



# Entrance

## COUNSELING GUIDE

FOR DIRECT LOAN BORROWERS

**Federal Student Aid**

An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of  
the AMERICAN MIND<sup>®</sup>

## **U.S. Department of Education**

**John King**

*Secretary*

## **Federal Student Aid**

**James W. Runcie**

*Chief Operating Officer*

**September 2016**

If you are a borrower with questions about the Direct Loan Program or your Direct Loans, you should contact your loan servicer, or the websites or offices described in the content of this publication.

If you have general questions about the federal student aid programs, you may call the Federal Student Aid Information Center (FSAIC) at

1-800-4-FED-AID (1-800-433-3243), or at

TTY (for the hearing impaired) 1-800-730-8913, or

from locations without access to 800 numbers at 319-337-5665.

Email—[studentaid@ed.gov](mailto:studentaid@ed.gov)

### **About this publication**

#### **Online Access:**

You can find this publication online at

<https://www.fsapubs.gov/app/Search/ElectronicCatalog.aspx?Type=All>.

#### **Contact Information:**

Comments and inquiries solely about the content and design of this publication may be sent to [FSAschoolspubs@ed.gov](mailto:FSAschoolspubs@ed.gov).

All URLs were last accessed on **August 23, 2016**.

## CONTENTS

<b>YOUR RIGHTS AND RESPONSIBILITIES AS A BORROWER</b> .....	ii
<b>ABOUT THIS GUIDE</b> .....	1
<b>WELCOME TO ENTRANCE COUNSELING</b> .....	1
<b>TERMS USED IN THIS GUIDE</b> .....	2
<b>THE DIRECT LOAN PROGRAM</b> .....	4
<b>TYPES OF DIRECT LOANS</b> .....	4
Chart: Types of Direct Loans .....	4
<b>INTEREST RATES IN THE DIRECT LOAN PROGRAM</b> .....	5
<b>LOAN LIMITS IN THE DIRECT LOAN PROGRAM</b> .....	6
Chart: Loan Limits in the Direct Loan Program .....	7
<b>HALF-TIME ENROLLMENT REQUIREMENT</b> .....	8
<b>LOAN DISBURSEMENTS</b> .....	9
<b>LIMITATION ON DIRECT SUBSIDIZED LOAN ELIGIBILITY FOR FIRST-TIME BORROWERS ON OR AFTER JULY 1, 2013</b> .....	9
Chart: Periods When Interest Accrues on Direct Subsidized Loans and the 150 Percent Limitation .....	11
Chart: Do Changes in My Student Status Affect My Paying the Interest That Accrues on My Direct Subsidized Loans? .....	12
<b>BE SMART IN YOUR USE OF FINANCIAL AID</b> .....	12
<b>REPAYMENT</b> .....	14
Chart: Repayment Plan Options for Direct Loans .....	15
Chart: Income-Driven Repayment Plan Options for Direct Loans.....	17
Chart: Estimated Monthly Payments for Direct Loans .....	19
<b>REPAYMENT INCENTIVES</b> .....	21
<b>NAVIGATING REPAYMENT</b> .....	21
<b>YOUR REPAYMENT OBLIGATION—AVOIDING DELINQUENCY AND DEFAULT</b> .....	22
<b>ALLOWING YOUR LOAN TO BECOME DELINQUENT OR TO GO INTO DEFAULT CAN HAVE NEGATIVE CONSEQUENCES FOR MANY AREAS OF YOUR LIFE.</b> .....	23
<b>STRATEGIES FOR AVOIDING DELINQUENCY AND DEFAULT</b> .....	24
<b>DEFERMENT</b> .....	26
<b>FORBEARANCE</b> .....	27
<b>LOAN CONSOLIDATION</b> .....	28
<b>LOAN FORGIVENESS AND DISCHARGE</b> .....	29
<b>RESOLVING STUDENT LOAN DISPUTES</b> .....	30
<b>FINANCIAL PLANNING AND DEBT MANAGEMENT</b> .....	31
<b>HELPFUL RESOURCES</b> .....	32
<b>STUDENT CONTACT INFORMATION</b> .....	33

# Your Rights and Responsibilities as a Borrower

## 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 Master Promissory Note (MPN) either before or at the time my loan is disbursed;
- ▶ a grace period and an explanation of what this means;
- ▶ notification, if the Department transfers my loan to another servicer without my consent;
- ▶ 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;
- ▶ prepay my loan in whole or in part anytime without an early-repayment penalty; and
- ▶ documentation when my loan is paid in full.

## 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,
  - ◆ I change my telephone number,
  - ◆ I change my name,
  - ◆ I change my Social Security number, or
  - ◆ I 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; and
- ▶ notifying my lender or loan servicer of anything that might alter my eligibility for an existing deferment or forbearance.

## About This Guide

The *Entrance Counseling Guide for Direct Loan Borrowers* provides an overview of the Direct Loan Program, including information you'll need to successfully repay the loans that you'll be receiving to help pay for your college costs. For additional information about many of the topics covered in this guide, see your Master Promissory Note (MPN) or your copy of the Borrower's Rights and Responsibilities Statement that accompanied your MPN.

Note: Throughout this guide, the words *we*, *us*, and *our* refer to the U.S. Department of Education. You will also frequently encounter the words *loan holder*, *loan servicer*, and *Master Promissory Note*. To assist you, we provide the definitions for those and other terms here and for others within the text.

You can find an expanded glossary of terms at <http://ifap.ed.gov/ifap/helpGlossary.jsp>.

