, you may be allowed to consolidate if you:

- (1) agree to repay the loan(s) under the Income Contingent Repayment Plan or
- (2) make satisfactory repayment arrangements with your current *holder(s)*.

If you're in default on a federal parent (PLUS) loan(s) you may be allowed to consolidate if you make satisfactory repayment arrangements with your current holder(s).

If you have a defaulted Direct Loan or FFEL Program Loan(s), a satisfactory repayment arrangement is defined as making three consecutive monthly payments to your current holder(s). Your holder(s) will work with you to establish payments that are reasonable and affordable given your total financial circumstances. If you have defaulted on another federal education loan(s), you must contact your current loan holder(s) to determine how that loan holder(s) defines a satisfactory repayment arrangement.

When you consolidate a defaulted Direct Loan or FFEL Program loan(s), any collection costs that you now owe up to a maximum of 18.5 percent of the outstanding principal and interest will be added to your outstanding principal loan balance(s). For any other defaulted federal education loan(s), all collection costs that you now owe will be added to your outstanding principal loan balance(s).

Note: If before applying for consolidation you want to completely clear the default notation from your credit record, you may want to consider another option—loan rehabilitation. You can rehabilitate your defaulted Direct Loan Program loan(s) if you make 12 consecutive monthly payments (that are reasonable and affordable given your total financial circumstances). You can rehabilitate your defaulted FFEL Program loan(s) if you make the 12 consecutive monthly payments to your current holder(s) and your loan(s) is resold. You must contact your holder(s) to obtain more information about this option.

Is there more than one type of Direct Consolidation Loan?

There are three categories of Direct Consolidation Loans:

- (1) Direct Subsidized Consolidation Loans
- (2) Direct Unsubsidized Consolidation Loans
- (3) Direct PLUS Consolidation Loans

Most **subsidized** federal student loans can be consolidated into a Direct **Subsidized** Consolidation Loan. **Unsubsidized** federal student loans can be consolidated into a Direct **Unsubsidized** Consolidation Loan. Direct PLUS Loans and Federal PLUS Loans (both of which are made to parents) can be combined into one Direct PLUS Consolidation Loan. Even if you have loans from more than one category, you still have only one Direct Consolidation Loan and make just one monthly payment.

Note: You must consolidate at least one Direct Loan or FFEL Program loan.

What are the interest rates on Direct Consolidation Loans?

(See charts on pages 7 - 10.)

The annual interest rates for Direct Consolidation Loans are *variable*; the rates are adjusted each year on July 1.

For Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans **that are in repayment**, the rate is equal to the 91-day Treasury bill rate plus 3.1 percentage points, but it will never exceed 8.25 percent (see Example A).

During an authorized period of deferment, the interest rate on Direct Subsidized Consolidation Loans and Direct

Example A		
This example shows how the interest rate is calculated for student borrowers' Direct Consolidation Loans in repayment.	If the Treasury bill rate were 4.4 percent, the interest rate would be 7.5 percent because	However, if the Treasury bill rate were 5.6 percent, the interest rate would be 8.25 percent because
Treasury bill rate + 3.1% = Interest rate	4.4% + 3.1% = 7.5%	5.6% + 3.1% = (8.7%) = 8.25%*
*This interest rate is "capped" because the calculated rate is higher than the legally set maximum rate of 8.25 percent for student borrowers.		

Unsubsidized Consolidation Loans is equal to the 91-day Treasury bill rate plus 2.5 percentage points, but it will never exceed 8.25 percent.

For Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans **that included a loan in an in-school period and are not yet in repayment**, the rate is equal to the 91-day Treasury bill rate plus 2.5 percentage points, but it will never exceed 8.25 percent.

The interest rate on a Direct PLUS Consolidation Loan is always equal to the 52-week Treasury bill rate plus 3.1 percentage points, but it will never exceed 9 percent.

Direct Consolidation Loan interest rates are often the lowest rates available. However, as a careful, informed consumer, you will want to compare the Direct Consolidation Loan Program to similar programs that might be available.

Once you have your Direct Consolidation Loan, the Direct Loan Servicing Center will write each year notifying you of the interest rate going into effect July 1. The amount you pay will be adjusted to reflect the annual interest rate change, unless you ask for the length of your repayment period to be changed.

When will interest be charged on my Direct Consolidation Loan?

No interest is charged on a Direct Subsidized Consolidation Loan while you're in an in-school, grace, or deferment period. Interest will be charged during a forbearance period.

Interest is charged on Direct Unsubsidized Consolidation Loans and Direct PLUS Consolidation Loans during all periods—you may pay that interest or you may allow it to accumulate and have it added to the principal owed (*capitalized*) (see **Example B**, page 6).

What if my circumstances change?

If you return to school, are unable to find full-time employment, or experience financial hardship, you may be eligible for a deferment or forbearance. (If, at the time you consolidate, you have an outstanding balance on a FFEL Program loan borrowed before July 1, 1993, you may be eligible for additional deferments.) Once you have your Direct Consolidation Loan, you should contact the Direct Loan Servicing Center to request additional information about your deferment and forbearance options.

Example B

This chart compares the costs of paying (not capitalizing) interest and capitalizing interest on a \$2,625 Direct Unsubsidized Loan at 8.25 percent interest (the maximum interest rate) under the Standard Repayment Plan. The borrower attended school for 9 months and then had a 6-month grace period.

Type of Interest	Loan Amount	Interest Charged	Interest Paid	Principal to be Repaid	Monthly Payment	Number of Payments	Total Repayment
Not Capitalized	\$2,625	\$230	\$230	\$2,625	\$50	65	\$3,498*
Capitalized**	\$2,625	\$230	\$0	\$2,855	\$50	73	\$3,638

* Total repayment includes the \$230 in interest paid before the loan went into repayment.

** Interest was capitalized once, when the borrower entered repayment (15 months after the loan was made).

What is a deferment, and what does it do?

During deferment of Direct Subsidized Consolidation Loans, payments on principal are postponed, and interest is not charged. In the case of Direct Unsubsidized Consolidation Loans, payments on principal are postponed, but interest is charged during the deferment period. The interest may be paid on a regular basis during the deferment period or it may accumulate and be capitalized when the deferment period ends.

What is forbearance, and what does it do?

Under forbearance, you can, if eligible, temporarily reduce your payment amount or temporarily stop making payments, as long as you intend to repay your loan. During forbearance, interest is charged on all loans. You may choose to pay the interest on a regular basis during the forbearance period or have it capitalized when the forbearance period ends.

Please remember...

Consolidating your loan debt is an important financial decision that requires information and careful thought. If you have additional questions, call the *Loan Origination Center's* Consolidation Department at 1-800-557-7392.



After reviewing the various options available to you, if you find that the Direct Consolidation Loan Program is able to offer features and benefits that you want, complete the application using the instructions that begin on page 11.

Direct Loans

William D. Ford Federal Direct Loan Program

Chart 1

Federal Direct Consolidation Loan Program

Co

This chart compares the main benefits of some current loans (last William D. Ford Federal Direct Loan Program (first two columns). 1 July 1, 1995. A detailed overview of current benefits of other ed Department. For more information or assistance with using the of

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS
Consolidation Loans

FFEL Program
GSL/FISL

Overview of Major Benefits

Interest rate	Variable with 8.25% cap	Variable with 9% cap	7, 8, 9, 10% or variable with cap	9, 12, 14% or variable with cap	9, 12, 14% or variable with cap	Weighted average rounded up to next whole percent ¹
Maximum Repayment term	30 years ²	30 years ²	10 years	10 years	10 years	30 years ³
Available Repayment Plans						
Standard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Income Contingent	<input checked="" type="checkbox"/>	No	No	No	No	No
Income Sensitive	No	No	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Graduated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Extended	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	<input checked="" type="checkbox"/> ³
Alternative	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Prepayment without penalty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cancellation upon borrower's death or total disability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>
Discharge due to school closing or falsely certifying loan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶
Grace period	6 months ⁷	No	6 months ⁸	6 months ⁸	No	No

Notes

- 1 Before 7/1/94, greater of 9 percent or weighted average; after 7/1/94; weighted average rounded up to nearest whole percent.
- 2 For standard repayment plan, 10 years; for income contingent, 25 years; for graduated and extended, may range from 12 to 30 years, depending on amount borrowed.
- 3 May range from 10 to 30 years, depending on amount borrowed.
- 4 Income sensitive and graduated available for new borrowers on or after 7/1/93.
- 5 For death: parent's or student's, if student died on or after July 23, 1992; for disability: parent's only.
- 6 For loans received on or after 1/1/86.
- 7 For a Direct Consolidation Loan which includes a Direct Loan or a Federal Family Education Loan (FFEL) Program loan for which the borrower is in an in-school period at the time of consolidation.
- 8 For 7 percent loans, 9-12 months.
- 9 If borrower has a Stafford Loan; otherwise none.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS
Consolidation Loans

FFEL Program
GSL/FISL

Supplemental Loans for Students
(SLS)/Auxiliary Loans to Assist
Students (ALAS)

FFEL Program
Consolidation Loans
FFEL Program
PLUS Loans

Deferment Options

All Borrowers

Borrowers Prior to 7/1/93

Deferment Options	All Borrowers		Borrowers Prior to 7/1/93			
	Direct Consolidation Loans (Subsidized & Unsubsidized)	Direct PLUS Consolidation Loans	FFEL Program GSL/FISL	Supplemental Loans for Students (SLS)/Auxiliary Loans to Assist Students (ALAS)	FFEL Program Consolidation Loans	FFEL Program PLUS Loans
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ^{10,11}	<input checked="" type="checkbox"/> ^{10,11}	<input checked="" type="checkbox"/> ^{10,11}	<input checked="" type="checkbox"/> ¹¹
Attending school full time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ¹²	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 2 years	Up to 2 years	Up to 2 years	Up to 2 years
Economic Hardship	Up to 3 years	Up to 3 years	No	No	No	No
Serving required internship/residency	Up to 2 years ¹³	Up to 2 years ¹³	Up to 2 years	Up to 2 years	Up to 2 years ¹²	No
Temporarily totally disabled or required to provide full-time care for disabled dependent	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Teaching in designated teacher shortage area	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Serving in the: Armed Forces, Peace Corps, Public Health Service, ACTION, full-time volunteer for tax-exempt organization	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years ¹²	No
Active duty in NOAA corps	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Qualifying parental leave	Up to 6 mos. ¹³	No	Up to 6 mos. ¹⁰	Up to 6 mos. ¹⁰	No	No
Working mother	Up to 1 year ¹³	No	Up to 1 year ¹⁰	Up to 1 year ¹⁰	No	No
New Borrowers as of 7/1/93						
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years

Notes

10 Only for borrowers with no outstanding loans as of 7/1/87.

11 If borrower has received a Stafford Loan or SLS for the deferment period, or for PLUS borrower only, has a dependent student who borrows a Stafford loan for the deferment period.

12 For loans made before 8/15/83.

13 If borrower currently has a loan with this deferment option, or has an outstanding balance on a FFEL Program loan made prior to 7/1/93.

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Application

OMB No. 1840-0693
Form Approved
Exp. Date 1/31/99

IN-SCHOOL

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Before You Begin

This form should be printed in blue or black ink or typewritten and must be signed by the applicant(s). Some items in Section A may be preprinted. Review these items carefully and correct and initial any incorrect information.

Are you presently attending school at least half time? Check the appropriate box.

Yes No

Section A: Borrower Information

1. Last Name	First Name	Middle Initial	2. Social Security Number
			- -
3. Permanent Street Address (if P.O. box, see instructions)			4. Home Area Code/Telephone Number
			()
City	State	Zip Code	5. Driver's License Number (put state abbreviation first)
			()
6. Former Name(s)			7. Date of Birth
8. Employer's Name			9. Employer's Address
10. Employer's Area Code/Telephone Number			City State Zip Code
()			
11. If you are married, does your spouse have an eligible loan(s) (see instructions) that you want to consolidate with your loan(s)? If yes, complete Section C and include your spouse's loan(s) in Section D.			
Yes <input type="checkbox"/> No <input type="checkbox"/>			

Section B: Reference Information (See instructions before completing this section)

12. References:

Name	1. _____	2. _____
Permanent Address	_____	_____
City, State, Zip Code	_____	_____
Area Code/Telephone Number ()	_____	() _____

Section C: Spouse Information (To be completed only if you responded "Yes" to item 11)

13. Last Name	First Name	Middle Initial	14. Social Security Number
			- -
15. Date of Birth	16. Driver's License Number (put state abbreviation first)		
	()		
17. Former Name(s)			
18. Employer's Name			
19. Employer's Address			
20. Employer's Area Code and Telephone Number			
()		City	State Zip Code
		169	

Section D: Education Loan Indebtedness

(See instructions before completing this section)

21. Loan Holder/Service's Name, Address, and Area Code/Telephone Number	22. Loan Type	23. B = Borrower S = Spouse J = Joint	24. In-School Period?		25. Account Number	26. Current Balance	27. To Be Consolidated?	
			Yes	No			Yes	No
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170

Direct Loans

William D. Ford Federal Direct Loan Program

FEDERAL DIRECT CONSOLIDATION LOAN

SECTION E

CERTIFICATION, AUTHORIZATION, AND RELEASE

- (1) I certify that the information I (and my spouse, if applicable) am providing in this application is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- (2) I certify that all of the loans selected have been used to finance my education, my spouse's education, or my child's education.
- (3) I certify that I do not have an application pending for a Federal Consolidation Loan with any other lender.
- (4) **If I am not in school and if none of the loans I am consolidating is a William D. Ford Federal Direct Loan Program (Direct Loan Program) loan, I (or my spouse, if applicable) certify that I have sought and been unable to obtain a Federal Consolidation Loan from a Federal Family Education Loan (FFEL) Program lender, or, if I am consolidating student loans, that a lender would not provide me with a Federal Consolidation Loan with income-sensitive repayment terms acceptable to me.**
- (5) I certify that I do not now owe a refund on a Federal Pell Grant, Basic Educational Opportunity Grant, Federal Supplemental Educational Opportunity Grant, or State Student Incentive Grant. I further certify that I am not now in default on any loan that was received under the Federal Perkins Loan Program (including NDSL Loans), the FFEL Program, or the Direct Loan Program, or, if I am in default, I have either made satisfactory repayment arrangements with the holder of that defaulted loan or I am consolidating all of these loans and will repay under the Income Contingent Repayment Plan. I understand that income contingent repayment is not available for Federal Direct PLUS Consolidation Loans.
- (6) I understand that the amount of my Federal Direct Consolidation Loan will be the sum of the balance(s) of my outstanding eligible loan(s) that I have chosen to

consolidate. My outstanding balance on each loan to be consolidated will include unpaid principal, unpaid accrued interest, and late charges as defined by federal regulations and as certified by the holder. Collection costs may also be included. For a Direct Loan or FFEL Program loan that is in default, the U.S. Department of Education (ED) limits collection costs that may be charged to the borrower to no more than those currently authorized under the FFEL Program and may impose reasonable limits on collection costs paid to the holder. If the amount ED advances to my holder(s) exceeds the amount needed to pay off the balance(s) of the selected loan(s), I understand that the holder will refund the excess to ED for application against the outstanding balance of this loan. If the amount that ED advances to my holder(s) is less than the amount needed to pay off the balance(s) of the loan(s) selected for consolidation, ED will include the remaining amount in this loan unless I pay the remaining balance myself.

- (7) I authorize ED to investigate my credit record and report information concerning my loan status to proper persons and organizations authorized to receive this information.
- (8) I authorize ED to contact the loan holder(s) identified on my application to determine the eligibility and/or payoff amount for the loan(s) I have identified.
- (9) I authorize my school(s), ED, and their agents, to verify my social security number with the Social Security Administration (SSA) and, if the social security number on my loan record is incorrect, then I authorize SSA to disclose my correct social security number to these parties.
- (10) I hereby authorize release to ED or its agent any information required to consolidate my education loan(s) pursuant to the Higher Education Act of 1965, as amended. A copy of this authorization may be deemed an original release.

28.

Signature of Borrower

Signature of Spouse (if consolidating jointly)

Date

Date

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 et seq. of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a et seq.). The principal purpose for collecting this information is to determine your eligibility for a Federal Direct Consolidation Loan under the William D. Ford Federal Direct Loan (Direct Loan) Program.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Application (application) on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process your application because the Department needs the information to determine whether you qualify for a Federal Direct Consolidation Loan.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published

on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may

send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

172

Direct Loans

William D. Ford Federal Direct Loan Program

Chart 2 Federal Direct Consolidation Loan Program Comparison of Loan Benefits

This chart compares the main benefits of some current loans (last four columns) with the benefits the borrower will receive when consolidating under the William D. Ford Federal Direct Loan Program (first two columns). The information contained in this chart is valid for consolidation loans made on or after July 1, 1995. A detailed overview of current benefits of other education loan programs is available from the Loan Origination Center's Consolidation Department. For more information or assistance with using the chart, call 1-800-557-7392.

	Direct Consolidation Loans (Subsidized & Unsubsidized)	Direct PLUS Consolidation Loans	Perkins/National Direct Student Loans (NDSL) National Defense Student Loans (NDSL)	Health Education Assistance Loans (HEAL)	Health Professions Student Loans (HPSL) Loans for Disadvantaged Students (LDS)	Nursing Student Loans (NSL)
Overview of Major Benefits						
Interest rate	Variable with 8.25% cap	Variable with 9% cap	3, 4, or 5%	Variable no cap	3, 5, 7, or 9%	3, 5, or 6%
Maximum repayment term	30 years ¹	30 years ¹	10 years	25 years	10 years	10 years
Available repayment plans						
Standard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Income Contingent	<input checked="" type="checkbox"/>	No	No	<input checked="" type="checkbox"/>	No ²	No ²
Graduated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Extended	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Alternative	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	<input checked="" type="checkbox"/> ²	<input checked="" type="checkbox"/> ²
Prepayment without penalty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cancellation upon borrower's death or total disability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ³	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discharge due to school closing or falsely certifying loan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Grace period	<input checked="" type="checkbox"/> ⁴	No	6-9 months ⁵	9 months ⁶	1 year	9 months
Cancellation for public service	No	No	<input checked="" type="checkbox"/> ⁷	No	No	<input checked="" type="checkbox"/> ⁶

Notes

- For standard repayment plan, 10 years; for income contingent, 25 years; for graduated and extended, may range from 12 to 30 years, depending on amount borrowed.
- Renegotiated repayment schedules may be arranged between the school and the borrower, but must be repaid within the 10-year limit.
- For death: parent's or student's if student died on or after July 23, 1992; for disability: parent's only.
- For a Direct Consolidation Loan which includes a Direct Loan or a Federal Family Education Loan (FFEL) Program loan for which the borrower is in an in-school period at the time of consolidation.
- 6 months for National Direct Student Loans made on or after 10/1/80; 9 months for Perkins Loans made on or after 7/1/87 and National Direct Student Loans made before 10/1/80; Perkins Loans and National Direct Student Loans made on or after 10/1/80 also have a 6-month post-deferment grace period.
- After leaving school or a qualified internship/residency.
- For Perkins Loans, National Direct Student Loans, and National Defense Student Loans made prior to 7/1/93, borrowers are eligible for "postponement of payments in anticipation of cancellation" during periods of public service.
- If program is funded, for 2 years' service as a registered nurse in a designated facility or area.
- Deferment benefits in the Perkins Loan, National Direct Student Loan, and National Defense Student Loan Programs are granted in accordance with the date the loan is made; these benefits are not borrower specific.
- For loans disbursed on or after 11/4/88, if enrolled in collegiate nursing program leading to baccalaureate or graduate degree, advanced training in nursing or training to become a nurse anesthetist, or combination of these; 5-year limit for loans disbursed prior to 11/4/88.
- For loans disbursed on or after 11/4/88; attendance must be at health professions school.
- For loans made after 10/21/85.
- Also for up to 4 years in advanced health professional training (including internships and residencies); up to 2 years for fellowship training program or full-time educational activity directly related to profession borrower is preparing for, if prior to or within 12 months after completion of advanced professional training, for loans made after 10/21/85.
- But available for advanced health professional training (including internships and residencies); up to 2 years for fellowship training program or full-time educational activity directly related to profession borrower is preparing for.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS Consolidation Loans

Perkins/National Direct Student Loans (NDSL)
National Defense Student Loans (NDSL)

Health Education Assistance Loans (HEAL)

Health Professions Student Loans (HPSL)
Loans for Disadvantaged Students (LDS)

Nursing Student Loans (NSL)

Deferment Options	All Borrowers		Borrowers Prior to 7/1/93 ⁹			
Attending school half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	Up to 10 years ¹⁰
Attending school full time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ¹¹	Up to 10 years ¹⁰
In graduate fellowship program	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	Up to 2 years ^{12, 13}	No ¹⁴	No
Attending rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Unemployed	Up to 3 years	Up to 3 years	No	No	No	No
Economic hardship	Up to 3 years	Up to 3 years	No	No	No	No
Serving required internship/residency	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁶	Up to 4 years ¹⁷	<input checked="" type="checkbox"/>	No
Serving internship/residency leading to degree/certificate	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁶	<input checked="" type="checkbox"/> ¹⁸	No	No
Temporarily totally disabled or required to provide full-time care for disabled dependent	Up to 3 years ¹⁵	Up to 3 years ¹⁵	Up to 3 years ²⁰	No	No	No
Teaching in designated teacher shortage area	Up to 3 years ¹⁵	No	No	No	No	No
Serving in the: Armed Forces, Peace Corps, Public Health Service, ACTION, full-time volunteer for tax-exempt organization	Up to 3 years ¹⁵	Up to 3 years ¹⁵	Up to 3 years ²¹	Up to 3 years ²²	Up to 3 years ²³	Up to 3 years ²³
Active duty in the NOAA corps	Up to 3 years ¹⁵	No	Up to 3 years ¹⁶	No	Up to 3 years	Up to 3 years
Qualifying parental leave	Up to 6 mos. ¹⁵	No	Up to 6 mos. ¹⁶	No	No	No
Working mother	Up to 1 year ¹⁵	No	Up to 1 year ¹⁶	No	No	No
New Borrowers as of 7/1/93⁹						
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No ²⁴	No ²⁴	Up to 10 years ¹⁰
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Up to 2 years ²⁵	No ¹⁴	No
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No
Other	No	No	<input checked="" type="checkbox"/> ²⁶	<input checked="" type="checkbox"/> ²⁷	No	No

Notes

- 15 If borrower currently has a loan with this deferment option, or has an outstanding balance on a FFEL Program loan made prior to 7/1/93.
- 16 For loans made on or after 10/1/80.
- 17 Must be in field related to health education.
- 18 For Perkins Loans only.
- 19 Must be in field related to health education; unlimited for loans disbursed before 10/22/85; 48 months for loans disbursed after 10/22/85.
- 20 For National Direct Student Loans made on or after 10/1/80, and for Perkins Loans; care for spouse only for National Direct Student Loans.
- 21 Service in Public Health Service only for loans made on or after 10/1/80 and before 7/1/93; volunteer for tax-exempt organizations only for loans made on or after 10/1/80 and before 7/1/93.

- 22 Up to 3 years each in Armed Forces, National Health Service, Peace Corps, and ACTION; 12 year maximum.
- 23 Service in ACTION and volunteer for tax-exempt organization not eligible.
- 24 Must be full time.
- 25 For graduate fellowships only; see also notes 12 and 13.
- 26 For Perkins Loans made on or after 7/1/93, borrowers performing public service that qualifies them for loan cancellation are eligible for deferment.
- 27 Up to 1 year for chiropractic school graduates; up to 3 years for practicing primary health care.

INSTRUCTIONS FOR COMPLETING THE APPLICATION

Before You Begin

Note: Please read the Privacy Act Notice on page 4 of the application before completing the form.

Before beginning, you'll need to gather all of your loan records, account statements, and bills so that you'll have on hand all the information you'll need to complete the application.

The form should be printed in blue or black ink or typewritten, and it must be signed by the applicant(s).

Incorrect or incomplete information may cause your application's processing to be delayed.

If you have questions about how to complete the application or need assistance, call the Loan Origination Center's Consolidation Department. You can call Monday through Friday 8 a.m. - 8 p.m. Eastern Time, at 1-800-557-7392 [TDD 1-800-557-7395].

Check the appropriate box in the "Before You Begin" section of the application to let us know whether you are presently attending school at least half time.

Note: Remember, if you are eligible for in-school consolidation you may only consolidate loans made under the Direct Loan and FFEL Programs.

Section A: Borrower Information

Note: Some items in this section may be preprinted. Review these items carefully and correct and initial any incorrect information.

Items 1 and 2: Enter the information requested.

Item 3: Enter your permanent home street address. If your mailing address is an RFD, post office box, or general delivery, you must list **both** the street address and mailing address.

Item 4: Enter the information requested.

Item 5: First, enter in the parentheses the two letter abbreviation for the state that issued your driver's license. Then, enter your driver's license number. (If none, enter "none.")

Item 6: Enter any former names under which one or more of your loans may have been made. (If none, enter "none.")

Items 7 - 10: Enter the information requested. (For items 8 - 10, if none, enter "none.")

Item 11: If married, check "Yes" or "No" to indicate whether you want to consolidate your loan(s) with your spouse's loan(s). See the instructions for "Section D" (Chart 3, page 13) for a list of eligible loans.

Section B: Reference Information

Item 12: Enter the requested information for two adults who do not share a common address and who have known you for at least three years. References may not live with you or live outside the United States. If you are consolidating jointly, both references should be relatives or acquaintances who are likely to know how to contact you and your spouse.

Section C: Spouse Information

Note: Complete this section only if you are married and wish to consolidate your loans with those of your spouse. Remember, if you do this, you are both responsible for repaying the total consolidation loan, even if you become separated or divorced or if one spouse dies.

Items 13 - 15: Enter the information requested.

Item 16: First, enter in the parentheses the two letter abbreviation for the state that issued your spouse's driver's license. Then, enter your spouse's driver's license number. (If none, enter "none.")

Item 17: Enter any former names under which one or more of your spouse's loans may have been made. (If none, enter "none.")

Items 18 - 20: Enter the information requested. (If none, enter "none.")

Section D: Education Loan Indebtedness

In this section, you are asked to tell us about education loans on which you (and your spouse, if you are applying for a joint consolidation loan) have an outstanding balance. You will need to tell us the present holder/*servicer* of each loan and the amount owed.

If you are uncertain about the identity of the holder of one or more of your loans, call the Loan Origination Center's Consolidation Department at: 1-800-557-7392 [TDD 1-800-557-7395] for assistance.

If you are eligible for in-school consolidation, you may consolidate only loans made under the Direct Loan and FFEL Programs. The codes for these loans are: A, B, C, D, E, G, H, J, K, L, O, P, S, T, U, and V (see **Chart 3**, page 13).

If you are in default on any student loan(s) being consolidated, you must:

1. agree to repay your loan(s) under the Income Contingent Repayment Plan, or
2. have made satisfactory repayment arrangements with the current holder(s) of your loan(s).

If you are in default on a federal parent (PLUS) loan(s), you must have made satisfactory repayment arrangements with the current holder(s) of your loan(s).



Use the chart below to identify the loan type to be entered in item 22 of the application or the worksheet on page 15.

Chart 3 Types of Education Loans and Their Codes		
Subsidized Loans	Unsubsidized Loans	
A Subsidized Federal Stafford Loans	G Unsubsidized Federal Stafford Loans (Including Non-Subsidized Stafford Loans made prior to 10/1/92)	Q Health Professions Student Loans (HPSL)
B Guaranteed Student Loans (GSL)	H Federal Supplemental Loans for Students (SLS)	R Health Education Assistance Loans (HEAL)
C Federal Insured Student Loans (FISL)	J Unsubsidized Federal Consolidation Loans	S Federal PLUS Loans
D Federal Direct Stafford/Ford Loans	K Federal Direct Unsubsidized Consolidation Loans	T Parent Loans for Undergraduate Students (PLUS)
E Federal Direct Subsidized Consolidation Loans	L Federal Direct Unsubsidized Stafford/Ford Loans	U Federal Direct PLUS Loans
F Federal Perkins Loans	P Auxiliary Loans to Assist Students (ALAS)	V Federal Direct PLUS Consolidation Loans
M National Direct Student Loans (NDSL)		Y Nursing Student Loans (NSL)
N National Defense Student Loans (NDSL)		Z Loans for Disadvantaged Students (LDS)
O Subsidized Federal Consolidation Loans		W Other education loans ineligible for consolidation

Note: You must consolidate at least one Direct Loan or FFEL Program loan.

First, using the worksheet on page 15, **list only those eligible loans from the chart above that you (and your spouse, if applicable) wish to consolidate.**

Step 1 (Item 21): Enter the information requested (you can copy this information from your most recent statement).

Step 2 (Item 22): Enter the letter that corresponds to the loan type from the chart above.

Step 3 (Item 23): Tell us whether the loan was made to you, to your spouse, or to both of you by entering:

- B** - for borrower
- S** - for spouse
- J** - for loans to both of you

Step 4 (Item 24): Enter "Y" in the "Yes" column if the loan is not in grace or repayment because you are in school. Enter "N" in the "No" column if the loan is in grace or repayment.

Note: You will receive a grace period on your Direct Consolidation Loan if at least one of the Direct Loan or FFEL Program loans that you are consolidating is in an in-school period and your application is received prior to the end of your in-school period.

Remember, unless your Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan in an in-school period or you are eligible for a deferment, the first payment on your Direct Consolidation Loan will be due within 60 days of the first disbursement of your loan.

