



# ENTRANCE COUNSELING GUIDE For Direct Loan Borrowers



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This publication is also available at  
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## Direct Loan Types

The Direct Loan Program<sup>SM</sup> offers the following types of loans:

### ► Direct Subsidized Loans:

- For students with financial need.
- You must be enrolled at least half-time.
- No interest is charged while you are in school at least half-time, during your grace period, and during deferment periods.
- You do not have to make payments while you are attending school at least half-time and during your grace period.
- You will receive a six-month grace period after you drop below half-time.

### ► Direct Unsubsidized Loans:

- Not based on financial need.
- You must be enrolled at least half-time.
- Interest is charged during all periods.
- You do not have to make payments while you are attending school at least half-time and during your grace period, but interest will continue to be charged.
- You will receive a six month grace period after you drop below half-time.

### ► Direct PLUS Loans:

- Unsubsidized loans for graduate or professional students (and for parents of dependent undergraduate students).
- You must be enrolled at least half-time.
- You can borrow up to the school's cost of attendance, less all other financial assistance you receive.
- Interest is charged during all periods.
- Direct PLUS Loans do not have a grace period. The repayment begins as soon as the loan is fully disbursed, but you may defer repayment while you are enrolled at least half-time and for an additional six months after you drop below half-time.
- To qualify for a Direct PLUS Loan, you must not have an adverse credit history. A credit check will be conducted.
- If you have an adverse credit history, you may still qualify for a Direct PLUS Loan if you obtain an endorser who does not have an adverse credit history, or if you document to our satisfaction that there are extenuating circumstances related to your adverse credit history. (An endorser is someone who agrees to repay a Direct PLUS Loan if you do not repay the loan.)

### ► **Direct Consolidation Loans:**

- Eligible federal student loans can be combined into one Direct Consolidation Loan.

## **Borrow Wisely**

- Your school will award you the maximum amount of loan money for which you are eligible, unless you request less. You may decline any portion or all of a loan you do not need.
- Borrow conservatively. Never borrow more than you can afford to repay, even if you are eligible to borrow more.
- Calculate your expenses and your resources. Use these figures to help you determine how much you really need to pay for your education. To get an idea of your college expenses, use our online budget calculator (<http://direct.ed.gov>).
- Identify nonloan sources of financial assistance. Accepting a loan may affect your eligibility for other forms of financial aid, so you should check with your school's financial aid office about your eligibility for private and federal nonloan aid before accepting a loan.
- Look for ways to increase your income, decrease your expenses, or both.

## **Borrow Direct Subsidized Loans and Direct Unsubsidized Loans First**

[Applies only to graduate/professional students]

- Because Direct Subsidized Loans and Direct Unsubsidized Loans offer certain advantages over Direct PLUS Loans, you should always borrow the maximum amount you are eligible to receive in Direct Subsidized Loans and/or Direct Unsubsidized Loans before you request a Direct PLUS Loan.
  - The interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans is 6.8% (Direct Subsidized Loans for undergraduates have a lower rate). The interest rate for Direct PLUS Loans is 7.9%.
  - For Direct Subsidized Loans and Direct Unsubsidized Loans, the loan fee for loans first disbursed between July 1, 2009, and June 30, 2010, is 1.5% (the fee will be 1% for loans first disbursed on or after July 1, 2010). For Direct PLUS Loans, the loan fee is 4%.

- Direct Subsidized Loans and Direct Unsubsidized Loans have a six-month grace period that begins when you drop below half-time enrollment. The repayment period begins at the end of the six-month grace period. Direct PLUS Loans do not have a grace period. The repayment period begins when the loan is fully disbursed (though you may defer repayment while you are in school at least half-time).
- No interest is charged on Direct Subsidized Loans while you are in school at least half-time, during the grace period, and during deferment periods. Interest is charged on Direct Unsubsidized Loans and Direct PLUS Loans during all periods, starting on the date of the first loan disbursement.

## **You Must Repay Your Loans**

- ▶ You must repay the full amount of your loans, even if you:
  - Do not complete your program of study, or do not complete the program within the normal time for completing it;
  - Cannot find employment after graduation; or
  - Are not satisfied with or did not receive from your school the education or other services that you paid for with your loan.

## **Use of Your Loan Money**

You may use your loan money only to pay for authorized educational expenses at the school that certified your loan eligibility.