## Welcome to Entrance Counseling

If you're borrowing for the first time under the William D. Ford Federal Direct Loan (Direct Loan) Program and have not previously received the same type of loan through the Direct Loan Program or Federal Family Education Loan (FFEL) Program, you must complete entrance counseling before you can receive the proceeds of your first Direct Loan.

### Fulfilling the entrance counseling requirement

Entrance counseling can be completed on paper or via the web. Check with your school about how it expects you to fulfill the requirement.

You should have on hand the following information for entrance counseling:

- ▶ The tuition, fees, and other charges from your school. You can find this information on your student account at your school. Your school's student accounts office (often called the bursar's office) can provide you with a paper copy of your student account or tell you how to view it online.
- ▶ The letter you may have received from your school's financial aid office informing you of the financial aid it is offering you (often called an award letter).
- ▶ Your school's estimate of the cost of your education for the year (available from your school's financial aid office; it might have been included in your award letter).

## Terms Used in This Guide

*Acceleration*—Demand for immediate repayment of your entire Direct Loan. This can happen if you default on your Direct Loan. In addition, the entire unpaid amount of your Direct Loan becomes due and payable if your eligibility for the loan was established by making a false statement.

*Aggregate Loan Limit*—A limit on the total amount of Direct Subsidized Loans and/or Direct Unsubsidized Loans that you may borrow for undergraduate and graduate study. If the total amount you receive over the course of your education reaches the aggregate loan limit, you will not be eligible to receive additional loans. However, if you repay some of your loans to bring your outstanding loan debt below the aggregate loan limit, you could then borrow again, up to the amount of your remaining eligibility under the aggregate loan limit.

*Annual Percentage Rate (APR)*—The actual yearly cost of borrowing money reflected as a percentage rate.

*Capitalized Interest (Capitalization)*—Unpaid interest that has been added to the principal balance of a federal student loan. Future interest is charged on the increased principal balance, and this may increase the amount of your monthly payment and the total amount you repay over the life of the federal student loan.

*Federal Student Loan*—In this guide, loans made under the Direct Loan Program, Federal Perkins Loan Program, and the Federal Family Education Loan (FFEL) Program.



### The FSA ID

The FSA ID, composed of a username and password, is used to log in to certain U.S. Department of Education websites. The FSA ID is also used to electronically sign the FAFSA.

If you don't already have an FSA ID, go to the Federal Student Aid website at **StudentAid.gov** and select "LOG IN" at the upper right. The box will expand and you can choose to create your FSA ID (username and password).

*Grace Period*—For certain types of federal student loans, a period of time (generally six months) after you graduate or drop below half-time enrollment during which you are not required to make payments. The repayment period for your loan begins after the end of the grace period.

*Interest*—The cost of borrowing money. Interest is calculated as a percentage of the outstanding (unpaid) principal balance.

*Loan Discharge* (Cancellation)—The elimination of a loan debt under certain limited circumstances.

*Loan Forgiveness*—The elimination of a loan debt under one or more of the various Direct Loan forgiveness programs.

*Loan Holder*—A loan holder is the organization that “owns” a federal student loan. The U.S. Department of Education is the loan holder for all Direct Loans. Your loan servicer will be different than your loan holder (see below).

*Loan Servicer*—An entity that collects payments on loans, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a loan (e.g., processing requests for a change in repayment plans). A federal loan servicer is a loan servicer for the U.S. Department of Education. Each Direct Loan is assigned to a loan servicer. A current listing of federal loan servicers for loans made through the Direct Loan Program can be found at [StudentAid.gov/servicer](http://StudentAid.gov/servicer).



### **Identifying Your Loan Servicer**

You can identify the servicer for your new Direct Loan (and any subsequent Direct Loans) by going to the National Student Loan Data System (NSLDS) website at [www.nsls.ed.gov/nsls\\_SA/](http://www.nsls.ed.gov/nsls_SA/), and logging in with your FSA ID. The site will open to your Financial Aid History Page. Select one of your loans to see the loan detail. In the section labeled “Make a Payment,” you’ll find the loan servicer for that specific loan. Note that, generally, all of a borrower’s loans are assigned to a single servicer.

*Principal*—The loan amount you borrow plus any capitalized interest.

*Promissory Note*—A legally binding agreement that contains the terms and conditions of the loans made under the note. Most federal student loans are made under a Master Promissory Note (MPN).



### **Master Promissory Note (MPN)**

An MPN is a binding legal document that you must sign before receiving your first Direct Loan. The same MPN can be used to make one or more loans for one or more academic years (up to 10 years). Therefore, if you leave school and return, you may be able to receive additional loans without signing a new MPN. An MPN lists the terms and conditions under which you agree to repay the loan and explains your rights and responsibilities as a borrower. It’s important to read your MPN and keep it in a safe place because you’ll need to refer to it later when you begin repaying your loan or at other times when you need information about provisions of the loan, such as deferment or forbearance.



### Remember!

For each federal student loan that you receive under an MPN, you'll receive a disclosure statement that provides specific information about that loan, including the loan amount, loan fees, and the expected disbursement dates and amounts. Other disclosures will be provided to you throughout the loan process.

## The Direct Loan Program

Through the Direct Loan Program, the U.S. Department of Education provides loans to eligible students at participating schools to help them pay for education after high school. Direct Loans include the following: Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans. You repay your Direct Loan to the U.S. Department of Education.

## Types of Direct Loans

You may receive more than one type of loan under the Direct Loan Program. Each loan type has its own terms and conditions, such as interest rates.