Step 5 (Item 25): Enter the account number for each loan (the number should be on your statement or in your payment book).

Step 6 (Item 26): Enter the current balance for each loan as of your last payment (your loan servicer or holder can provide this).

Step 7 (Item 27): Tell us whether you wish to consolidate this loan by entering "Y" in the "Yes" column or "N" in the "No" column.

Step 8: Now list any eligible education loans that you do **NOT** want to consolidate (for example, a Federal Perkins Loan made at a lower interest rate than is available under consolidation). You still may want to have them considered when your minimum repayment term is calculated because, under certain repayment plans, the period of repayment is longer when your total loan debt is higher. If you have such loans, list them now and complete items 21-27 for each of them.

Step 9: If you have education loans that are **NOT** eligible for consolidation (for example, loans from an institution that makes loans under a loan program to finance postsecondary education, not personal loans from family or friends) that you wish considered when your minimum repayment term is calculated, list them now and complete items 21-27 for each of these loans.

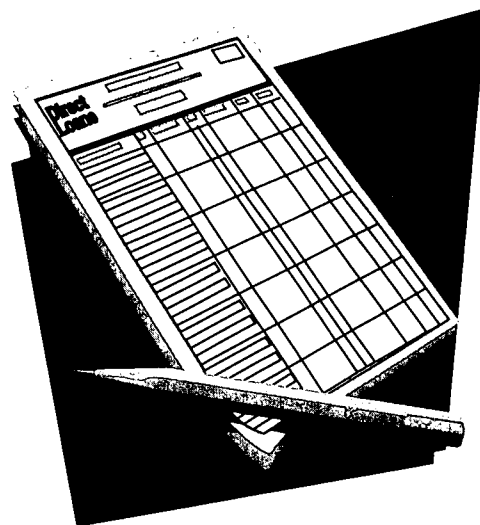
Now, transfer the information from the worksheet to page 2 of the application. If you need additional space, use a blank sheet of paper.

Section E: Certification, Authorization, and Release

Note: Please enter your name and social security number in the spaces indicated at the top of page 3 of your application. Then, read the Certification, Authorization, and Release on that page carefully before signing and dating it as indicated.

Item 28: Sign and date the certification in blue or black ink. If you and your spouse are applying for a joint consolidation loan, you **both** must sign and date the application. If you fail to do so, your application will not be processed.

Review all the information on your Direct Consolidation Loan Application. When the application is complete, forward it to the Loan Origination Center's Consolidation Department in the envelope provided. Keep a copy for your records.



Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Application Worksheet

Before completing Section D on the application, fill out this worksheet.

Section D: Education Loan Indebtedness

21. Loan Holder/Service's Name, Address, and Area Code/Telephone Number	22. Loan Type	23. B = Borrower S = Spouse J = Joint	24. In-School Period? Yes No		25. Account Number	26. Current Balance	27. To Be Consolidated? Yes No	
Oz Bold Trust 1313 Eastwitch Place Melting, KS 64118; Suite 02 (501) 555-5545	G	B		N	00-000	\$10,000	Y	
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()								
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SAMPLE

GLOSSARY

Borrower Individual who signed and agreed to the terms in the promissory note and is responsible for repaying a loan.

Cancellation Some student loan programs allow for all or part of the total loan principal and accrued interest to be cancelled in certain circumstances. A cancelled loan may also be referred to as a “discharged loan.”

Capitalized Interest Rather than paying interest on a periodic basis as it accrues, a borrower may choose to let that interest accumulate and be added to the loan principal. It then becomes *capitalized interest*. Capitalizing interest increases the principal amount of the loan and, therefore, the total cost of the loan.

Consolidation When a borrower combines loans by taking out one new loan to repay all the old loans.

Default Failure to repay a loan or meet other terms of a signed promissory note.

Deferment A temporary postponement of loan payments.

Direct Loan Servicing Center The U.S. Department of Education’s agent contracted to service and collect Direct Loan Program loans.

Forbearance An arrangement to postpone or reduce a borrower’s monthly loan repayment amount for a limited and specified period. The borrower is charged interest during a forbearance.

Grace Period A six-month period after a student borrower graduates or drops below half-time enrollment during which he or she is not required to make payments on a loan.

Half Time A student is considered half time when carrying at least one half the academic workload of a full-time student as determined by the school.

Holder An entity that holds a loan promissory note and has the right to collect from the borrower.

In-School Period A period prior to a loan entering the grace or repayment periods, and during which a borrower is enrolled at least half time at an eligible school.

Interest A loan expense charged by the lender and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the unpaid principal amount (loan amount).

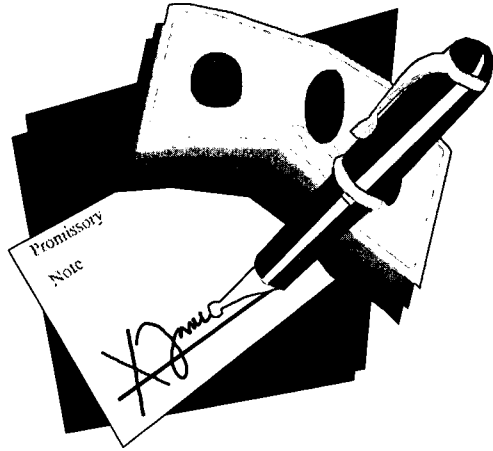
Loan(s) Money borrowed that must be repaid.

Loan Origination Center The U.S. Department of Education’s agent contracted to make and disburse Direct Loan Program loans.

Loan Principal Total money borrowed.

Prepayment Any amount paid on a loan by the borrower before it is required to be paid under the terms of the promissory note. There is never a penalty for prepaying principal or interest on Direct Loan Program loans.

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 (also "repayment period") Making payments on a loan. The "repayment period" is the period during which payments are required to be made.

Repayment Plan(s) In the Direct Loan Program, borrowers may select from four plans that will determine the length of their repayment period and the amount of their monthly payments. The plans are the Standard Repayment Plan, Extended Repayment Plan, Graduated Repayment Plan, and Income Contingent Repayment (ICR) Plan.

Servicer An entity designated to track and collect a loan on behalf of a loan holder.

Subsidized Loan A loan on which the borrower is not charged interest during certain prescribed times. In the case of Direct Subsidized Consolidation Loans, the subsidy is provided by the federal government not charging interest during specified periods.

Unsubsidized Loan A loan on which interest begins to accrue as soon as the loan is made. The interest may be paid or capitalized.

Variable Interest Rate of interest on a loan that is tied to a stated index and changes periodically as the index changes.

William D. Ford Federal Direct Loan Program (also referred to as "Direct Loan Program") A federal program that provides loans to student and parent borrowers. The loans are Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, and Federal Direct Consolidation Loans. Funds are provided by the federal government, through participating schools or the Loan Origination Center, to eligible students/borrowers.



appendix b



Loan statement
Currently in revision



appendix c



Intent to continue letter

Direct Loans

William D. Ford Federal Direct Loan Program

NAME
ADDRESS1
ADDRESS2
CITY, STATE ZIP

DATE

Borrower Account Number: 9999999999

Dear Borrower,

Thank you for your interest in the William D. Ford Federal Direct Loan Program. Because we have not received a response from you in the last 90 days, processing of your application for a Federal Direct Consolidation Loan has been suspended.

If we do not hear from you within 90 days from the date shown above, your application will be canceled. If this is not your intent, please contact one of our Customer Service Representatives so we may continue to process your application.

The Loan Origination Center is available to assist you from 8:00 AM to 8:00 PM, eastern time, Monday through Friday. We can be reached, toll-free, at 1-800-557-7392. Our toll-free TDD number for the hearing impaired is 1-800-557-7395.

Please address all correspondence to:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723



appendix d



Verification Certificate

186

Direct Loans

Direct Loans

Federal Direct Consolidation Loan Verification Certificate

OMB No. 1840-0693
Form Approved
Exp. Date 1/31/99

The borrower identified in item 3 of this Verification Certificate (certificate) has requested consolidation of his or her education loan(s). The Federal Direct Consolidation Loan Program (Direct Consolidation Loan Program) enables borrowers to apply for a loan to consolidate outstanding education loans pursuant to Title IV of the Higher Education Act of 1965, as amended. Loans that may be consolidated are listed in the instructions on the back of this certificate. This certificate is used to verify the payoff amount of the borrower's outstanding education loan(s) selected for consolidation. As part of the Federal Direct Consolidation Loan Application, the borrower named in item 3 has authorized your disclosure of information regarding the education loan(s) listed in item 5. Please confirm that the information provided is accurate, complete blank items, and return within 10 business days of the date received to the address given on the back of this certificate.

For information or assistance when completing this certificate, please call the Loan Origination Center's Consolidation Department at 1-800-557-7392.

(1) Holder/Service Information

Holder/Service is:

- Lender
 Servicer for Lender
 Guarantor
 Servicer for Guarantor

Name _____
 Street _____
 City _____ State _____ Zip Code _____
 Area Code/Telephone # _____
 Area Code/Fax # _____
 Contact's Name _____

(2) Institution and Address to which payoff amount should be sent
 (if different from item 1)

Name _____
 Street _____
 City _____ State _____ Zip Code _____
 Area Code/Telephone # _____

(3) Borrower Information

Name _____
 Social Security # _____
 Street _____
 City _____ State _____ Zip Code _____
 Area Code/Telephone # _____

(4) Today's Date

See the reverse side for instructions.

Acct ID	(5) Account Number*	(6) Loan Type**	(7) Interest Rate (%) Per Diem	(8) Principal Balance Outstanding	(9) Interest thru Today's Date (Item 4)	(10) Fees and Late Charges	(11) Collection Costs***	(12) Total Due	(14) First/Only Disbursement Date	(15) In-School Period (Yes/No)	(16) ED School Code	(17) Anticipated/Actual Completion Date	(18) Defaulted (Yes/No)	(19) Satisfactory Repayment Arrangements (Yes/No)	(20) Judgment (Yes/No)
#1															
#2															
#3															
#4															
#5															
#6															

(13) Total Payoff Amount

*If multiple loan types are in a single account, use the same account number in multiple lines.

**Be sure to identify the loan type according to the list on the back of the certificate.

***If a defaulted loan is being consolidated, the guarantor may include collection costs up to a maximum of 18.5% of the outstanding principal and interest.

(21) Additional Comments

(22) Holder/Service Certification: I certify that: (1) To the best of my knowledge and belief, the information on this certificate is accurate and complete; (2) Each loan identified above is a legal, valid, and binding obligation of the borrower; (3) Each such loan was made and serviced in compliance with all applicable laws and regulations; and (4) in the case of Federal Stafford Loans (subsidized and unsubsidized (ESS)), Federal PLUS Loans, Federal Supplemental Loans for Students (SLS), and Federal Insured Student Loans (FISL), the insurance on each such loan is in full force and effect. The loan amount(s) confirmed includes the amount(s) necessary to discharge the loan(s). This certificate will be relied on by the U.S. Department of Education in paying off the listed loan(s).

Signature of Authorized Official _____
 Name and Title of Authorized Official (Please Print) _____
 Holder/Service Name _____
 Area Code/Telephone Number _____
 Date _____
 Area Code/Telephone Number _____

Federal Direct Consolidation Loan Verification Certificate Instructions

The borrower named in this certificate has requested consolidation of his or her eligible education loan(s). As part of his or her application for a Federal Direct Consolidation Loan (Direct Consolidation Loan), the borrower must have each education loan holder/servicer complete a Verification Certificate (certificate). The U.S. Department of Education (ED) will use the certificate to determine the payoff amount due to each creditor. After receiving the certificate and the documents required from the applicant, ED will pay off the borrower's debt(s) based on the information provided on this certificate. Upon receipt of payment, the holder is to inform the borrower that the loan has been paid (as if the borrower paid the loan in full). Any overpayments or subsequent borrower payments are to be returned to ED so they may be applied to the borrower's outstanding principal balance. A borrower who calls about his or her account(s) while the Direct Consolidation Loan application is in process should be instructed to continue to make regularly scheduled payments on his or her loan(s).

Pursuant to Section 685.215 (f)(1)(i), this certificate must be completed and returned within 10 business days of the date received to the address given below.

Holder/Servicer Instructions:

Please complete the blank items and confirm that the information provided is accurate.

- Item 1: Correct or complete the holder/servicer's information.
- Item 2: If the payoff check should be sent to a different institution and/or address than that in Item 1, enter the requested information.
- Item 3: Correct or complete the borrower's full name, social security number, current address, and current area code and telephone number.
- Item 4: Enter today's date.

Note: If you are no longer the holder of one or more of the loans listed, complete the information for the loan(s) you hold and indicate the new holder for the other loan(s) in Item 21.

Item 5: Enter the account number assigned to the borrower's education loan(s) if not provided. Assume the borrower wants to consolidate all loans of the type provided. If the borrower provided an incomplete account number, you must correct the account number and complete this certificate. If you have multiple accounts for this borrower, you must list them as Account #1, Account #2, etc. If the account number is the same for each loan, enter "same" on the subsequent lines.

Item 6: Enter the correct loan type, using the codes as noted below in bold print.

Subsidized Loans:

- A Subsidized Federal Stafford Loans
- B Guaranteed Student Loans (GSL)
- C Federal Insured Student Loans (FISL)
- D Federal Direct Stafford/Ford Loans
- E Federal Direct Subsidized Consolidation Loans
- F Federal Perkins Loans
- M National Direct Student Loans (NDSL)
- N National Defense Student Loans (NDSL)
- O Subsidized Federal Consolidation Loans

Unsubsidized Loans:

- G Unsubsidized Federal Stafford Loans (Including Non-Subsidized Stafford Loans made prior to 10/1/92)
- H Federal Supplemental Loans for Students (SLS)
- J Unsubsidized Federal Consolidation Loans
- K Federal Direct Unsubsidized Consolidation Loans
- L Federal Direct Unsubsidized Stafford/Ford Loans
- P Auxiliary Loans to Assist Students (ALAS)
- Q Health Professions Student Loans (HPSL)
- R Health Education Assistance Loans (HEAL)
- S Federal PLUS Loans
- T Parent Loans for Undergraduate Students (PLUS)
- U Federal Direct PLUS Loans
- V Federal Direct PLUS Consolidation Loans
- Y Nursing Student Loans (NSL)
- Z Loans for Disadvantaged Students (LDS)
- W Other education loans that may not be consolidated

Note: Loan type W should be used for other types of education loans that may not be consolidated, but that can be included as part of the borrower's total indebtedness when assigning a repayment term. The reason a loan(s) may not be consolidated must be explained in Item 21.

Item 7: Enter the current annual interest rate (percent) and per diem (daily accrual in dollars and cents) on the loan.

Item 8-11: Provide the payoff amount for each loan, which is the sum of the following, as of today's date in Item 4:

Item 8: Principal outstanding (including capitalized interest)

Item 9: Unpaid accrued interest

Item 10: Unpaid fees and late charges, if applicable (as defined by federal regulations)

Item 11: Collection costs, if applicable (as defined by federal regulations)

Return this form to:

**U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723**

You must complete and return this certificate within 10 business days of the date received.

Note: For a loan that is in default, the guarantor may include collection costs up to a maximum of 18.5% of the outstanding principal and interest.

Item 12: Enter the total combined amounts of Items 8 through 11.

Item 13: Enter the total payoff amount due to the holder shown on this certificate.

Item 14: Enter the first, or only, disbursement date for the loan.

Item 15: Enter "Yes" if the loan is in an in-school period (has not yet entered the grace period). Enter "No" if the loan is in grace or in repayment. (A loan in "in-school" deferment is in repayment.)

Item 16: If the loan has not yet entered the grace period, enter the current school code of the school of attendance. Otherwise, enter the school code of the school that certified the loan.

Item 17: If the loan has not yet entered the grace period, enter the anticipated completion date of the borrower's program. Otherwise, enter the completion date of the borrower's program.

Item 18: Enter "Yes" if the loan is in default and proceed to Item 19. Enter "No" if this account is not in default and proceed to Item 20.

Item 19: Enter "Yes" if satisfactory repayment arrangements have been made. Enter "No" if satisfactory repayment arrangements have not been made.

Item 20: Enter "Yes" if a judgment has been obtained on this account. Enter "No" if a judgment has not been obtained on this loan.

Item 21: Enter any appropriate comments. If unable to complete this certificate, please provide an explanation here.

Item 22: Sign, date, and provide other requested information (including the ED Code) to complete this certificate.

Note: When the consolidation process is complete, a lender will receive a check for the sum of principal, interest, and allowable collection costs and fees. A guarantor will receive a check for allowable collection costs and fees. A guarantor's principal and interest balances will be accounted for with Treasury form SF 1081.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 0.3 hours (18 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:

**U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723**

appendix e



Federal Direct Consolidation Loan Promissory Note Mailing (includes all of the items in the Federal Direct Consolidation Loan Promissory Note mailing for in-school Direct Consolidation Loans)

191

Direct Loans

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Here's Your Promissory Note Packet

Thank you for submitting a Federal Direct Consolidation Loan (Direct Consolidation Loan) application. The information on your application has been verified, and you're now in the final steps of obtaining your Direct Consolidation Loan.

What's Inside

Enclosed is your Direct Consolidation Loan promissory note packet. Please take a few minutes to review its contents, which include:

- a promissory note
- a statement of your rights and responsibilities as a borrower
- a loan statement, which includes a list of your loans that are eligible for consolidation and that are included in your promissory note
- a fact sheet describing repayment plan choices (for a more detailed discussion of your options, look at the repayment information we sent with your application packet)
- a repayment plan selection form (if you are consolidating a defaulted loan(s) and have not made satisfactory repayment arrangements, you **must select the Income Contingent Repayment Plan**)
- a consent to disclosure of tax information form (this needs to be completed *only* if you select the Income Contingent Repayment Plan)
- an envelope in which to return the promissory note and other required materials
- an endorser addendum (included only for certain PLUS loan borrowers)

Your Promissory Note

After you read through the packet of materials, you're ready to complete the promissory note. Please read it carefully before you sign it. Make sure that all of the information is correct and that all required signatures are included. **Then mail the completed promissory note to the Loan Origination Center's Consolidation Department in the envelope that's provided within two weeks.** Once the Loan Origination Center's Consolidation Department receives your promissory note, the final step in consolidating your loan(s) occurs. The U.S. Department of Education will pay off your loan(s). The amount paid off will then be the amount you owe on your Direct Consolidation Loan. Important: Continue to make your monthly payments to the current holder(s) of your loan(s) until you have been notified that you have a Direct Consolidation Loan.

If You Have Questions

Any questions? Please contact the Loan Origination Center's Consolidation Department at:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

1-800-557-7392
TDD-1-800-557-7395

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Promissory Note

OMB No. 1840-0693
Form Approved
Exp. Date 1/31/99

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Section A: Borrower Information (Completed by U.S. Department of Education)

If any of the preprinted personal information is incorrect, check here , put a line through any incorrect information, enter it correctly below, and initial the correction.

Borrower's SSN

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Spouse's SSN (if applicable)

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Borrower's Name _____

Spouse's Name (if applicable) _____

Permanent Street Address _____

City, State, Zip Code _____

Home Area Code / Telephone Number () _____

Section B: Loans Consolidated

Loan Identification Number	Loan Type	Amount

Section C: Promissory Note (Continued on reverse side)

To be completed and signed by borrower and spouse, if applicable.

Promise to Pay:

I promise to pay to the U.S. Department of Education (ED) all sums (hereafter "loan" or "loans") disbursed under the terms of this Promissory Note to discharge my prior loan obligations, plus interest, and other fees that may become due as provided in this Promissory Note. If I fail to make payments on this Promissory Note when due, I will also pay collection costs including attorney's fees and court costs. I understand that ED will on my behalf send funds to the holder(s) of the loan(s) in order to pay off this loan(s). I further understand that the amount of this loan equals the sum of the amount(s) that the holder(s) of the loan(s) verified as the payoff balance(s) on that loan(s) selected for consolidation. My signature on this Promissory Note will serve as my authorization to pay off the balance(s) of the loan(s) selected for consolidation as provided by the holder(s) of such loan(s).

I understand that the total amount of this loan may exceed the amounts listed above under Loans Consolidated if I do not continue to make monthly payments to my current loan holder(s) until the time I am notified that my Federal Direct Consolidation Loan has been made or because of collection costs or additional interest that may accrue after the date this Promissory Note was prepared. I understand that I am obligated to repay these additional amounts under the terms of this Promissory Note.

I understand that this is a Promissory Note. I will not sign this Promissory Note before reading it, including the text on the reverse side, even if I am advised not to read the Promissory Note. I am entitled to an exact copy of this Promissory Note and a statement of the Borrower's Rights and Responsibilities. My signature certifies that I have read, understand, and agree, to the terms and conditions of this Promissory Note, including the Borrower Certification and Authorization printed on the reverse side and the accompanying Borrower's Rights and Responsibilities.

If consolidating jointly with my spouse, we agree to the same terms and conditions contained in the Borrower Certification and Authorization. In addition, we confirm that we are legally married to each other and understand and agree that we are and will continue to be held jointly and severally liable for the entire amount of the debt represented by the Federal Direct Consolidation Loan without regard to the amounts of our individual loan obligations that are consolidated and without regard to any change that may occur in our marital status. We understand that this means that one of us may be required to pay the entire amount due if the other is unable or refuses to pay. We understand that the Federal Direct Consolidation Loan we are applying for will be cancelled only if both of us qualify for cancellation. We further understand that we may postpone repayment of the loan only if we provide ED with a written request that confirms Federal Direct Consolidation Loan Program deferment or forbearance eligibility for both of us.

I UNDERSTAND THAT THIS IS A FEDERAL LOAN THAT I MUST REPAY.

Signature of Borrower _____

Signature of Spouse (if consolidating jointly) _____ **193**

Date _____

Date _____

Promissory Note (continued)

Governing Law and Notices

This promissory note (note) applies to Federal Direct Consolidation Loans (Direct Consolidation Loans). In this note, the Higher Education Act of 1965, as amended, 20 U.S.C. 1070 et seq., and applicable U.S. Department of Education (ED) regulations are referred to as "the Act." The terms of this note will be interpreted according to the Act and other applicable federal statutes and regulations. Applicable state law, except as preempted by federal law, may provide for certain borrower rights, remedies, and defenses in addition to those stated in this note.

Disclosure of Terms

When the loan(s) that I am consolidating is paid off, I will be sent a Disclosure Statement and Repayment Schedule (disclosure). The disclosure will identify my Direct Consolidation Loan amount and additional terms of my loan. If I have questions about the information disclosed, I will contact ED. If the information in this note conflicts with the information in the disclosure, the disclosure will be controlling. The information in the disclosure statement will be different from this note if the loan(s) being consolidated is not paid off on the anticipated disbursement date.

Important additional terms of this loan are disclosed in the statement of Borrower's Rights and Responsibilities accompanying this note.

I understand that my Direct Consolidation Loan may consist of up to three separate loan identification numbers depending on the loans I choose to consolidate. These loan identification numbers will represent prior subsidized loans, prior unsubsidized loans, and prior PLUS loans. The Borrower's Rights and Responsibilities identifies which eligible loans are included in each of these categories. Each applicable loan identification number is represented by this note.

Except for interest ED does not charge me during an authorized deferment or grace period, I agree to pay interest on the principal amount of my Direct Consolidation Loan from the date of disbursement until the loan is paid in full or discharged.

ED may add interest that accrues but is not paid when due to the unpaid principal balance of this loan. This is called capitalization.

Interest

If my Direct Consolidation Loan includes a loan identification number that represents previous Federal PLUS loans, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1 plus 3.1 percentage points, but shall not exceed 9 percent.

If my Direct Consolidation Loan includes loan identification numbers that represent previous loans other than Federal PLUS loans, and I am in repayment, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1 plus 3.1 percentage points, but shall not exceed 8.25 percent.

If my Direct Consolidation Loan includes loan identification numbers that represent previous loans other than Federal PLUS loans, and I am in an authorized period of deferment, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1 plus 2.5 percentage points, but shall not exceed 8.25 percent.

If my Direct Consolidation Loan includes loan identification numbers that represent previous loans other than Federal PLUS loans and a loan in an in-school period, and I am not yet in repayment, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1 plus 2.5 percentage points, but shall not exceed 8.25 percent.

Late Charges and Collection Costs

If I fail to make any part of an installment payment within 30 days after it becomes due, ED may collect from me a late charge that will not exceed six cents for each dollar of each late installment. If I default on the loan, I will pay reasonable collection fees and costs, plus court costs and attorney's fees associated with collection of the debt.

Grace Period

My Direct Consolidation Loan will receive a grace period if at least one William D. Ford Federal Direct Loan (Direct Loan) Program or Federal Family Education Loan (FFEL) Program loan that I am consolidating is in an in-school period and my application for a Direct Consolidation Loan is received by ED prior to the end of my in-school period. A six-month grace period begins the day after I cease to be enrolled at least half time at an eligible school.

Repayment

Unless I am in school when my Direct Consolidation Loan is disbursed, I will be asked to select a repayment plan. If I do not select a repayment plan, ED will choose a plan for me in accordance with ED's regulations. My first payment will be due within 60 days of the first disbursement of my Direct Consolidation Loan unless I am eligible for a deferment or my Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan for which I am in an in-school period. A repayment schedule will be furnished to me and will establish repayment terms, including my payment amount and the length of the repayment period. Payments will be scheduled in monthly installments. ED may adjust my repayment schedule if ED learns that any of the loans listed herein is not eligible to be consolidated. My repayment period will be up to 30 years in length, depending on the amount of my student loan indebtedness and my repayment plan. Any period for which ED has granted a deferment or forbearance will not be included in determining the period.

I may prepay all or any part of the unpaid balance on my loan at any time without penalty.

Acceleration and Default

At the option of ED, the entire unpaid balance shall become immediately due and payable when any one of the following events occurs: (i) I make false representation that results in my receiving a loan for which I am not eligible, or (ii) I default on the loan.

The following events shall constitute a default on a loan: (i) I fail to pay the entire unpaid balance after ED has exercised its option under the preceding paragraph; or (ii) I fail to make installment payments when due, or fail to comply with other terms of the loan, and ED reasonably concludes I no longer intend to honor my repayment obligation. My failure must have persisted for at least 180 days. If I default, ED will capitalize all outstanding interest into a new principal balance.

If I default, this will be reported to national credit bureau organizations and will significantly and adversely affect my credit rating. I acknowledge that a default shall have additional adverse consequences to me as disclosed in the statement of Borrower's Rights and Responsibilities.

Following default, the loan may at ED's option, be subject to income contingent repayment in accordance with the Act.

Any notice required to be given to me will be effective when mailed by first class mail to the latest address that ED has for me. Failure by ED to enforce or insist on compliance with any term on this note shall not waive any right of ED. No provision of this note may be changed or waived except in writing by ED. If any provision of this note is determined to be unenforceable, the remaining provisions shall remain in force.

Borrower Certification and Authorization

I declare under penalty of perjury that the following is true and correct:

- (1) I certify that the information provided by me and my spouse, if applicable, in this note is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- (2) I certify that the loan proceeds will be used solely to discharge my outstanding eligible education loan debts.
- (3) I certify that I do not now owe a refund on a Federal Pell Grant, Basic Educational Opportunity Grant, Federal Supplemental Educational Opportunity Grant, or a State Student Incentive Grant. I further certify that I am not now in default on any loan that was received under the Federal Perkins Loan Program (including NDSL loans), the FFEL Program, or the Direct Loan Program, or, if I am in default, I have either made satisfactory repayment arrangements with the holder of that defaulted loan, or I am consolidating all of these loans and will repay under the income contingent repayment plan. I understand that income contingent repayment is not available for Federal Direct PLUS Consolidation Loans (Direct PLUS Consolidation Loans).
- (4) I certify that all of the loans selected have been used to finance my education, my spouse's education, or my child's education.
- (5) I certify that I do not have any other application pending for a Federal Consolidation Loan with any other lender. If I am not in school and if none of the loans I am consolidating is a Direct Loan Program loan, I further certify that I have sought and been unable to obtain a Federal Consolidation Loan from a FFEL Program lender, or a lender would not provide me with a Federal Consolidation Loan with income-sensitive repayment terms acceptable to me, and I am eligible for the income contingent repayment plan. If, however, I am consolidating jointly with my spouse, only one borrower, my spouse or I, must have sought a Federal Consolidation Loan from a FFEL Program lender.
- (6) I understand that this loan shall, to the extent used to discharge loans that I have selected, count against the applicable aggregate loan limits under the Act.
- (7) I understand that the amount of my Direct Consolidation Loan is the sum of the balance(s) of my outstanding eligible loan(s) that I have chosen to consolidate. My outstanding balance on each loan to be consolidated includes unpaid principal, unpaid accrued interest, and late charges as defined by federal regulations and as certified by each holder. Collection costs may also be included. For a Direct Loan or FFEL Program loan that is in default, ED limits collection costs that may be charged to the borrower to no more than those currently authorized under the FFEL Program and may impose reasonable limits on collection costs paid to the holder. If the amount ED advances to my holder(s) exceeds the amount needed to pay off the balance(s) of the selected loan(s), I understand that the holder will refund the excess to ED for application against the outstanding balance of this loan. If the amount that ED advances to my holder(s) is less than the amount needed to pay off the balance(s) of the loan(s) selected for consolidation, ED will include the remaining amount in this loan unless I pay the remaining balance myself.
- (8) I authorize ED to issue the proceeds of my Direct Consolidation Loan to the holder(s) of the loan(s) so selected to discharge the debt.
- (9) I authorize ED to investigate my credit record and report information concerning my loan status to proper persons and organizations authorized to receive this information.
- (10) I authorize the release of information pertinent to this loan: (i) by my school(s) and ED, to members of my immediate family unless I submit written direction otherwise; and (ii) by and amongst my school(s), ED, and their agents.
- (11) I authorize my school(s), ED, and their agents, to verify my social security number with the Social Security Administration (SSA) and, if the number on my loan record is incorrect, then I authorize SSA to disclose my correct social security number to these parties.