- ▶ Authorized educational expenses include:
  - Tuition
  - Room and board
  - Institutional fees
  - Books
  - Supplies
  - Equipment
  - Dependent child care expenses
  - Transportation and commuting expenses
  - Rental or purchase of a personal computer
  - Loan fees
  - Other documented, authorized costs

## The Master Promissory Note

- ▶ To take out a Direct Loan for the first time, you must complete a Master Promissory Note (MPN).
- ▶ If your school offers the option of completing the MPN electronically, you can complete the MPN online at **StudentLoans.gov** (<https://studentloans.gov>). You also have the option of completing a paper MPN.
- ▶ The MPN is a legal document in which you promise to repay your loan(s) and any accrued interest and fees to the Department. It also explains the terms and conditions of your loan(s).
- ▶ In most cases, once you've submitted an MPN and it's been accepted, you won't have to complete a new MPN for future Direct Loans<sup>SM</sup> you receive.
- ▶ There is one MPN for Direct Subsidized Loans and Direct Unsubsidized Loans, and a separate MPN for Direct PLUS Loans.
- ▶ Unless your school does not allow more than one loan to be made under the same MPN, you can borrow additional Direct Loans on a single MPN for up to 10 years.
- ▶ Even if your school allows more than one loan to be made under the same MPN, you have the option of completing a new MPN for each Direct Loan that you receive. If you don't want to receive more than one loan under a single MPN, you must notify your school or Direct Loan servicer in writing that you want the MPN you signed to be "closed" so that it cannot be used for additional loans.
- ▶ For each loan that you receive under an MPN, you'll receive a disclosure statement that gives you specific information about that loan, including the loan amount, loan fees, and the expected disbursement dates and amounts.
- ▶ Although your signature on the MPN allows your school to make multiple loans to you under a single promissory note, your school must have a process for confirming whether or not you want these loans.
- ▶ The confirmation process helps to ensure your control over how much you borrow by letting you know each time your school plans to award a new loan under an MPN. Your school will inform you of the confirmation process it uses.

## How Your Loans Will Be Disbursed (Paid Out)

- ▶ In most cases your school will disburse your loan money by crediting it to your school account to pay tuition and fees, room and board, and other authorized charges.



- ▶ Generally, your school will disburse your loan money in more than one installment, at times that are determined in accordance with federal regulations.
- ▶ If the loan disbursement amount exceeds school charges, the remaining balance of the disbursement will be paid to you directly by check or other means.
- ▶ You will be notified in writing each time your school disburses a portion of your loan.
  - The notification will include:
    - ▶ The date and the amount of the loan disbursement;
    - ▶ Which loan funds are subsidized and which are unsubsidized;
    - ▶ Information about your right to cancel all or a portion of the loan; and
    - ▶ Procedures for canceling the loan.

## Direct Subsidized and Unsubsidized Loan Limits

- ▶ For Direct Subsidized Loans and Direct Unsubsidized Loans, there are limits on the maximum amount you may borrow for an academic year (annual loan limits) and the maximum amount you may borrow in total for undergraduate and graduate study (aggregate loan limits).

**Annual Loan Limits for Direct Subsidized Loans and Direct Unsubsidized Loans**

	<b>Dependent Students</b> (except for students whose parents cannot borrow PLUS loans)	<b>Independent Students</b> (and dependent students whose parents cannot borrow PLUS loans)
<b>1st-year undergraduate</b>	\$5,500 (maximum \$3,500 subsidized)	\$9,500 (maximum \$3,500 subsidized)
<b>2nd-year undergraduate</b>	\$6,500 (maximum \$4,500 subsidized)	\$10,500 (maximum \$4,500 subsidized)
<b>3rd-year and beyond undergraduate</b>	\$7,500 (maximum \$5,500 subsidized)	\$12,500 (maximum \$5,500 subsidized)
<b>Graduate/ Professional</b>	N/A All graduate and professional students are considered independent	\$20,500 (maximum \$8,500 subsidized)

- ▶ The actual loan amount you are eligible to receive is determined by your school, and is based on your academic level, whether you are dependent or independent, and other factors such as:
  - The length of your program;
  - Your cost of attendance;
  - Your Expected Family Contribution (EFC);
  - Other financial aid you receive; and
  - Your remaining eligibility under the annual and aggregate loan limits.
- ▶ The actual amount you receive for an academic year may be less than the maximum annual amounts shown in the chart above.
- ▶ If you are enrolled in certain health professions programs, you may qualify for higher annual and aggregate limits on Direct Unsubsidized Loans. Contact your school's financial aid office for information.
- ▶ The annual loan limits include both Direct Subsidized and Direct Unsubsidized Loans, and any subsidized or unsubsidized Federal Stafford Loans you received through the Federal Family Education Loan Program <sup>SM</sup>(FFEL <sup>SM</sup>) for the same academic year period.

