



DIRECT LOANSM BASICS FOR STUDENTS



A simple, convenient, flexible way
to finance your education.

*The William D. Ford Federal Direct Loan ProgramSM is one of the
Federal Student Aid programs of the U.S. Department of Education.*

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CONTACTS

General information about student aid and applying for student aid:

Federal Student Aid Information Center
1-800-4-FED-AID
(TTY 1-800-730-8913)
Student Aid on the Web
www.FederalStudentAid.ed.gov

Visit the Web site or call for general information about student aid. From the Web site, you can access a variety of student aid publications in English and Spanish, including *Funding Education Beyond High School: The Guide to Federal Student Aid*, a comprehensive overview of the federal financial aid process.

For information about the Department's Direct Loan ProgramSM:

Direct Loan Web site
www.direct.ed.gov

Your single contact for everything related to repayment of your Direct LoanSM:

**Borrower Services at the
Direct Loan Servicing Center**
1-800-848-0979
(TTY 1-800-848-0983)
Direct Loan Servicing Online
www.dl.ed.gov

Visit the Web site or call to get your loan account information, obtain a deferment or forbearance application, learn about making online payments, set up automatic payments, and much more.

For everything you need to know about Direct Consolidation Loans and for an online application:

Direct Loan Consolidation Center
1-800-557-7392
(TTY 1-800-557-7395)
Direct Loan Consolidation Web Site
www.loanconsolidation.ed.gov

How can Direct LoansSM help me go to college or a career school?

Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education (the Department) rather than a bank or other financial institution.

Direct Loans are:

- **Simple**—You borrow directly from the federal government and have a single contact—the Direct Loan Servicing Center—for everything related to the repayment of your loans, even if you receive Direct Loans at different schools.
- **Convenient**—You'll have online access to your Direct Loan account information 24 hours a day, 7 days a week via Direct Loan Servicing Online at: www.dl.ed.gov.
- **Flexible**—You can choose from several repayment plans that are designed to meet the needs of almost any borrower, and you can switch repayment plans if your needs change.

What kinds of Direct Loans are available?

- **Direct Subsidized and Unsubsidized Loans**—Direct Subsidized Loans are for students with demonstrated financial need, as determined by federal regulations. No interest is charged while you are in school at least half-time, during your grace period and during deferment periods. Direct Unsubsidized Loans are not based on financial need; interest is charged during all periods.
- **Direct PLUS Loans**—Direct PLUS Loans are low-interest loans available to parents of dependent students or for graduate/professional degree students. Interest is charged during all periods.
- **Direct Consolidation Loans**—Direct Consolidation Loans are loans for borrowers who want to combine different eligible federal student loans into one Direct Consolidation Loan.

What are the eligibility requirements?

You must be enrolled at least half-time at a school that participates in the Direct Loan ProgramSM, and you must meet general eligibility requirements for the Federal Student Aid programs. You can find more information about these requirements in *Funding Education Beyond High School: The Guide to Federal Student Aid* (see the Contacts section of this brochure), or by contacting your school's financial aid office.

How do I apply for aid?

You apply for a Direct Subsidized and Unsubsidized Loan and other federal student aid by completing a *Free Application for Federal Student Aid* (FAFSASM). The information from your application will be shared with the schools that you have identified on the FAFSA. Some schools have additional application procedures—check with your school's financial aid office to be sure. After your FAFSA has been processed, the school will notify you, usually through an award letter, of the types of aid for which you are eligible.

How do I take out a Direct Loan?

You must complete a Master Promissory Note (MPN). The MPN is a legally binding agreement to repay your loan to the Department. In most cases, one MPN can be used for loans that you receive over several years of study. Before receiving your first Direct Loan, you must sign an MPN that you'll get from your school or from the Department. You may be able to complete the MPN online. Check with your school's financial aid office.

How much can I borrow?

The maximum amount you can borrow each school year depends on your grade level and other factors. It ranges from \$5,500 per year for a dependent freshman to \$20,500 per year for a graduate/professional degree student; however, the actual amount you are eligible to borrow each year is determined by your school and may be less than the maximum amount. There are also limits on the total amount of your loan debt.

Graduate/professional degree students who need to borrow more than the maximum subsidized or unsubsidized loan amounts to meet education expenses not covered by other financial aid may be eligible to receive a Direct PLUS Loan.

What is the interest rate?

Direct Loans have a fixed interest rate that differs depending on the loan type and other factors. Check with your school's financial aid office or the Direct Loan Servicing Center for details and current interest rate information (see the Contacts section of this brochure).

Is there a charge for this loan?

Yes. In addition to interest, you pay a loan origination fee that is a percentage of the principal amount of each Direct Loan that you receive. This fee helps reduce the cost of making these low-interest loans. We deduct the fee before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay.

How will I receive my loan money?

Your school will generally disburse your loan money by crediting it to your school account, but it may also give some of it to you directly. Your loan money will usually be disbursed in at least 2 installments.