**Types of Direct Loans  
(Excluding Consolidation Loans)**

	Direct Subsidized Loans	Direct Unsubsidized Loans	Direct PLUS Loans
<b>Who may receive this loan?</b>	Undergraduate students with financial need	All students	Graduate or professional students and parents of dependent undergraduate students
<b>When does the government pay my interest? <sup>1</sup></b>	While you are enrolled, and for six months after you graduate or drop below half-time enrollment  Deferment periods  During certain periods of repayment under the Income-Based Repayment, Pay As You Earn, and Revised Pay As You Earn plans	You pay all interest charged over the course of your loan term	You pay all interest charged over the course of your loan term
<b>When must I begin making payments?</b>	Six months after you graduate or drop below half-time enrollment	Six months after you graduate or drop below half-time enrollment	Six months after you graduate or drop below half-time enrollment

<sup>1</sup> If you are a first-time borrower on or after July 1, 2013, and you exceed the limits described in *Limitation on Direct Subsidized Loan Eligibility for First-Time Borrowers on or after July 1, 2013*, on page 9 of this guide, you (instead of the government) may become responsible for paying the interest that accrues on your Direct Subsidized Loans during all periods.



### **Direct PLUS Loans and Eligibility for Other Financial Aid**

A Direct PLUS Loan can affect your eligibility for other financial aid. Before applying for a Direct PLUS Loan, ask your school's financial aid office about federal grants and work-study, state and private grants and scholarships, and Direct Subsidized Loans and Direct Unsubsidized Loans.

## **Interest Rates in the Direct Loan Program**

The interest rates on Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans are fixed rates that are calculated each year in accordance with formulas specified in the laws and regulations that set the terms and conditions of Direct Loans.

When the rates are calculated, they apply to all loans for which the first disbursement (when funds are posted to your account or delivered to you) is made during the period beginning on July 1 of one year and ending on June 30 of the following year. Each loan you receive over the course of your education may have a different fixed interest rate, depending on when the loan is first disbursed, the loan type, and whether you are an undergraduate student or a graduate or professional student.

Each type of loan has a maximum fixed interest rate (or cap). The maximum interest rates are

- ▶ 8.25% on Direct Subsidized Loans made to undergraduates<sup>1</sup> and Direct Unsubsidized Loans made to undergraduates;
- ▶ 9.50% on Direct Unsubsidized Loans made to graduate students; and
- ▶ 10.50% on Direct PLUS Loans made to graduate and professional students, and parents of dependent undergraduate students.

<sup>1</sup> Graduate and professional students are not eligible for Direct Subsidized Loans.



### **How You Can Find the Interest Rate on Your Direct Loan**

You can find the interest rate on your Direct Loan (and any subsequent Direct Loans) by going to the National Student Loan Data System (NSLDS) website at [www.nslds.ed.gov/nslds\\_SA/](http://www.nslds.ed.gov/nslds_SA/) and logging in with your FSA ID. The site will open to your Financial Aid History page, and you'll see a record of the loans you've received. By selecting one of the loans, you will be able to see the loan detail, including the interest rate for that loan. Note that in most cases, a borrower's loans will be assigned to a single servicer.

## Loan Limits in the Direct Loan Program

Annual loan limits in the Direct Loan Program vary depending on your academic year, grade level, and whether you are a dependent or independent student.

### 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).

The actual loan amount you are eligible to receive is determined by your school and is based on your academic year, grade 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.

If you're an undergraduate student, your annual loan limit will include both any Direct Subsidized Loans and Direct Unsubsidized Loans you receive for the same academic year period.

### Direct PLUS Loan Limits

Direct PLUS Loans don't have fixed limits. You can borrow up to the cost of attendance at the school you're attending, minus all other financial assistance you receive. Your school will determine the actual Direct PLUS Loan amount that you are eligible to receive.



#### Remember!

If you're a graduate or professional student, use Direct Unsubsidized Loans first, then use Direct PLUS Loans, if needed. Direct Unsubsidized Loans offer the following advantages over Direct PLUS Loans:

- Lower interest rates
- Lower fees



## Credit Checks and Direct PLUS Loans

One of the eligibility requirements to receive a Direct PLUS Loan is that you must not have an adverse credit history. If you request a Direct PLUS Loan, a credit check will be conducted to determine if you have an adverse credit history. Direct PLUS Loans are the only Direct Loans that require a credit check.

If you have an adverse credit history, you may still receive a Direct PLUS Loan if you obtain an endorser or if you document to the U.S. Department of Education's satisfaction that there are extenuating circumstances related to your adverse credit history. An endorser is someone who does not have an adverse credit history and who agrees to repay your federal student loan if you do not. If you have an adverse credit history, but you manage to qualify for a Direct PLUS Loan by obtaining an endorser or by providing satisfactory documentation of extenuating circumstances, you must complete special Direct PLUS Loan counseling before you can receive the loan.

## Loan Limits in the Direct Loan Program

Academic Year	Dependent Students (except students whose parents are unable to obtain PLUS Loans)	Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)
First-Year Undergraduate Annual Loan Limit	\$5,500—No more than \$3,500 of this amount may be in subsidized loans.	\$9,500—No more than \$3,500 of this amount may be in subsidized loans.
Second-Year Undergraduate Annual Loan Limit	\$6,500—No more than \$4,500 of this amount may be in subsidized loans.	\$10,500—No more than \$4,500 of this amount may be in subsidized loans.
Third-Year-and-Beyond the Undergraduate Annual Loan Limit	\$7,500 per year—No more than \$5,500 of this amount may be in subsidized loans.	\$12,500—No more than \$5,500 of this amount may be in subsidized loans.
Graduate or Professional Student <sup>1</sup> Annual Loan Limit	Not applicable	\$20,500 (unsubsidized loans only)
Subsidized and Unsubsidized Aggregate Loan Limit	\$31,000—No more than \$23,000 of this amount may be in subsidized loans.	\$57,500 for undergraduates—No more than \$23,000 of this amount may be in subsidized loans.  \$138,500 for graduate or professional students—No more than \$65,500 of this amount may be in subsidized loans. The graduate aggregate limit includes all federal loans received for undergraduate study.