### Aggregate Loan Limits for Direct Subsidized Loans and Unsubsidized Loans

<b>Dependent Undergraduate</b> <small>(except for students whose parents cannot borrow PLUS loans)</small>	\$31,000 <small>(maximum \$23,000 subsidized)</small>
<b>Independent Undergraduate</b> <small>(and dependant students whose parents cannot borrow PLUS loans)</small>	\$57,500 <small>(maximum \$23,000 subsidized)</small>
<b>Graduate/Professional</b>	\$138,500 <small>(maximum \$65,000 subsidized)</small>

The aggregate limits include both Direct Subsidized and Unsubsidized Loans and any subsidized and unsubsidized Federal Stafford Loans you received through the FFEL Program.

## Direct PLUS Loan Limits

[Only parents of dependent undergraduate students and graduate and professional students can borrow PLUS Loans.]

- ▶ For Direct PLUS Loans, you may borrow an amount up to your cost of attendance, minus the amount of any other financial aid you receive (including Direct Subsidized and Unsubsidized Loans).
- ▶ Your school will determine the actual Direct PLUS Loan amount that you are eligible to receive.

## Direct Subsidized Loan and Direct Unsubsidized Loan Interest Rates and Payment of Interest

- ▶ All Direct Subsidized Loans and Direct Unsubsidized Loans have a fixed interest rate (this means that the interest rate will not change).
- ▶ Direct Subsidized Loans made to undergraduate students have different fixed interest rates depending on the date the first loan disbursement is made, as shown in this chart.

Date of First Disbursement	Interest Rate
July 1, 2009, through June 30, 2010	5.6%
July 1, 2010, through June 30, 2011	4.5%
July 1, 2011, through June 30, 2012	3.4%
on or after July 1, 2012	6.8%

- ▶ Direct Subsidized Loans made to graduate or professional students have a fixed interest rate of 6.8%.
- ▶ Direct Unsubsidized Loans made to all students (undergraduate and graduate/professional) have a fixed interest rate of 6.8%.
- ▶ For each loan you receive, we will send you a disclosure statement that shows the loan's actual interest rate.
- ▶ We do not charge interest on Direct Subsidized Loans while you are enrolled in school at least half-time, during your grace period, during deferment periods, and during certain periods of repayment under the Income-based Repayment Plan. Except for certain military borrowers during periods of active duty service (see your Master Promissory Note for more information), we charge interest on a Direct Subsidized Loan during all other periods (starting on the day after your grace period ends), including forbearance periods.
- ▶ We charge interest on Direct Unsubsidized Loans during all periods (starting on the day out of the first loan disbursement) except for certain military borrowers during periods of active duty service (see your Master Promissory Note for more information). This includes periods while you are enrolled in school at least half-time, during your grace period, and during deferment and forbearance periods. Therefore, you will pay more interest on a Direct Unsubsidized Loan than on a Direct Subsidized Loan.
- ▶ You will have the option of paying the interest that accrues on a Direct Unsubsidized Loan while you are in school and during other periods (for example, during periods of deferment or forbearance).

- ▶ If you do not pay the interest as it is charged on either type of loan (for example, while you are in school on a Direct Unsubsidized Loan, or during a forbearance period on either a Direct Subsidized Loan or a Direct Unsubsidized Loan), we will add it to the unpaid principal amount of your loan. This is called “capitalization.” Capitalization increases the unpaid principal balance of your loan, and we will then charge interest on the increased principal amount. This can substantially increase the total amount you repay over the life of your loan.
- ▶ Your Direct Loan servicer will send you statements telling you how much interest has accrued on your loans and your options for paying that interest while you are in school or during grace, deferment, and forbearance periods.

