

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.studentaid.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*, for a comprehensive overview of the financial aid process and detailed how-to steps for taking action at each phase.

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

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

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

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



DIRECT LOAN BASICS FOR STUDENTS



Direct Subsidized Loans and Direct Unsubsidized Loans

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

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



HOW CAN DIRECT LOANS 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.
- **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 Loans**—are loans for students with 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 (Federal Direct Unsubsidized Stafford/Ford Loans)**—are loans for students that are not based on financial need. Interest is charged during all periods.
- **Direct PLUS Loans**—are low-interest loans available to parents of dependent students or for graduate or professional-degree students. Interest is charged during all periods.
- Students or parents can combine different eligible federal student loans into one *Federal 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 Program, 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.

Direct Loans on the Web: www.dl.ed.gov

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HOW DO I APPLY?

You apply for a Direct Subsidized and Direct Unsubsidized Loan by completing a *Free Application for Federal Student Aid (FAFSA)*, the same application used for the Department's other Federal Student Aid programs. Before receiving your first Direct Loan, you must sign a Master Promissory Note (MPN) that you'll get from your school or from the Department. You may be able to complete the application and MPN online. Check with your school's financial aid office. The MPN explains the terms and conditions of your loan and is your legally binding agreement to repay your loan to the Department.

HOW MUCH CAN I BORROW?

The maximum amount you can borrow each school year depends on your grade level and other factors, and ranges from \$2,625 per year for a dependent freshman, to \$18,500 per year for a graduate student. There are also limits on the total amount of your loan debt. The actual amount you are eligible to borrow each year is determined by your school and may be less than the maximum amount.

WHAT IS THE INTEREST RATE?

Direct Subsidized and Direct Unsubsidized Loans first disbursed on or after July 1, 2006, have a fixed interest rate of 6.8%. For more information on interest rates, contact the Direct Loan Servicing Center (see the Contacts section of this brochure).

IS THERE A CHARGE FOR THIS LOAN?

Yes. In addition to interest, you pay a loan fee of up to 3% of the principal amount of each Direct Subsidized or Direct Unsubsidized 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 may also give some of it to you directly. Your loan money will usually be disbursed in at least two installments.

WHEN DO I HAVE TO BEGIN REPAYING MY LOAN?

Direct Subsidized and Direct 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.

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 four repayment plans:

- **Standard Repayment Plan**—Fixed monthly payments for up to 10 years.
- **Extended Repayment Plan**—Fixed monthly payments over a period of time, not to exceed 25 years. This repayment plan is available to you if you had no outstanding balance on a Direct Loan as of Oct. 7, 1998. If you received a Direct Loan on or after this date, your Direct Loan outstanding balance must be more than \$30,000.
- **Graduated Repayment Plan**—Payments that start off lower at first, and then gradually increase, usually every 2 years.
- **Income Contingent Repayment 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.

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.

You can find more information about these plans by contacting the Direct Loan Servicing Center or visiting Direct Loans on the Web (see the Contacts section in this brochure).

CAN I EVER POSTPONE MAKING LOAN PAYMENTS?

Yes, under some conditions you may receive a deferment or forbearance that allows you to temporarily stop making 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.
- You are serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency. This deferment is available only for Direct Loans first disbursed on or after July 1, 2001.

If you don't qualify for a deferment but are temporarily unable to make loan payments for reasons such 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 you have your loan discharged in bankruptcy, or if you become totally and permanently disabled (additional conditions apply), or if you die.

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 to get the loan.

SAVE TIME & MONEY WITH AUTOMATIC MONTHLY PAYMENTS

We offer the option of having your loan payments automatically taken out of your bank account. This saves you the trouble of writing a check each month, and ensures that your payment will always 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.

- Your loan was falsely certified because of identity theft.
- You withdrew from school but the school didn't pay a refund that it owed under its written policy or our regulations. Check with the school to see how refund policies apply to federal aid at the school.

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

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.