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ABSTRACT

This guide explains in a question-and-answer format the Federal Direct Consolidation Loan Program, which is part of the William D. Ford Federal Direct Loan Program and is designed to help students and parents manage and repay money borrowed for postsecondary education, usually with just one monthly payment. Advantages of a Direct Consolidation Loan are identified, including affordability, flexibility, efficiency, and convenience. Also addressed are eligibility standards for student and parent borrowers, and the situation when one or more education loans is in default. The guide goes on to provide detailed examples of four repayment plans: the standard repayment plan, the extended repayment plan, the graduated repayment plan, and the income-contingent repayment plan. Guidelines and a table to help compare repayment plans are also provided. Two attached charts provide comparative information of loan benefits. (DB)

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Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loans

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Direct Loans

William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loans

If you borrowed money to help pay for your or your child's 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) may help you manage your loan repayment.

The William D. Ford Federal Direct Loan Program (Direct Loan Program), which includes Direct Consolidation Loans, was created to give students and parents 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 (ED).

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.

There are three categories of Direct Consolidation Loans:

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

What are the advantages of a Direct Consolidation Loan?

A Direct Consolidation Loan offers many advantages. Among them:

- ▼ **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 interest rates available in the Direct Loan Program. This may reduce the total amount of money you repay over the length of your loan.

- ▼ **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.
- ▼ **Efficiency** - A Direct Consolidation Loan allows you to consolidate loans from different lenders. If you have different types of loans (subsidized and unsubsidized student loans and/or parent PLUS loans), you may consolidate all of them into a single consolidation loan. You'll receive only one monthly bill.

There are no loan fees charged, 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 communication requirements. You'll have only one place to send your monthly payment and only one phone call 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 respon-

sible for repaying the total consolidation loan, even if you become separated or divorced or if one spouse dies.

The charts on pages 9-12 provide an overview of the benefits of the various federal education loan programs. Review these charts carefully to compare the benefits of your current loan(s) with the benefits of a Direct Consolidation Loan.

Are you eligible for a Direct Consolidation Loan?

▼ All Borrowers

Each eligible borrower must consolidate at least one Direct Loan or Federal Family Education Loan (FFEL) Program loan. Only fully-disbursed loans may be consolidated.

▼ Borrowers with Student Loans

- If your student loans are in the grace period or in repayment, you must:
 - (1) have an outstanding balance on a Direct Loan or
 - (2) have an outstanding balance on a FFEL Program loan and be unable to obtain a Federal Consolidation Loan from a FFEL Program lender or
 - (3) have an outstanding balance on a FFEL Program loan and be unable to obtain a Federal Consolidation Loan from a FFEL Program lender with income-sensitive repayment terms you find acceptable.
- If your student loans are not in the grace period or in repayment, you must:
 - (1) have at least one Direct Loan Program loan or 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 remaining in your grace period when the first disbursement is made.)

▼ Borrowers with Parent PLUS Loans

If you have parent Plus loans, you must:

- (1) have an outstanding balance on a Direct Loan or
- (2) have an outstanding balance on a FFEL Program loan and be unable to obtain a Federal Consolidation Loan from a FFEL Program lender and
- (3) not have an adverse credit history, or if you do, you must use an endorser who does not have an adverse credit history or provide documentation of extenuating circumstances.

Note: You have an adverse credit history if a credit report shows that:

- you are currently 90 days or more delinquent (late) in paying any debt (for example, credit cards or loans), or
- within five years of the date of the credit report, you have:
 - been determined to be in default on a debt;
 - had your debts discharged in bankruptcy; or
 - been the subject of a foreclosure, repossession, tax lien, wage garnishment, or write-off of a federal education debt.

An endorser is a person who agrees to repay the loan if you do not.

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 the loan(s) if you:

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

If you're in default on a federal parent PLUS loan(s), you may be allowed to consolidate the loan(s) if you make a satisfactory repayment arrangement with your current loan 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 loan holder(s). Your loan holder(s) will work with you to establish payments that are reasonable and affordable given your total financial circumstances. If you have defaulted on a different type of 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 a judgment has been issued against you on your defaulted loan, call us for further information.
- 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 should contact your loan holder(s) to obtain more information about this option.