## **Direct PLUS Loan Interest Rate and Payment of Interest**

- ▶ All Direct PLUS Loans (for both graduate/professional students and parents of dependent undergraduate students) have a fixed interest rate of 7.9%.
- ▶ We charge interest on Direct PLUS Loans during all periods (starting on the day of the first loan disbursement), including while you are in school.
- ▶ You will have the option of paying the interest that accrues on a Direct PLUS Loan while you are in school and during other periods (for example, during periods of deferment or forbearance).
- ▶ If you do not pay the interest as it is charged on a Direct PLUS Loan while you are in school or during other periods, we will add it to the unpaid principal amount of your loan. This is called “capitalization.” Capitalization increases the unpaid principal balance of your loan, and we will then charge interest on the increased principal amount. This can substantially increase the total amount you repay over the life of your loan.
- ▶ Your Direct Loan servicer will send you statements telling you how much interest has accrued on your loans and your options for paying that interest while you are in school or during deferment and forbearance periods.

## **Loan Fees**

- ▶ We charge a loan fee (also called an origination fee) on Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans. The loan fee is an expense of assuming a Direct Loan.
- ▶ The loan fee is a percentage of the amount of each loan you receive, and is subtracted proportionately from each loan disbursement.
- ▶ For Direct Subsidized Loans and Direct Unsubsidized Loans, the loan fee varies depending on the first disbursement date of the loan. Loans with a first disbursement date

between July 1, 2009, and June 30, 2010, have a loan fee of 1.5%. Loans with a first disbursement date on or after July 1, 2010, will have a loan fee of 1%.

- ▶ The loan fee for all Direct PLUS Loans is 4%.
- ▶ The specific loan fee that you are charged will be included in a disclosure statement you will receive after the first disbursement of your loan.

## Half-time Enrollment

You must be enrolled at least half-time to receive a Direct Loan.

For undergraduate students, federal regulations set the following minimum standards for half-time enrollment:

- ▶ At schools that measure academic progress in credit hours and use semesters, trimesters, or quarters, half-time is at least six semester hours or quarter hours per term.
- ▶ At schools that measure academic progress in credit hours but do not use terms, half-time is at least 12 semester hours or 18 quarter hours per academic year.
- ▶ At schools that measure academic progress in clock hours, half-time is at least 12 clock hours per week.
- ▶ At schools that measure academic progress in credit hours and use terms other than semesters, trimesters, or quarters, the minimum number of credit hours for half-time enrollment is determined based on the number of weeks of instructional time in the term, the number of weeks of instructional time in the program of study's academic year, and the number of credit hours in the program's academic year.

These are the minimum requirements for half-time enrollment. Schools may choose to define half-time enrollment based on a higher number of credit or clock hours than the minimum standards shown above, and a school's half-time enrollment standard may be different for summer school. Your school can tell you if its definition of half-time enrollment is different from these minimum standards.

These minimum standards apply only to undergraduate students. If you are a graduate or professional student, the definition of half-time enrollment is determined by your school.

If you drop below half-time enrollment—

- ▶ The six-month grace period will begin on a Direct Subsidized Loan or Direct Unsubsidized Loan. If you resume enrollment on at least a half-time basis before the end of the six-month grace period, your loan will return to “in-school” status and you will be eligible for a full six-month grace period when you leave school or drop below half-time enrollment again.

- ▶ The in-school deferment on a Direct PLUS Loan first disbursed on or after July 1, 2008, will continue for an additional six months after you drop below half-time status. If you have a Direct PLUS Loan with a first disbursement date before July 1, 2008, your in-school deferment will end when you drop below half-time and you must begin making payments, unless you receive another type of deferment or a forbearance. If you resume enrollment on at least a half-time basis, you will again qualify for an in-school deferment.

## Changes You Must Report

- ▶ It is your responsibility to contact your Direct Loan servicer and your school if you:
  - Stop attending school or drop below half-time enrollment;
  - Graduate;
  - Fail to enroll at the school that determined you were eligible to receive your loan;
  - Do not enroll at least half-time for the loan period certified by your school;
  - Transfer to another school; or
  - Change your name, address, or phone number.
- ▶ A scheduled break in enrollment, such as the summer session at many traditional four-year schools, is not considered an interruption in your enrollment if you are planning to return to school during the next regularly scheduled enrollment period.
- ▶ You must receive exit counseling before you leave school or drop below half-time enrollment.
- ▶ If you are a reservist called to active duty with the U.S. Armed Forces for more than 30 days, contact your Direct Loan servicer to let them know your status.
  - If you are called or ordered to active duty for more than 30 days from a reserve component of the U.S. Armed Forces, the period of your active duty service and the time necessary for you to reenroll in school after your active duty ends are not counted as part of your grace period.
  - However, the total period that is excluded from your grace period may not exceed three years.
  - If the call or order to active duty occurs while you are in school and requires you to drop below half-time enrollment, the start of your grace period will be delayed until after the end of the excluded period.
  - If the call or order to active duty occurs during your grace period, you will receive a full six-month grace period at the end of the excluded period.