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a *et seq.*). The principal purposes for collecting this information are to process your Federal Direct Consolidation Loan that is made under the William D. Ford Federal Direct Loan (Direct Loan) Program, to document your agreement to repay this loan, and to identify and locate you if it is necessary to enforce the loan.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Promissory Note (promissory note) on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process this promissory note because the Department needs the information to consolidate your loans into a Federal Direct Consolidation Loan.

The information in your file may be disclosed to third parties as authorized under routine uses

in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential viola-

tion of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your *individual submission* of this form, write directly to:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Promissory Note Endorser Addendum

OMB No. 1840-0693
Form Approved
Exp. Date 1/31/99

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Section A: Parent Borrower Information (Completed by U.S. Department of Education)

1. Name (Last, First, Middle Initial)	2. Social Security Number	3. Date of Birth
4. Permanent Home Address (Street, City, State, Zip Code)		
5. Permanent Home Area Code/Telephone Number	6. PLUS Consolidation Loan Amount	

Section B: Endorser Information

7. Name (Last, First, Middle Initial)	8. Social Security Number	9. Date of Birth
10. Permanent Home Address (Street, City, State, Zip Code)		
11. Permanent Home Area Code/Telephone Number ()	12. Driver's License Number (list state abbreviation first) ()	
13. U.S. Citizenship Status (Check One) <input type="checkbox"/> 1 U.S. Citizen or National <input type="checkbox"/> 2 Permanent Resident or Other Eligible Noncitizen		Alien Registration Number <input type="checkbox"/> 3 Neither 1 nor 2
14. Employer's Name	15. Employer's Area Code/Telephone Number ()	
16. Employer's Address (Street, City, State, Zip Code)		

17. References: (See instructions before completing this section.)

Name	1. _____	2. _____
Permanent Address	_____	_____
City, State, Zip Code	_____	_____
Area Code/Telephone Number ()	_____	() _____

Section C: Endorser's Certification

In the event that the borrower identified in Section A does not repay the Federal Direct Consolidation Loan (Direct Consolidation Loan) for which I am the endorser, I promise to pay the U.S. Department of Education (ED) all sums (hereafter "loan" or "loans") disbursed for the purpose of paying off a PLUS loan(s) or a PLUS consolidation loan(s) under the Federal Direct Consolidation Loan Promissory Note plus interest and other fees that may become due, as provided in this Addendum to the Federal Direct Consolidation Loan Promissory Note (Addendum). If I fail to make payments on this Addendum when due, I will also pay collection costs including attorney's fees and court costs.

I understand that this is an Addendum to the Federal Direct Consolidation Loan Promissory Note. I will not sign this Addendum before reading it, even if I am advised not

to read it. I am entitled to an exact copy of this Addendum and a statement of the Borrower's Rights and Responsibilities. My signature certifies that I have read, understand, and agree to the terms and conditions of this Addendum.

Under penalty of perjury I certify that the information contained on this Addendum is true and accurate. I authorize ED to investigate my credit record and report information concerning my credit to the proper persons and organizations.

I UNDERSTAND THAT THIS IS A FEDERAL LOAN THAT I MUST REPAY IN THE EVENT THE BORROWER IDENTIFIED IN SECTION A DOES NOT REPAY THE LOAN.

18. Loan Identification Number	196
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19. Signature of Endorser	Date
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Federal Direct Consolidation Loan Note to Endorser

NOTE TO ENDORSER

By signing this Addendum to the Federal Direct Consolidation Loan Promissory Note, the endorser agrees to abide by the terms and conditions of the promissory note (note) in the event the borrower does not repay the loan identified by the note.

DISCLOSURE OF TERMS

This note applies to Federal Direct Consolidation Loans (Direct Consolidation Loans).

In this note, the Higher Education Act of 1965, as amended, 20 U.S.C. 1070, et seq., and applicable U.S. Department of Education (ED) regulations are referred to as "the Act". The terms of this note will be interpreted in accordance with the Act and other applicable federal statutes.

I agree to pay interest on the principal amount of the loan from the date of disbursement until the loan is paid in full. If I fail to make the required interest payments when due, I agree that ED may add the accrued interest to the unpaid balance of the loan. This is called capitalization.

INTEREST RATE

The interest rate on this loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1 plus 3.1 percentage points, but shall not exceed 9 percent.

REPAYMENT

I am obligated to repay the full amount of the loan and accrued interest.

Unless I have received a deferment or forbearance, the repayment period for a Direct Consolidation Loan will begin on the date that the loan is disbursed. The first payment is due within 60 days from that date.

ED will provide me with an opportunity to select a repayment plan. If I do not select a plan, ED will choose a plan for me in accordance with ED's regulations. ED will issue a repayment schedule that provides a schedule of payment amounts and due dates. My repayment schedule will include all of my Direct Consolidation Loans. ED may grant me forbearance to eliminate a delinquency that persists, even though I am making scheduled payments. I may prepay all or any part of the

unpaid balance on the loans at any time, without a penalty. If I do not specify which loan I am prepaying, ED will determine how to apply the prepayment.

LATE CHARGES AND COLLECTION COSTS

If I fail to make an installment payment within 30 days after it becomes due, ED may collect a late charge that will not exceed six cents for each dollar of each late installment. If I default on a loan, I will pay reasonable costs, plus court costs, collection fees, and attorney's fees.

ACCELERATION AND DEFAULT

At the option of ED, the entire unpaid balance will become immediately due and payable when any one of the following events occurs: (i) I make a false representation that results in my receiving a loan for which I am not eligible; or (ii) I default on the loan.

The following events shall constitute a default on a loan: (i) I fail to pay the entire unpaid balance after ED has exercised its option under the preceding paragraph; or (ii) I fail to make installment payments when due, or fail to comply with other terms of the loan, and ED reasonably concludes I no longer intend to honor my repayment obligation. My failure must have persisted for at least 180 days. If I default, ED will capitalize all outstanding interest into a new principal balance.

If I default on this loan, the default will be reported to national credit bureaus. I understand that the resulting credit report will have a negative effect on my credit rating. If I default on this loan, my federal income tax refund may be withheld to pay this debt, my wages may be garnished or offset, and legal action may be brought against me to enforce the terms of this note. I will be ineligible for additional federal student financial aid and for assistance under most federal benefit programs.

NOTICES

Any notice that is required to be given to me will be effective when mailed by first-class mail to the latest address ED has for me. I will immediately notify ED of any change of my address. Failure to enforce, or failure to insist on compliance with any term of this note shall not waive any right of ED. The provisions of this note can only be waived or modified, in writing, by ED. If any provision of this note is deemed to be unenforceable, the remaining provisions shall remain in force.

Federal Direct Consolidation Loan Instructions for Promissory Note Endorser Addendum

Under the Federal Direct Consolidation Loan Program (Direct Consolidation Loan Program), parents may consolidate federal loans obtained to pay the costs of a dependent child who is or was an undergraduate student. If the parent borrower has an adverse credit history and does not document to the satisfaction of the U.S. Department of Education (ED) that extenuating circumstances exist, the parent may only receive a Direct Consolidation Loan if the parent obtains an endorser. The endorser must complete the Addendum to the Federal Direct Consolidation Loan Application and Promissory Note (Addendum) and promise to repay the Direct Consolidation Loan if the parent does not repay it.

The addendum should be completed in blue or black ink or typewritten and must be signed by the endorser.

Section A: Parent Borrower Information

Information in Section A about the parent borrower has been provided by ED. If any information provided in Section A is incorrect, you should contact the Loan Origination Center's Consolidation Department immediately. You can call Monday through Friday 8 a.m. - 8 p.m. Eastern Time, at 1-800-557-7392 [TDD: 1-800-557-7395].

Section B: Endorser Information

Section B should be completed by the **endorser**. All references to "you" and "your" in this section refer to the endorser.

Items 7 - 9: Enter the information requested.

Item 10: Enter your permanent home street address. If your mailing address is an RFD, post office box, or general delivery, you must list **both** the street address and mailing address.

Item 11: Enter the information requested.

Item 12: First, enter in the parentheses the two letter abbreviation for the state that issued your license. Then, enter your driver's license number. (If none, enter "none.")

Item 13: Place a check in the box that corresponds with your citizenship status. If you checked box 2, enter your Alien Registration Number.

The term "**U.S. citizen**" includes citizens of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. The term "**National**," includes, not only all U.S. citizens, but also citizens of American Samoa or Swain's Island.

A "**permanent resident**" of the United States must provide documentation of this status from the U.S. Immigration and Naturalization Service.

An "**eligible noncitizen**" is an individual who can provide documentation from the U.S. Immigration and Naturalization Service that he or she is in the United States for a purpose that is not temporary, with the intention of becoming a citizen or permanent resident. This category includes refugees, persons granted asylum, Cuban-Haitian entrants, temporary residents under the Immigration Reform and Control Act of 1986, and others.

Items 14 - 16: Enter the information requested. (If none, enter "none.")

Item 17: Enter the requested information for two adults who do not share a common address and who have known you for at least three years. References may not live with you or live outside the United States.

Section C: Endorser's Certification

Item 18: This item has been provided by ED.

Item 19: After reviewing the information and terms of this addendum and reading the Endorser's Certification and Borrower's Rights and Responsibilities carefully, the endorser must **sign and date** the addendum in blue or black ink.

The Direct Consolidation Loan borrower must return this form to:

**U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104**

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 et seq. of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a et seq.). The principal purposes for collecting this information are to determine your eligibility as an endorser, to document your agreement to repay a Federal Direct PLUS Consolidation Loan that is made under the William D. Ford Federal Direct Loan (Direct Loan) Program in the event the identified parent borrower does not repay the loan, and to identify and locate you if it is necessary to enforce the loan.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Promissory Note Endorser Addendum (addendum) on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process this addendum because the Department needs the information to consolidate the identified parent borrower's loan(s) into a Federal Direct PLUS Consolidation Loan.

The information in your file may be disclosed to third parties as authorized under

routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this

information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

199

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Borrower's Rights and Responsibilities

The William D. Ford Federal Direct Loan (Direct Loan) Program includes the following Direct Loans:

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

The Direct Loan Program is authorized by Title IV, Part D, of the Higher Education Act of 1965, as amended (the Act).

A Direct Loan is made by the United States Government and is administered by the U.S. Department of Education (ED). ED's Direct Loan Servicing Center will manage, answer questions about, and collect my loan. I will be provided with the address and telephone number of the Direct Loan Servicing Center.

1. Change of Status. Under federal law, I must notify the Direct Loan Servicing Center, in writing, if any of the following events occur before my loan is repaid:

- I change my address
- I change my name (for example, maiden name to married name)
- I change my employer or my employer's address or telephone number changes
- I have any other change in status that would affect my loan (for example, the loss of eligibility for an unemployment deferment by obtaining a job)

If I am in an in-school period, I must notify my school's financial aid office if any of the following events takes place:

- I reduce my enrollment status to less than half time
- I withdraw from school
- I stop attending classes
- I fail to enroll for any term
- I have a change in my expected graduation date
- I change my name, local address, or permanent address

2. Loan Identification Numbers. My Direct Consolidation Loan promissory note may apply to up to

three individual loan identification numbers. These numbers will be determined and assigned by ED depending on the loan(s) that I have chosen to consolidate. Even if three separate consolidation loan identification numbers are assigned by ED, I have only one Direct Consolidation Loan and will only get one bill.

2a. The following **subsidized loans** will be consolidated under one loan identification number:

- Subsidized Federal Stafford Loans
- Guaranteed Student Loans (GSL)
- Federal Insured Student Loans (FISL)
- Federal Direct Stafford/Ford Loans
- Federal Direct Subsidized Consolidation Loans
- Federal Perkins Loans
- National Direct Student Loans (NDSL)
- National Defense Student Loans (NDSL)
- Subsidized Federal Consolidation Loans

2b. The following **unsubsidized loans** will be consolidated under one loan identification number:

- Unsubsidized Federal Stafford Loans (including Non-Subsidized Stafford Loans made prior to 10/1/92)
- Federal Supplemental Loans for Students (SLS)
- Unsubsidized Federal Consolidation Loans
- Federal Direct Unsubsidized Consolidation Loans
- Federal Direct Unsubsidized Stafford/Ford Loans
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans (NSL)
- Loans for Disadvantaged Students (LDS)

2c. The following **PLUS loans (unsubsidized)** will be consolidated under one loan identification number:

- Federal PLUS Loans
- Parent Loans for Undergraduate Students (PLUS)
- Federal Direct PLUS Loans
- Federal Direct PLUS Consolidation Loans

3. Interest Rate. It is my responsibility to pay interest on my loan. If my Direct Consolidation Loan includes a loan(s) from Item 2a and/or 2b, and I am in repayment, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 8.25 percent. The variable rate for each 12-month period will be equal to

the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before the preceding June 1 plus 3.1 percentage points.

If my Direct Consolidation Loan includes a loan(s) from Item 2a and/or 2b, and **I am in an authorized period of deferment**, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 8.25 percent. The variable rate for each 12-month period will be equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before the preceding June 1 plus 2.5 percentage points.

If my Direct Consolidation Loan includes a loan(s) from Item 2a and/or 2b **that is in an in-school period, and therefore, I am not yet in repayment**, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 8.25 percent. The variable rate for each 12-month period will be equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before the preceding June 1 plus 2.5 percentage points.

If my Direct Consolidation Loan includes a loan(s) from Item 2c, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 9 percent. The variable rate for each 12-month period will be equal to the bond equivalent rate of 52-week U.S. Treasury bills auctioned at the final auction held before the preceding June 1 plus 3.1 percentage points.

The interest rate(s) that applies to my loan will be included in a letter that I will receive from the Direct Loan Servicing Center when my Direct Consolidation Loan is made.

4. Interest Charges. For all of the loans that I consolidate from Item 2a, ED will not charge interest on my Direct Consolidation Loan during authorized deferment periods. (See paragraph 10, entitled "Deferments.") For all of the loans that I consolidate from Items 2b and 2c, ED will charge interest on my Direct Consolidation Loan during authorized deferment periods.

ED will charge interest on my Direct Consolidation Loan during a forbearance period. (See paragraph 11, entitled "Forbearance.")

I must pay any interest charged during an authorized period of deferment or forbearance or capitalize the accruing interest by having it added to the loan principal. If I choose to capitalize accrued interest, the total cost of my loan will increase.

5. Grace Period. My Direct Consolidation Loan will receive a 6-month grace period before the first payment on my loan must be made if at least one Direct Loan or

Federal Family Education Loan (FFEL) Program loan that I am consolidating is in an in-school period and my application for a Direct Consolidation Loan is received by ED prior to the end of my in-school period. The grace period begins the day after I cease to be enrolled at least half time at an eligible school.

6. Repayment. My first payment will be due within 60 days of the first disbursement of my Direct Consolidation Loan unless I am eligible for a deferment or my Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan for which I am in an in-school period.

I will be given the opportunity to choose one of the following loan repayment plans.

Note: The time periods given for each repayment plan do not include periods of deferment and forbearance.

- **Standard Repayment Plan**—If I choose this plan, I will make fixed monthly payments and repay my loan in full within 10 years from the date the loan entered repayment. Payments must be at least \$50 a month and will be more, if necessary, to repay the loan within the required time period. The number or amount of the payments may need to be adjusted to reflect changes in the variable interest rate.
- **Extended Repayment Plan**—If I choose this plan, I will make fixed monthly payments and repay my loan in full within 12 to 30 years, depending on the total amount of my loan. Payments must be at least \$50 a month and will be more, if necessary, to repay the loan within the required time period. The number or amount of the payments may need to be adjusted to reflect changes in the variable interest rate.
- **Graduated Repayment Plan**—If I choose this plan, my payments will be lower at first and will increase every two years. I will repay my loan within 12 to 30 years, depending on the total amount of the loan. Payments must cover interest charges and can never be less than 50 percent or more than 150 percent of the amount I would have paid under the Standard Repayment Plan. The number or amount of the payments may need to be adjusted to reflect changes in the variable interest rate.
- **Income Contingent Repayment Plan**—If I choose this plan, my monthly repayment amount is based on the total amount of my loan, my family size, and my Adjusted Gross Income (and that of my spouse if I am married). Until ED obtains the information needed from the Internal Revenue Service to calculate my monthly repayment amount, my

payment will equal the amount of the interest that has accrued on my loan unless I request a forbearance. As my income changes, my repayment amount may change. If I have not repaid my loan after 25 years under this plan, the unpaid portion of the loan is forgiven. I may have to pay income tax on any amount forgiven.

Note: PLUS loans (refer to Item 2c) that are consolidated cannot be repaid under the Income Contingent Repayment Plan.

If I do not choose one of the plans, ED will choose a plan for me in accordance with ED's regulations. However, if I demonstrate to ED's satisfaction that the terms and conditions of the repayment plans are not adequate to accommodate my exceptional circumstances, ED may provide an alternative repayment plan.

There will be no penalty for prepaying any portion of my loan. All payments and prepayments are applied in the following order: charges and collection costs first, outstanding interest second, and outstanding principal last.

If I fail to make any part of an installment payment within 30 days after it becomes due, I may owe a late charge. This charge may not exceed six cents for each dollar of each late installment.

7. Consequences of Default. Default (failing to repay my Direct Consolidation Loan) is defined in detail in the disclosure of terms in my promissory note. If I default, the entire unpaid balance and collection fees will become due and payable immediately. Failure to repay this or any federal student loan may result in any or all of the following:

- loss of my federal income tax refunds
- legal action against me
- collection charges (including attorney fees) being assessed against me
- loss of my eligibility for other federal student aid
- loss of my eligibility for loan deferments
- negative credit reports to credit bureaus
- my employer withholding part of my wages to give them to ED (wage garnishment)

8. Credit Bureau Notification. Information concerning the amount, disbursement, and repayment status (current or delinquent) of my loan will be reported to one or more national credit bureau organizations on a regular basis. If I default on my loan, this will also be reported to national credit bureaus. I will be notified at least 30 days in advance that default information is to be disclosed to a credit bureau unless I enter repayment on the loan within 30 days. I will be given a chance to ask for a review of the debt before it is reported. ED

must provide a timely response to a request from any credit organization regarding objections I might raise with that organization about the accuracy and completeness of any information ED has reported.

9. Discharge. If I am applying singly for a Direct Consolidation Loan, my loan will be discharged if documentation of my death is submitted to the Direct Loan Servicing Center or if I am eligible under the regulations governing a discharge due to a permanent and total disability. If I am applying jointly with my spouse, the death and disability discharge will only apply if both my spouse and I either die or become permanently and totally disabled.

To apply for a loan discharge due to permanent and total disability, I (and my spouse if applicable) must submit a discharge application to the Direct Loan Servicing Center. The application documentation must be certified by a doctor.

ED will not approve a request for discharge for permanent and total disability for a condition that existed before I applied for the loan(s) that I am consolidating unless a doctor certifies that the condition substantially deteriorated after the loan(s) was made.

Under certain circumstances, all or a portion of my Direct Consolidation Loan debt may be discharged if I am/was unable to complete a course of study because my school closes/closed or my eligibility was falsely certified by my school.

ED does not vouch for the quality or suitability of academic programs offered by schools participating in any federal student financial aid program. Repaying loans is not conditional on the performance of the school I attend or on my obtaining employment in my field of study.

In addition, I may assert, in certain proceedings before ED, that I have a defense against repayment of a Direct Loan. ED may recognize as a defense against repayment an act or omission by the school that I am attending that would give rise to a legal cause of action against the school under applicable State law as long as that act or omission directly relates to this loan or to the school's provision of educational services for which this loan is provided.

My Direct Consolidation Loan will not be discharged automatically in bankruptcy.

10. Deferments. Under certain circumstances, I am entitled to postpone repayment if I provide the Direct Loan Servicing Center with a written request for a deferment and evidence that verifies my eligibility for the

deferment. Upon request, the Direct Loan Servicing Center will provide me with a deferment application that explains the eligibility requirements. If I am in default on my Direct Consolidation Loan, I am not eligible for a deferment.

If I consolidate my loan(s) jointly with my spouse's loan(s), we both must meet deferment eligibility criteria in order to postpone repayment on the Direct Consolidation Loan.

Deferments are available in the following situations:

- While I am enrolled at least half time at an eligible school
- While I am engaged in a full-time course of study in a graduate fellowship program
- While I am engaged in a full-time rehabilitation training program for individuals with disabilities
- While I am conscientiously seeking, but unable to find, full-time employment (for up to three years)
- While I am experiencing an economic hardship as defined by federal law (for up to three years)

If, at the time I consolidate my loan(s), I have an outstanding balance on a FFEL Program loan (formerly known as a GSL) that was made prior to July 1, 1993, additional deferments may be available. These include deferments while I am:

- Temporarily totally disabled (for up to three years)
- Unable to secure employment because I am required to care for a spouse or dependent who is temporarily totally disabled (for up to three years)
- Serving in the U.S. Armed Forces, the Commissioned Corps of the Public Health Service, the National Oceanic and Atmospheric Administration Corps, or the Peace Corps (for up to three years)
- Serving as a full-time paid volunteer for a tax-exempt organization or an ACTION program (for up to three years)
- In a medical internship or residency program (for up to two years)
- Teaching in a designated teacher shortage area (for up to three years)
- On parental leave (for up to six months)
- A working mother entering or re-entering the workforce (for up to one year)

Note to Direct PLUS Consolidation Loan Borrowers:

You may also be eligible for deferments while the student for whom you borrowed a PLUS loan is dependent and:

- Enrolled at least half time and has received a Direct Loan or FFEL Program loan for that period of enrollment
- Engaged in a full-time graduate fellowship program
- Engaged in a full-time rehabilitation program for individuals with disabilities

The Direct Loan Servicing Center can provide additional information about deferment eligibility.

11. Forbearance. If I am unable to make my scheduled loan payments, ED may allow me to reduce my payment amount or to temporarily stop making payments as long as I intend to repay my loan. Allowing me to temporarily delay or reduce loan payments is called a forbearance.

If I am willing, but financially unable, to make payments under my repayment schedule, forbearance may be granted for circumstances such as:

- financial hardship
- illness
- service in a medical or dental internship or residency program, if I meet specific criteria
- service in a national service position for which I receive a national service education award under the National and Community Service Trust Act of 1993
- periods of time when my monthly debt burden for all federal Title IV student loans equals or exceeds 20 percent of my total monthly gross income (for up to three years)

ED may grant me forbearance to eliminate a delinquency that persists even though I am making scheduled installment payments.

I may contact the Direct Loan Servicing Center for information on how to apply and qualify for forbearance.

12. Subsequent Consolidation. If I do not consolidate all eligible loans at this time, I understand that I may consolidate an additional pre-existing eligible loan(s) by submitting a request to ED within 180 days after the date on which my Direct Consolidation Loan is made. The Disclosure issued when a subsequent consolidation is completed shall be controlling and will include the balance of this Direct Consolidation Loan.

If I want to consolidate an additional eligible loan(s) after this period of time, I will need to complete a new application for a Direct Consolidation Loan.

Direct Loans

William D. Ford Federal Direct Loan Program

Repayment Plan Choices

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans,
 Federal Direct PLUS Loans, Federal Direct Consolidation Loans

The William D. Ford Federal Direct Loan (Direct Loan) Program offers four repayment plans so you can choose the one that is right for you. This document was designed to help you understand the differences among the four plans, which are:

- Standard Repayment Plan
- Extended Repayment Plan
- Graduated Repayment Plan
- Income Contingent Repayment Plan

For each plan: (1) The "Repayment Period" excludes periods of deferment and forbearance, (2) You can prepay your loan any time without a penalty, and (3) Your monthly payment will be adjusted annually to reflect changes in the variable interest rate. (For Standard, Extended, and Graduated Plans, you can request the maximum number of monthly payments be extended rather than pay a higher amount.)

If you do not select a repayment plan, you will be assigned the Standard Repayment Plan.

If you are unsure which repayment plan to choose, or if you have any questions or concerns, please call the Loan Origination Center at 1-800-557-7392 for assistance. The TDD number for the hearing impaired is 1-800-557-7395.

STANDARD REPAYMENT PLAN

Minimum Monthly Payment **\$ 50.00**
Maximum Repayment Period **10 years**

Under the Standard Repayment Plan, each of your monthly payments will be at least \$50.00, and may be more if necessary to repay the loan within 10 years (excluding periods of deferment and forbearance). For small loan amounts, the number of monthly payments can be less than 120 (10 years). The repayment period under the Standard Repayment Plan is generally shorter than under any other plan. In general, the shorter the repayment period, the lower the total interest repaid. For this reason, choosing the Standard Repayment Plan may result in the lowest total repayment amount over the life of the loan.

EXTENDED REPAYMENT PLAN

Minimum Monthly Payment **\$ 50.00**
Repayment Period **12 - 30 years**

Under the Extended Repayment Plan, the minimum payment amount is \$50.00, and may be more if necessary to pay off your loan in the maximum number of repayment years. The repayment period generally varies from 12 - 30 years according to the loan amount. The higher the loan amount, the longer the repayment period will be. Because the repayment period is generally longer than 10 years, the monthly payment amount will usually be lower than under the Standard Repayment Plan. However, the total repayment amount will usually be more, because you will pay more interest over the life of the loan.

GRADUATED REPAYMENT PLAN

Minimum Monthly Payment **\$ 25.00**
Repayment Period **12 - 30 years**

Under the Graduated Repayment Plan, the payments start out low and increase. In general, payments will increase every two years. The repayment period generally varies from 12 - 30 years, depending on the

total amount borrowed. Your starting monthly payment amount will be the larger of the following two calculations:

1. 50 percent of the amount that would be required under the Standard Repayment Plan, or
2. the amount of interest that accrues monthly on the loan.

Generally, the amount you will repay over the term of your loan will be higher under the Graduated Repayment Plan than under the Standard or Extended Repayment Plans. However, the Graduated Repayment Plan has the advantage of offering lower payments early in your career while your income is lower. The maximum monthly payment will never be more than 150 percent of the amount required under the Standard Repayment Plan.

Loan Amounts and Maximum Number of Monthly Payments for the Extended and Graduated Repayment Plans

Loan Amount		Maximum Number of Monthly Payments
At Least	Less Than	
\$ 0	\$10,000	144 (12 years)
\$10,000	\$20,000	180 (15 years)
\$20,000	\$40,000	240 (20 years)
\$40,000	\$60,000	300 (25 years)
\$60,000		360 (30 years)

INCOME CONTINGENT REPAYMENT PLAN

Minimum Monthly Payment **\$ 0 or \$5.00**
Maximum Repayment Period **25 years**

This Income Contingent Repayment (ICR) Plan is effective for borrowers entering the Income Contingent Repayment Plan on or after July 1, 1996.

Repayment Plan Choices *(continued)*

Under this plan the payment amount is based upon your income. The monthly payment amount will be the lesser of the following two calculations:

1. the amount you would pay if you repaid your loan in 12 years, multiplied by an income percentage factor (ranging from approximately 55 percent to 200 percent) that varies with your annual income, or
2. 20 percent of your monthly discretionary income. Discretionary income is your federal Adjusted Gross Income (AGI) minus the poverty level for your family size.

If you are married, both your AGI and your spouse's AGI will be used to calculate your monthly repayment amount, even if you file your income taxes separately from your spouse.

If your calculated monthly payment is between \$ 0 and \$ 5.00, you will be required to make a \$5.00 monthly payment. If your income is less than or equal to the poverty level for your family size, your payment will be \$0. In the event that your payment amount is less than the amount of interest accruing on your loan, the interest will be added to your loan principal (capitalized) once a year until the principal balance is 10 percent higher than the original balance. After this occurs, interest will continue to accrue but will not be added to the principal balance.

Under this plan, it is possible you will not make payments large enough to pay off your loans in 25 years. If loans are not fully repaid after 25 years of repayment—excluding periods in deferment, forbearance, the Graduated and/or 15 to 30-year Extended Plans—any unpaid amount will be canceled and considered taxable income.

Your repayment amount is adjusted annually. It will be higher when your income is higher, and lower when your income is lower.

If you select the Income Contingent Repayment Plan, we will:

1. require you to submit documentation of current income (yours and your spouse's) in the first year of repayment. You may be required to submit documentation of current income (yours and your spouse's) in your second year of repayment as well,
2. forward you a form that authorizes the Internal Revenue Service (IRS) to provide income information (yours and your spouse's) to the U.S.

Department of Education. You must sign this form and return it to us. The AGI from the IRS will be used to calculate your monthly repayment amount in years subsequent to the year(s) in which alternative documentation is required.

In special circumstances when your federal tax return does not reflect your present income (for example, due to loss of employment), you may submit documentation of your current income. Your monthly payment will be based on this documented income information.

Federal Direct PLUS Loans may not be repaid under the ICR Plan.