How do I repay my Direct Consolidation Loan?

The first payment on your Direct Consolidation Loan will be due within 60 days of the first disbursement, unless you are eligible for in-school consolidation or a deferment. (See the accompanying Borrower's Rights and Responsibilities for information on deferments.)

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

What are my repayment plan options?

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

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

However, you may not choose to repay a Direct PLUS Consolidation Loan under the Income Contingent Repayment Plan.

If you have a Direct PLUS Consolidation Loan, as well as a Direct Subsidized Consolidation Loan and/or Direct Unsubsidized Consolidation Loan, you may choose to repay the Direct PLUS Consolidation Loan under one repayment plan and the Direct Subsidized and/or Unsubsidized Consolidation Loan(s) under a different plan.

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.

Length of Repayment

Repayment Plan	Repayment Period
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

Extended/Graduated Repayment Periods

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

▼ 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**).

Example A		
This example shows a Direct Subsidized Consolidation Loan repaid at the maximum interest rate for student borrowers (8.25 percent) under the Standard Repayment Plan for 10 years (120 payments).		
Loan Amount	Monthly Payment	Total Amount Repaid
\$15,000	\$184	\$22,078*
* \$15,000 in principal and \$7,078 in interest		

▼ 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 allowable education loans.

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**).

▼ 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

Example B

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

Loan Amount	Monthly Payment	Total Amount Repaid
\$15,000	\$146	\$26,194*

* \$15,000 in principal and \$11,194 in interest

amount of your Direct Consolidation Loan, Direct Loans, and other allowable education loans.

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 under the Standard Repayment Plan. However, your monthly payments will never be more than one-and-one-half times what you would pay under standard repayment. Generally, the amount you will 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**).

▼ Income Contingent Repayment Plan

With income-contingent repayment, 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.)

Example C

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

Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Amount Repaid
\$15,000	\$103	\$244	\$28,762*

* \$15,000 in principal and \$13,762 in interest

To participate in the Income Contingent Repayment Plan, you (and your spouse, if married) must sign a form that permits the Internal Revenue Service (IRS) to inform 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. This means that the unpaid interest will be added to the principal you owe. If 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.

Under this plan, you will pay an amount based on the Adjusted Gross Income (AGI) you report on your federal tax return. If you are married, the amount you pay will be based on your income and your spouse's income.

The amount you will pay will never be greater than 20 percent of your **discretionary income**. This 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 \$20,000. 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 \$120 a month. This amount is less than 20 percent of your monthly discretionary income (which would be \$164). In this example, you would repay your loan in about 20 years, and you would repay a total of \$30,948 (\$15,000 in principal and \$15,948 in interest).

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 \$148. This amount is less than 20 percent of your monthly discretionary income (which would be \$366). In this example, you would repay your loan in about 14 years and would repay a total of about \$25,034 (\$15,000 in principal and \$10,034 in interest).

In some circumstances, you will be required to submit alternative documentation of your current income (that is, other than IRS-reported AGI) to ED. Such documentation includes pay stubs, canceled checks, or, if these are unavailable, a signed statement explaining your income sources. This may occur if the AGI that ED would receive from the IRS would be unlikely to 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.

Example D

This example shows a borrower with a family size of one and a \$20,000 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	\$20,000	\$120	20	\$30,948*

*\$15,000 in principal and \$15,948 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. 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	\$30,000	\$148	14	\$25,034*

*\$15,000 in principal and \$10,034 in interest

Please note that if you are married and submit alternative documentation of income you will be required to submit alternative documentation for your spouse.

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 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 \$129. This amount is less than 20 percent of your monthly discretionary income (which would be \$236). In this example, you and your spouse would repay your loans in about 17 years and would repay a total of about \$27,974 (\$15,000 in principal and \$12,974 in interest).