## Repaying Direct Loans

- ▶ You must repay the full amount of each Direct Loan you receive, plus interest.
- ▶ The repayment period for each Direct Subsidized Loan and Direct Unsubsidized Loan that you receive begins on the day after your grace period ends. The Direct Loan servicer will notify you of the date your first payment is due.
- ▶ The repayment period for each Direct PLUS Loan that you receive begins on the date the final loan disbursement is made. There is no grace period for Direct PLUS Loans. However, you may defer making payments while you are enrolled in school at least half-time, and (for Direct PLUS Loans with a first disbursement date on or after July 1, 2008) for an additional six months after you cease to be enrolled on at least a half-time basis.
- ▶ You must make payments on your loan even if you do not receive a bill or repayment notice. Billing information is sent to you as a convenience, and you are obligated to make payments even if you do not receive a notice or bill.
- ▶ There are five repayment plans with different terms that are designed to meet the financial needs of almost any borrower. If you can show that the terms of these plans are not adequate to meet your exceptional circumstances, we may provide you with an alternative repayment plan.
- ▶ You can change repayment plans at any time by going to your Direct Loan servicer's website and logging in to your account.
- ▶ You may prepay all or any part of the unpaid balance on your loans at any time without penalty.
- ▶ You may choose one of the following repayment plans to repay your loans:
  - **Standard Repayment Plan**—You will make fixed monthly payments and repay your loans in full within 10 years (not including periods of deferment or forbearance) from the date the loans entered repayment. Your payments must be at least \$50 a month and will be more, if necessary, to repay the loans within the required time period.
  - **Graduated Repayment Plan**—You will make lower payments at first, and your payments will gradually increase over time, generally every two years. You will repay your loans in full within 10 years (not including periods of deferment or forbearance) from the date the loans entered repayment. No single payment will be more than three times greater than any other payment.
  - **Extended Repayment Plan**—To be eligible for this plan, your Direct Loan balance must be greater than \$30,000. You have the option of making a fixed monthly payment amount, or a graduated payment amount that starts out lower and increases over time. Your monthly payments will be at least \$50, and

you will have up to 25 years to repay your loans (not including periods of deferment or forbearance).

- ***Income Contingent Repayment Plan***—Your monthly payment amount will be based on your annual income (and that of your spouse if you are married), your family size, and the total amount of your Direct Loans. Until we obtain the information needed to calculate your monthly payment amount, your payment will equal the amount of interest that has accrued on your loans unless you request forbearance. As your income changes, your payments may change. If you do not repay your loans after 25 years under this plan, the unpaid portion will be forgiven. You may have to pay income tax on any amount forgiven.
- ***Income-based Repayment Plan***—To qualify for this plan, you must have a partial financial hardship. This means that your federal student loan debt must be high relative to your income and family size, as determined under federal regulations. Under this plan, during any period when you have a partial financial hardship your required monthly payment is capped at an amount that is intended to be affordable based on your income and family size. Your monthly payment amount may be adjusted annually. If you repay under this plan and meet certain requirements over a 25-year period, any outstanding balance on your loans will be forgiven. You can obtain more information about the Income-based Repayment Plan in the “Repaying Your Loans” section of Student Aid on the Web (<http://studentaid.ed.gov>).

## Repayment Incentives

- ▶ A repayment incentive is a benefit (such as a reduced interest rate) that is offered to encourage you to repay your loans on time. You may be required to make a certain number of payments on time to keep the benefits of the repayment incentive.
- ▶ The two repayment incentive programs described on *page 15* may be available to you. Your Direct Loan servicer can tell you if any other repayment incentive programs are available.