When do I have to begin repaying my loan?

Direct Subsidized and Unsubsidized Loans have a 6-month grace period that starts the day after you graduate, leave school, or drop below half-time enrollment. You don't have to begin making payments until your grace period ends.

There is no grace period for a Direct PLUS Loan, and repayment begins 60 days after you've received the last

installment of the loan for that school year. However, you are eligible to defer repayment while you are enrolled at least half-time and, for loans first disbursed on and after July 1, 2008, during the 6 months after you graduate or are no longer enrolled at least half-time. Interest will continue to be charged on the loan during this period. Even if you defer repayment on the loan, you may choose to pay the interest as it accrues to reduce the total amount you will repay on your loan. For more information, contact the Direct Loan Servicing Center (see the Contacts section of this brochure).

How much time will I have to repay my loan, and how much will I have to pay each month?

Generally, you'll have from 10 to 25 years to repay your loan, depending on the repayment plan that you choose. Your monthly payment amount will be based on how much you borrowed and how long you take to repay.

You may choose one of several repayment plans:

- **Standard Repayment Plan**—Fixed monthly payments for up to 10 years.
- **Graduated Repayment Plan**—Payments that start off lower at first, and then gradually increase, usually every 2 years. The loan must be repaid in 10 years.
- **Extended Repayment Plan**—Fixed or graduated monthly payments over a period of time, not to exceed 25 years. You are eligible for this repayment plan only if you currently have an outstanding Direct Loan balance that exceeds \$30,000 and you had no outstanding balance on a Direct Loan on or after Oct. 7, 1998.
- **Income-Contingent Repayment (ICR) Plan**—Your monthly payment is adjusted each year based on your annual income (and your spouse's income, if you're married), your family size, and the total amount of your Direct Loans. After 25 years, any unpaid loan amount will be forgiven. (This plan is not available to Direct PLUS Loan parent borrowers.)
- **Income-Based Repayment (IBR) Plan**—Your monthly payment is capped at an amount that is affordable based on your income and family size. You are eligible to repay under the IBR if your calculated IBR payment is less than what you would have to pay under the 10-year Standard Repayment Plan. If you repay under IBR for 25 years and meet other requirements, any remaining balance of your loan(s)

may be canceled. For more information about IBR go to the Direct Loan Web site at: www.direct.ed.gov. (Direct PLUS Loans made to parents and Direct Consolidation Loans that repaid parent Federal Family Education Loans [FFEL] or Direct PLUS Loans may not be repaid under IBR.)

You can change plans at any time. There's no penalty if you make payments before they are due or pay more than the amount due each month.

For more information about these repayment plans, or to calculate your estimated loan payment under different repayment plans using our online calculator, go to the Direct Loans Web site at: www.direct.ed.gov.

Can I ever postpone making loan payments?

Yes, under some conditions you may receive a deferment or forbearance that allows you to temporarily stop or lower your payments.

For example, you may qualify for a deferment if:

- You return to school at least half-time.
- You are unemployed or meet our rules for economic hardship (limited to 3 years).
- You are serving on active duty or qualifying National Guard duty during a war or other military operation or national emergency.
- You are a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and were called to active duty service while you were enrolled at an eligible school, or within 6 months after having been enrolled (additional conditions apply).

The Direct Loan Servicing Center can provide information on other conditions that will qualify you for a deferment.

If you don't qualify for a deferment but are temporarily unable to make loan payments for such reasons as illness or financial hardship, we may grant you a forbearance.

Can my loan ever be canceled, discharged, or forgiven?

You must repay your loan even if you don't complete or can't find a job related to your program of study, or are unhappy with the education you paid for with your loan. However, we will discharge (forgive) your loan if the loan is canceled in bankruptcy or in the event of total and permanent disability or death.

We may discharge some or all of your loan if:

- Your school closed before you completed your program.
- Your school forged your signature on your promissory note or falsely certified that you were eligible for aid.
- Your loan was falsely certified through identity theft.
- You withdrew from school but the school didn't pay a refund that it owed under its written policy or the Department's regulations. Check with the school to see how refund policies apply to federal aid at the school.

You also may qualify for forgiveness of some of your loans if you teach full-time for 5 years in certain low-income schools.

You also may qualify for forgiveness of the remaining balance due on your Direct Loans after you have made 120 payments on those loans while employed in certain public service jobs (additional conditions apply). You can find more information about the public service loan forgiveness program online at: www.direct.ed.gov.

Where can I get more information?

For more information about the Direct Loan Program and other Federal Student Aid programs, contact the financial aid office at your school or check the Contacts section of this brochure.

SAVE TIME & MONEY WITH AUTOMATIC MONTHLY PAYMENTS

We offer the option of having your loan payments automatically taken out of your bank account through our Electronic Debit Account (EDA) program. This ensures that your payment always will be made on time. Plus, we'll reduce your interest rate by a quarter point (.25%) during all periods when your payments are being made under this option.