▼ Comparing Repayment Plans

You might be wondering which repayment plan is best for you. The chart on page 8 compares monthly payment amounts under the four plans.

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. 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	\$25,000	\$129	17	\$27,974*

*\$15,000 in principal and \$12,974 in interest

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 Borrower 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 do not 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. The amount of your monthly payments may be lower; however, the total amount you repay will be greater because you pay more interest.

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 is coming in (income) and what is going out (expenses), as

well as where it is 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.

You can use the Direct Loan Program's "Interactive Calculator" at www.ed.gov/DirectLoan to compare repayment amounts under the four repayment plans and to develop a budget.

If you decide that the plan you selected is no longer meeting your needs, you can switch plans. Call or write the Direct Loan Servicing Center if you decide you want to switch plans.

If you have questions, call the Loan Origination Center's Consolidation Department at 1-800-557-7392.

For the hearing impaired, the TDD number is 1-800-557-7395.

Examples of Debt Levels, Beginning Monthly Payments, and Total Amount Repaid for All Direct Loan Repayment Plans*

Initial Debt When Borrower Enters Repayment	Standard**		Extended		Graduated		Income Contingent*** Income = \$15,000		Income Contingent*** Income = \$25,000		Income Contingent*** Income = \$45,000							
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total						
													Single	Married/HOH****	Single	Married/HOH****	Single	Married/HOH****
2,500	50	3,074	50	3,074	25	4,029	17	5,849	17	5,587	23	4,512	22	4,662	28	3,832	28	3,870
5,000	61	7,360	55	7,893	35	8,646	35	11,699	33	11,173	45	9,023	43	9,325	55	7,665	55	7,740
7,500	92	11,039	82	11,840	53	12,970	52	17,548	50	16,760	68	13,535	65	13,987	83	11,497	83	11,609
10,000	123	14,718	97	17,462	69	19,175	69	23,397	66	22,346	91	18,046	86	18,650	111	15,330	110	15,479
15,000	184	22,078	146	26,194	103	28,762	104	35,096	69	32,484	136	27,070	129	27,974	166	22,995	165	23,219
20,000	245	29,437	170	40,898	138	44,423	116	46,247	69	40,833	181	36,093	172	37,299	221	30,660	221	30,958
25,000	307	36,796	213	51,125	172	55,529	116	55,660	69	47,638	227	45,116	215	46,624	278	38,325	276	38,398
30,000	368	44,155	256	61,349	206	66,635	116	63,529	69	53,091	272	54,139	236	57,009	332	45,990	331	46,437
40,000	491	58,873	315	94,614	275	101,528	116	75,154	69	60,494	283	79,361	236	91,047	443	61,320	441	61,917
50,000	613	73,591	394	118,269	344	126,910	116	81,961	69	63,809	283	120,901	236	131,479	556	76,650	552	77,386
75,000	920	110,387	563	202,842	516	214,932	116	84,484	69	64,066	283	171,326	236	155,829	616	128,273	569	135,054
100,000	1,227	147,184	751	270,457	688	286,575	116	84,484	69	64,066	283	179,936	236	159,517	616	215,955	569	233,866

*Note: Payments are calculated using the maximum interest rate of 8.25% for student borrowers.

**Equal and fixed monthly payments (\$50 minimum).

***Assumes a 5% annual income growth (Census Bureau).

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



Direct Loans

Direct Consolidation Loans (Subsidized & Unsubsidized)

William D. Ford Federal Direct Loan Program

This chart compares the main benefits of some current loans (last four columns) with the William D. Ford Federal Direct Loan Program (first two columns). The information contained in this chart is for informational purposes only and does not constitute an offer of any financial product.