## Sample Monthly Payments for Direct Subsidized and Unsubsidized Loans Direct Subsidized and Unsubsidized Borrowers<sup>1</sup>

Initial Debt When You Enter Repayment	Standard		Extended Fixed		Extended Graduated		Graduated		Income Contingent <sup>2</sup> Income = \$25,000				Income-Based <sup>2</sup> Income = \$25,000			
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Single		Married/HOH <sup>3</sup>		Single		Married/HOH <sup>3</sup>	
									Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$5,000	\$58	\$6,904	Not Available	Not Available	Not Available	Not Available	\$40	\$7,275	\$37	\$8,347	\$36	\$11,088	Not Available	\$39	\$8,005	
10,000	115	13,809	Not Available	Not Available	Not Available	79	14,550	75	16,699	71	22,158	110	13,672	39	16,081	
25,000	288	34,524	Not Available	Not Available	Not Available	198	36,375	186	41,748	178	55,440	110	45,014	39	60,754	
50,000	575	69,048	347	104,109	284	112,678	396	72,749	247	93,322	189	122,083	110	109,623	39	92,704
100,000	1,151	138,096	694	208,217	568	225,344	792	145,498	247	187,553	189	170,153	110	118,058	39	97,020

<sup>1</sup> Payments were calculated using a fixed interest rate of 6.8% for Direct Subsidized and Unsubsidized Loans disbursed on or after July 1, 2006.

<sup>2</sup> Assumes a 5% annual income growth (Census Bureau).

<sup>3</sup> HOH is Head of Household. Assumes a family size of two.

## Sample Monthly Payments for Direct PLUS Loans<sup>1</sup>

Initial Debt When You Enter Repayment	Standard		Graduated		Extended <sup>3</sup>	
	Per Month	Total	Per Month <sup>2</sup>	Total	Per Month	Total
\$2,500	50	3,042	25	3,746	Not Available	
\$5,000	60	7,248	42	7,694	Not Available	
\$7,500	91	10,872	63	11,543	Not Available	
\$10,000	121	14,496	84	15,388	Not Available	
\$15,000	181	21,744	127	23,083	Not Available	
\$20,000	242	28,992	169	30,778	Not Available	
\$25,000	302	36,240	211	38,472	Not Available	
\$30,000	362	43,488	253	46,166	Not Available	
\$35,000	423	50,736	295	53,859	268	80,346
\$40,000	483	57,984	338	61,554	306	91,824
\$45,000	544	65,232	380	69,248	344	103,302
\$50,000	604	72,480	422	76,942	383	114,781
\$55,000	664	79,708	464	84,636	421	126,259
\$60,000	725	86,976	507	92,330	459	137,737
\$65,000	785	94,224	549	100,023	497	149,215
\$70,000	846	101,472	591	107,718	536	160,693
\$75,000	906	108,720	633	115,413	574	172,171
\$80,000	966	115,968	675	123,107	612	183,649
\$90,000	1,087	130,464	760	138,496	689	206,605
\$100,000	1,208	144,960	844	153,882	765	229,561
\$110,000	1,329	159,456	929	169,270	842	252,517
\$120,000	1,450	173,952	1,013	184,661	918	275,473
\$130,000	1,570	188,448	1,097	200,047	995	298,429
\$140,000	1,691	202,944	1,182	215,435	1,071	321,385
\$150,000	1,812	217,440	1,266	230,824	1,148	344,342

<sup>1</sup> The **estimated** payments were calculated using the maximum interest rate for Direct PLUS Loan borrowers, 7.9%.

<sup>2</sup> This is your beginning payment, which may increase.

<sup>3</sup> You may choose the Extended Repayment Plan only if (1) you had no outstanding balance on a Direct Loan Program loan as of Oct. 7, 1998, or on the date you obtained a Direct Loan Program loan after Oct. 7, 1998, and (2) you have an outstanding balance on Direct Loan Program loans that exceeds \$30,000. Under the Extended Repayment Plan, you may choose to make fixed or graduated monthly payments. This example shows fixed monthly payments.



You can also estimate what your monthly loan payments will be after you graduate by using our online repayment calculator (<http://direct.ed.gov>).

## Interest Rate Reduction for Automatic Withdrawal of Payments

- ▶ Under the Automatic Withdrawal payment option, your bank automatically deducts your monthly loan payment from your checking or savings account and sends the payment to the Direct Loan servicer.
- ▶ In addition to helping to ensure that your payments are made on time, you receive an interest rate reduction of 0.25% while you repay under the Automatic Withdrawal option.
- ▶ Your Direct Loan servicer will include information about the Automatic Withdrawal option in your first bill.