<sup>1</sup>All students enrolled in graduate and professional degree programs are considered independent.

## Half-Time Enrollment Requirement

You must be enrolled at least half-time to receive a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a Direct PLUS Loan. For Direct Subsidized Loans and Direct Unsubsidized Loans, if you drop below half-time enrollment, the six-month grace period (see box on *page 16*) begins. If you are a student Direct PLUS Loan borrower and you drop below half-time enrollment, the six-month post-enrollment deferment period begins. You have to begin making payments after the end of the six-month grace period or six-month post-enrollment deferment period, as applicable.

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

- ▶ 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.
- ▶ 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.
- ▶ Schools that measure academic progress in clock hours, half-time is at least 12 clock hours per week.

Schools that measure academic progress in credit hours and use terms other than semesters, trimesters, or quarters determine the minimum number of credit hours for half-time enrollment 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.

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 sessions, for example. 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 and then resume enrollment on at least a half-time basis before the end of the six-month grace period, your Direct Subsidized Loan or Direct Unsubsidized Loan will return to "in-school" status and you will regain a full six-month grace period when you leave school or drop below half-time enrollment again. Your Direct PLUS Loan will return to in-school deferment status and you will receive a full six-month post-enrollment deferment when you leave school or again drop below half-time enrollment.

## Loan Disbursements

In most cases, your school will disburse the proceeds of your Direct Loan by crediting it to your school account to pay tuition and fees, room and board, and other authorized charges. 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 expected date and amount of the loan disbursement,
- ▶ your right to cancel all or a portion of your Direct Loan, and
- ▶ the procedures and time frame for notifying the school that you want to cancel all or a portion of your Direct Loan.

## Limitation on Direct Subsidized Loan Eligibility for First-Time Borrowers on or After July 1, 2013

### Why is this important to know?

How much time you spend in school may affect your responsibility for paying interest on any Direct Subsidized Loans you may receive. In addition, if you are returning to school, your eligibility for Direct Subsidized Loans may be limited by your prior Direct Subsidized Loan borrowing.

### Maximum eligibility period for Direct Subsidized Loans

There is a limit on the maximum period of time (measured in academic years) that you can receive Direct Subsidized Loans. You may not receive Direct Subsidized Loans for more than 150 percent of the published length of your program. This is called your *maximum eligibility period*. Your maximum eligibility period is based on the published length of your current program. You can usually find the published length of any program of study in your school's catalog.

For example, if you are enrolled in a four-year bachelor's degree program, the maximum period for which you can receive Direct Subsidized Loans is six years ( $150\% \times 4 \text{ years} = 6 \text{ years}$ ). If you are enrolled in a two-year associate degree program, the maximum period for which you can receive Direct Subsidized Loans is three years ( $1.50 \times 2 \text{ years} = 3 \text{ years}$ ).

This means that your maximum eligibility period can change if you change to a program that has a different length of study. Also, if you receive Direct Subsidized Loans for one program and then change to another program, the Direct Subsidized Loans you received for the earlier program will count toward your new maximum eligibility period.

## Periods that count toward your maximum eligibility period

The periods of time that count against your maximum eligibility period are *periods of enrollment* (also known as *loan periods*) for which you received Direct Subsidized Loans. For example, if you are a full-time student and you receive a Direct Subsidized Loan that covers the fall and spring semesters (a full academic year), this will count as one year against your maximum eligibility period.

If you receive a Direct Subsidized Loan for a period of enrollment that is shorter than a full academic year, the period that counts against your maximum usage period will generally be reduced accordingly. For example, if you are a full-time student and you receive a Direct Subsidized Loan that covers the fall semester but not the spring semester, this will count as one-half of a year against your maximum eligibility period.

In most cases, the amount of a Direct Subsidized Loan you receive for a period of enrollment does not affect how much of your maximum eligibility period you have used. For example, if your annual loan limit is \$3,500, but for a full academic year you borrow only \$2,000, the eligibility used would still be considered one full academic year.

## Borrowing while enrolled less than full time

If you receive a Direct Subsidized Loan while you are enrolled less than full time, the period that is counted against your maximum eligibility period will be reduced. For example, if you receive a Direct Subsidized Loan for a period of enrollment that covers a full academic year but you are enrolled as a half-time student, the period of enrollment will count as only one-half year against your maximum loan eligibility period.

## Loss of eligibility for additional Direct Subsidized Loans

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans (loans in which the government pays the interest in most instances). However, you may continue to receive Direct Unsubsidized Loans (and you, not the government, will be responsible for paying the interest).



### Warning!

Your federal student loan immediately becomes due and payable if your eligibility for the loan was established by making a false statement.

## Becoming responsible for paying interest on Direct Subsidized Loans

If you continue to be enrolled in an undergraduate program after you have received Direct Subsidized Loans for your maximum eligibility period, you become responsible (with certain exceptions) for paying the interest that accrues on your Direct Subsidized Loans. Your responsibility for paying the interest that accrues on your Direct Subsidized Loans begins on the date of your enrollment that follows you exhausting the 150% limit. The chart that follows provides examples of how changes in your circumstances can affect you having to pay the interest that accrues on your Direct Subsidized Loans.