CHANGING REPAYMENT PLANS

During your repayment period, you may experience significant changes in your financial circumstances. You may change jobs, receive salary increases, or choose work that provides less income than you anticipated when you selected your repayment plan. If you want to change your repayment plan to adjust to changing circumstances, your repayment period for your new plan must be longer than your loans have already been in repayment. For example, you can change from the Extended Plan to the Standard Plan only if you have been in the Extended Plan less than 10 years. The term of your loan will equal your new repayment plan's maximum repayment period minus time spent in previous repayment plans. If you are switching to the ICR Plan, periods of repayment in the Graduated and 15 to 30-year Extended Plans do not count toward your 25-year maximum term. There is no limit to the number of times you may change plans. But, if you are required to repay a Direct Consolidation Loan under the ICR Plan due to a previously defaulted loan, you must make three consecutive monthly payments before you can change to another plan.

LOAN CONSOLIDATION

If you have more than one student loan (including other federal education loans), it may be to your advantage to consolidate your loans into a single Direct Consolidation Loan. This may allow you to extend your repayment term, reduce your monthly payment amount, and make a single monthly payment. If you are interested in a Direct Consolidation Loan, contact the Consolidation Department of the Loan Origination Center at 1-800-557-7392. The TDD number for the hearing impaired is 1-800-557-7395.

Typical Beginning Payments for Direct Loan Repayment Plans

Total Debt When Borrower Enters Repayment	Monthly and Total Payments Under Different Repayment Plans							
	Standard		Extended		Graduated		Income Contingent	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$ 2,500	\$ 50	\$ 3,074	\$ 50	\$ 3,074	\$ 25	\$ 4,029	\$ 23	\$ 4,412
5,000	61	7,359	55	7,893	32	8,655	46	8,825
7,500	92	11,039	82	11,839	53	12,982	69	13,237
10,000	123	14,718	97	17,463	70	19,085	93	17,650
15,000	184	22,077	146	26,194	105	28,628	139	26,474

Notes: Payments are calculated using the maximum interest rate of 8.25%.

The Income Contingent payment is based on annual income of \$25,000 for a single borrower with no dependents.

The Income Contingent Repayment Plan assumes a 5% annual income growth (Census Bureau).

Repayment Plan Selection

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Instructions

Read the enclosed information carefully to understand your repayment options and then complete this form to make your selection or to change your previous selection. All Direct Loans obtained by a borrower must be repaid together under the same repayment plan (though PLUS and PLUS Consolidation Loans may be repaid together under a different plan). When you select a repayment plan on this form, all of your corresponding Direct Loans (either "Student Loans or "Parent Loans") will be put into that repayment plan.

If you need assistance in completing this form, call 1-800-848-0979 (for telecommunications device for the deaf (TDD) call 1-800-848-0983). Return the completed form to the address shown on the back of this form.

Section 1: Identifying Information

Required for All Borrowers

Provide your name and your Social Security Number.

Your Name (Please Print) _____ SSN - -

Section 2: Repayment Plan Selection

Required for All Borrowers

Place an "X" in the box that corresponds to your repayment plan selection for each loan type. Note that parent loans (PLUS and PLUS Consolidation Loans) are not eligible for Income Contingent Repayment.

	Income Contingent	Standard	Extended	Graduated
STUDENT LOANS <small>Includes Subsidized and Unsubsidized Loans and Consolidation Loans</small>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PARENT LOANS <small>Includes PLUS and PLUS Consolidation Loans</small>	<input type="checkbox"/> Not Available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section 3: Spouse Information

Required for Income Contingent Repayment and Consolidation Borrowers Only

Provide your spouse's name and Social Security Number if you are married and selecting repayment under the Income Contingent Repayment Plan (unless you are separated from your spouse), or if you are selecting a repayment option for a Direct Consolidation Loan held jointly by you and your spouse.

Spouse's Name (Please Print) _____ SSN - -

Section 4: Income Contingent Repayment - Additional Information

Required for Income Contingent Repayment Borrowers Only

If you selected "Income Contingent Repayment" (ICR), you must complete all items in this section. (If you did not select ICR, do not complete any part of "Section 4.")

Please note that when you begin repaying your loan under ICR, your repayment amount will be the amount of the interest that accumulates monthly on your loan until we receive your income information. If you cannot afford to make this interest payment, you will have the opportunity to request a forbearance by contacting the Borrower Services Department. During a forbearance, you are not required to make payments of interest or principal, but interest continues to accumulate on your loan. If you choose not to pay the interest, it will be capitalized (added to your outstanding principal balance) at the end of the forbearance. Capitalized interest increases the principal amount of the loan and, therefore, the total cost of the loan.

A. Enter your family size. Your family size number includes yourself and your spouse. It includes your children if they get more than half their support from you. It includes other people only if they meet the following criteria: (1) they now live with you, and (2) they now get more than half their support from you and they will continue to get this support from you. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc. (Notify the Borrower Services Department in writing at the address on the back of this form if your family size number changes.)

Family Size _____

B. Select joint repayment option (if applicable). If you and your spouse have both chosen ICR for repayment of your Direct Loans, you may choose to repay jointly. If you choose to repay jointly, place an "X" in the box below. (If you do not choose to repay jointly, do not complete this item -- go to "Section 4.C." below.)

I wish to repay my loan(s) jointly with my spouse.

C. Sign this certification. After completing "A." and "B." of "Section 4," read the certification statement below. You must sign and date this form. If you selected joint repayment in "Section 4.B." above, both you and your spouse must sign.

All of the information provided by me on this form is true and complete to the best of my knowledge. If asked by an authorized official, I agree to provide proof of the information that I have given on this form.

Borrower's Signature _____ Date _____

Spouse's Signature (if applicable) _____ Date _____

Return this form to:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723

If you need assistance in completing this form, or if you need to report a change in your address, call 1-800-557-7392. Individuals who use a telecommunications device for the deaf (TDD) may call 1-800-557-7395.

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 et seq. of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a et seq.). The principal purpose for collecting this information is to allow you to select the method of repayment of your Direct Loan.

We ask that you provide the information requested on this Repayment Plan Selection form on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department can process your request and/or perform the appropriate calculations needed to implement your selection.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0714. The time required to complete this information collection is estimated to average 0.33 hours (20 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of *your individual submission* of this form, write directly to:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723

207

I (We) authorize the Internal Revenue Service (IRS) to disclose certain tax return information (for the tax years listed below) which includes my (our) name(s), address(es), Social Security Number(s), filing status, tax year, and Adjusted Gross Income(s). This information will be disclosed to the U.S. Department of Education (ED) and the William D. Ford Federal Direct Loan (Direct Loan) Program contractors and subcontractors for the sole purpose of determining the appropriate income contingent repayment amount on the Direct Loan Program loan(s) that is subject to income contingent repayment.

Request for Tax Years: 1994, 1995, 1996, 1997, and 1998.

(1) Borrower's (Taxpayer's) Name Printed

(2) Borrower's (Taxpayer's) Social Security Number

(3) Borrower's (Taxpayer's) Signature

Date
(Signature is valid for 60 days.)

(4) Spouse's (Taxpayer's) Name Printed
(If married, spousal information and signature are required.)

(5) Spouse's (Taxpayer's) Social Security Number

(6) Spouse's (Taxpayer's) Signature

Date
(Signature is valid for 60 days.)

Return this form to:
**U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723**

See the back of this form for instructions.

William D. Ford Federal Direct Loan Program Income Contingent Repayment Plan Consent to Disclosure of Tax Information

Borrower Instructions: In order to be considered for the Income Contingent Repayment Plan, you and/or your spouse must complete the Consent to Disclosure of Tax Information on the front of this form. Please complete the form using the following instructions:

- Item 1. Print (or type) your name as it appears on your tax returns.
- Item 2. Print (or type) your Social Security Number.
- Item 3. Sign and date the form in blue or black ink only.
- Item 4. If you are married, print (or type) your spouse's name as it appears on tax returns.
- Item 5. If you completed Item 4, print (or type) your spouse's Social Security Number.
- Item 6. If you completed Items 4 and 5, have your spouse sign and date the form in blue or black ink only.

Send this form to the U.S. Department of Education (ED) at the address indicated on the front of this disclosure form. **DO NOT SEND THIS FORM TO THE INTERNAL REVENUE SERVICE (IRS).** Once your application to participate in the Income Contingent Repayment Plan has been approved, ED will forward this form to the IRS.

Request to Revoke Tax Information Authorization: You and/or your spouse may revoke the consent to disclose tax information at any time. To revoke consent, send a copy of the original authorization with the word "**REVOKE**" across the top directly to the IRS at the address given below. (If the revocation is sent to ED, there will be a delay before the revocation becomes effective.) The revocation must be signed by the taxpayer(s) who signed the original Consent to Disclosure of Tax Information. If you and/or your spouse do not have a copy of the original form, a statement of revocation is acceptable. The statement must indicate that the authority to disclose tax information to the Direct Loan Program is revoked, and must be signed by the taxpayer(s) who signed the original authorization form.

NOTE: If you and/or your spouse revoke(s) consent to disclose tax information, you and/or your spouse become(s) ineligible for income contingent repayment, and you and/or your spouse must contact the Consolidation Department Loan Origination Center to select another repayment option. If you and/or your spouse fail(s) to contact the Consolidation Department Loan Origination Center, ED will assign you and/or your spouse to the Standard Repayment Plan.

Revocation Address: IRS
P.O. Box 400
Stop 125
Holtsville, NY 11742

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C.552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 *et seq.* of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for the Income Contingent Repayment Plan. The information on this form will be used to determine your eligibility for repayment of your Direct Loan Program loan(s) under the Income Contingent Repayment Plan. The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0699. The time required to complete this information collection is estimated to average 0.2 hours (12 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, AL 36102-1723

209

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

IN-SCHOOL

Here's Your Promissory Note Packet

Thank you for submitting a Federal Direct Consolidation Loan (Direct Consolidation Loan) application. The information on your application has been verified, and you're now in the final steps of obtaining your Direct Consolidation Loan.

What's Inside

Enclosed is your Direct Consolidation Loan promissory note packet. Please take a few minutes to review its contents, which include:

- a promissory note
- a statement of your rights and responsibilities as a borrower
- a loan statement, which includes a list of your loans that are eligible for consolidation and that are included in your promissory note
- an envelope in which to return the promissory note and other required materials
- an endorser addendum (included only if required from certain PLUS loan borrowers)

Your Promissory Note

After you read through the packet of materials, you're ready to complete the promissory note. Please read it carefully before you sign it. Make sure that all of the information is correct and that all required signatures are included. **Then mail the completed promissory note to the Loan Origination Center's Consolidation Department in the envelope that's provided within two weeks.** Once the Loan Origination Center's Consolidation Department receives your promissory note, the final step in consolidating your loan(s) occurs. The U.S. Department of Education will pay off your loan(s). The amount paid off will then be the amount you owe on your Direct Consolidation Loan. Important: If you are currently making payments on any loan(s) you want to consolidate, continue to make those payments to your current holder(s) until you have been notified that you have a Direct Consolidation Loan.

If You Have Questions

Any questions? Please contact the Loan Origination Center's Consolidation Department at:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

1-800-557-7392
TDD-1-800-557-7395

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Promissory Note

OMB No. 1840-0693
Form Approved
Exp. Date 1/31/99

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Section A: Borrower Information (Completed by U.S. Department of Education)

If any of the preprinted personal information is incorrect, check here , put a line through any incorrect information, enter it correctly below, and initial the correction.

Borrower's SSN

Spouse's SSN (if applicable)

Borrower's Name _____

Spouse's Name (if applicable) _____

Permanent Street Address _____

City, State, Zip Code _____

Home Area Code / Telephone Number () _____

Section B: Loans Consolidated

Loan Identification Number	Loan Type	Amount

Section C: Promissory Note (Continued on reverse side)

To be completed and signed by borrower and spouse, if applicable.

Promise to Pay:

I promise to pay to the U.S. Department of Education (ED) all sums (hereafter "loan" or "loans") disbursed under the terms of this Promissory Note to discharge my prior loan obligations, plus interest, and other fees that may become due as provided in this Promissory Note. If I fail to make payments on this Promissory Note when due, I will also pay collection costs including attorney's fees and court costs. I understand that ED will on my behalf send funds to the holder(s) of the loan(s) in order to pay off this loan(s). I further understand that the amount of this loan equals the sum of the amount(s) that the holder(s) of the loan(s) verified as the payoff balance(s) on that loan(s) selected for consolidation. My signature on this Promissory Note will serve as my authorization to pay off the balance(s) of the loan(s) selected for consolidation as provided by the holder(s) of such loan(s).

I understand that the total amount of this loan may exceed the amounts listed above under Loans Consolidated if I do not continue to make monthly payments to my current loan holder(s) until the time I am notified that my Federal Direct Consolidation Loan has been made or because of collection costs or additional interest that may accrue after the date this Promissory Note was prepared. I understand that I am obligated to repay these additional amounts under the terms of this Promissory Note.

I understand that this is a Promissory Note. I will not sign this Promissory Note before reading it, including the text on the reverse side, even if I am advised not to read the Promissory Note. I am entitled to an exact copy of this Promissory Note and a statement of the Borrower's Rights and Responsibilities. My signature certifies that I have read, understand, and agree, to the terms and conditions of this Promissory Note, including the Borrower Certification and Authorization printed on the reverse side and the accompanying Borrower's Rights and Responsibilities.

If consolidating jointly with my spouse, we agree to the same terms and conditions contained in the Borrower Certification and Authorization. In addition, we confirm that we are legally married to each other and understand and agree that we are and will continue to be held jointly and severally liable for the entire amount of the debt represented by the Federal Direct Consolidation Loan without regard to the amounts of our individual loan obligations that are consolidated and without regard to any change that may occur in our marital status. We understand that this means that one of us may be required to pay the entire amount due if the other is unable or refuses to pay. We understand that the Federal Direct Consolidation Loan we are applying for will be cancelled only if both of us qualify for cancellation. We further understand that we may postpone repayment of the loan only if we provide ED with a written request that confirms Federal Direct Consolidation Loan Program deferment or forbearance eligibility for both of us.

I UNDERSTAND THAT THIS IS A FEDERAL LOAN THAT I MUST REPAY.

Signature of Borrower _____

Signature of Spouse (if consolidating jointly) _____

Date _____

Date _____

Promissory Note (continued)

Governing Law and Notices

This promissory note (note) applies to Federal Direct Consolidation Loans (Direct Consolidation Loans). In this note, the Higher Education Act of 1965, as amended, 20 U.S.C. 1070 et seq., and applicable U.S. Department of Education (ED) regulations are referred to as "the Act." The terms of this note will be interpreted according to the Act and other applicable federal statutes and regulations. Applicable state law, except as preempted by federal law, may provide for certain borrower rights, remedies, and defenses in addition to those stated in this note.

Disclosure of Terms

When the loan(s) that I am consolidating is paid off, I will be sent a Disclosure Statement and Repayment Schedule (disclosure). The disclosure will identify my Direct Consolidation Loan amount and additional terms of my loan. If I have questions about the information disclosed, I will contact ED. If the information in this note conflicts with the information in the disclosure, the disclosure will be controlling. The information in the disclosure statement will be different from this note if the loan(s) being consolidated is not paid off on the anticipated disbursement date.

Important additional terms of this loan are disclosed in the statement of Borrower's Rights and Responsibilities accompanying this note.

I understand that my Direct Consolidation Loan may consist of up to three separate loan identification numbers depending on the loans I choose to consolidate. These loan identification numbers will represent prior subsidized loans, prior unsubsidized loans, and prior PLUS loans. The Borrower's Rights and Responsibilities identifies which eligible loans are included in each of these categories. Each applicable loan identification number is represented by this note.

Except for interest ED does not charge me during an authorized deferment or grace period, I agree to pay interest on the principal amount of my Direct Consolidation Loan from the date of disbursement until the loan is paid in full or discharged.

ED may add interest that accrues but is not paid when due to the unpaid principal balance of this loan. This is called capitalization.

Interest

If my Direct Consolidation Loan includes a loan identification number that represents previous Federal PLUS loans, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1 plus 3.1 percentage points, but shall not exceed 9 percent.

If my Direct Consolidation Loan includes loan identification numbers that represent previous loans other than Federal PLUS loans, and I am in repayment, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1 plus 3.1 percentage points, but shall not exceed 8.25 percent.

If my Direct Consolidation Loan includes loan identification numbers that represent previous loans other than Federal PLUS loans, and I am in an authorized period of deferment, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1 plus 2.5 percentage points, but shall not exceed 8.25 percent.

If my Direct Consolidation Loan includes loan identification numbers that represent previous loans other than Federal PLUS loans and a loan in an in-school period, and I am not yet in repayment, the interest rate for that portion of the loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1 plus 2.5 percentage points, but shall not exceed 8.25 percent.

Late Charges and Collection Costs

If I fail to make any part of an installment payment within 30 days after it becomes due, ED may collect from me a late charge that will not exceed six cents for each dollar of each late installment. If I default on the loan, I will pay reasonable collection fees and costs, plus court costs and attorney's fees associated with collection of the debt.

Grace Period

My Direct Consolidation Loan will receive a grace period if at least one William D. Ford Federal Direct Loan (Direct Loan) Program or Federal Family Education Loan (FFEL) Program loan that I am consolidating is in an in-school period and my application for a Direct Consolidation Loan is received by ED prior to the end of my in-school period. A six-month grace period begins the day after I cease to be enrolled at least half time at an eligible school.

Repayment

Unless I am in school when my Direct Consolidation Loan is disbursed, I will be asked to select a repayment plan. If I do not select a repayment plan, ED will choose a plan for me in accordance with ED's regulations. My first payment will be due within 60 days of the first disbursement of my Direct Consolidation Loan unless I am eligible for a deferment or my Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan for which I am in an in-school period. A repayment schedule will be furnished to me and will establish repayment terms, including my payment amount and the length of the repayment period. Payments will be scheduled in monthly installments. ED may adjust my repayment schedule if ED learns that any of the loans listed herein is not eligible to be consolidated. My repayment period will be up to 30 years in length, depending on the amount of my student loan indebtedness and my repayment plan. Any period for which ED has granted a deferment or forbearance will not be included in determining the period.

I may prepay all or any part of the unpaid balance on my loan at any time without penalty.

Acceleration and Default

At the option of ED, the entire unpaid balance shall become immediately due and payable when any one of the following events occurs: (i) I make false representation that results in my receiving a loan for which I am not eligible, or (ii) I default on the loan.

The following events shall constitute a default on a loan: (i) I fail to pay the entire unpaid balance after ED has exercised its option under the preceding paragraph; or (ii) I fail to make installment payments when due, or fail to comply with other terms of the loan, and ED reasonably concludes I no longer intend to honor my repayment obligation. My failure must have persisted for at least 180 days. If I default, ED will capitalize all outstanding interest into a new principal balance.

If I default, this will be reported to national credit bureau organizations and will significantly and adversely affect my credit rating. I acknowledge that a default shall have additional adverse consequences to me as disclosed in the statement of Borrower's Rights and Responsibilities.

Following default, the loan may at ED's option, be subject to income contingent repayment in accordance with the Act.

Any notice required to be given to me will be effective when mailed by first class mail to the latest address that ED has for me. Failure by ED to enforce or insist on compliance with any term on this note shall not waive any right of ED. No provision of this note may be changed or waived except in writing by ED. If any provision of this note is determined to be unenforceable, the remaining provisions shall remain in force.

Borrower Certification and Authorization

I declare under penalty of perjury that the following is true and correct:

- (1) I certify that the information provided by me and my spouse, if applicable, in this note is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- (2) I certify that the loan proceeds will be used solely to discharge my outstanding eligible education loan debts.
- (3) I certify that I do not now owe a refund on a Federal Pell Grant, Basic Educational Opportunity Grant, Federal Supplemental Educational Opportunity Grant, or a State Student Incentive Grant. I further certify that I am not now in default on any loan that was received under the Federal Perkins Loan Program (including NDSL loans), the FFEL Program, or the Direct Loan Program, or, if I am in default, I have either made satisfactory repayment arrangements with the holder of that defaulted loan, or I am consolidating all of these loans and will repay under the income contingent repayment plan. I understand that income contingent repayment is not available for Federal Direct PLUS Consolidation Loans (Direct PLUS Consolidation Loans).
- (4) I certify that all of the loans selected have been used to finance my education, my spouse's education, or my child's education.
- (5) I certify that I do not have any other application pending for a Federal Consolidation Loan with any other lender. If I am not in school and if none of the loans I am consolidating is a Direct Loan Program loan, I further certify that I have sought and been unable to obtain a Federal Consolidation Loan from a FFEL Program lender, or a lender would not provide me with a Federal Consolidation Loan with income-sensitive repayment terms acceptable to me, and I am eligible for the income contingent repayment plan. If, however, I am consolidating jointly with my spouse, only one borrower, my spouse or I, must have sought a Federal Consolidation Loan from a FFEL Program lender.
- (6) I understand that this loan shall, to the extent used to discharge loans that I have selected, count against the applicable aggregate loan limits under the Act.
- (7) I understand that the amount of my Direct Consolidation Loan is the sum of the balance(s) of my outstanding eligible loan(s) that I have chosen to consolidate. My outstanding balance on each loan to be consolidated includes unpaid principal, unpaid accrued interest, and late charges as defined by federal regulations and as certified by each holder. Collection costs may also be included. For a Direct Loan or FFEL Program loan that is in default, ED limits collection costs that may be charged to the borrower to no more than those currently authorized under the FFEL Program and may impose reasonable limits on collection costs paid to the holder. If the amount ED advances to my holder(s) exceeds the amount needed to pay off the balance(s) of the selected loan(s), I understand that the holder will refund the excess to ED for application against the outstanding balance of this loan. If the amount that ED advances to my holder(s) is less than the amount needed to pay off the balance(s) of the loan(s) selected for consolidation, ED will include the remaining amount in this loan unless I pay the remaining balance myself.
- (8) I authorize ED to issue the proceeds of my Direct Consolidation Loan to the holder(s) of the loan(s) so selected to discharge the debt.
- (9) I authorize ED to investigate my credit record and report information concerning my loan status to proper persons and organizations authorized to receive this information.
- (10) I authorize the release of information pertinent to this loan: (i) by my school(s) and ED, to members of my immediate family unless I submit written direction otherwise; and (ii) by and amongst my school(s), ED, and their agents.
- (11) I authorize my school(s), ED, and their agents, to verify my social security number with the Social Security Administration (SSA) and, if the number on my loan record is incorrect, then I authorize SSA to disclose my correct social security number to these parties.

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a *et seq.*). The principal purposes for collecting this information are to process your Federal Direct Consolidation Loan that is made under the William D. Ford Federal Direct Loan (Direct Loan) Program, to document your agreement to repay this loan, and to identify and locate you if it is necessary to enforce the loan.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Promissory Note (promissory note) on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process this promissory note because the Department needs the information to consolidate your loans into a Federal Direct Consolidation Loan.

The information in your file may be disclosed to third parties as authorized under routine uses

in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential viola-

tion of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of *your individual submission* of this form, write directly to:

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

Federal Direct Consolidation Loan Promissory Note Endorser Addendum

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Section A: Parent Borrower Information (Completed by U.S. Department of Education)

1. Name (Last, First, Middle Initial)	2. Social Security Number	3. Date of Birth
4. Permanent Home Address (Street, City, State, Zip Code)		
5. Permanent Home Area Code/Telephone Number	6. PLUS Consolidation Loan Amount	

Section B: Endorser Information

7. Name (Last, First, Middle Initial)	8. Social Security Number	9. Date of Birth
10. Permanent Home Address (Street, City, State, Zip Code)		
11. Permanent Home Area Code/Telephone Number ()	12. Driver's License Number (list state abbreviation first) ()	
13. U.S. Citizenship Status (Check One) <input type="checkbox"/> 1 U.S. Citizen or National <input type="checkbox"/> 2 Permanent Resident or Other Eligible Noncitizen		Alien Registration Number <input type="checkbox"/> 3 Neither 1 nor 2
14. Employer's Name	15. Employer's Area Code/Telephone Number ()	
16. Employer's Address (Street, City, State, Zip Code)		
17. References: (See instructions before completing this section.)		
Name	1. _____	2. _____
Permanent Address	_____	_____
City, State, Zip Code	_____	_____
Area Code/Telephone Number ()	_____	() _____

Section C: Endorser's Certification

In the event that the borrower identified in Section A does not repay the Federal Direct Consolidation Loan (Direct Consolidation Loan) for which I am the endorser, I promise to pay the U.S. Department of Education (ED) all sums (hereafter "loan" or "loans") disbursed for the purpose of paying off a PLUS loan(s) or a PLUS consolidation loan(s) under the Federal Direct Consolidation Loan Promissory Note plus interest and other fees that may become due, as provided in this Addendum to the Federal Direct Consolidation Loan Promissory Note (Addendum). If I fail to make payments on this Addendum when due, I will also pay collection costs including attorney's fees and court costs.

I understand that this is an Addendum to the Federal Direct Consolidation Loan Promissory Note. I will not sign this Addendum before reading it, even if I am advised not

to read it. I am entitled to an exact copy of this Addendum and a statement of the Borrower's Rights and Responsibilities. My signature certifies that I have read, understand, and agree to the terms and conditions of this Addendum.

Under penalty of perjury I certify that the information contained on this Addendum is true and accurate. I authorize ED to investigate my credit record and report information concerning my credit to the proper persons and organizations.

I UNDERSTAND THAT THIS IS A FEDERAL LOAN THAT I MUST REPAY IN THE EVENT THE BORROWER IDENTIFIED IN SECTION A DOES NOT REPAY THE LOAN.

18. Loan Identification Number

214

19. Signature of Endorser _____ Date _____

Federal Direct Consolidation Loan Note to Endorser

NOTE TO ENDORSER

By signing this Addendum to the Federal Direct Consolidation Loan Promissory Note, the endorser agrees to abide by the terms and conditions of the promissory note (note) in the event the borrower does not repay the loan identified by the note.

DISCLOSURE OF TERMS

This note applies to Federal Direct Consolidation Loans (Direct Consolidation Loans).

In this note, the Higher Education Act of 1965, as amended, 20 U.S.C. 1070, et seq., and applicable U.S. Department of Education (ED) regulations are referred to as "the Act". The terms of this note will be interpreted in accordance with the Act and other applicable federal statutes.

I agree to pay interest on the principal amount of the loan from the date of disbursement until the loan is paid in full. If I fail to make the required interest payments when due, I agree that ED may add the accrued interest to the unpaid balance of the loan. This is called capitalization.

INTEREST RATE

The interest rate on this loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1 plus 3.1 percentage points, but shall not exceed 9 percent.

REPAYMENT

I am obligated to repay the full amount of the loan and accrued interest.

Unless I have received a deferment or forbearance, the repayment period for a Direct Consolidation Loan will begin on the date that the loan is disbursed. The first payment is due within 60 days from that date.

ED will provide me with an opportunity to select a repayment plan. If I do not select a plan, ED will choose a plan for me in accordance with ED's regulations. ED will issue a repayment schedule that provides a schedule of payment amounts and due dates. My repayment schedule will include all of my Direct Consolidation Loans. ED may grant me forbearance to eliminate a delinquency that persists, even though I am making scheduled payments. I may prepay all or any part of the

unpaid balance on the loans at any time, without a penalty. If I do not specify which loan I am prepaying, ED will determine how to apply the prepayment.

LATE CHARGES AND COLLECTION COSTS

If I fail to make an installment payment within 30 days after it becomes due, ED may collect a late charge that will not exceed six cents for each dollar of each late installment. If I default on a loan, I will pay reasonable costs, plus court costs, collection fees, and attorney's fees.

ACCELERATION AND DEFAULT

At the option of ED, the entire unpaid balance will become immediately due and payable when any one of the following events occurs: (i) I make a false representation that results in my receiving a loan for which I am not eligible; or (ii) I default on the loan.

The following events shall constitute a default on a loan: (i) I fail to pay the entire unpaid balance after ED has exercised its option under the preceding paragraph; or (ii) I fail to make installment payments when due, or fail to comply with other terms of the loan, and ED reasonably concludes I no longer intend to honor my repayment obligation. My failure must have persisted for at least 180 days. If I default, ED will capitalize all outstanding interest into a new principal balance.

If I default on this loan, the default will be reported to national credit bureaus. I understand that the resulting credit report will have a negative effect on my credit rating. If I default on this loan, my federal income tax refund may be withheld to pay this debt, my wages may be garnished or offset, and legal action may be brought against me to enforce the terms of this note. I will be ineligible for additional federal student financial aid and for assistance under most federal benefit programs.

NOTICES

Any notice that is required to be given to me will be effective when mailed by first-class mail to the latest address ED has for me. I will immediately notify ED of any change of my address. Failure to enforce, or failure to insist on compliance with any term of this note shall not waive any right of ED. The provisions of this note can only be waived or modified, in writing, by ED. If any provision of this note is deemed to be unenforceable, the remaining provisions shall remain in force.

Federal Direct Consolidation Loan Instructions for Promissory Note Endorser Addendum

Under the Federal Direct Consolidation Loan Program (Direct Consolidation Loan Program), parents may consolidate federal loans obtained to pay the costs of a dependent child who is or was an undergraduate student. If the parent borrower has an adverse credit history and does not document to the satisfaction of the U.S. Department of Education (ED) that extenuating circumstances exist, the parent may only receive a Direct Consolidation Loan if the parent obtains an endorser. The endorser must complete the Addendum to the Federal Direct Consolidation Loan Application and Promissory Note (Addendum) and promise to repay the Direct Consolidation Loan if the parent does not repay it.

The addendum should be completed in blue or black ink or typewritten and must be signed by the endorser.