## Up-front Interest Rebate

- ▶ You may receive an up-front interest rebate on your loan.
  - The rebate is equal to a percentage of the loan amount that you borrow.
  - This is the same amount that would result if the interest rate on your loan were lowered by a specific percentage, but you receive the rebate up front.
  - The correspondence that you receive about your loan will indicate if you received an up-front interest rebate.
- ▶ To keep an up-front interest rebate that you receive on your loan, you must make all of your first 12 required monthly payments on time when your loan enters repayment.
  - “On time” means that we must receive each payment no later than six days after the due date.
  - You will lose the rebate if you do not make all of your first 12 required monthly payments on time.
  - If you lose the rebate, your Direct Loan servicer will add the rebate amount back to the principal balance on your loan account. This will increase the amount that you must repay.

## Trouble Making Payments

- ▶ If you're having trouble making payments on your loans, contact your Direct Loan servicer as soon as possible to discuss options that may help you.
- ▶ Options include:
  - Changing repayment plans.
  - Deferment, if you meet certain requirements (for example, if you are unable to find full-time employment, or are experiencing an economic hardship). A deferment allows you to temporarily stop making payments on your loan.

- Forbearance, if you don't meet the eligibility requirements for a deferment but are temporarily unable to make your loan payments. Forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.
- ▶ If you stop making payments and don't get a deferment or forbearance, your loan could go into default, which has serious consequences.
- ▶ Your loan first becomes "delinquent" if your monthly payment is not received by the due date.
- ▶ If you fail to make a payment, your Direct Loan servicer will send you a reminder that your payment is late.
- ▶ If your account remains delinquent, your Direct Loan servicer will send you warning notices reminding you of your obligation to repay your loans and the consequences of default.
- ▶ If you are delinquent on your loan payments, contact your Direct Loan servicer immediately to find out how to bring your account current.
  - Late fees may be added, and your delinquency will be reported to one or more national consumer reporting agencies (credit bureaus), but this is much better than remaining delinquent on your payments and going into default.

## Consequences If You Default

Default occurs when you become 270 days past due (delinquent) in making a payment on your loan(s). The consequences of default can be severe.

- The entire unpaid balance of your loan and accrued interest becomes due and payable immediately.
- You lose eligibility for deferment.
- You lose eligibility for additional federal student financial aid.
- Your account is assigned to a collection agency.
- The default will be reported as delinquent to credit bureaus, damaging your credit rating.
- The federal government can take all or part of your federal tax refund.
- Late fees, additional interest, court costs, collection fees, attorney's fees, and other costs incurred in collecting your loan will increase your loan debt.
- Your employer (at the request of the federal government) can garnish part of your wages and send them to the government.
- The federal government can take legal action against you.

## Consolidation

- ▶ If you have multiple federal education loans, you can consolidate them into a single Direct Consolidation Loan.
- ▶ This may simplify repayment if you are making separate loan payments to different loan holders, as you'll only have one monthly payment to make. There may be tradeoffs, however, so you'll want to learn about the advantages and possible disadvantages of consolidation before you consolidate.
- ▶ To learn more, visit our Direct Consolidation Loan website (<http://loanconsolidation.ed.gov>).

## Conditions for Canceling All or Part of Your Loan

- ▶ **Teacher Loan Forgiveness**
  - If you are a new borrower\* and teach full-time in a low-income elementary or secondary school, or in a low-income educational service agency, for five consecutive years and meet certain other requirements, you may be able to have as much as \$17,500 of your Direct Subsidized Loans and Direct Unsubsidized Loans forgiven.
  - This loan forgiveness benefit is not available for Direct PLUS Loans.
  - For more information, see Student Aid on the Web (<http://studentaid.ed.gov>).



You are considered a new borrower if you did not have an outstanding balance on an FFEL or Direct Loan on Oct. 1, 1998, or on the date you obtained a Direct Loan after Oct. 1, 1998.