### Changing eligibility for Direct Subsidized Loans

Remember, your maximum eligibility period can change if you enroll in a different program. So, if you received Direct Subsidized Loans for your maximum eligibility period for one program and then enroll in a longer program, you will not become responsible for interest that accrues on your Direct Subsidized Loans after you begin the longer program and before you reach your maximum eligibility period (i.e., 150% of the published length of the longer program).

If you regain eligibility to receive additional Direct Subsidized Loans because you enrolled in a program that is longer than your prior program and you had been responsible for paying all of the interest that accrued on your prior Direct Subsidized Loans, you will not be responsible for the interest that accrues on your new loans during the periods described in the chart that follows.

**Periods When Interest Accrues on Direct Subsidized Loans <sup>1</sup> and the 150 Percent <sup>2</sup> Limitation**

Period	Before meeting the 150% limit	After meeting the 150% limit
While enrolled in school at least half-time	No	Yes
During my grace period on loans first disbursed (paid out) July 1, 2012, through June 30, 2014	Yes	Yes
During my grace period on loans first disbursed (paid out) after June 30, 2014	No	Yes
During deferment periods	No	Yes
During certain periods of repayment under the Income-Based Repayment, Pay As You Earn, and Revised Pay As You Earn plans	No	Yes
During forbearance periods	Yes	Yes
During all other periods of repayment	Yes	Yes

<sup>1</sup> Interest on Direct Unsubsidized Loans and Direct PLUS Loans accrues during all periods.

<sup>2</sup> The 150% limit refers to 150 percent of the published length of your program.

## Do Changes in My Student Status Affect My Paying the Interest That Accrues on My Direct Subsidized Loans?

Change	Yes	No
I am no longer eligible for Direct Subsidized Loans and I stay enrolled in my current program?	✓	
I am no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is the same length or shorter than my prior program?	✓	
I transferred into the shorter program and lost eligibility for Direct Subsidized Loans because I have received Direct Subsidized Loans for a period that equals or exceeds my new, lower maximum eligibility period, which is based on the length of the new program?	✓	
I was no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is longer than my prior program?		✓
I lose eligibility for Direct Subsidized Loans and immediately withdraw from my program?		✓
I graduated from my prior program prior to or upon meeting the 150 percent limit, and enroll in an undergraduate program that is the same length or shorter than my prior program?		✓
I enroll in a graduate or professional program?		✓
I enroll in preparatory coursework that I am required to complete to enroll in a graduate or professional program?		✓
I enroll in a teacher certification program (where my school does not award an academic credential)?		✓

## Be Smart in Your Use of Financial Aid.

**First, finance your education with free money. You don't have to repay grants, scholarships, or work-study earnings.**

Your school's financial aid office determines your eligibility for each type of federal student aid, based on your *Free Application for Federal Student Aid* (FAFSA®). Filing the FAFSA is free! Go to the FAFSA site at [StudentAid.gov](http://StudentAid.gov) to complete an application or forecast your eligibility for aid.

1. Apply for grants and scholarships.
  - ◆ Explore federal grant programs.
  - ◆ Search for scholarships and grants offered by your school and state as well as nonprofit and private organizations.
  - ◆ Consider scholarships for U.S. military service, education support offered by the military, and education benefits for veterans.
  - ◆ For more ideas and information, go to Types of Aid at [StudentAid.gov](http://StudentAid.gov).

## 2. Work part time.

- ◆ Explore job opportunities on or off campus.
- ◆ Explore work-study programs, including Federal Work-Study offered at your school. Contact your school's financial aid office.
- ◆ Balance work hours with your studies.

## 3. Borrow only what you need.

- ◆ You don't have to accept the full amount offered. You may request and borrow a lower amount.
- ◆ If you're eligible, take advantage of Direct Subsidized Loans. The government pays the interest while you are in school and during certain other periods (see chart on *page 11*).

### **Next, use federal student loans before considering private loans.**

Exhaust your federal student loan options before considering student loans offered by a private lender, such as a bank or a credit union. Consult your school's financial aid administrator regarding all of your student loan options. Private student loans may have disadvantages, including

- ▶ variable interest rates that can exceed 18%,
- ▶ requiring you to make loan payments while you're still in school,
- ▶ penalty fees for paying off your loan early,
- ▶ requiring an established credit record and using your credit score and other factors to determine the cost of your loan,
- ▶ requiring a cosigner,
- ▶ the inability to consolidate private student loans into a Direct Consolidation Loan,
- ▶ limited options for loan forgiveness, and
- ▶ limited options for deferments and forbearances.

## Federal student loans usually offer the following advantages over private loans:

- ▶ Lower interest rates and interest rates that are fixed once the loan is made
- ▶ The federal government generally will make interest payments on Direct Subsidized Loans while you are in school on at least a half-time basis
- ▶ No credit check required, except for Direct PLUS Loans
- ▶ Flexible and affordable repayment plans for Direct Loans
- ▶ The ability to consolidate federal education loans into a Direct Consolidation Loan (See the discussion later under *Loan Consolidation*.)

## Repayment

### What is repayment?

Repayment is the process of satisfying your obligation to pay back the money you borrowed to help you pay for your education. For Direct Subsidized Loans and Direct Unsubsidized Loans, the repayment period begins when your grace period (see *page 16*) ends. Direct PLUS Loans enter repayment when they are fully disbursed (paid out), but you may defer (postpone) making payments while you are enrolled in school at least half-time and for an additional six months after you leave school or drop below half-time enrollment.

### What determines the rules of my repayment?

You repay your loan according to a repayment plan that you choose through your loan servicer. The repayment plan you choose determines the amount you pay each month and the number of payments you must make.