Chart 1

Overview of Major Benefits

	William D. Ford Federal Direct Loan Program	Direct Consolidation Loans (Subsidized & Unsubsidized)	Stafford Loans (Subsidized & Unsubsidized)	Stafford Loans (Unsubsidized)	Stafford Loans (Subsidized)	Stafford Loans (Unsubsidized)
Interest rate	Variable with 8.25% cap	Variable with 8.25% cap	Fixed	Fixed	Fixed	Fixed
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"/> ⁶	<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 rounded up to nearest whole percent; after 7/1/94, weighted average rounded up to nearest whole percent; if application is received between 11/13/97 and 9/30/98, variable with 8.25% cap.
- 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 7/23/92; for disability: parent's only.
- 6 For loans received on or after 1/1/86.
- 7 For any Direct Consolidation Loan that meets the in-school consolidation eligibility requirements at the time of application.
- 8 For 7 percent loans, 9-12 months.
- 9 If borrower has a Stafford Loan; otherwise none.

Deferment Options	Direct Consolidation Loans (Subsidized & Unsubsidized)		FFEL Program Stafford Loans/ GSL/FISL	Supplemental Loans for Students (SLS)/Auxiliary Loans to Assist Students (ALAS)		FFEL Program PLUS Loans	FFEL Program Consolidation Loans
	Direct PLUS Consolidation Loans			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 (including Peace Corps service)	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, or as a 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 (including Peace Corps service)	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 Comparison of Loan Benefits: Direct Consolidation Loans and Perkins and NDSL

This chart compares the main benefits of some current loans (la under the William D. Ford Federal Direct Loan Program (first tw made on or after July 1, 1995.

Overview of Major Benefits

	Direct Consolidation Loans (Subsidized & Unsubsidized)	Direct Consol Loans	Perkins Loan	NDSL	FFELP	Other
Interest rate	Variable with 8.25% cap	Variable with 9%				
Maximum repayment term	30 years ¹	30 ye				
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	6 months 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

776
769
10

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 7/23/92; for disability; parent's only.
- For any Direct Consolidation Loan that meets the in-school consolidation eligibility requirements at the time of application.
- 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.

Deferment Options	Direct Consolidation Loans (Subsidized & Unsubsidized)		Direct PLUS Consolidation Loans		Perkins/National Direct Student Loans (NDSL)		Health Professions Student Loans (HPSL) Loans for Disadvantaged Students (LDS)		Nursing Student Loans (NSL)
					National Defense Student Loans (NDSL)	Health Education Assistance Loans (HEAL)			
	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"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	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"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Up to 10 years ¹⁰
In graduate fellowship program	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	Up to 2 years ^{12, 13}	No ¹⁴	No	No
Attending rehabilitation program for disabled individuals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	No	No	No	No
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No	No	No
Economic hardship (including Peace Corps service)	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No	No	No
Serving required internship/residency	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁶	Up to 4 years ¹⁷	<input checked="" type="checkbox"/>	<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 ¹⁵	Up to 2 years ¹⁵	Up to 2 years ¹⁸	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	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 ¹⁵	Up to 3 years ¹⁵	Up to 3 years ²⁰	No	No	No	No
Teaching in designated teacher shortage area	Up to 3 years ¹⁵	No	No	No	No	No	No	No	No
Serving in the Armed Forces, Peace Corps, Public Health Service, ACTION, or as a full-time volunteer for tax-exempt organization	Up to 3 years ¹⁵	Up to 3 years ¹⁵	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	Up to 3 years ²³
Active duty in NOAA corps	Up to 3 years ¹⁵	No	No	No	Up to 3 years ¹⁸	No	Up to 3 years	Up to 3 years	Up to 3 years
Qualifying parental leave	Up to 6 mos. ¹⁵	No	No	No	Up to 6 mos. ¹⁸	No	No	No	No
Working mother	Up to 1 year ¹⁵	No	No	No	Up to 1 year ¹⁸	No	No	No	No
New Borrowers as of 7/1/93⁹									
Attending school at least halftime	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No ²⁴	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"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Up to 2 years ²⁵	No ¹⁴	No	No
Unemployed	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No	No
Economic hardship (including Peace Corps service)	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	No	No	No	No
Other	No	No	No	No	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No	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 graduate; up to 3 years for practicing primary health care.



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