Section A: Parent Borrower Information

Information in Section A about the parent borrower has been provided by ED. If any information provided in Section A is incorrect, you should contact the Loan Origination Center's Consolidation Department immediately. You can call Monday through Friday 8 a.m. - 8 p.m. Eastern Time, at 1-800-557-7392 [TDD: 1-800-557-7395].

Section B: Endorser Information

Section B should be completed by the endorser. All references to "you" and "your" in this section refer to the endorser.

Items 7 - 9: Enter the information requested.

Item 10: Enter your permanent home street address. If your mailing address is an RFD, post office box, or general delivery, you must list **both** the street address and mailing address.

Item 11: Enter the information requested.

Item 12: First, enter in the parentheses the two letter abbreviation for the state that issued your license. Then, enter your driver's license number. (If none, enter "none.")

Item 13: Place a check in the box that corresponds with your citizenship status. If you checked box 2, enter your Alien Registration Number.

The term "**U.S. citizen**" includes citizens of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. The term "**National**," includes, not only all U.S. citizens, but also citizens of American Samoa or Swain's Island.

A "**permanent resident**" of the United States must provide documentation of this status from the U.S. Immigration and Naturalization Service.

An "**eligible noncitizen**" is an individual who can provide documentation from the U.S. Immigration and Naturalization Service that he or she is in the United States for a purpose that is not temporary, with the intention of becoming a citizen or permanent resident. This category includes refugees, persons granted asylum, Cuban-Haitian entrants, temporary residents under the Immigration Reform and Control Act of 1986, and others.

Items 14 - 16: Enter the information requested. (If none, enter "none.")

Item 17: Enter the requested information for two adults who do not share a common address and who have known you for at least three years. References may not live with you or live outside the United States.

Section C: Endorser's Certification

Item 18: This item has been provided by ED.

Item 19: After reviewing the information and terms of this addendum and reading the Endorser's Certification and Borrower's Rights and Responsibilities carefully, the endorser must **sign and date** the addendum in blue or black ink.

The Direct Consolidation Loan borrower must return this form to:

**U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104**

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 et seq. of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a et seq.). The principal purposes for collecting this information are to determine your eligibility as an endorser, to document your agreement to repay a Federal Direct PLUS Consolidation Loan that is made under the William D. Ford Federal Direct Loan (Direct Loan) Program in the event the identified parent borrower does not repay the loan, and to identify and locate you if it is necessary to enforce the loan.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Promissory Note Endorser Addendum (addendum) on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process this addendum because the Department needs the information to consolidate the identified parent borrower's loan(s) into a Federal Direct PLUS Consolidation Loan.

The information in your file may be disclosed to third parties as authorized under

routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this

information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

217

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Borrower's Rights and Responsibilities

The William D. Ford Federal Direct Loan (Direct Loan) Program includes the following Direct Loans:

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

The Direct Loan Program is authorized by Title IV, Part D, of the Higher Education Act of 1965, as amended (the Act).

A Direct Loan is made by the United States Government and is administered by the U.S. Department of Education (ED). ED's Direct Loan Servicing Center will manage, answer questions about, and collect my loan. I will be provided with the address and telephone number of the Direct Loan Servicing Center.

1. Change of Status. Under federal law, I must notify the Direct Loan Servicing Center, in writing, if any of the following events occur before my loan is repaid:

- I change my address
- I change my name (for example, maiden name to married name)
- I change my employer or my employer's address or telephone number changes
- I have any other change in status that would affect my loan (for example, the loss of eligibility for an unemployment deferment by obtaining a job)

If I am in an in-school period, I must notify my school's financial aid office if any of the following events takes place:

- I reduce my enrollment status to less than half time
- I withdraw from school
- I stop attending classes
- I fail to enroll for any term
- I have a change in my expected graduation date
- I change my name, local address, or permanent address

2. Loan Identification Numbers. My Direct Consolidation Loan promissory note may apply to up to

three individual loan identification numbers. These numbers will be determined and assigned by ED depending on the loan(s) that I have chosen to consolidate. Even if three separate consolidation loan identification numbers are assigned by ED, I have only one Direct Consolidation Loan and will only get one bill.

2a. The following **subsidized loans** will be consolidated under one loan identification number:

- Subsidized Federal Stafford Loans
- Guaranteed Student Loans (GSL)
- Federal Insured Student Loans (FISL)
- Federal Direct Stafford/Ford Loans
- Federal Direct Subsidized Consolidation Loans
- Federal Perkins Loans
- National Direct Student Loans (NDSL)
- National Defense Student Loans (NDSL)
- Subsidized Federal Consolidation Loans

2b. The following **unsubsidized loans** will be consolidated under one loan identification number:

- Unsubsidized Federal Stafford Loans (including Non-Subsidized Stafford Loans made prior to 10/1/92)
- Federal Supplemental Loans for Students (SLS)
- Unsubsidized Federal Consolidation Loans
- Federal Direct Unsubsidized Consolidation Loans
- Federal Direct Unsubsidized Stafford/Ford Loans
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans (NSL)
- Loans for Disadvantaged Students (LDS)

2c. The following **PLUS loans (unsubsidized)** will be consolidated under one loan identification number:

- Federal PLUS Loans
- Parent Loans for Undergraduate Students (PLUS)
- Federal Direct PLUS Loans
- Federal Direct PLUS Consolidation Loans

3. Interest Rate. It is my responsibility to pay interest on my loan. If my Direct Consolidation Loan includes a loan(s) from Item 2a and/or 2b, and I am in repayment, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 8.25 percent. The variable rate for each 12-month period will be equal to

the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before the preceding June 1 plus 3.1 percentage points.

If my Direct Consolidation Loan includes a loan(s) from Item 2a and/or 2b, and **I am in an authorized period of deferment**, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 8.25 percent. The variable rate for each 12-month period will be equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before the preceding June 1 plus 2.5 percentage points.

If my Direct Consolidation Loan includes a loan(s) from Item 2a and/or 2b **that is in an in-school period, and therefore, I am not yet in repayment**, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 8.25 percent. The variable rate for each 12-month period will be equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held before the preceding June 1 plus 2.5 percentage points.

If my Direct Consolidation Loan includes a loan(s) from Item 2c, the interest rate will be a variable rate, adjusted once a year on July 1 and will not exceed 9 percent. The variable rate for each 12-month period will be equal to the bond equivalent rate of 52-week U.S. Treasury bills auctioned at the final auction held before the preceding June 1 plus 3.1 percentage points.

The interest rate(s) that applies to my loan will be included in a letter that I will receive from the Direct Loan Servicing Center when my Direct Consolidation Loan is made.

4. Interest Charges. For all of the loans that I consolidate from Item 2a, ED will not charge interest on my Direct Consolidation Loan during authorized deferment periods. (See paragraph 10, entitled "Deferments.") For all of the loans that I consolidate from Items 2b and 2c, ED will charge interest on my Direct Consolidation Loan during authorized deferment periods.

ED will charge interest on my Direct Consolidation Loan during a forbearance period. (See paragraph 11, entitled "Forbearance.")

I must pay any interest charged during an authorized period of deferment or forbearance or capitalize the accruing interest by having it added to the loan principal. If I choose to capitalize accrued interest, the total cost of my loan will increase.

5. Grace Period. My Direct Consolidation Loan will receive a 6-month grace period before the first payment on my loan must be made if at least one Direct Loan or

Federal Family Education Loan (FFEL) Program loan that I am consolidating is in an in-school period and my application for a Direct Consolidation Loan is received by ED prior to the end of my in-school period. The grace period begins the day after I cease to be enrolled at least half time at an eligible school.

6. Repayment. My first payment will be due within 60 days of the first disbursement of my Direct Consolidation Loan unless I am eligible for a deferment or my Direct Consolidation Loan includes at least one Direct Loan or FFEL Program loan for which I am in an in-school period.

I will be given the opportunity to choose one of the following loan repayment plans.

Note: The time periods given for each repayment plan do not include periods of deferment and forbearance.

- **Standard Repayment Plan**—If I choose this plan, I will make fixed monthly payments and repay my loan in full within 10 years from the date the loan entered repayment. Payments must be at least \$50 a month and will be more, if necessary, to repay the loan within the required time period. The number or amount of the payments may need to be adjusted to reflect changes in the variable interest rate.
- **Extended Repayment Plan**—If I choose this plan, I will make fixed monthly payments and repay my loan in full within 12 to 30 years, depending on the total amount of my loan. Payments must be at least \$50 a month and will be more, if necessary, to repay the loan within the required time period. The number or amount of the payments may need to be adjusted to reflect changes in the variable interest rate.
- **Graduated Repayment Plan**—If I choose this plan, my payments will be lower at first and will increase every two years. I will repay my loan within 12 to 30 years, depending on the total amount of the loan. Payments must cover interest charges and can never be less than 50 percent or more than 150 percent of the amount I would have paid under the Standard Repayment Plan. The number or amount of the payments may need to be adjusted to reflect changes in the variable interest rate.
- **Income Contingent Repayment Plan**—If I choose this plan, my monthly repayment amount is based on the total amount of my loan, my family size, and my Adjusted Gross Income (and that of my spouse if I am married). Until ED obtains the information needed from the Internal Revenue Service to calculate my monthly repayment amount, my

payment will equal the amount of the interest that has accrued on my loan unless I request a forbearance. As my income changes, my repayment amount may change. If I have not repaid my loan after 25 years under this plan, the unpaid portion of the loan is forgiven. I may have to pay income tax on any amount forgiven.

Note: PLUS loans (refer to Item 2c) that are consolidated cannot be repaid under the Income Contingent Repayment Plan.

If I do not choose one of the plans, ED will choose a plan for me in accordance with ED's regulations. However, if I demonstrate to ED's satisfaction that the terms and conditions of the repayment plans are not adequate to accommodate my exceptional circumstances, ED may provide an alternative repayment plan.

There will be no penalty for prepaying any portion of my loan. All payments and prepayments are applied in the following order: charges and collection costs first, outstanding interest second, and outstanding principal last.

If I fail to make any part of an installment payment within 30 days after it becomes due, I may owe a late charge. This charge may not exceed six cents for each dollar of each late installment.

7. Consequences of Default. Default (failing to repay my Direct Consolidation Loan) is defined in detail in the disclosure of terms in my promissory note. If I default, the entire unpaid balance and collection fees will become due and payable immediately. Failure to repay this or any federal student loan may result in any or all of the following:

- loss of my federal income tax refunds
- legal action against me
- collection charges (including attorney fees) being assessed against me
- loss of my eligibility for other federal student aid
- loss of my eligibility for loan deferments
- negative credit reports to credit bureaus
- my employer withholding part of my wages to give them to ED (wage garnishment)

8. Credit Bureau Notification. Information concerning the amount, disbursement, and repayment status (current or delinquent) of my loan will be reported to one or more national credit bureau organizations on a regular basis. If I default on my loan, this will also be reported to national credit bureaus. I will be notified at least 30 days in advance that default information is to be disclosed to a credit bureau unless I enter repayment on the loan within 30 days. I will be given a chance to ask for a review of the debt before it is reported. ED

must provide a timely response to a request from any credit organization regarding objections I might raise with that organization about the accuracy and completeness of any information ED has reported.

9. Discharge. If I am applying singly for a Direct Consolidation Loan, my loan will be discharged if documentation of my death is submitted to the Direct Loan Servicing Center or if I am eligible under the regulations governing a discharge due to a permanent and total disability. If I am applying jointly with my spouse, the death and disability discharge will only apply if both my spouse and I either die or become permanently and totally disabled.

To apply for a loan discharge due to permanent and total disability, I (and my spouse if applicable) must submit a discharge application to the Direct Loan Servicing Center. The application documentation must be certified by a doctor.

ED will not approve a request for discharge for permanent and total disability for a condition that existed before I applied for the loan(s) that I am consolidating unless a doctor certifies that the condition substantially deteriorated after the loan(s) was made.

Under certain circumstances, all or a portion of my Direct Consolidation Loan debt may be discharged if I am/was unable to complete a course of study because my school closes/closed or my eligibility was falsely certified by my school.

ED does not vouch for the quality or suitability of academic programs offered by schools participating in any federal student financial aid program. Repaying loans is not conditional on the performance of the school I attend or on my obtaining employment in my field of study.

In addition, I may assert, in certain proceedings before ED, that I have a defense against repayment of a Direct Loan. ED may recognize as a defense against repayment an act or omission by the school that I am attending that would give rise to a legal cause of action against the school under applicable State law as long as that act or omission directly relates to this loan or to the school's provision of educational services for which this loan is provided.

My Direct Consolidation Loan will not be discharged automatically in bankruptcy.

10. Deferments. Under certain circumstances, I am entitled to postpone repayment if I provide the Direct Loan Servicing Center with a written request for a deferment and evidence that verifies my eligibility for the

deferment. Upon request, the Direct Loan Servicing Center will provide me with a deferment application that explains the eligibility requirements. If I am in default on my Direct Consolidation Loan, I am not eligible for a deferment.

If I consolidate my loan(s) jointly with my spouse's loan(s), we both must meet deferment eligibility criteria in order to postpone repayment on the Direct Consolidation Loan.

Deferments are available in the following situations:

- While I am enrolled at least half time at an eligible school
- While I am engaged in a full-time course of study in a graduate fellowship program
- While I am engaged in a full-time rehabilitation training program for individuals with disabilities
- While I am conscientiously seeking, but unable to find, full-time employment (for up to three years)
- While I am experiencing an economic hardship as defined by federal law (for up to three years)

If, at the time I consolidate my loan(s), I have an outstanding balance on a FFEL Program loan (formerly known as a GSL) that was made prior to July 1, 1993, additional deferments may be available. These include deferments while I am:

- Temporarily totally disabled (for up to three years)
- Unable to secure employment because I am required to care for a spouse or dependent who is temporarily totally disabled (for up to three years)
- Serving in the U.S. Armed Forces, the Commissioned Corps of the Public Health Service, the National Oceanic and Atmospheric Administration Corps, or the Peace Corps (for up to three years)
- Serving as a full-time paid volunteer for a tax-exempt organization or an ACTION program (for up to three years)
- In a medical internship or residency program (for up to two years)
- Teaching in a designated teacher shortage area (for up to three years)
- On parental leave (for up to six months)
- A working mother entering or re-entering the workforce (for up to one year)

Note to Direct PLUS Consolidation Loan Borrowers:

You may also be eligible for deferments while the student for whom you borrowed a PLUS loan is dependent and:

- Enrolled at least half time and has received a Direct Loan or FFEL Program loan for that period of enrollment
- Engaged in a full-time graduate fellowship program
- Engaged in a full-time rehabilitation program for individuals with disabilities

The Direct Loan Servicing Center can provide additional information about deferment eligibility.

11. Forbearance. If I am unable to make my scheduled loan payments, ED may allow me to reduce my payment amount or to temporarily stop making payments as long as I intend to repay my loan. Allowing me to temporarily delay or reduce loan payments is called a forbearance.

If I am willing, but financially unable, to make payments under my repayment schedule, forbearance may be granted for circumstances such as:

- financial hardship
- illness
- service in a medical or dental internship or residency program, if I meet specific criteria
- service in a national service position for which I receive a national service education award under the National and Community Service Trust Act of 1993
- periods of time when my monthly debt burden for all federal Title IV student loans equals or exceeds 20 percent of my total monthly gross income (for up to three years)

ED may grant me forbearance to eliminate a delinquency that persists even though I am making scheduled installment payments.

I may contact the Direct Loan Servicing Center for information on how to apply and qualify for forbearance.

12. Subsequent Consolidation. If I do not consolidate all eligible loans at this time, I understand that I may consolidate an additional pre-existing eligible loan(s) by submitting a request to ED within 180 days after the date on which my Direct Consolidation Loan is made. The Disclosure issued when a subsequent consolidation is completed shall be controlling and will include the balance of this Direct Consolidation Loan.

If I want to consolidate an additional eligible loan(s) after this period of time, I will need to complete a new application for a Direct Consolidation Loan.



appendix f



Endorser addendum

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Promissory Note Endorser Addendum

OMB No. 1840-0693
Form Approved
Exp. Date 1/31/99

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Section A: Parent Borrower Information (Completed by U.S. Department of Education)

1. Name (Last, First, Middle Initial)	2. Social Security Number	3. Date of Birth
4. Permanent Home Address (Street, City, State, Zip Code)		
5. Permanent Home Area Code/Telephone Number	6. PLUS Consolidation Loan Amount	

Section B: Endorser Information

7. Name (Last, First, Middle Initial)	8. Social Security Number	9. Date of Birth
10. Permanent Home Address (Street, City, State, Zip Code)		
11. Permanent Home Area Code/Telephone Number ()	12. Driver's License Number (list state abbreviation first) ()	
13. U.S. Citizenship Status (Check One) 1 <input type="checkbox"/> U.S. Citizen or National	2 <input type="checkbox"/> Permanent Resident or Other Eligible Noncitizen	Alien Registration Number 3 <input type="checkbox"/> Neither 1 nor 2
14. Employer's Name	15. Employer's Area Code/Telephone Number ()	
16. Employer's Address (Street, City, State, Zip Code)		

17. References: (See instructions before completing this section.)

Name	1. _____	2. _____
Permanent Address	_____	_____
City, State, Zip Code	_____	_____
Area Code/Telephone Number ()	_____	() _____

Section C: Endorser's Certification

In the event that the borrower identified in Section A does not repay the Federal Direct Consolidation Loan (Direct Consolidation Loan) for which I am the endorser, I promise to pay the U.S. Department of Education (ED) all sums (hereafter "loan" or "loans") disbursed for the purpose of paying off a PLUS loan(s) or a PLUS consolidation loan(s) under the Federal Direct Consolidation Loan Promissory Note plus interest and other fees that may become due, as provided in this Addendum to the Federal Direct Consolidation Loan Promissory Note (Addendum). If I fail to make payments on this Addendum when due, I will also pay collection costs including attorney's fees and court costs.

I understand that this is an Addendum to the Federal Direct Consolidation Loan Promissory Note. I will not sign this Addendum before reading it, even if I am advised not

to read it. I am entitled to an exact copy of this Addendum and a statement of the Borrower's Rights and Responsibilities. My signature certifies that I have read, understand, and agree to the terms and conditions of this Addendum.

Under penalty of perjury I certify that the information contained on this Addendum is true and accurate. I authorize ED to investigate my credit record and report information concerning my credit to the proper persons and organizations.

I UNDERSTAND THAT THIS IS A FEDERAL LOAN THAT I MUST REPAY IN THE EVENT THE BORROWER IDENTIFIED IN SECTION A DOES NOT REPAY THE LOAN.

18. Loan Identification Number

223

19. Signature of Endorser

Date

NOTE TO ENDORSER

By signing this Addendum to the Federal Direct Consolidation Loan Promissory Note, the endorser agrees to abide by the terms and conditions of the promissory note (note) in the event the borrower does not repay the loan identified by the note.

DISCLOSURE OF TERMS

This note applies to Federal Direct Consolidation Loans (Direct Consolidation Loans).

In this note, the Higher Education Act of 1965, as amended, 20 U.S.C. 1070, et seq., and applicable U.S. Department of Education (ED) regulations are referred to as "the Act". The terms of this note will be interpreted in accordance with the Act and other applicable federal statutes.

I agree to pay interest on the principal amount of the loan from the date of disbursement until the loan is paid in full. If I fail to make the required interest payments when due, I agree that ED may add the accrued interest to the unpaid balance of the loan. This is called capitalization.

INTEREST RATE

The interest rate on this loan during any 12-month period beginning on July 1 and ending on June 30, is determined on the preceding June 1 and is equal to the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to such June 1 plus 3.1 percentage points, but shall not exceed 9 percent.

REPAYMENT

I am obligated to repay the full amount of the loan and accrued interest.

Unless I have received a deferment or forbearance, the repayment period for a Direct Consolidation Loan will begin on the date that the loan is disbursed. The first payment is due within 60 days from that date.

ED will provide me with an opportunity to select a repayment plan. If I do not select a plan, ED will choose a plan for me in accordance with ED's regulations. ED will issue a repayment schedule that provides a schedule of payment amounts and due dates. My repayment schedule will include all of my Direct Consolidation Loans. ED may grant me forbearance to eliminate a delinquency that persists, even though I am making scheduled payments. I may prepay all or any part of the

unpaid balance on the loans at any time, without a penalty. If I do not specify which loan I am prepaying, ED will determine how to apply the prepayment.

LATE CHARGES AND COLLECTION COSTS

If I fail to make an installment payment within 30 days after it becomes due, ED may collect a late charge that will not exceed six cents for each dollar of each late installment. If I default on a loan, I will pay reasonable costs, plus court costs, collection fees, and attorney's fees.

ACCELERATION AND DEFAULT

At the option of ED, the entire unpaid balance will become immediately due and payable when any one of the following events occurs: (i) I make a false representation that results in my receiving a loan for which I am not eligible; or (ii) I default on the loan.

The following events shall constitute a default on a loan: (i) I fail to pay the entire unpaid balance after ED has exercised its option under the preceding paragraph; or (ii) I fail to make installment payments when due, or fail to comply with other terms of the loan, and ED reasonably concludes I no longer intend to honor my repayment obligation. My failure must have persisted for at least 180 days. If I default, ED will capitalize all outstanding interest into a new principal balance.

If I default on this loan, the default will be reported to national credit bureaus. I understand that the resulting credit report will have a negative effect on my credit rating. If I default on this loan, my federal income tax refund may be withheld to pay this debt, my wages may be garnished or offset, and legal action may be brought against me to enforce the terms of this note. I will be ineligible for additional federal student financial aid and for assistance under most federal benefit programs.

NOTICES

Any notice that is required to be given to me will be effective when mailed by first-class mail to the latest address ED has for me. I will immediately notify ED of any change of my address. Failure to enforce, or failure to insist on compliance with any term of this note shall not waive any right of ED. The provisions of this note can only be waived or modified, in writing, by ED. If any provision of this note is deemed to be unenforceable, the remaining provisions shall remain in force.

Federal Direct Consolidation Loan Instructions for Promissory Note Endorser Addendum

Under the Federal Direct Consolidation Loan Program (Direct Consolidation Loan Program), parents may consolidate federal loans obtained to pay the costs of a dependent child who is or was an undergraduate student. If the parent borrower has an adverse credit history and does not document to the satisfaction of the U.S. Department of Education (ED) that extenuating circumstances exist, the parent may only receive a Direct Consolidation Loan if the parent obtains an endorser. The endorser must complete the Addendum to the Federal Direct Consolidation Loan Application and Promissory Note (Addendum) and promise to repay the Direct Consolidation Loan if the parent does not repay it.

The addendum should be completed in blue or black ink or typewritten and must be signed by the endorser.

Section A: Parent Borrower Information

Information in Section A about the parent borrower has been provided by ED. If any information provided in Section A is incorrect, you should contact the Loan Origination Center's Consolidation Department immediately. You can call Monday through Friday 8 a.m. - 8 p.m. Eastern Time, at 1-800-557-7392 [TDD: 1-800-557-7395].

Section B: Endorser Information

Section B should be completed by the **endorser**. All references to "you" and "your" in this section refer to the endorser.

Items 7 - 9: Enter the information requested.

Item 10: Enter your permanent home street address. If your mailing address is an RFD, post office box, or general delivery, you must list **both** the street address and mailing address.

Item 11: Enter the information requested.

Item 12: First, enter in the parentheses the two letter abbreviation for the state that issued your license. Then, enter your driver's license number. (If none, enter "none.")

Item 13: Place a check in the box that corresponds with your citizenship status. If you checked box 2, enter your Alien Registration Number.

The term "**U.S. citizen**" includes citizens of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. The term "**National**," includes, not only all U.S. citizens, but also citizens of American Samoa or Swain's Island.

A "**permanent resident**" of the United States must provide documentation of this status from the U.S. Immigration and Naturalization Service.

An "**eligible noncitizen**" is an individual who can provide documentation from the U.S. Immigration and Naturalization Service that he or she is in the United States for a purpose that is not temporary, with the intention of becoming a citizen or permanent resident. This category includes refugees, persons granted asylum, Cuban-Haitian entrants, temporary residents under the Immigration Reform and Control Act of 1986, and others.

Items 14 - 16: Enter the information requested. (If none, enter "none.")

Item 17: Enter the requested information for two adults who do not share a common address and who have known you for at least three years. References may not live with you or live outside the United States.

Section C: Endorser's Certification

Item 18: This item has been provided by ED.

Item 19: After reviewing the information and terms of this addendum and reading the Endorser's Certification and Borrower's Rights and Responsibilities carefully, the endorser must **sign and date** the addendum in blue or black ink.

The Direct Consolidation Loan borrower must return this form to:

**U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104**

Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan

Important Notices

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 et seq. of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a et seq.). The principal purposes for collecting this information are to determine your eligibility as an endorser, to document your agreement to repay a Federal Direct PLUS Consolidation Loan that is made under the William D. Ford Federal Direct Loan (Direct Loan) Program in the event the identified parent borrower does not repay the loan, and to identify and locate you if it is necessary to enforce the loan.

We ask that you provide the information requested on this Federal Direct Consolidation Loan Promissory Note Endorser Addendum (addendum) on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department may process this addendum because the Department needs the information to consolidate the identified parent borrower's loan(s) into a Federal Direct PLUS Consolidation Loan.

The information in your file may be disclosed to third parties as authorized under

routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this

information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0693. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form, write directly to:**

U.S. Department of Education
Consolidation Department
Loan Origination Center
P. O. Box 4272
Montgomery, AL 36104

226



appendix g



**Quarterly unsubsidized interest statement for
in-school borrowers**

Direct Loans

William D. Ford Federal Direct Loan Program

Month DD, CCYY

Quarterly Unsubsidized Interest Statement

Interest has accumulated on your unsubsidized Direct Loan during the last quarter in the amount of \$99.99 as of MM/DD/CCYY. The total amount of unpaid interest that has accumulated on your unsubsidized Direct Loan balance of \$9999.99 through MM/DD/CCYY is \$999.99.

You may choose to - -

a) pay last quarter's interest or all unpaid interest now. If you choose to pay the interest, please mail your payment with the bottom portion of this notice in the envelope provided.

or

b) not pay last quarter's interest or all unpaid interest now and have your interest capitalized when your loan goes into repayment. Having your interest capitalized means that the total amount of unpaid interest which you owe at the time you start to repay your loan will be added to your principal balance. This means your principal balance will be higher by the total unpaid interest amount at that time.

Please note that the principal balance shown below is the sum of your unsubsidized Direct Loan balances only, subsidized Direct Loan balances, if applicable, are not reflected in this statement.

Account Number	Quarter End Interest Rate	Interest Paid Last Quarter	Interest Accrued Last Quarter	Total Unpaid Interest at Quarter End	Principal Balance	Total Principal And Interest
xxx-xx-xxxx-x	9.99	99.99	9,999.99	99,999.99	99,999.99	99,999.99

INT1AV03

PLEASE RETAIN THE ABOVE STATEMENT FOR YOUR RECORDS

<p>For your Records:</p> <p>Date Paid: _____</p> <p>Amount Paid: _____</p> <p>Check No. _____</p>	<p>DETACH COUPON BEFORE MAILING</p>	<p>PAYMENT COUPON (Please mail coupon with your payment)</p> <p>Account Number: 999-99-9999</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p><input type="checkbox"/> ADDITIONAL PAYMENTS:</p> <p>Full additional payments will prepay your account and move your next "payment due date" unless you check this box.</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p><input type="checkbox"/> ADDRESS CHANGED?</p> <p>Check this box if your name or address has changed and complete the form on the reverse side of this coupon.</p> </div> <p>First Name MI Last Name _____</p> <p>Street Address 1 _____</p> <p>Street Address 2 _____</p> <p>City, State and Zip Code _____ 228 _____</p>	<p>Total Amount Due: \$999,999.99</p> <p>Total Amount Enclosed: </p> <p>Make checks payable to: U.S. Department of Education</p> <p>Mail your Payment and Coupon to: Direct Loan Payment Center P.O. Box 746000 Atlanta, GA 30374-6000</p>
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XXXXXXXXXXXXXXXXXXXXXXXXXXXX

ADDITIONAL INFORMATION ABOUT YOUR LOAN

If any of the information on this notice is incorrect, please contact the Direct Loan Servicing Center.

The Direct Loan Servicing Center Borrower Services Department was created to assist you with all matters regarding your Direct Loan. Please feel free to call us from 8:00 AM to 8:30 PM Eastern Time, Monday through Friday at 1-800-848-0979. Hearing-impaired individuals who have access to a TDD (Telecommunications Device for the Deaf) can call 1-800-848-0983. If you prefer to write, please direct your correspondence to:

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 4609
Utica, New York 13504-4609

Please advise us of any changes in name, address, student status, or separation date from school (if applicable). This information can affect the status of your loan.

HAS YOUR NAME, ADDRESS OR TELEPHONE NUMBER CHANGED?

If so, please complete this form and mark the [x] Address Changed? box on the front of this payment coupon.

First Name _____ MI _____ Last Name _____

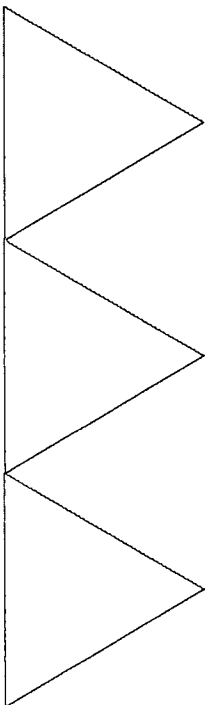
Maiden Name _____

New Address _____

City _____ State _____ Zip Code _____

Current Home Phone #(_____) _____ Current Business Phone #(_____) _____

appendix h



Capitalization chart

This chart is included in the Direct Consolidation Loan application mailing

Example B

This chart compares the costs of paying (not capitalizing) interest and capitalizing interest on a \$2,625 Direct Unsubsidized Loan at 8.25 percent interest (the maximum interest rate) under the Standard Repayment Plan. The borrower attended school for 9 months and then had a 6-month grace period.