#### How interest accrues

Direct Loans are “simple daily interest” loans. This means that interest accrues daily. The amount of interest that accrues per day is calculated by dividing the interest rate on your loan (as a decimal) by the number of days in a year, and then multiplying that by the outstanding principal balance of the loan.

For example, on a \$10,000 Direct Unsubsidized Loan with a 6.8% interest rate, the amount of interest that accrues per day while the loan has an outstanding balance of \$10,000 is \$1.86, calculated as follows:

$$(0.068 / 365) \times \$10,000 = \$1.86$$

## How long do I have to repay my loan?

The maximum time period over which you must repay your federal student loan is the *repayment period*. The repayment period can range from 10 years to 30 years, depending on your repayment plan and other factors.

By keeping your repayment period as short as possible and by making your payments on time, you reduce the amount of interest you pay over the life of the loan.



### Did you know?

You must repay the full amount of your federal student loans, even if you

- don't complete your program of study,
- can't find employment after graduation, and/or
- aren't satisfied with or didn't receive the education or other services that you paid for with your federal student loans.

## Repayment Plan Options for Direct Loans

Repayment Plans	Eligible Loans	Monthly Payment and Time Frame	Eligibility and Other Information
<b>Traditional Repayment Plans</b>			
<b>Standard Repayment Plan</b>	Direct Subsidized and Unsubsidized Loans  All Direct PLUS Loans  All Direct Consolidation Loans	Payments are a fixed amount.  Up to 10 years (up to 30 years for Consolidation Loans)	All borrowers are eligible for this plan.  You'll pay less over time than under other plans.
<b>Graduated Repayment Plan</b>	Direct Subsidized and Unsubsidized Loans  All Direct PLUS Loans  All Direct Consolidation Loans	Payments are lower at first and then increase, usually every two years.  Up to 10 years (up to 30 years for Consolidation Loans)	All borrowers are eligible for this plan.  You'll pay more over time than under the 10-year Standard Plan.
<b>Extended Repayment Plan</b>	Direct Subsidized and Unsubsidized Loans  All Direct PLUS Loans  All Direct Consolidation Loans	Payments may be fixed or graduated.  Up to 25 years	If you're a Direct Loan borrower, you must have more than \$30,000 in outstanding Direct Loans.  Your monthly payments will be lower than under the 10-year Standard Plan or the Graduated Repayment Plan.  You'll pay more over time than under the 10-year Standard Plan.

## When do I need to start making payments?

You are not required to make payments while you are enrolled at least half time at an eligible school or (for most loan types) during the first six months after you leave school or drop below half-time enrollment.



### Did you know?

Direct Subsidized Loans and Direct Unsubsidized Loans are eligible for a six-month grace period that generally begins on the day after you graduate, leave school, or drop below half-time enrollment. Direct PLUS Loans qualify for a six-month post-enrollment deferment after you graduate, leave school, or drop below half-time enrollment. You're not required to make payments during the grace period or the six-month post-enrollment deferment period.

## What are my options if my federal student loan payments are high compared to my income?

### Direct Loans

If your federal student loan payments are high compared to your income, you may want to repay your loans under an income-driven repayment plan.

Most Direct Loans are eligible for at least one income-driven repayment plan. If your income is low enough, your payment could be as low as \$0 per month.

The Direct Loan Program offers four income-driven repayment plans:

- ▶ Revised Pay As You Earn Repayment Plan (REPAYE Plan)
- ▶ Pay As You Earn Repayment Plan (PAYE Plan)
- ▶ Income-Based Repayment Plan (IBR Plan)
- ▶ Income-Contingent Repayment Plan (ICR Plan)

These plans are designed to make your student loan debt more manageable by reducing your monthly payment amount. If you'd like to repay your federal student loans under an income-driven plan, you need to fill out an application.



### Remember!

You must make payments on your federal student loan even if you do not receive a bill or repayment notice. You are also responsible for staying in touch with your loan servicer.

## Income-Driven Repayment Plan Options for Direct Loans

Repayment Plans	Eligible Loans	Monthly Payment and Time Frame	Eligibility and Other Information
<b>Income-Driven Repayment Plans</b>			
<b>Revised Pay As You Earn Repayment Plan (REPAYE)</b>	<p>Direct Subsidized and Unsubsidized Loans</p> <p>Direct PLUS Loans made to students</p> <p>Direct Consolidation Loans that do not include Direct PLUS Loans made to parents</p>	<p>Your monthly payments will be 10 percent of your discretionary income.</p> <p>Payments are recalculated each year and are based on your updated income and family size.</p> <p>If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions).</p> <p>Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.</p>	<p>Any Direct Loan borrower with an eligible loan type may choose this plan.</p> <p>Your monthly payment can be more than the 10-year Standard Plan amount.</p> <p>You may have to pay income tax on any amount that is forgiven.</p> <p>A good option for those seeking Public Service Loan Forgiveness (PSLF)</p>
<b>Pay As You Earn Repayment Plan (PAYE)</b>	<p>Direct Subsidized and Unsubsidized Loans</p> <p>Direct PLUS Loans made to students</p> <p>Direct Consolidation Loans that do not include Direct PLUS Loans made to parents</p>	<p>Your maximum monthly payments will be 10 percent of your discretionary income.</p> <p>Payments are recalculated each year and are based on your updated income and family size.</p> <p>If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return.</p> <p>Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 years.</p>	<p>You must be a new borrower on or after October 1, 2007, and must have received a disbursement of a Direct Loan on or after October 1, 2011.</p> <p>You must have a high debt relative to your income.</p> <p>Your monthly payment will never be more than the 10-year Standard Plan amount.</p> <p>You'll pay more over time than under the 10-year Standard Plan.</p> <p>You may have to pay income tax on any amount that is forgiven.</p> <p>A good option for those seeking Public Service Loan Forgiveness (PSLF)</p>



### Compare Repayment Plans Online

You can get estimates of your monthly payments for each repayment plan. Use your FSA ID to login to the Repayment Estimator at [StudentLoans.gov](http://StudentLoans.gov).