- ▶ **Public Service Loan Forgiveness**
  - If you are employed in certain public service jobs and have made 120 payments on your Direct Loans (after Oct. 1, 2007), the remaining balance that you owe may be forgiven.
  - Only payments made under certain repayment plans may be counted toward the required 120 payments.
  - You must not be in default on the loans that are forgiven. For more information on Public Service Loan Forgiveness, see our online guide in the “Repaying Your Loans” section of Student Aid on the Web (<http://studentaid.ed.gov>).

## ► **School-related discharges**

In certain cases, you may be able to have all or a part of your loan canceled because:

- Your school closed before you completed your program.
- Your school forged your signature on your promissory note or falsely certified that you were eligible to get the loan.
- Your loan was falsely certified as a result of the crime of identity theft (additional requirements apply).
- You withdrew from school but the school didn't pay a refund that it owed under our regulations.

## ► **Disability, bankruptcy, or death**

- Your loan may be discharged if you are determined to be totally and permanently disabled and you meet certain other requirements.
- Your loan may be canceled if it is discharged in bankruptcy. This is not an automatic process—you must prove to the bankruptcy court that repaying the loan would cause undue hardship.
- Your loan will be canceled if a family member or other representative provides acceptable documentation of your death.



Contact your Direct Loan servicer for more information about loan cancellation benefits.

## **National Student Loan Data System<sup>SM</sup> (NSLDS<sup>SM</sup>)**

- You can find information about all of your Direct Loans, FFEL Program Loans, and Federal Perkins Loans by accessing the Department's National Student Loan Data System<sup>SM</sup> (NSLDS<sup>SM</sup>) at [www.nsls.ed.gov](http://www.nsls.ed.gov) or by calling toll free **1-800-999-8219**.
  - You will need your federal student aid PIN to access NSLDS.
  - NSLDS does not include information about any private loans you may have received.

## Keep Your Loan Papers

- ▶ Remember to keep copies of all of your loan papers in one place.
  - These provide you with a record of the terms of your loan(s) and how much you have borrowed.
  - Copies of your MPN are available at **StudentLoans.gov** (<https://studentloans.gov>) if you complete your MPN electronically.
  - If you choose to receive electronic correspondence from the Department, copies of that correspondence, including loan disclosure statements will also be available from **StudentLoans.gov**.

## Borrower's Rights and Responsibilities

If you have questions about the borrower's rights and responsibilities or the terms and conditions of your loan(s), you may contact Applicant Services.

**U.S. Department of Education**  
**Attn: COD Applicant Services**  
**P.O. Box 9002**  
**Niagara Falls, NY 14302**

Phone: **1-800-557-7394**  
email: **codsupport@acs-inc.com**

Your school's financial aid office can also assist you if you have questions about the borrower's rights and responsibilities or the terms and conditions of your loan(s).





# BORROWER'S RIGHTS AND RESPONSIBILITIES

Your school may ask you to sign this checklist to document that you completed entrance counseling.

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I understand I have the right to:

- ▶ Written information on my loan obligations and information on my rights and responsibilities as a borrower
- ▶ A copy of my MPN either before or at the time my loan is disbursed
- ▶ A grace period and an explanation of what this means
- ▶ Notification, if I am in my grace period or repayment, no later than 45 days after a lender assigns, sells or transfers my loan to another lender
- ▶ A disclosure statement, received before I begin to repay my loan, that includes information about interest rates, fees, the balance I owe, and a loan repayment schedule
- ▶ Deferment or forbearance of repayment for certain defined periods, if I qualify and if I request it
- ▶ Prepayment of my loan in whole or in part anytime without an early-repayment penalty
- ▶ Documentation that my loan is paid in full

I understand I am responsible for:

- ▶ Completing exit counseling before I leave school or drop below half-time enrollment
- ▶ Repaying my loan according to my repayment schedule even if I do not complete my academic program, I am dissatisfied with the education I received, or I am unable to find employment after I graduate
- ▶ Notifying my lender or loan servicer if I:
  - Move or change my address
  - Change my telephone number
  - Change my name
  - Change my social security number
  - Change employers or my employer's address or telephone number changes
- ▶ Making monthly payments on my loan after my grace period ends, unless I have a deferment or forbearance
- ▶ Notifying my lender or loan servicer of anything that might alter my eligibility for an existing deferment or forbearance

*I have received entrance counseling materials for Direct Loan borrowers. I have read and I understand my rights and responsibilities as a borrower. I understand that I have a loan from the federal government that must be repaid.*

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Student's Signature

Date

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Student's Name (Please Print)

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