Type of Interest	Loan Amount	Interest Charged	Interest Paid	Principal to be Repaid	Monthly Payment	Number of Payments	Total Repayment
Not Capitalized	\$2,625	\$230	\$230	\$2,625	\$50	65	\$3,498*
Capitalized**	\$2,625	\$230	\$0	\$2,855	\$50	73	\$3,638

* Total repayment includes the \$230 in interest paid before the loan went into repayment.

** Interest was capitalized once, when the borrower entered repayment (15 months after the loan was made).

appendix i

Poverty guidelines

This chart is included in the *Direct Loan Repayment Book*

“being revised”

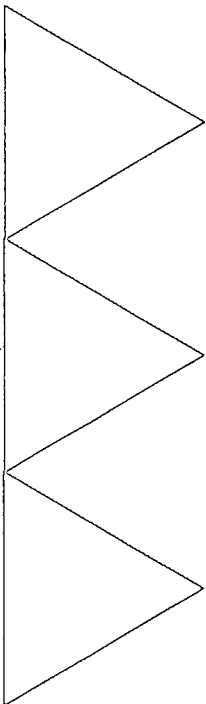
232

Direct Loans

appendix j

Constant multiplier charts

These charts are included in the *Direct Loan Repayment Book*



Constant Multiplier and Other Charts

The constant multiplier is a factor that allows you to estimate your monthly payment under each Direct Loan repayment plan. Because the constant multiplier is calculated on the basis of an annual interest rate, it will change as the interest rate on your loan changes.

Instructions for using the Constant Multiplier Charts:

1. Determine the current interest rate on your Direct Loan. (If your loan has a lower interest rate during in-school, grace, and deferment periods than during repayment, make sure you are using the rate that applies during periods in which you are required to make payments.) If you do not know the interest rate, you can obtain this information by calling your servicing center.
2. Select the repayment plan for which you want to calculate your estimated monthly payment.
3. On the chart for that repayment plan (beginning below), find your interest rate. If your exact interest rate is not listed, choose the next highest rate. (For example, if the current rate were 7.62 percent, you would select 7.75 percent.) You'll find your constant multiplier in the cell below your interest rate.
4. If you are calculating an estimated monthly payment for the Extended Repayment Plan, find the row on that chart that corresponds to the repayment period on your loan. (See page 6.) You will find your constant multiplier in the cell where the *Interest Rate* column and *Repayment Period* row cross.

Charts E and F are used in calculating your payment amount under the Income Contingent Repayment Plan.

Chart A: Standard Repayment Plan

Interest Rate	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
Constant Multiplier	.0116108	.0117401	.0118337	.0118702	.0120011	.0121328	.0122653	.0123345	.0123986	.0125327	.0126676

Chart B: Extended Repayment Plan

Length of Repayment Period (in years)	Interest Rate										
	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
12	.0102838	.0104176	.0105145	.0105523	.0106879	.0108245	.0109621	.0110340	.0111006	.0112400	.0113803
15	.0089883	.0091286	.0092304	.0092701	.0094128	.0095565	.0097014	.0097772	.0098474	.0099945	.0101427
20	.0077530	.0079038	.0080132	.0080559	.0082095	.0083644	.0085207	.0086024	.0086782	.0088371	.0089973
25	.0070678	.0072281	.0073444	.0073899	.0075533	.0077182	.0078845	.0079716	.0080523	.0082214	.0083920
30	.0066530	.0068218	.0069443	.0069921	.0071641	.0073376	.0075127	.0076043	.0076891	.0078670	.0080462

Chart C: Graduated Repayment Plan

Interest Rate	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
Constant Multiplier	.0059452	.0061575	.0063104	.0063699	.0065822	.0067945	.0070068	.0071173	.0072192	.0074315	.0076438

Chart D: Income Contingent Repayment Plan

Interest Rate	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
Constant Multiplier	.0102838	.0104176	.0105145	.0105523	.0106879	.0108245	.0109621	.0110340	.0111006	.0112400	.0113803

appendix k

Income percentage factor chart

This chart is included in the *Direct Loan Repayment Book*

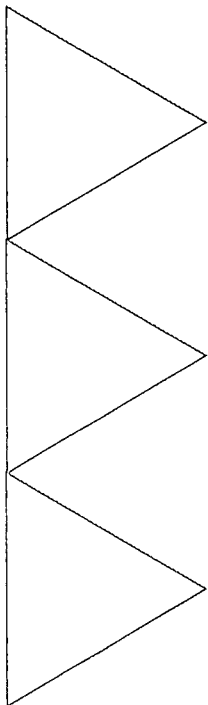


Chart E: Income Percentage Factors

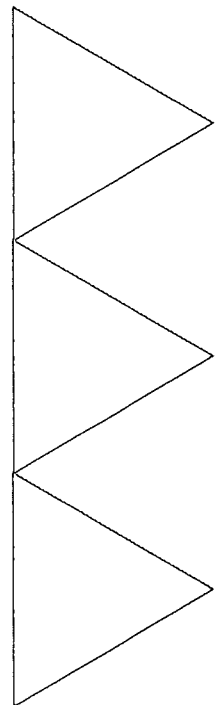
(Based on Annual Income)

Single		Married and Head of Household	
Income	% Factor	Income	% Factor
\$7,890	55.40%	\$10,610	54.97%
10,000	57.50%	11,808	56.68%
10,297	57.79%	14,073	59.56%
13,249	60.57%	15,000	61.32%
15,000	63.85%	18,397	67.79%
16,270	66.23%	20,000	70.50%
19,154	71.89%	22,791	75.22%
20,000	73.85%	25,000	79.91%
22,791	80.33%	28,627	87.61%
25,000	83.52%	30,000	89.95%
28,627	88.77%	35,903	100.00%
30,000	90.89%	40,000	100.00%
35,903	100.00%	43,180	100.00%
40,000	100.00%	50,000	105.87%
43,180	100.00%	54,096	109.40%
50,000	109.23%	60,000	114.46%
51,898	111.80%	70,000	123.04%
60,000	118.31%	72,287	125.00%
66,453	123.50%	80,000	129.72%
70,000	125.77%	90,000	135.85%
80,000	132.17%	97,756	140.60%
90,000	138.56%	100,000	141.14%
94,118	141.20%	136,716	150.00%
100,000	144.95%	150,000	157.66%
107,916	150.00%	200,000	186.50%
150,000	174.96%	223,403	200.00%
192,217	200.00%		

appendix I

Monthly payment worksheets

These worksheets are included in the
Direct Loan Repayment Book



Income Percentage Factor Worksheet

Income Contingent Repayment Plan

If your income is not listed in Chart E, you can use this worksheet to interpolate the correct income percentage factor for the Income Contingent Repayment Formula. For example, let's say you are single and your income is \$26,000.

Step 1

To interpolate, you must first find the interval between the closest Chart E income that is less than \$26,000 and the closest Chart E income that is greater than \$26,000. Subtract the closest lesser value from the closest greater value. For this discussion, we will call the result the "income interval."

Closest Greater Value from Chart E	minus	Closest Lesser Value from Chart E	equals	Income Interval
\$28,627	-	\$25,000	=	\$3,627

Step 2

Using Chart F, find the interval between the two income percentage factors that are given for these incomes. Subtract the income percentage factor for the closest lesser value from the percentage factor for the closest greater value. We'll call the result the "income percentage factor interval."

Percentage Factor for Closest Greater Value	minus	Percentage Factor for Closest Lesser Value	equals	Income Percentage Factor Interval
88.77%	-	83.52%	=	5.25%

Step 3

Subtract the closest lesser value shown on the chart from your income (for this example, \$26,000).

Your Income	minus	Closest Lesser Value from Chart E	equals	Result
\$26,000	-	\$25,000	=	\$1,000

Step 4

Divide the result by the income percentage factor interval.

Step 3 Result	divided by	Income Interval from Step 1	equals	Result
\$1,000	÷	\$3,627	=	0.2757

Step 5

Multiply the result by the income percentage factor interval from Step 2.

Step 4 Result	multiplied by	Income Percentage Factor Interval	equals	Result
0.2757	x	5.25	=	1.45

Step 6

Add the result to the income percentage factor that corresponds to the closest lesser value. The result is your income percentage factor.

Step 5 Result	plus	Percentage Factor for Closest Lesser Value	equals	Actual Income Percentage Factor
1.45%	+	83.52%	=	84.97%

Direct Subsidized and Unsubsidized Loan Worksheet Part 1

This two-part worksheet allows you to compare the monthly payments you would make with each Direct Loan repayment plan. The principal balance is the total amount you owe when your loans enter repayment, which includes any capitalized interest. Charts you will need can be found on pages A-1 through A-4 of this appendix.

Standard Repayment Plan

You can estimate your monthly payments under the Standard Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart A) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart A	equals	Estimated Monthly Payment (must be at least \$50)
\$ _____	X	_____	=	\$ _____

Extended Repayment Plan

You can estimate your monthly payments under the Extended Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart B) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart B	equals	Estimated Monthly Payment (must be at least \$50)
\$ _____	X	_____	=	\$ _____

Graduated Repayment Plan

You can estimate your beginning monthly payment under the Graduated Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart C) that corresponds to your interest rate. Using this factor to calculate your monthly payment will ensure that your payment covers the monthly interest on your loans. However, your monthly payment must be at least one half of what you would pay under the Standard Plan. (See the calculation above.) Your monthly payment will be the larger of the two amounts.

Principal Balance	multiplied by	Constant Multiplier from Chart C	equals	Estimated Beginning Monthly Payment
\$ _____	X	_____	=	\$ _____

Direct Subsidized and Unsubsidized Loan Worksheet Part 2

Income Contingent Repayment Plan

Step 1

Multiply your principal balance by the constant multiplier (from Chart D) for the interest rate on your loans.

Principal Balance	multiplied by	Constant Multiplier from Chart D	equals	Result
\$ _____	X	_____	=	\$ _____

Step 2

Next, multiply the result from Step 1 by the income percentage factor (from Chart E) that corresponds to your income.

Step 1 Result	multiplied by	Income Percentage Factor from Chart E	equals	Result
\$ _____	X	_____	=	\$ _____

Step 3

Calculate your discretionary income, which is AGI minus the poverty guideline (from Chart F) for your family size.

AGI	minus	Poverty Guideline from Chart F	equals	Discretionary Income
\$ _____	-	_____	=	\$ _____

Step 4

Multiply your discretionary income by 20 percent.

Discretionary Income	multiplied by	.2	equals	Result
\$ _____	X	_____	=	\$ _____

Step 5

Divide the Step 4 result by 12 months.

Step 4 Result	divided by	12 months	equals	Result
\$ _____	÷	_____	=	\$ _____

Step 6

Compare the Step 2 result with the Step 5 result. The lower amount is your monthly payment. If this amount is greater than \$0 but less than \$5, you are required to make a \$5 payment.

Step 2 Result	Step 5 Result	Estimated Monthly Payment
\$ _____	_____	\$ _____

Direct PLUS Loan Worksheet

If you have a Direct PLUS Loan, this worksheet allows you to compare the monthly payments you would make with each available Direct Loan repayment plan. The principal balance is the total amount you owe when your loans enter repayment, which includes any capitalized interest. Charts you will need can be found on pages A-1 through A-4 of this appendix.

Standard Repayment Plan

You can estimate your monthly payments under the Standard Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart A) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart A	equals	Estimated Monthly Payment (must be at least \$50)
\$ _____	X	_____	=	\$ _____

Extended Repayment Plan

You can estimate your monthly payments under the Extended Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart B) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart B	equals	Estimated Monthly Payment (must be at least \$50)
\$ _____	X	_____	=	\$ _____

Graduated Repayment Plan

You can estimate your beginning monthly payment under the Graduated Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart C) that corresponds to your interest rate. Using this factor to calculate your monthly payment will ensure that your payment covers the monthly interest on your loans. However, your monthly payment must be at least one half of what you would pay under the Standard Plan. (See the calculation above.) Your monthly payment will be the larger of the two amounts.

Principal Balance	multiplied by	Constant Multiplier from Chart C	equals	Estimated Beginning Monthly Payment
\$ _____	X	_____	=	\$ _____

appendix m



Beginning monthly payments chart

These charts are included in the *Direct Loan Repayment Book*

“being revised”

appendix n

Comparison of loan program benefits (Direct Consolidation Loan Program and FFELP)

This chart is included in the Direct Consolidation Loan application mailing

246

Direct Loans

William D. Ford Federal Direct Loan Program

Chart 1 Federal Direct Consolidation Loan Program

This chart compares the main benefits of some current loans (last for William D. Ford Federal Direct Loan Program (first two columns). The July 1, 1995. A detailed overview of current benefits of other education Department. For more information or assistance with using the chart

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS Consolidation Loans

FFEL Program Stafford
GSL/FISL

Overview of Major Benefits

Interest rate	Variable with 8.25% cap	Variable with 9% cap	7, 8, 9, 10% or variable with cap	9, 12, 14% or variable with cap	9, 12, 14% or variable with cap	Weighted average rounded up to next whole percent ¹
Maximum Repayment term	30 years ²	30 years ²	10 years	10 years	10 years	30 years ³
Available Repayment Plans						
Standard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Income Contingent	<input checked="" type="checkbox"/>	No	No	No	No	No
Income Sensitive	No	No	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Graduated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Extended	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	<input checked="" type="checkbox"/> ³
Alternative	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Prepayment without penalty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cancellation upon borrower's death or total disability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>
Discharge due to school closing or falsely certifying loan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶
Grace period	6 months ⁷	No	6 months ⁸	6 months ⁹	No	No

Notes

- 1 Before 7/1/94, greater of 9 percent or weighted average; after 7/1/94; weighted average rounded up to nearest whole percent.
- 2 For standard repayment plan, 10 years; for income contingent, 25 years; for graduated and extended, may range from 12 to 30 years, depending on amount borrowed.
- 3 May range from 10 to 30 years, depending on amount borrowed.
- 4 Income sensitive and graduated available for new borrowers on or after 7/1/93.
- 5 For death: parent's or student's, if student died on or after July 23, 1992; for disability: parent's only.
- 6 For loans received on or after 1/1/86.
- 7 For a Direct Consolidation Loan which includes a Direct Loan or a Federal Family Education Loan (FFEL) Program loan for which the borrower is in an in-school period at the time of consolidation.
- 8 For 7 percent loans, 9-12 months.
- 9 If borrower has a Stafford Loan; otherwise none.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS
Consolidation Loans

FFEL Program Stafford Loans/
GSL/FISL

Supplemental Loans for Students
(SLS)/Auxiliary Loans to Assist
Students (ALAS)

FFEL Program
Consolidation Loans
PLUS Loans

Deferment Options	All Borrowers		Borrowers Prior to 7/1/93			
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ¹¹
Attending school full time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ¹²	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 2 years	Up to 2 years	Up to 2 years	Up to 2 years
Economic Hardship	Up to 3 years	Up to 3 years	No	No	No	No
Serving required internship/residency	Up to 2 years ¹³	Up to 2 years ¹³	Up to 2 years	Up to 2 years	Up to 2 years ¹²	No
Temporarily totally disabled or required to provide full-time care for disabled dependent	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Teaching in designated teacher shortage area	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Serving in the: Armed Forces, Peace Corps, Public Health Service, ACTION, full-time volunteer for tax-exempt organization	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years ¹²	No
Active duty in NOAA corps	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Qualifying parental leave	Up to 6 mos. ¹³	No	Up to 6 mos. ¹⁰	Up to 6 mos. ¹⁰	No	No
Working mother	Up to 1 year ¹³	No	Up to 1 year ¹⁰	Up to 1 year ¹⁰	No	No
New Borrowers as of 7/1/93						
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years

Notes

10 Only for borrowers with no outstanding loans as of 7/1/87.

11 If borrower has received a Stafford Loan or SLS for the deferment period, or for PLUS borrower only, has a dependent student who borrows a Stafford loan for the deferment period.

12 For loans made before 8/15/83.

13 If borrower currently has a loan with this deferment option, or has an outstanding balance on a FFEL Program loan made prior to 7/1/93.

appendix o



Request for deferment forms

249

Economic Hardship Deferment Request

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

HRD
 Economic Hardship

Please correct or, if address/locator information is missing, enter the following information. If a correction, check this box:

SSN

Name

Address

City, State, Zip Code

Telephone - Home ()

Telephone - Other ()

Section 1: Deferment Request

Must be completed by borrower. See definitions on the back of this form.

I meet the qualifications stated below for an Economic Hardship Deferment and request that the U.S. Department of Education (ED) defer repayment of my loan(s) beginning (MM-DD-YY) . Maximum cumulative eligibility is 36 months. Borrower must re-apply every 12 months.

My total monthly gross income (see Definitions) is \$. My adjusted gross income (see Definitions) is \$.

To qualify, I must meet one of the conditions listed below and provide the required documentation for only that condition.

- (i) I must have been granted an economic hardship deferment from the Federal Family Education Loan (FFEL) or Federal Perkins Loan Program for the period of time for which I am now requesting an economic hardship deferment from the William D. Ford Federal Direct Loan (Direct Loan) Program, and I must provide evidence of the deferment granted.
- (ii) I must be receiving payment under a federal or state public assistance program, such as Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), Food Stamps, or state general public assistance, and evidence of these payments must be provided.
- (iii) I must be working full-time (see Definitions) and my total monthly gross income from employment must be less than or equal to the larger of the monthly rates listed below. I must provide documentation of this income such as pay stubs.

	Monthly	Annual
(a) Federal Minimum Wage Rate (\$5.15 an hour)	\$ 892.66	\$ 10,712.00
(b) Poverty Lines for a Family of Two:		
- All States (except Alaska and Hawaii) including the District of Columbia	\$ 884.17	\$ 10,610.00
- Alaska	\$ 1,105.83	\$ 13,270.00
- Hawaii	\$ 1,016.67	\$ 12,200.00

- (iv) I must NOT be working full-time and must NOT be receiving from all sources, total monthly gross income that exceeds two times the larger amount listed in iii above for the state in which I reside. Additionally, after deducting the total monthly payments on all my federal postsecondary education loans in repayment, my income from all sources **STILL MAY NOT** exceed the larger of the monthly amounts in iii above. (Total monthly payments, adjusted, if necessary to reflect the minimum 10 year repayment period (see Definitions) will be calculated by ED, based on the information I provide below.)

The total amount I borrowed for all of my federal postsecondary loans now in repayment (including the loan(s) for which I am requesting deferment) is \$.

- (v) I must be working full-time, and the total amount of my annual payments on all my federal postsecondary education loans in repayment must be equal to or larger than 20% of my adjusted gross income. Additionally, after deducting the total amount of my annual payments on all my federal postsecondary education loans in repayment from my adjusted gross income, my income must be less than 220% of the larger of the annual amounts in iii above. (Total annual payments, adjusted, if necessary to reflect the minimum 10 year repayment period will be calculated by ED based on the information I provide below.)

The total amount I borrowed for all of my federal postsecondary loans now in repayment (including the loan(s) for which I am requesting deferment) is \$.

- If my economic hardship deferment is based on one of the conditions cited in (iv) and (v) above, I must provide ED with: (a) documentation of my most recent total monthly gross income from all sources, such as pay stubs, or documentation of my adjusted gross income and (b) documentation of the total amount I borrowed for all non-defaulted education loans, or eligible defaulted loans, that are now in repayment and that were obtained through a federal program.
- If my economic hardship deferment eligibility is based on one of the conditions cited in (iii), (iv), and (v) above and I am applying for an additional period of economic hardship deferment that begins less than one year after the end of my previous period of economic hardship deferment, I must provide ED with a copy of my latest federal income tax return (if one was filed within the preceding eight months).

Borrower Understandings and Certifications

I understand that: (1) My deferment will begin on the date the deferment condition began but no more than six months before the date ED receives this request; (2) ED will not grant this deferment request unless all applicable sections of this form are completed and any additional required documentation is provided; (3) Principal payments will be deferred, but if my loan(s) is not subsidized by the federal government, I am responsible for paying the interest that accrues; (4) If I do not choose to pay all interest that accrues during my deferment period, ED will capitalize (see Definitions) such interest to the extent permitted by law. This will increase the principal balance of my loan(s); and (5) If my deferment does not cover all my past due payments, ED may grant me a forbearance for all payments due before the begin date of my deferment.

I certify that: (1) The information provided in Section 1 above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued deferment status; (3) I will notify ED immediately when the condition(s) that qualified me for the deferment ends; and (4) I have read, understand, and meet the terms and conditions of the deferment for which I have applied.

250

Signature of Borrower

Date

Definitions

- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). Interest does not accrue during an eligible deferment on Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) or Federal Direct Subsidized Consolidation Loans (Direct Subsidized Consolidation Loans). I am responsible for the interest that accrues during this period on all other Direct Loan Program loans.
- **Gross Income** is the amount of my compensation/income from my employer or any other source prior to deductions required by law being withheld.
- **Adjusted gross income** is the amount of my total annual income plus or minus any adjustments recorded on my Federal Income Tax Return.
- **Full-Time** employment is defined as working at least 30 hours per week in a position expected to last at least three months.
- **Minimum 10 year repayment period** refers to the period that is 10 years from the date I entered repayment regardless of the actual length of my repayment schedule. To determine if I am eligible for an economic hardship deferment, ED will estimate the payment amount that I would owe if my loan were scheduled to be repaid in fixed installments within this period.
- **Capitalization** is a process whereby ED adds unpaid interest to the principal balance of a loan(s).

Eligibility

Below you will find a list of federal postsecondary education loans that may be included in reporting the total amount you borrowed for items (iv) and (v) in Section 1.

- **Subsidized Loans**
 - Federal Stafford Loans (Subsidized)
 - Guaranteed Student Loans (GSL)
 - Federal Insured Student Loans (FISL)
 - Federal Direct Stafford/Ford Loans
 - Federal Direct Subsidized Consolidation Loans
 - Federal Perkins Loans
 - National Direct Student Loans (NDSL)
 - National Defense Student Loans (NDSL)
- **Unsubsidized Loans**
 - Federal Stafford Loans
(Unsubsidized - made on or after 10/1/92)
 - Federal Supplemental Loans for Students (SLS)
 - Federal Consolidation Loans
 - Federal Direct Unsubsidized Consolidation Loans
 - Federal Direct Unsubsidized Stafford/Ford Loans
 - Auxiliary Loans to Assist Students (ALAS)
 - Health Professions Student Loans (HPSL)
 - Health Education Assistance Loans (HEAL)
 - Federal PLUS Loans
 - Parent Loans for Undergraduate Students (PLUS)
 - Federal Direct PLUS Loans
 - Federal Direct PLUS Consolidation Loans
 - Other Loans made under Subpart II of Part A of Title VII of the Public Health Service Act and Subpart II of Part B of Title VIII of the Public Health Service Act

Important Notices

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C.552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 et seq. of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for a deferment. The information on this form will be used to determine your eligibility for a deferment of repayment of your Direct Loan Program loan(s). The information you provide may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Return this form and any required documentation to:

**Borrower Services Department
Direct Loan Servicing Center
P.O. Box 4609
Utica, NY 13504-4609**

If assistance is needed in completing this form call:

1 (800) 848-0979

Paperwork Reduction Notice

The time required to complete this information collection is estimated to average 0.2 hours (12 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form write directly to:**

**Borrower Services Department
Direct Loan Servicing Center
P.O. Box 4609
Utica, NY 13504-4609**

Direct Loans

William D. Ford Federal Direct Loan Program

Education Related Deferment Request

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

DO NOT USE THIS FORM if all your Federal Family Education Loan Program loans were made ON or AFTER July 1, 1993.

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 1840-0700
 Form Approved
 Exp. Date 02/28/98

EDU

Internship/Residency, Targeted Teacher, and PLUS Borrower with Dependent Student

Borrower's Information

Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Deferment Request

Must be completed by borrower. See definitions and eligibility criteria on the back of this form.

I meet the qualifications stated on the back of this form for the Education Related Deferment checked below and request that the U.S. Department of Education (ED) defer repayment on my loan(s)

beginning (MM-DD-YY)

Check one:

- While I am engaged in an **INTERNSHIP/RESIDENCY** program. Maximum eligibility is two years. (Dental Interns/Residents are encouraged to apply for an In-School Deferment.)
 Check appropriate institution:
 Institution of Higher Education, Hospital, or Health Care Facility Any other Institution or Organization
- While I am teaching in a designated **TEACHER SHORTAGE AREA**. Maximum eligibility is three years. Must re-apply each school year. Federal Direct PLUS Loan (Direct PLUS Loan) borrowers are not eligible.
- While the **STUDENT** (named below) **FOR WHOM I BORROWED A PLUS LOAN IS DEPENDENT** and is enrolled at least half-time and has received a William D. Ford Federal Direct Loan (Direct Loan) Program or Federal Family Education Loan (FFEL) Program loan for that period of enrollment or is engaged full-time in one of the two programs listed below. Complete the following information (please print or type):

Student's Name: _____ Student's SSN:

My dependent student is:

- enrolled at least half-time and has received a Direct Loan Program or FFEL Program loan for that period of enrollment
- engaged full-time in a Graduate Fellowship program
- engaged full-time in a Rehabilitation Training program

Borrower Understandings and Certifications

I understand that: (1) My deferment will begin on the date the deferment condition began but no more than six months before the date ED receives this request; (2) ED will not grant this deferment request unless all applicable sections of this form are completed and any additional required documentation is provided; (3) Principal payments will be deferred, but if my loan(s) is not subsidized by the federal government, I am responsible for paying the interest that accrues; (4) If I do not choose to pay all interest that accrues during my deferment period, ED will capitalize (see Definitions) such interest to the extent permitted by law. This will increase the principal balance of my loan(s); (5) If my deferment does not cover all my past due payments, ED may grant me a forbearance for all payments due before the begin date of my deferment; (6) If I have used all 24 months allowed for an Internship/Residency deferment, I can apply for a forbearance. I will be granted a forbearance for up to 12 months at a time for the remainder of my internship/residency program.

I certify that: (1) The information provided in Section 1 above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued deferment status; (3) I will notify ED immediately when the condition(s) that qualified me for the deferment ends; and (4) I have read, understand, and meet the terms and conditions of the deferment for which I have applied as explained on the back of this form.

(5) I certify that at the time I obtained my Direct Loan Program loan I had an outstanding balance on an FFEL Program loan (formerly known as a GSL) which was made prior to July 1, 1993.

Signature of Borrower _____ Date _____

Section 2: Authorized Official's Certification

See the back of this form for a list of Authorized Officials. Please print or type.

I certify, to the best of my knowledge and belief, that the borrower or dependent, if applicable, named above is/was a student or engaged in the program/teaching service indicated in Section 1 and that the borrower and the borrower's program/teaching service meet all the eligibility requirements specified on the back of this form.

The borrower's program/teaching service began (MM-DD-YY) and is expected to end (ended) (MM-DD-YY)

Teacher Shortage Area Deferment Only

The borrower is teaching (taught) in _____ which is a shortage area designated by the U.S. Secretary of Education for the state of _____ for the school year which began (MM-DD-YY) and ends/ended (MM-DD-YY)

Name of Institution _____
 Address _____ Institution's ID Number _____
 City, State, Zip Code _____ Telephone () _____
 Signature of Authorized Official _____ Date _____
 Name/Title of Authorized Official _____

Definitions

- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). Interest does not accrue during an eligible deferment on Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) or Federal Direct Subsidized Consolidation Loans (Direct Subsidized Consolidation Loans). I am responsible for the interest that accrues during this period on all other Direct Loan Program loans.
- **Capitalization** is a process whereby ED adds unpaid interest to the principal balance of a loan(s).

Eligibility Criteria

To qualify for this deferment, at the time my Direct Loan Program loan was made, I must have had an outstanding balance on an FFEL Program loan (formerly known as a GSL) which was made prior to July 1, 1993.

I may defer (postpone) repayment of my loan(s) while:

- I am engaged in an **INTERNSHIP/RESIDENCY** program. Maximum eligibility is two years.
 - In an Institution of Higher Education, Hospital or Health Care Facility. To qualify:
 - (1) My internship/residency program must: (a) be a supervised training program, (b) lead to a degree or certificate, and (c) require that I hold at least a Bachelor's Degree before acceptance into the program.
 - (2) I must be accepted into the internship/residency program.
 - In any other Institution or Organization. To qualify:
 - (1) My internship/residency program must: (a) be a supervised training program, (b) be required before I may be certified for professional practice or service, and (c) require that I hold at least a Bachelor's Degree before acceptance into the program.
 - (2) I must: (a) be accepted into the internship/residency program; and (b) provide ED with a separate statement from my state licensing agency which certifies my internship/residency, or portion thereof, is required before I may be certified for professional practice or service.
- I am teaching in a designated **TEACHER SHORTAGE AREA**. Maximum eligibility is three years. Must re-apply each school year. Direct PLUS Loan borrowers are not eligible.

To qualify, I must teach full-time in a public or nonprofit private elementary or secondary school in a geographic region, grade level, academic, instructional, subject matter, or discipline classified shortage area as defined by ED. (I will contact my Chief School Administrator or Chief State School Officer for a list of my state's shortage areas.)
- The dependent student for whom I borrowed a Direct PLUS Loan is enrolled at least **HALF-TIME** and has received a Direct Loan Program or FFEL Program loan for that period of enrollment.