## Income-Driven Repayment Plan Options for Direct Loans (contd.)

Repayment Plans	Eligible Loans	Monthly Payment and Time Frame	Eligibility and Other Information
<b>Income-Driven Repayment Plans</b>			
<b>Income-Based Repayment Plan (IBR)</b>	<p>Direct Subsidized and Unsubsidized Loans</p> <p>Subsidized and Unsubsidized Federal Stafford Loans</p> <p>All PLUS Loans made to students</p> <p>Direct Consolidation Loans that do not include Direct or FFEL PLUS Loans made to parents</p>	<p>Your monthly payments will be 10 or 15 percent of your discretionary income.</p> <p>Payments are recalculated each year and are based on your updated income and family size.</p> <p>If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return.</p> <p>Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.</p>	<p>You must have a high debt relative to your income.</p> <p>Your monthly payment will never be more than the 10-year Standard Plan amount.</p> <p>You'll pay more over time than under the 10-year Standard Plan.</p> <p>A good option for those seeking Public Service Loan Forgiveness (PSLF)</p> <p>You may have to pay income tax on any amount that is forgiven.</p>
<b>Income-Contingent Repayment Plan (ICR)</b>	<p>Direct Subsidized and Unsubsidized Loans</p> <p>Direct PLUS Loans made to students</p> <p>Direct Consolidation Loans</p>	<p>Your monthly payment will be the lesser of</p> <ul style="list-style-type: none"> <li>• 20 percent of your discretionary income, or</li> <li>• the amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income.</li> </ul> <p>Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans.</p> <p>If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay your Direct Loans jointly with your spouse.</p> <p>Any outstanding balance will be forgiven if you haven't repaid your loan in full after 25 years.</p>	<p>Any Direct Loan borrower with an eligible loan type may choose this plan.</p> <p>Your monthly payment can be more than the 10-year Standard Plan amount.</p> <p>You may have to pay income tax on any amount that is forgiven.</p> <p>A good option for those seeking Public Service Loan Forgiveness (PSLF)</p> <p>Parent borrowers can access this plan by consolidating their Parent PLUS Loans into a Direct Consolidation Loan.</p>

**Estimated Monthly Payments for Direct Loans  
(by Repayment Plan and Debt When Your Loan Enters Repayment)**

**Non-Consolidation Borrowers<sup>1</sup>**

Debt When Loan Enters Repayment	Standard		Extended Fixed		Extended Graduated		Graduated	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$5,000	\$58	\$6,904	N/A	N/A	N/A	N/A	\$40	\$7,275
10,000	115	13,809	N/A	N/A	N/A	N/A	79	14,550
25,000	288	34,524	N/A	N/A	N/A	N/A	198	36,375
50,000	575	69,048	347	104,109	284	112,678	396	72,749
100,000	1,151	138,096	694	208,217	568	225,344	792	145,498

Debt When Loan Enters Repayment	Income Contingent <sup>2</sup> Income = \$25,000				Income-Based <sup>2</sup> Income = \$25,000			
	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	\$37	\$8,347	\$36	\$11,088	N/A	N/A	\$39	\$8,005
10,000	75	16,699	71	22,158	110	13,672	39	16,081
25,000	186	41,748	178	55,440	110	45,014	39	60,754
50,000	247	93,322	189	122,083	110	109,623	39	92,704
100,000	247	187,553	189	170,153	110	118,058	39	97,020

**Consolidation Borrowers<sup>4</sup>**

Debt When Loan Enters Repayment	Standard		Extended Fixed		Extended Graduated		Graduated	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$5,000	\$61	\$7,359	N/A	N/A	N/A	N/A	\$38	\$7,978
10,000	97	17,461	N/A	N/A	N/A	N/A	69	19,165
25,000	213	51,123	N/A	N/A	N/A	N/A	172	55,491
50,000	394	118,264	394	118,264	344	126,834	344	126,834
100,000	751	270,452	788	236,528	688	253,660	688	286,305

Debt When Loan Enters Repayment	Income Contingent <sup>2</sup> Income = \$25,000				Income-Based <sup>2</sup> Income = \$25,000			
	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	\$40	\$9,414	\$38	\$12,294	N/A	N/A	\$39	\$7,818
10,000	80	18,828	77	24,587	110	17,638	39	22,414
25,000	201	47,069	189	61,588	110	59,451	39	52,725
50,000	247	106,630	189	137,766	110	91,388	39	78,816
100,000	247	187,553	189	170,153	110	117,343	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 percent annual income growth (Census Bureau)

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

<sup>4</sup> Payments are calculated using the maximum interest rate for consolidation loans, 8.25%.



### **Did you know?**

You can make payments during your grace period to prevent interest from accruing and to reduce the amount of interest that may be capitalized when you enter repayment.

You can find out how much you can save by using the online Repayment Estimator available at [StudentLoans.gov](http://StudentLoans.gov) or by contacting your loan servicer.

If you took out a private student loan, you may have to begin making payments while you're still in school. Contact the holder of that private student loan immediately to arrange payment.

### **What if I'm called to active duty military service?**

Active duty military service for more than 30 days in a reserve component of the U.S. armed forces is not counted as part of your grace period. Specifically, active duty service, as well as the time necessary for you to reenroll in school after your active duty service ends, is excluded from your grace period. However, a 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 described above. 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.