- The dependent student for whom I borrowed a Direct PLUS Loan is engaged in a full-time course of study in a **GRADUATE FELLOWSHIP** program. To qualify:
 - (1) The graduate fellowship program must: (a) provide sufficient financial support to allow for full-time study for a period of at least six months, (b) require, before the awarding of financial support, a written statement from each applicant which explains the applicant's objectives, (c) require a graduate fellow to submit periodic reports, projects, or other evidence of the graduate fellow's progress, and (d) in the case of a course of study at a foreign university, accept the course of study for completion of the fellowship program.
 - (2) The dependent student for whom I borrowed the Direct PLUS Loan must: (a) hold at least a Bachelor's Degree conferred by an institution of higher education, and (b) have been accepted or recommended by an institution of higher education for acceptance into the graduate fellowship program on a full-time basis.
- The dependent student for whom I borrowed a Direct PLUS Loan is engaged in a full-time **REHABILITATION TRAINING** program. To qualify:
 - (1) The training program must: (a) be licensed, approved, certified, or recognized as providing rehabilitation training to disabled individuals by the Department of Veterans Affairs or a state agency responsible for vocational rehabilitation, drug abuse treatment, mental health services or alcohol abuse treatment programs, (b) provide services under a written, individualized plan that specifies the date services are expected to end, and (c) be structured in a way that requires a substantial commitment by the student to his/her rehabilitation. ("Substantial commitment" means a commitment of time and effort that would normally prevent a person from being employed 30 or more hours per week in a position expected to last at least three months.)
 - (2) The dependent student for whom I borrowed the Direct PLUS Loan must be either receiving, or scheduled to receive, these rehabilitation services.

Authorized Certifying Officials

- Authorized Graduate Fellowship Program Official (*PLUS Borrower with Dependent Student Graduate Fellowship Deferment*)
- Internship/Residency Program Official (*For all Internships and Residencies*)
- State Licensing Official (*For all Internships required to begin professional practice or service*)
- Rehabilitation Training Program Official (*PLUS Borrower with Dependent Student Rehabilitation Training Program Deferment*)
- Chief School Administrator (*Targeted Teacher Deferment*)*
- Authorized School Official (*PLUS Borrower with Dependent Student At Least Half-Time Deferment*)

*Additional certification may be required for Targeted Teacher deferments if the Chief State School Officer has not provided an annual list of approved shortage areas to School Administrators.

Important Notices

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C.552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 et seq. of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for a deferment. The information on this form will be used to determine your eligibility for a deferment of repayment of your Direct Loan Program loan(s). The information you provide may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Return this form and any required documentation to the Direct Loan Servicing Center.

If you need to confirm the Direct Loan Servicing Center's address or require assistance with completing this form, call 1 (888) 447-4460.

Paperwork Reduction Notice

The time required to complete this information collection is estimated to average 0.2 hours (12 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to the Direct Loan Servicing Center. If you need to confirm the Direct Loan Servicing Center's address, call 1 (888) 447-4460.

Direct Loans

William D. Ford Federal Direct Loan Program

In-School Deferment Request

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

OMB No. 1840-0700
 Form Approved
 Exp. Date 02/28/98

SCH

At Least Half-Time Student, Graduate Fellowship, Rehabilitation Training Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Borrower's Information

Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Deferment Request

Must be completed by borrower. See definitions and eligibility criteria on the back of this form.

I meet the qualifications stated on the back of this form for the deferment checked below and request that the U.S. Department of Education (ED) defer repayment on my loan(s).

- Check one: While I am enrolled at an eligible school as **AT LEAST A HALF-TIME STUDENT**.
 While I am engaged in a full-time course of study in a **GRADUATE FELLOWSHIP** program.
 While I am engaged in a full-time **REHABILITATION TRAINING** program.

Borrower Understandings and Certifications

I understand that: (1) My deferment will begin on the date the deferment condition began but no more than six months before ED receives this request; (2) ED will not grant this deferment request unless all applicable sections of this form are completed and any additional required documentation is provided; (3) Principal payments will be deferred, but if my loan(s) is not subsidized by the federal government, I am responsible for paying the interest that accrues; (4) If I do not choose to pay all interest that accrues during my deferment period, ED will capitalize (see Definitions) such interest to the extent permitted by law. This will increase the principal balance of my loan(s); and (5) If my deferment does not cover all my past due payments, I may be granted a forbearance for all payments due before the begin date of my deferment.

I certify that: (1) The information provided in Section 1 above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued deferment status; (3) I will notify ED immediately when the condition(s) that qualified me for the deferment ends; and (4) I have read, understand, and meet the terms and conditions of the deferment for which I have applied as explained on the back of this form.

Signature of Borrower _____ Date _____

Section 2: Authorized Official's Certification

See the back of this form for a list of Authorized Officials. Please print or type.

I certify, to the best of my knowledge and belief, that the borrower named above is/was engaged in the program indicated in Section 1, and that the borrower and the borrower's program meet all the eligibility requirements specified on the back of this form.

Student Deferment Only

Item (1) and Item (2) of this section must be completed. The school may attach its own enrollment certification report listing the required information in lieu of completing this section.

The borrower:

(1) Is/was enrolled at least half-time during the academic period from (MM-DD-YY) [] [] [] [] [] [] [] [] [] [] to (MM-DD-YY) [] [] [] [] [] [] [] [] [] []

(2) Is reasonably expected to complete his/her program requirements on (MM-DD-YY) [] [] [] [] [] [] [] [] [] []

Graduate Fellowship Program and Rehabilitation Training Program Deferments Only

The borrower's program began (MM-DD-YY) [] [] [] [] [] [] [] [] [] [] and is expected to end(ed) (MM-DD-YY) [] [] [] [] [] [] [] [] [] []

Name of Educational Institution or Rehabilitation Facility _____
 Address _____ Institution's ID Number _____
 City, State, Zip Code _____ Telephone () _____
 Signature of Authorized Official _____ Date _____
 Name/Title of Authorized Official _____

Section 3 — Definitions/Eligibility Criteria for In-School Deferment Request

Definitions

- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). Interest does not accrue during an eligible deferment on Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) or Federal Direct Subsidized Consolidation Loans (Direct Subsidized Consolidation Loans). I am responsible for the interest that accrues during this period on all other William D. Ford Federal Direct Loan (Direct Loan) Program loans.
- **Capitalization** is a process whereby ED adds unpaid interest to the principal balance of a loan(s).

Eligibility Criteria

I may **defer** (postpone) repayment of my loan(s) while I am:

- Enrolled at an eligible school as **AT LEAST A HALF-TIME STUDENT**.
- Engaged in a full-time course of study in a **GRADUATE FELLOWSHIP** program.

To qualify:

- (1) My graduate fellowship program must:
 - (a) provide sufficient financial support to allow for full-time study for a period of at least six months,
 - (b) require, prior to the awarding of financial support, a written statement from each applicant which explains the applicant's objectives,
 - (c) require a graduate fellow to submit periodic reports, projects, or other evidence of the graduate fellow's progress, and
 - (d) in the case of a course of study at a foreign university, accept the course of study for completion of the fellowship program.

- (2) I must:
 - (a) hold at least a Bachelor's Degree conferred by an institution of higher education, and
 - (b) have been accepted or recommended by an institution of higher education for acceptance into the graduate fellowship program on a full-time basis.
- (3) If I am in a medical internship or residency program, I am not eligible for this deferment unless I am in a residency program for dentistry.

- Engaged in a full-time **REHABILITATION TRAINING** program.

To qualify:

- (1) My training program must:
 - (a) be licensed, approved, certified or recognized as providing rehabilitation training to disabled individuals by the Department of Veteran's Affairs or a state agency responsible for vocational rehabilitation, drug abuse treatment, mental health services, or alcohol abuse treatment programs;
 - (b) provide services under a written, individualized plan that specifies the date services are expected to end; and
 - (c) be structured in a way that requires a substantial commitment by me to my rehabilitation. ("Substantial commitment" means a commitment of time and effort that would normally prevent a person from being employed 30 or more hours per week in a position expected to last at least three months.)
- (2) I must be either receiving or scheduled to receive these rehabilitation services.

Authorized Certifying Officials

- Authorized School Official (*At Least Half-Time Student Deferment*)
- Authorized Graduate Fellowship Program Official (*Graduate Fellowship Program Deferment*)
- Rehabilitation Training Program Official (*Rehabilitation Training Program Deferment*)

Important Notices

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C.552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 et seq. of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for a deferment. The information on this form will be used to determine your eligibility for a deferment of repayment of your Direct Loan Program loan(s). The information you provide may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Return this form and any required documentation to the Direct Loan Servicing Center.

If you need to confirm the Direct Loan Servicing Center's address or require assistance with completing this form, call 1 (888) 447-4460.

Paperwork Reduction Notice

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255



Parental Leave/Working Mother Deferment Request

William D. Ford Federal Direct Loan Program
Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct Consolidation Loans

OMB No. 1840-0700
Form Approved
Exp. Date 02/28/98

DO NOT USE THIS FORM if all your Federal Family Education Loan Program loans were made **ON** or **AFTER** July 1, 1993.
WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

PL/WM

Parental Leave and Working Mother

Borrower's Information

Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Deferment Request

Must be completed by borrower. See definitions and eligibility criteria on the back of this form.

I meet the qualifications stated on the following page for the Parental Leave/Working Mother Deferment checked below and request that the U.S. Department of Education (ED) defer repayment on my loan(s) beginning (MM-DD-YY)

- Check one: While I am on **PARENTAL LEAVE**. Maximum eligibility is six months per occurrence. Federal Direct PLUS Loan (Direct PLUS Loan) borrowers are not eligible.
 While I am a **WORKING MOTHER**. Maximum eligibility is 12 months. Direct PLUS Loan borrowers are not eligible.

Borrower Understandings and Certifications

I understand that: (1) My deferment will begin on the date the deferment condition began but no more than six months before the date ED receives this request; (2) ED will not grant this deferment request unless all applicable sections of this form are completed and any additional required documentation is provided; (3) Principal payments will be deferred, but if my loan(s) is not subsidized by the federal government, I am responsible for paying the interest that accrues; (4) If I do not choose to pay all interest that accrues during my deferment period, ED will capitalize (see Definitions) such interest to the extent permitted by law. This will increase the principal balance of my loan(s); (5) If my deferment does not cover all my past due payments, ED may grant me a forbearance for all payments due before the begin date of my deferment.

I **certify that:** (1) The information provided in Section 1 above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued deferment status; (3) I will notify ED immediately when the condition(s) that qualified me for the deferment ends; and (4) I have read, understand, and meet the terms and conditions of the deferment for which I have applied as explained on the back of this form.

(5) I certify that at the time I obtained my William D. Ford Federal Direct Loan (Direct Loan) Program loan I had an outstanding balance on a Federal Family Education Loan (FFEL) Program loan (formerly known as a GSL) which was made prior to July 1, 1993.

Signature of Borrower _____ Date _____

Section 2: Authorized Official's Certification

See the back of this form for a list of Authorized Officials. Please print or type.

For Parental Leave Deferments Only

I certify, to the best of my knowledge and belief, that the borrower named above was last enrolled at least half-time on (MM-DD-YY)

Name of School _____

Address _____ School Code _____

City, State, Zip Code _____ Telephone () _____

Signature of Authorized Official _____ Date _____

Name/Title of Authorized Official _____

Section 3 — Definitions/Eligibility Criteria for Parental Leave/Working Mother Deferment Request

Definitions

- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). Interest does not accrue during an eligible deferment on Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) or Federal Direct Subsidized Consolidation Loans (Direct Subsidized Consolidation Loans). I am responsible for the interest that accrues during this period on all other Direct Loan Program loans.
- **Full-Time** employment is defined as working at least 30 hours per week in a position expected to last at least three months.
- **Capitalization** is a process whereby ED adds unpaid interest to the principal balance of a loan(s).

Eligibility Criteria

To qualify for these deferments, at the time my Direct Loan Program loan was made, I must have had an outstanding balance on an FFEL Program loan (formerly known as a GSL) which was made prior to July 1, 1993.

I may **defer** (postpone) repayment of my loan(s) while I am:

- On **PARENTAL LEAVE**. Maximum eligibility is six months per occurrence. Direct PLUS Loan borrowers are not eligible.

To qualify:

- (1) I must:
 - (a) be pregnant, caring for my newborn child, or caring for my newly adopted child;
 - (b) not be working full-time (see Definitions) or attending school during this deferment period; and
 - (c) have been enrolled in school at least half-time at sometime during the six months preceding this deferment (an authorized school official must certify Section 2 on the preceding page).
- (2) I must provide ED with:
 - (a) a statement from my physician documenting my pregnancy if I am requesting this deferment due to my pregnancy;
 - (b) a copy of my newborn child's birth certificate; or
 - (c) a statement from the adoption agency documenting my newly adopted child's placement.

- A **WORKING MOTHER**. Maximum eligibility is 12 months. Direct PLUS Loan borrowers are not eligible.

To qualify:

- (1) I must:
 - (a) have entered or re-entered the workforce within one year preceding this deferment;
 - (b) be working full-time (see Definitions) in a position earning not more than \$1 per hour above the federal minimum wage; and
 - (c) be the mother of a preschool-age child who has not yet enrolled in first grade or a higher grade in elementary school.
- (2) I must provide ED with documentation of:
 - (a) my rate of pay, such as a pay stub; and
 - (b) the age of my preschool-age child, such as a birth certificate.

Authorized Certifying Officials

- Authorized School Official (*Parental Leave Deferment*)
- Borrower (*Working Mother Deferment*)

Important Notices

Privacy Act Notice

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Return this form and any required documentation to the Direct Loan Servicing Center.

If you need to confirm the Direct Loan Servicing Center's address or require assistance with completing this form, call 1 (888) 447-4460.

Paperwork Reduction Notice

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Direct Loans

William D. Ford Federal Direct Loan Program

Public Service Deferment Request

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

OMB No. 1840-0700
 Form Approved
 Exp. Date 02/28/98

PUB

Armed Forces, Public Health, NOAA
 Peace Corps, Volunteer in ACTION
 Programs, or Tax-Exempt Organization

DO NOT USE THIS FORM if all your Federal Family Education Loan Program loans were made **ON** or **AFTER** July 1, 1993.
WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Borrower's Information

Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Deferment Request

Must be completed by borrower. See definitions and eligibility criteria on the back of this form.

I meet the qualifications stated on the back of this form for the deferment checked below and request that the U.S. Department of Education (ED) defer repayment of my loan(s).

Check one:

- While I am on active duty in the **ARMED FORCES** of the United States. Maximum eligibility is three years. (This is a combined limit with Public Health Service and National Oceanic and Atmospheric Administration (NOAA) deferments.)
- While I am serving full-time as an officer in the Commissioned Corps of the **PUBLIC HEALTH SERVICE**. Maximum eligibility is three years. (This is a combined limit with Armed Forces and NOAA deferments.)
- While I am on active duty in the **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)**. Maximum eligibility is three years. Federal Direct PLUS Loan (Direct PLUS Loan) borrowers are not eligible. (This is a combined limit with Armed Forces and Public Health Service deferments.)
- While I am serving in the **PEACE CORPS**. Maximum eligibility is three years.
- While I am a full-time paid volunteer in **ACTION PROGRAMS**. Maximum eligibility is three years.
- While I am a full-time paid volunteer for a **TAX-EXEMPT ORGANIZATION**. Maximum eligibility is three years.

Borrower Understandings and Certifications

I understand that: (1) My deferment will begin on the date the deferment condition began but no more than six months before the date ED receives this request; (2) ED will not grant this deferment request unless all applicable sections of this form are completed and any additional required documentation is provided; (3) Principal payments will be deferred, but if my loan(s) is not subsidized by the federal government, I am responsible for paying the interest that accrues; (4) If I do not choose to pay all interest that accrues during my deferment period, ED will capitalize (see Definitions) such interest to the extent permitted by law. This will increase the principal balance of my loan(s); (5) If my deferment does not cover all my past due payments, ED may grant me a forbearance for all payments due before the begin date of my deferment.

I certify that: (1) The information provided in Section 1 above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued deferment status; (3) I will notify ED immediately when the condition(s) that qualified me for the deferment ends; and (4) I have read, understand, and meet the terms and conditions of the deferment for which I have applied as explained on the back of this form.

(5) I certify that at the time I obtained my William D. Ford Federal Direct Loan (Direct Loan) Program loan I had an outstanding balance on a Federal Family Education Loan (FFEL) Program loan (formerly known as a GSL) which was made prior to July 1, 1993.

Signature of Borrower _____ Date _____

Section 2: Authorized Official's Certification

See the back of this form for a list of Authorized Officials. Please print or type.

I certify, to the best of my knowledge and belief, that the borrower named above is/was engaged in the service indicated in Section 1, and that the borrower and the borrower's service meet all the eligibility requirements specified on the back of this form.

The borrower's service began (MM-DD-YY) and is expected to end (ended) (MM-DD-YY)

Name of Organization _____ Telephone () _____

Address _____ City, State, Zip Code _____

Signature of Authorized Official _____ Date _____

Name/Title of Authorized Official _____

Section 3 — Definitions/Eligibility Criteria for Public Service Deferment Request

Definitions

- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). Interest does not accrue during an eligible deferment on Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) or Federal Direct Subsidized Consolidation Loans (Direct Subsidized Consolidation Loans). I am responsible for the interest that accrues during this period on all other Direct Loan Program loans.
- **Capitalization** is a process whereby ED adds unpaid interest to the principal balance of a loan(s).

Eligibility Criteria

To qualify for this deferment, at the time my Direct Loan Program loan was made, I must have had an outstanding balance on an FFEL Program loan (formerly known as a GSL) which was made prior to July 1, 1993.

I may **defer** (postpone) repayment of my loan(s) while I am:

- On active duty in the **ARMED FORCES** of the United States. Maximum eligibility is three years. (This is a combined limit with Public Health Service and NOAA deferments.)
To qualify, I must:
(1) be on active duty in the Army, Navy, Air Force, Marine Corps or Coast Guard, and
(2) provide ED with copies of my military identification and orders or have my commanding or personnel officer certify Section 2 on the preceding page.

Note: Borrowers enlisted in a reserve component of the Armed Forces or the National Guard (while on active duty status in the Army or Air Force Reserves) may qualify for this deferment only if:
(1) serving full-time for a period expected to last at least one year, as evidenced by official military orders, or
(2) serving under an order for national mobilization.
- Serving full-time as an officer in the Commissioned Corps of the **PUBLIC HEALTH SERVICE**. Maximum eligibility is three years. (This is a combined limit with Armed Forces and NOAA deferments.)

- On active duty in the **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)**. Maximum eligibility is three years. Direct PLUS Loan borrowers are not eligible. (This is a combined limit with Armed Forces and Public Health Service deferments.)
- Serving in the **PEACE CORPS**. Maximum eligibility is three years. To qualify, I must have agreed to serve for a period of at least one year.
- A full-time paid volunteer in **ACTION PROGRAMS**. Maximum eligibility is three years. To qualify, I must have agreed to serve for a period of at least one year.
- A full-time paid volunteer for a **TAX-EXEMPT ORGANIZATION**. Maximum eligibility is three years. To qualify, I must:
(1) be serving full-time in an organization that has a tax exemption under Section 501 (c)(3) of the Internal Revenue Code of 1986;
(2) assist low income people and their communities in eliminating poverty and poverty-related human, social, and environmental conditions;
(3) not earn more than the federal minimum wage, however, I may receive fringe benefits like those received by other employees of the organization;
(4) not engage in religious instruction, proselytizing, fund raising, or conduct worship services as part of my duties; and
(5) have agreed to serve for a period of at least one year.

Authorized Certifying Officials

- Commanding or Personnel Officer (*Armed Forces Deferment*)
- Authorized Official of the U.S. Public Health Service (*Public Health Service Deferments*)
- Authorized Official of the National Oceanic and Atmospheric Administration (*NOAA Deferment*)
- Authorized Official of the Peace Corps (*Peace Corps Deferment*)
- Authorized Official of the ACTION Program (*ACTION Programs Deferment*)
- Authorized Official of the Volunteer Program (*Tax-Exempt Organization Deferment*)

Important Notices

Privacy Act Notice

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Direct Loans

William D. Ford Federal Direct Loan Program

Temporary Total Disability Deferment Request

William D. Ford Federal Direct Loan Program

Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

DO NOT USE THIS FORM if all your Federal Family Education Loan Program loans were made ON or AFTER July 1, 1993.

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 1840-0700
Form Approved
Exp. Date 02/28/98

TDIS

Temporary Total Disability

Borrower's Information

Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Deferment Request

Must be completed by borrower or borrower's representative.* See definitions and eligibility criteria on the back of this form.

*A representative may complete and sign this section on your behalf if you are unable to do so because of your disability.

I meet the qualifications stated on the back of this form for a Disability Deferment and request that the U.S. Department of Education (ED) defer repayment on my loan(s) while I am **TEMPORARILY TOTALLY DISABLED** or while I am unable to secure employment because I am caring for a spouse or dependent who is **TEMPORARILY TOTALLY DISABLED**. Maximum eligibility is three years. Eligibility must be recertified by your physician, using this form, every six months.

Check appropriate box: I am disabled. I am taking care of my spouse or dependent who is disabled. (For spouse or dependent disability, complete information below.)

Name of Disabled Spouse or Dependent

Relationship to Borrower

Borrower Understandings and Certifications

I authorize any physician, hospital, or other institution having records about the disability for which I am requesting a deferment of loan payments to make information from these records pertaining to the Physician's Certification below available to ED.

This disability is temporary. I understand that: (1) My deferment will begin on the date the deferment condition began but no more than six months before the date ED receives this request; (2) My deferment will last no more than six months after the date my physician certifies this request; (3) ED will not grant this deferment request unless all applicable sections of this form are completed; (4) Principal payments will be deferred, but if my loan(s) is not subsidized by the federal government, I am responsible for paying the interest that accrues; (5) If I do not choose to pay all interest that accrues during my deferment period, ED will capitalize (see Definitions) such interest to the extent of the law. This will increase the principal balance of my loan(s); (6) If my deferment does not cover all my past due payments, ED may grant me a forbearance for all payments due before the begin date of my deferment.

I certify that: (1) The information provided in Section 1 above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued deferment status; (3) I will notify ED immediately when the condition(s) that qualified me for the deferment ends; and (4) I have read, understand, and meet the terms and conditions of the deferment for which I have applied as explained on the back of this form.

(5) I certify that at the time I obtained my William D. Ford Federal Direct Loan (Direct Loan) Program loan I had an outstanding balance on a Federal Family Education Loan (FFEL) Program loan (formerly known as a GSL) which was made prior to July 1, 1993.

Signature of Borrower or Borrower's Representative/Date

Name of Borrower's Representative (if applicable)

Address of Borrower's Representative (if applicable)

Relationship to Borrower (if applicable)

Section 2: Physician's Certification

See the back of this form for a list of Authorized Officials. Please print or type.

Instructions for Physician: You are being asked to complete and sign this form to certify that the applicant or the applicant's spouse or dependent identified above is temporarily totally disabled. You may complete this form **only** if you are a **doctor of medicine or osteopathy** legally authorized to practice in a State. Sign the certification only if the disabled person's condition meets the definitions on the back of this form. Complete all requested information. You may attach additional pages if necessary.

The disabled person became unable to work and earn money, attend school, or required continuous nursing or similar care on

(MM-DD-YY)

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 and the disabling condition or continuous nursing care is expected to continue until (MM-DD-YY)

--	--	--	--	--	--	--	--	--	--

■ If different than the first date provided on the previous line, when did the disabled person's illness or injury start? _____

■ Diagnosis of disabled person's present medical condition: _____

I certify that I am a **doctor of medicine or osteopathy** legally authorized to practice in a State and that in my best professional judgment the applicant or the applicant's spouse or dependent identified above is unable to work and earn money because of a medically determinable impairment.

Signature of Physician/Date

Address

260

Physician's Name

City, State, Zip Code

Section 3: Definitions/Eligibility Criteria for Temporary Total Disability Deferment Certification

Definitions

- **Deferment** due to a Temporary Total Disability condition is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). Interest does not accrue during an eligible deferment on Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) or Federal Direct Subsidized Consolidation Loans (Direct Subsidized Consolidation Loans). I am responsible for the interest that accrues during this period on all other Direct Loan Program loans.
- **Capitalization** is a process whereby ED adds unpaid interest to the principal balance of a loan(s).

Physician's Definitions

- **Temporary Total Disability (Borrower, Spouse, or Dependent):** The disabled borrower must, because of injury or illness, be unable to go to school or work and earn money for at least 60 days in order to recover. An uncomplicated pregnancy is *not* a qualifying condition. If the disabled person is the borrower's spouse or dependent, the disabled person must require at least 90 days of continuous nursing or similar care from the borrower.

Eligibility Criteria

To qualify for this deferment, at the time I applied for my Direct Loan Program loan, I must have had an outstanding balance on an FFEL Program loan (formerly known as a GSL) which was made prior to July 1, 1993. My deferment **cannot** be based on a condition that existed before I applied for the loan, unless the condition has since substantially deteriorated.

- I may defer (postpone) repayment of my loan(s) while I am, or my spouse or dependent is **TEMPORARILY TOTALLY DISABLED**. Maximum eligibility is three years. Eligibility must be recertified every six months.

To qualify:

- (1) I must —
 - (a) be unable to work and earn money or go to school for at least 60 days in order to recover from an injury or illness, and
 - (b) not be requesting this deferment based on a condition that existed before I applied for this loan(s), unless my condition has since substantially deteriorated, and I am now temporarily totally disabled.
- (2) My spouse or dependent must have an injury or illness that requires at least 90 days of continuous nursing or similar care from me, which prevents me from securing full-time employment of at least 30 hours per week in a position expected to last at least three months.
- (3) I understand that my, or my spouse's or dependent's, physician must recertify this condition every six months to continue this deferment.

Authorized Certifying Officials

- Doctor of Medicine or Osteopathy legally authorized to practice in a State

Important Notices

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C.552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 *et seq.* of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for a deferment. The information on this form will be used to determine your eligibility for a deferment of repayment of your Direct Loan Program loan(s). The information you provide may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance program, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act, and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Return this form and any required documentation to the Direct Loan Servicing Center.

If you need to confirm the Direct Loan Servicing Center's address or require assistance with completing this form, call 1 (888) 447-4460.

Paperwork Reduction Notice

The time required to complete this information collection is estimated to average 0.2 hours (12 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to the Direct Loan Servicing Center.** If you need to confirm the Direct Loan Servicing Center's address, call 1 (888) 447-4460.

Unemployment Deferment Request

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

OMB No. 1840-0700
 Form Approved
 Exp. Date 02/28/98

UNEM
 Unemployment

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Borrower's Information

Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Deferment Request

Must be completed by borrower. See definitions and eligibility criteria on the back of this form.

I meet the qualifications stated on the back of this form for an Unemployment Deferment and request that the U.S. Department of Education (ED) defer repayment on my loan(s) beginning (MM-DD-YY) while I am unemployed. Maximum cumulative eligibility is 36 months. All borrowers must re-apply every six months.

To document eligibility, the following must be completed:

(1) I became unemployed or began working less than 30 hours per week on (MM-DD-YY) .

(2) Check one: I registered with the following public or private employment agency on _____:

(Please print or type. School placement offices and "temporary" agencies do not qualify as public or private employment agencies.)

_____ Name of Employment Agency	_____ Address (City, State, Zip Code)	_____ Area Code/Telephone Number
------------------------------------	--	-------------------------------------

I am not registered with an employment agency because there is not one within 50 miles of my permanent or temporary address.

(3) In the last six months, I have attempted to secure full-time (see Definitions) employment at the following six firms. This is not required for initial period of unemployment. However, for subsequent requests for deferment, all six sections must be completed. (A copy of the information provided to the Unemployment Insurance Service may be substituted for completion of the six sections below. This must, however, show the same number of contacts and contain the same information.)

1. Name of Firm _____ Street _____ City _____ State _____ Zip _____ Contact Person (Name or Title) _____ Telephone () _____	2. Name of Firm _____ Street _____ City _____ State _____ Zip _____ Contact Person (Name or Title) _____ Telephone () _____	3. Name of Firm _____ Street _____ City _____ State _____ Zip _____ Contact Person (Name or Title) _____ Telephone () _____
4. Name of Firm _____ Street _____ City _____ State _____ Zip _____ Contact Person (Name or Title) _____ Telephone () _____	5. Name of Firm _____ Street _____ City _____ State _____ Zip _____ Contact Person (Name or Title) _____ Telephone () _____	6. Name of Firm _____ Street _____ City _____ State _____ Zip _____ Contact Person (Name or Title) _____ Telephone () _____

Borrower Understandings and Certifications

I understand that: (1) My deferment will begin on the date the deferment condition began but no more than six months before the date ED receives this request; (2) My deferment will last for no more than six months after the date ED receives this request; (3) ED will not grant this deferment request unless all applicable sections of this form are completed; (4) Principal payments will be deferred, but if my loan(s) is not subsidized by the federal government, I am responsible for paying the interest that accrues; (5) If I do not choose to pay all interest that accrues during my deferment period, ED will capitalize (see Definitions) such interest to the extent permitted by law. This will increase the principal balance of my loan(s); (6) If my deferment does not cover all my past due payments, ED may grant me a forbearance for all payments due before the begin date of my deferment.

I certify that: (1) The information provided in Section 1 above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued deferment status; (3) I will notify ED immediately when the condition(s) that qualified me for the deferment ends; and (4) I have read, understand, and meet the terms and conditions of the deferment for which I have applied as explained on the back of this form.

Signature of Borrower _____ **262** _____ Date _____

Section 2: Definitions/Eligibility Criteria for Unemployment Deferment Request

Definitions

- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). Interest does not accrue during an eligible deferment on Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) or Federal Direct Subsidized Consolidation Loans (Direct Subsidized Consolidation Loans). I am responsible for the interest that accrues during this period on all other William D. Ford Federal Direct Loan (Direct Loan) Program loans.
- **Full-Time** employment is defined as working at least 30 hours per week in a position expected to last at least three months.
- **Capitalization** is a process whereby ED adds unpaid interest to the principal balance of a loan(s).

Eligibility Criteria

- I may **defer** (postpone) repayment of my loan(s) while I am **UNEMPLOYED**. Maximum cumulative eligibility is 36 months. All borrowers must re-apply every six months.

To qualify, I must:

- (1) be conscientiously seeking but unable to find full-time employment in the United States **in any field** or at any salary or responsibility level,
- (2) be registered with a private or public employment agency if there is one within 50 miles of my permanent or temporary address, and
- (3) provide ED with documentation of my conscientious search for full-time employment during the preceding six months (except in the case of the initial period of unemployment).

Important Notices

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Return this form and any required documentation to the Direct Loan Servicing Center.

If you need to confirm the Direct Loan Servicing Center's address or require assistance with completing this form, call 1 (888) 447-4460.

Paperwork Reduction Notice

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appendix p



Request for forbearance forms



General Forbearance Request

William D. Ford Federal Direct Loan Program
Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

OMB No. 1840-0725
Form Approved
Exp. Date 12/31/99

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

GFB
General

Please print.

Borrower's Information

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Forbearance Request

Must be completed by borrower.

Forbearance means an arrangement to postpone or reduce the amount of a borrower's monthly payment for a limited and specific time period. The borrower is charged interest during a forbearance. A forbearance is available to a borrower or an endorser who is willing but unable to make currently scheduled Direct Loan payments due to a temporary financial hardship.

To request a forbearance, please complete the items below, sign and date this form, and return it to the Direct Loan Servicing Center. (Please note that all references to "borrower" apply to an endorser on a Federal Direct PLUS Loan.)

I am willing but unable to make my current Direct Loan payments due to a temporary financial hardship.

If this forbearance is approved, I choose to (check one):

- temporarily stop making payments; make smaller payments than previously scheduled. I would like to pay \$ _____ per month.

I am requesting this forbearance because: _____

I am requesting that the U.S. Department of Education (ED) grant a forbearance on my loan(s) beginning (MM-DD-YY) and ending (MM-DD-YY) for a period not to exceed one year. At the end of one year, I may reapply to renew the forbearance if I am still experiencing financial hardship.

Borrower Understandings and Certifications

I understand that: (1) I will continue to receive billing statements for my current payment amount which I must pay until I am notified by the Direct Loan Servicing Center that my forbearance request has been granted; (2) ED will not grant this forbearance request unless all items on this form are completed and any additional required documentation is provided; (3) during the forbearance period, principal and interest payments may be forborne, but interest will continue to accrue whether or not my loan(s) is subsidized by the federal government; (4) if I requested a temporary suspension of payments, I will receive a quarterly statement detailing the interest that has accrued during the prior period, and unless I choose to pay this interest, ED will add the interest to the principal balance of my loan(s) at the end of the forbearance period (this is called capitalization); (5) if I requested a reduced payment forbearance, I will receive a monthly bill for the requested payment amount until the forbearance ends, and any unpaid interest that has accrued during the period will be added to the principal balance of my loan(s) (capitalized) at the end of the forbearance period.

I certify that: (1) The information I have provided above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued forbearance status; (3) I will notify ED immediately when the condition(s) that qualified me for the forbearance ends; (4) I have read, understand, and meet the terms and conditions of the forbearance for which I have applied; and (5) I agree, upon termination of this forbearance, to repay this loan according to the terms of my promissory note and repayment schedule.

265

Signature of Borrower: _____ Date: _____

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that we disclose to you the following information:

The authority for collecting this information is §451 *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a *et seq.*). The principal purpose for collecting this information is to determine whether you are eligible for a forbearance on your loan(s) under the William D. Ford Federal Direct Loan (Direct Loan) Program.

We ask that you provide the information requested on this Direct Loan forbearance form on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department can determine whether you qualify for a forbearance.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Paperwork Reduction Notice

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Return this form and any required documentation to the Direct Loan Servicing Center.

If you need to confirm the Direct Loan Servicing Center's address or require assistance with completing this form, call 1 (888) 447-4460.

Internship/Residency Forbearance Request

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans, Federal Direct PLUS Loans, Federal Direct Consolidation Loans

IRFB
 Internship/Residency

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Borrower's Information Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Home Area Code/Telephone Number ()
City	State	Zip Code	

Section 1: Forbearance Request Must be completed by borrower. See eligibility criteria on the back of this form.

Forbearance means an arrangement to postpone or reduce the amount of a borrower's monthly payment for a limited and specific time period. The borrower is charged interest during a forbearance.

If this forbearance is approved, I choose to (check one):
 temporarily stop making payments; make smaller payments than previously scheduled. I would like to pay \$ _____ per month.

I meet the required conditions stated on the back of this form for the forbearance checked below and request that the U.S. Department of Education (ED) grant a forbearance on my loan(s) beginning (MM-DD-YY) and ending (MM-DD-YY) for a period not to exceed one year. At the end of one year, I may reapply to renew the forbearance if I meet the required conditions.

I am engaged in a medical or dental **INTERNSHIP/RESIDENCY** program that (check one):
 must be successfully completed before I may begin professional practice or service; or
 leads to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility that offers postgraduate training.

Borrower Understandings and Certifications

I understand that: (1) I will continue to receive billing statements for my current payment amount which I must pay until I am notified by the Direct Loan Servicing Center that my forbearance request has been granted; (2) ED will not grant this forbearance request unless all applicable sections of this form are completed and any additional required documentation is provided; (3) during the forbearance period, principal and interest payments may be forborne, but interest will continue to accrue whether or not my loan(s) is subsidized by the federal government; (4) if I requested a temporary suspension of payments, I will receive a quarterly statement detailing the interest that has accrued during the prior period, and unless I choose to pay this interest, ED will add the interest to the principal balance of my loan(s) at the end of the forbearance period (this is called capitalization); (5) if I requested a reduced payment forbearance, I will receive a monthly bill for the requested payment amount until the forbearance ends, and any unpaid interest that has accrued during the period will be added to the principal balance of my loan(s) (capitalized) at the end of the forbearance period.

I certify that: (1) The information I have provided above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued forbearance status; (3) I will notify ED immediately when the condition(s) that qualified me for the forbearance ends; (4) I have read, understand, and meet the terms and conditions of the forbearance for which I have applied; and (5) I agree, upon termination of this forbearance, to repay this loan according to the terms of my promissory note and repayment schedule.

Signature of Borrower: _____ Date: _____

Section 2: Authorized Official's Certification See List of Authorized Officials below. Please print or type.

I certify that, to the best of my knowledge and belief, the borrower named above is a student engaged in the internship/residency indicated in Section 1 and that the borrower and the borrower's program meet all the eligibility requirements specified on the back of this form.

The borrower's internship/residency begins (MM-DD-YY) and is expected to end (MM-DD-YY)

Name of Institution/Organization _____
 Address _____ Institution's ID Number _____
 City, State, Zip Code _____ Telephone () _____
 Signature of Authorized Official _____ Date _____
 Name/Title of Authorized Official _____

Authorized Certifying Officials
 Internship/Residency Program Official (For all Internships and Residencies)
 State Licensing Official (For all internships required to begin professional practice or service)

Section 3 - Eligibility Criteria

I must have been accepted into an internship/residency program which must: (a) be a supervised training program; and (b) require that I hold at least a Bachelor's Degree before acceptance into the program.

In addition, my program must either (a) lead to a degree or certificate from an institution of higher education, a hospital, or a health care facility that offers postgraduate training, or (b) be required before I may be certified for professional practice or service. If (b), I must provide to ED, attached to this form, a separate statement from my state licensing agency which certifies that my internship/residency, or portion thereof, is required before I may be certified for professional practice or service.

Important Notices

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We ask that you provide the information requested on this Direct Loan forbearance form on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department can determine whether you qualify for a forbearance.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

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Return this form and any required documentation to the Direct Loan Servicing Center.

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Direct Loans

William D. Ford Federal Direct Loan Program

Loan Debt Burden Forbearance Request

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans,
 Federal Direct PLUS Loans, Federal Direct Consolidation Loans

OMB No. 1840-0721
 Form Approved
 Exp. Date 07/31/99

LDBFB
 Loan Debt Burden

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Borrower's Information

Please print legibly using blue or black ink.

Last Name	First Name	Middle Initial	Social Security Number
Street Address		Home Area Code/Telephone Number ()	
City	State	Zip Code	

Section 1: Forbearance Request

Must be completed by borrower. See list of eligible loans on the back of this form.

Forbearance means an arrangement to postpone or reduce the amount of a borrower's monthly payment for a limited and specific time period. The borrower is charged interest during a forbearance.

If this forbearance is approved, I choose to (check one):

- temporarily stop making payments; make smaller payments than previously scheduled. I would like to pay \$ _____ per month.

I meet the required conditions stated below and request that the U.S. Department of Education (ED) grant a forbearance on my loan(s) beginning (MM-DD-YY) and ending (MM-DD-YY) for a period not to exceed one year. At the end of one year, I may reapply to renew the forbearance if I meet the required conditions. (Maximum eligibility is three years.)

I am a borrower or endorser currently making **TOTAL MONTHLY PAYMENTS ON MY ELIGIBLE ED LOAN(S)** that are **GREATER THAN OR EQUAL TO 20%** of my **TOTAL MONTHLY GROSS INCOME**.

My **TOTAL MONTHLY PAYMENT ON MY ELIGIBLE ED LOAN(S)** (including the loan(s) for which I am requesting forbearance) is \$ _____.

(Include a proportional monthly share of any payments that are due less frequently than monthly. To determine a proportional monthly share of payments that you make less frequently than monthly, divide the total amount you pay each year by 12.)

My **TOTAL MONTHLY GROSS INCOME** from all sources is \$ _____.

I MUST PROVIDE ED WITH THE FOLLOWING DOCUMENTATION, ATTACHED TO THIS FORM: (a) documentation of my most recent monthly payments due on all eligible ED loans (see list on reverse), and (b) documentation of my most recent total monthly gross income from all sources. Acceptable documentation of monthly payments includes monthly statements, coupons, and/or cancelled checks. Acceptable documentation of monthly income includes pay stubs, W-2 forms, dividend statements, and/or cancelled checks.

Borrower Understandings and Certifications

I understand that: (1) I will continue to receive billing statements for my current payment amount which I must pay until I am notified by the Direct Loan Servicing Center that my forbearance request has been granted; (2) ED will not grant this forbearance request unless all applicable sections of this form are completed and any additional required documentation is provided; (3) during the forbearance period, principal and interest payments may be forborne, but interest will continue to accrue whether or not my loan(s) is subsidized by the federal government; (4) if I requested a temporary suspension of payments, I will receive a quarterly statement detailing the interest that has accrued during the prior period, and unless I choose to pay this interest, ED will add the interest to the principal balance of my loan(s) at the end of the forbearance period (this is called capitalization); (5) if I requested a reduced payment forbearance, I will receive a monthly bill for the requested payment amount until the forbearance ends, and any unpaid interest that has accrued during the period will be added to the principal balance of my loan(s) (capitalized) at the end of the forbearance period.

I certify that: (1) The information I have provided above is true and correct; (2) I will provide additional documentation, as required, to ED to support my continued forbearance status; (3) I will notify ED immediately when the condition(s) that qualified me for the forbearance ends; (4) I have read, understand, and meet the terms and conditions of the forbearance for which I have applied; and (5) I agree, upon termination of this forbearance, to repay this loan according to the terms of my promissory note and repayment schedule.

269

Signature of Borrower: _____ Date: _____

Section 2 - Eligible ED Loans

Subsidized Loans

Federal Direct Stafford/Ford Loans
Federal Direct Subsidized Consolidation Loans
Federal Stafford Loans (Subsidized)
Guaranteed Student Loans (GSL)
Federal Insured Student Loans (FISL)
Federal Perkins Loans
National Direct Student Loans (NDSL)
National Defense Student Loans (NDSL)
Federal Consolidation Loans (Subsidized)

Unsubsidized Loans

Federal Direct Unsubsidized Consolidation Loans
Federal Direct Unsubsidized Stafford/Ford Loans
Federal PLUS Loans
Parent Loans for Undergraduate Students (PLUS)
Federal Direct PLUS Loans
Federal Direct PLUS Consolidation Loans
Federal Stafford Loans (Unsubsidized - made on or after 10/1/92)
Federal Supplemental Loans for Students (SLS)
Federal Consolidation Loans
Auxiliary Loans to Assist Students (ALAS)

Important Notices

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The authority for collecting this information is §451 *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1087a *et seq.*). The principal purpose for collecting this information is to determine whether you are eligible for a forbearance on your loan(s) under the William D. Ford Federal Direct Loan (Direct Loan) Program.

We ask that you provide the information requested on this Direct Loan forbearance form on a voluntary basis. However, you must provide all of the requested information that is available to you so the Department can determine whether you qualify for a forbearance.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the Federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other Federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with Federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a Federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Paperwork Reduction Notice

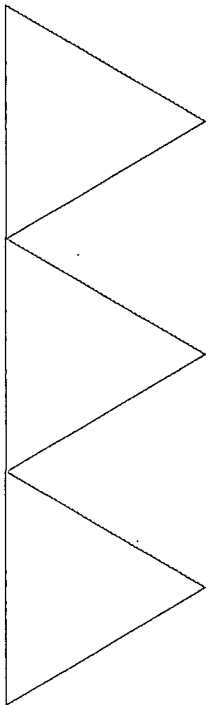
According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1840-0725. The time required to complete this information collection is estimated to average 0.2 hours (12 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of your individual submission of this form, write directly to the Direct Loan Servicing Center.** If you need to confirm the Direct Loan Servicing Center's address, call 1 (888) 447-4460.

Return this form and any required documentation to the Direct Loan Servicing Center.

If you need to confirm the Direct Loan Servicing Center's address or require assistance with completing this form, call 1 (888) 447-4460.

appendix q

Discharge Chart



271

Direct Loans

Discharge/Cancellation Summary

Cancellation condition	Direct Loans	FFEL Program Loans	Perkins
Borrower's total and permanent disability or death	100% ¹	100% ¹	100%
Full-time teacher in a designated elementary or secondary school serving students from low-income families	NO	NO ³	Up to 100% ²
Full-time special education teacher (includes teaching children with disabilities in a public or other nonprofit elementary or secondary school)	NO	NO	Up to 100% ⁷
Full-time qualified professional provider of early intervention services for the disabled	NO	NO	Up to 100% ^{4,7}
Full-time teacher of math, science, foreign languages, bilingual education, or in other fields designated as teacher shortage areas	NO ³	NO ³	Up to 100% ^{4,7}
Full-time employee of a public or nonprofit child- or family-service agency providing services to high-risk children and their families from low-income communities	NO	NO	Up to 100% ^{4,7}
Full-time nurse or medical technician	NO	NO ³	Up to 100% ^{4,7}
For loans made on or after November 29, 1990, service as a full-time law enforcement or corrections officer	NO	NO	Up to 100% ⁷
Full-time service as a staff member in the educational component of a Head Start Program	NO	NO	Up to 100% ²
Service as a Vista or Peace Corps Volunteer	NO ³	NO ³	Up to 70% ²
Service in the Armed Forces	NO	NO	Up to 50% in areas of hostilities or imminent danger ²
Bankruptcy	In some cases ⁵	In some cases ⁵	In some cases ⁵
Closed school (before student could complete program of study) or false loan certification ⁸	100% ⁶	100% ⁶	NO

¹Includes death but not disability of the student for whom the parents borrowed. This additional provision applies to any such student who dies on or after July 23, 1992.

²Service qualifies for deferment also.

³No funding available for this benefit at this time. Does not apply to PLUS Loans.

⁴This benefit applies to Perkins Loans made on or after July 23, 1992.

⁵Seven years must have passed between the date the loan became due and the date the borrower files for bankruptcy (not counting deferment or forbearance periods). If seven years have not passed, cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.

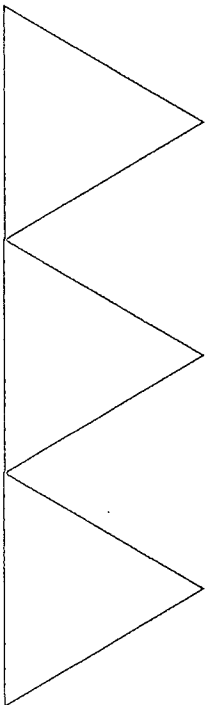
⁶For loans received on or after January 1, 1986.

⁷Service qualifies for deferment also for loans made on or after July 1, 1993.

⁸School falsely certified student's ability to benefit from the school's training or there is an unauthorized signature on the student's loan documentation.

appendix r

Comparison of loan program benefits



Direct Loans

William D. Ford Federal Direct Loan Program

Chart 1 Federal Direct Consolidation Loan Program Comparison of Loan Benefits

This chart compares the main benefits of some current loans (last four columns) with the benefits the borrower will receive when consolidating under the William D. Ford Federal Direct Loan Program (first two columns). The information contained in this chart is valid for consolidation loans made **on or after July 1, 1995**. A detailed overview of current benefits of other education loan programs is available from the Loan Origination Center's Consolidation Department. For more information or assistance with using the chart, call 1-800-557-7392.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS
Consolidation Loans

FFEL Program
GSL/FISL

Supplemental Loans for Students
(SLS)/Auxiliary Loans to Assist
Students (ALAS)

FFEL Program
PLUS Loans

Overview of Major Benefits

Interest rate	Variable with 8.25% cap	Variable with 9% cap	7, 8, 9, 10% or variable with cap	9, 12, 14% or variable with cap	9, 12, 14% or variable with cap	Weighted average rounded up to next whole percent ¹
Maximum Repayment term	30 years ²	30 years ²	10 years	10 years	10 years	30 years ³
Available Repayment Plans						
Standard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Income Contingent	<input checked="" type="checkbox"/>	No	No	No	No	No
Income Sensitive	No	No	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Graduated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴	<input checked="" type="checkbox"/> ⁴
Extended	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	<input checked="" type="checkbox"/> ³
Alternative	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Prepayment without penalty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cancellation upon borrower's death or total disability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁵	<input checked="" type="checkbox"/>
Discharge due to school closing or falsely certifying loan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶	<input checked="" type="checkbox"/> ⁶
Grace period	6 months ⁷	No	6 months ⁸	6 months ⁹	No	No

Notes

- 1 Before 7/1/94, greater of 9 percent or weighted average; after 7/1/94; weighted average rounded up to nearest whole percent.
- 2 For standard repayment plan, 10 years; for income contingent, 25 years; for graduated and extended, may range from 12 to 30 years, depending on amount borrowed.
- 3 May range from 10 to 30 years, depending on amount borrowed.
- 4 Income sensitive and graduated available for new borrowers on or after 7/1/93.
- 5 For death: parent's or student's, if student died on or after July 23, 1992; for disability: parent's only.
- 6 For loans received on or after 1/1/86.
- 7 For a Direct Consolidation Loan which includes a Direct Loan or a Federal Family Education Loan (FFEL) Program loan for which the borrower is in an in-school period at the time of consolidation.
- 8 For 7 percent loans, 9-12 months.
- 9 If borrower has a Stafford Loan; otherwise none.

274

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS
Consolidation Loans

FFEL Program
GSL/FISL

FFEL Program Stafford Loans/
(SLS)/Auxiliary Loans to Assist
Students (ALAS)

FFEL Program
Consolidation Loans
PLUS Loans

Deferment Options	All Borrowers		Borrowers Prior to 7/1/93			
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ^{10, 11}	<input checked="" type="checkbox"/> ¹¹
Attending school full time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ¹²	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 2 years	Up to 2 years	Up to 2 years	Up to 2 years
Economic Hardship	Up to 3 years	Up to 3 years	No	No	No	No
Serving required internship/residency	Up to 2 years ¹³	Up to 2 years ¹³	Up to 2 years	Up to 2 years	Up to 2 years ¹²	No
Temporarily totally disabled or required to provide full-time care for disabled dependent	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Teaching in designated teacher shortage area	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Serving in the: Armed Forces, Peace Corps, Public Health Service, ACTION, full-time volunteer for tax-exempt organization	Up to 3 years ¹³	Up to 3 years ¹³	Up to 3 years	Up to 3 years	Up to 3 years ¹²	No
Active duty in NOAA corps	Up to 3 years ¹³	No	Up to 3 years ¹⁰	Up to 3 years ¹⁰	No	No
Qualifying parental leave	Up to 6 mos. ¹³	No	Up to 6 mos. ¹⁰	Up to 6 mos. ¹⁰	No	No
Working mother	Up to 1 year ¹³	No	Up to 1 year ¹⁰	Up to 1 year ¹⁰	No	No
New Borrowers as of 7/1/93						
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years

Notes

10 Only for borrowers with no outstanding loans as of 7/1/87.

11 If borrower has received a Stafford Loan or SLS for the deferment period, or for PLUS borrower only, has a dependent student who borrows a Stafford loan for the deferment period.

12 For loans made before 8/15/83.

13 If borrower currently has a loan with this deferment option, or has an outstanding balance on a FFEL Program loan made prior to 7/1/93.

Direct Loans

William D. Ford Federal Direct Loan Program

Chart 2 Federal Direct Consolidation Loan Program Comparison of Loan Benefits

This chart compares the main benefits of some current loans (last four columns) with the benefits the borrower will receive when consolidating under the William D. Ford Federal Direct Loan Program. (first two columns). The information contained in this chart is valid for consolidation loans made on or after July 1, 1995. A detailed overview of current benefits of other education loan programs is available from the Loan Origination Center's Consolidation Department. For more information or assistance with using the chart, call 1-800-557-7392.

	Direct Consolidation Loans (Subsidized & Unsubsidized)	Direct PLUS Consolidation Loans	Perkins/National Direct Student Loans (NDSL) National Defense Student Loans (NDSL)	Health Education Assistance Loans (HEAL)	Health Professions Student Loans (HPSL) Loans for Disadvantaged Students (LDS)	Nursing Student Loans (NSL)
Overview of Major Benefits						
Interest rate	Variable with 8.25% cap	Variable with 9% cap	3, 4, or 5%	Variable no cap	3, 5, 7, or 9%	3, 5, or 6%
Maximum repayment term	30 years ¹	30 years ¹	10 years	25 years	10 years	10 years
Available repayment plans						
Standard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Income Contingent	<input checked="" type="checkbox"/>	No	No	<input checked="" type="checkbox"/>	No ²	No ²
Graduated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Extended	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Alternative	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	<input checked="" type="checkbox"/> ²	<input checked="" type="checkbox"/> ²
Prepayment without penalty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cancellation upon borrower's death or total disability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ³	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discharge due to school closing or falsely certifying loan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Grace period	<input checked="" type="checkbox"/> ⁴	No	6-9 months ⁵	9 months ⁶	1 year	9 months
Cancellation for public service	No	No	<input checked="" type="checkbox"/> ⁷	No	No	<input checked="" type="checkbox"/> ⁸

Notes

- For standard repayment plan, 10 years; for income contingent, 25 years; for graduated and extended, may range from 12 to 30 years, depending on amount borrowed.
- Renegotiated repayment schedules may be arranged between the school and the borrower, but must be repaid within the 10-year limit.
- For death: parent's or student's if student died on or after July 23, 1992; for disability: parent's only.
- For a Direct Consolidation Loan which includes a Direct Loan or a Federal Family Education Loan (FFEL) Program loan for which the borrower is in an in-school period at the time of consolidation.
- 6 months for National Direct Student Loans made on or after 10/1/80; 9 months for Perkins Loans made on or after 7/1/87 and National Direct Student Loans made before 10/1/80; Perkins Loans and National Direct Student Loans made on or after 10/1/80 also have a 6-month post-deferment grace period.
- After leaving school or a qualified internship/residency.
- For Perkins Loans, National Direct Student Loans, and National Defense Student Loans made prior to 7/1/93, borrowers are eligible for "postponement of payments in anticipation of cancellation" during periods of public service.
- If program is funded, for 2 years' service as a registered nurse in a designated facility or area.
- Deferment benefits in the Perkins Loan, National Direct Student Loan, and National Defense Student Loan Programs are granted in accordance with the date the loan is made; these benefits are not borrower specific.
- For loans disbursed on or after 11/4/88, if enrolled in collegiate nursing program leading to baccalaureate or graduate degree, advanced training in nursing or training to become a nurse anesthetist, or combination of these; 5-year limit for loans disbursed prior to 11/4/88.
- For loans disbursed on or after 11/4/88; attendance must be at health professions school.
- For loans made after 10/21/85.
- Also for up to 4 years in advanced health professional training (including internships and residencies); up to 2 years for fellowship training program or full-time educational activity directly related to profession borrower is preparing for, if prior to or within 12 months after completion of advanced professional training, for loans made after 10/21/85.
- But available for advanced health professional training (including internships and residencies); up to 2 years for fellowship training program or full-time educational activity directly related to profession borrower is preparing for.

Direct Consolidation Loans
(Subsidized & Unsubsidized)

Direct PLUS Consolidation Loans

Perkins/National Direct Student Loans (NDSL)
National Defense Student Loans (NDSL)

Health Education Assistance Loans (HEAL)

Health Professions Student Loans (HPSL)
Loans for Disadvantaged Students (LDS)

Nursing Student Loans (NSL)

Deferment Options	All Borrowers		Borrowers Prior to 7/1/93			
Attending school half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	Up to 10 years ¹⁰
Attending school full time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ¹¹	Up to 10 years ¹⁰
In graduate fellowship program	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	Up to 2 years ^{12,13}	No ¹⁴	No
Attending rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No
Unemployed	Up to 3 years	Up to 3 years	No	No	No	No
Economic hardship	Up to 3 years	Up to 3 years	No	No	No	No
Serving required internship/residency	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁸	Up to 4 years ¹⁷	<input checked="" type="checkbox"/>	No
Serving internship/residency leading to degree/certificate	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁸	<input checked="" type="checkbox"/> ¹⁹	No	No
Temporarily totally disabled or required to provide full-time care for disabled dependent	Up to 3 years ¹⁵	Up to 3 years ¹⁵	Up to 3 years ²⁰	No	No	No
Teaching in designated teacher shortage area	Up to 3 years ¹⁵	No	No	No	No	No
Serving in the: Armed Forces, Peace Corps, Public Health Service, ACTION, full-time volunteer for tax-exempt organization	Up to 3 years ¹⁵	Up to 3 years ¹⁵	Up to 3 years ²¹	Up to 3 years ²²	Up to 3 years ²³	Up to 3 years ²³
Active duty in the NOAA corps	Up to 3 years ¹⁵	No	Up to 3 years ¹⁸	No	Up to 3 years	Up to 3 years
Qualifying parental leave	Up to 6 mos. ¹⁵	No	Up to 6 mos. ¹⁸	No	No	No
Working mother	Up to 1 year ¹⁵	No	Up to 1 year ¹⁸	No	No	No
New Borrowers as of 7/1/93						
Attending school at least half time	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No ²⁴	No ²⁴	Up to 10 years ¹⁰
Attending approved graduate fellowship or rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Up to 2 years ²⁵	No ¹⁴	No
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No
Economic hardship	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No
Other	No	No	<input checked="" type="checkbox"/> ²⁶	<input checked="" type="checkbox"/> ²⁷	No	No

Notes

- 15 If borrower currently has a loan with this deferment option, or has an outstanding balance on a FFEL Program loan made prior to 7/1/93.
- 16 For loans made on or after 10/1/80.
- 17 Must be in field related to health education.
- 18 For Perkins Loans only.
- 19 Must be in field related to health education; unlimited for loans disbursed before 10/22/85; 48 months for loans disbursed after 10/22/85.
- 20 For National Direct Student Loans made on or after 10/1/80, and for Perkins Loans; care for spouse only for National Direct Student Loans.
- 21 Service in Public Health Service only for loans made on or after 10/1/80 and before 7/1/93; volunteer for tax-exempt organizations only for loans made on or after 10/1/80 and before 7/1/93.
- 22 Up to 3 years each in Armed Forces, National Health Service, Peace Corps, and ACTION; 12 year maximum.
- 23 Service in ACTION and volunteer for tax-exempt organization not eligible.
- 24 Must be full time.
- 25 For graduate fellowships only; see also notes 12 and 13.
- 26 For Perkins Loans made on or after 7/1/93, borrowers performing public service that qualifies them for loan cancellation are eligible for deferment.
- 27 Up to 1 year for chiropractic school graduates; up to 3 years for practicing primary health care.

277

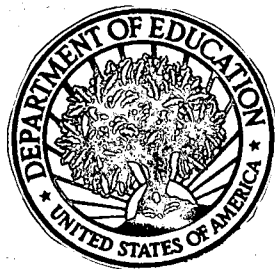


appendix s



Comments sheet

278



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Office of Educational Research and Improvement (OERI)
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