### **Can I make payments when I'm not required to do so?**

Yes! If you have a Direct Loan, you are not required to make payments while you are in school and enrolled at least half time, during your grace period, or during a period of deferment (see *page 26*), or forbearance (see *page 27*). However, making payments while you are not required to do so—instead of allowing interest to be capitalized (added to the principal balance)—can substantially reduce the cost of your Direct Loan over time.<sup>1</sup>

<sup>1</sup> On Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Subsidized Loans on which borrowers have lost their eligibility for the subsidy interest accrues while borrowers are in school, during a grace period, and periods of forbearance and deferment. That interest may be capitalized (added to the principal amount) when your Direct Loan enters repayment or when the deferment or forbearance period expires.

## **What if I want to pay off my loan early?**

You may prepay all or part of your Direct Loan at any time without a penalty.

If you intend any additional funds you send your servicer to be used to pay down your principal, you must instruct your loan servicer of your intention or the servicer will apply the funds to future scheduled payments.

## **What happens if I return to school?**

If you return to school on at least a half-time basis before your six-month grace period ends, your Direct Loans will return to in-school status. You won't have to make payments until six months after you graduate, again leave school, or drop below half-time enrollment.

If you return to school on at least a half-time basis after your six-month grace period has ended, you'll qualify for an in-school deferment and won't have to make payments while you remain enrolled at least half-time. However, when you graduate, again leave school, or drop below half-time, your in-school deferment will end, and you'll be required to begin making payments right away.

## **Repayment Incentives**

### **Interest rate reduction for payments made with automatic withdrawal**

On your loans that are owned by us, you receive a 0.25% interest rate reduction under the Automatic Debit payment option. This option allows your loan servicer to automatically deduct your monthly payment from your checking or savings account.

## **Navigating Repayment**

### **Where do I send my payments?**

In the Direct Loan Program, each loan you obtain is assigned to a federal loan servicer, who handles payments and other administrative functions.

In most cases, you will send your payment to your loan servicer. If you do not know who your loan servicer is, visit the National Student Loan Data System (NSLDS) at [www.nsls.ed.gov/nsls\\_SA](http://www.nsls.ed.gov/nsls_SA).

## When should I contact my loan servicer?

Contact your loan servicer if you

- ▶ fail to begin classes at the school that determined you were eligible to receive your loan;
- ▶ do not begin classes as at least a half-time student for the loan period, or fall below half-time enrollment;
- ▶ graduate;
- ▶ change your name, address, or phone number;
- ▶ transfer schools;
- ▶ leave school;
- ▶ need help making your monthly Direct Loan payments; or
- ▶ are called to active duty with the U.S. armed forces for more than 30 days.

## How do I change my repayment plan?

Contact your loan servicer to select or change your repayment plan. Your loan servicer can explain which repayment plans are available to you. However, if you do not select a repayment plan, your loan servicer will place you on the Standard Repayment Plan with fixed payments over a maximum of 10 years.

## Your Repayment Obligation—Avoiding Delinquency and Default

Repayment of your Direct Loan is a serious financial obligation. When you make payments on time, you begin establishing a credit history that will affect your future eligibility to obtain loans for the purchase of a car or home. When you apply for a job, employers often use your credit history as a way to measure how you meet your responsibilities and your ability to establish and stick to a plan.

Falling behind on your Direct Loan payments can have serious consequences:

- ▶ Your Direct Loan becomes delinquent the first day after you miss (fail to make) a payment that is due.
- ▶ If a Direct Loan is delinquent for 270 days, it goes into default.
- ▶ Loans on which payments are delinquent and loans that are in default are reported to national credit agencies.

## Allowing Your Loan to Become Delinquent or To Go Into Default Can Have Negative Consequences for Many Areas of Your Life.

### What are the consequences for my federal student aid?

- ▶ You will lose your eligibility for loan deferments and forbearances, and your eligibility to choose from among the available repayment plans.
- ▶ You will not be eligible for additional federal student aid if you return to school.

### What are the consequences for my career and future income?

- ▶ You may be required to immediately repay the entire unpaid amount of your loan. This process is known as *acceleration*.
- ▶ You may not be eligible for certain types of employment.
- ▶ Your loans may be turned over to a collection agency, and you will have to pay additional charges, late fees, and collection costs.
- ▶ You may have part of your income withheld by the federal government. This is known as wage garnishment.
- ▶ Your federal and state income tax refunds may be withheld and applied to your debt. This is known as a tax offset.

### What are the consequences for my credit rating?

- ▶ Your credit score will be damaged.
- ▶ You may have difficulty qualifying for credit cards, car loans, or mortgages and will be charged much higher interest rates.
- ▶ You may have difficulty signing up for utilities, getting car or homeowner's insurance, or getting a cell phone plan.
- ▶ You may have difficulty getting approval to rent an apartment (credit checks may be required).



#### Alert!

Although your credit history is not taken into account in determining your eligibility for Direct Subsidized Loans and Direct Unsubsidized Loans, your credit history will be affected if you do not repay your federal student loans under the repayment plan you agree to when you enter repayment.



#### Remember!

Federal loans are not generally included in debts eliminated under personal bankruptcy. Contact your loan servicer to discuss federal student loan repayment.

## Strategies for Avoiding Delinquency and Default

### Borrow only what you need.

You have to pay back your federal student loans even if you do not complete your studies, are unable to get a job after graduating, or are not satisfied with the educational services you received from your school.

- ▶ Borrow as a last resort and only borrow what you need. Money you don't borrow is money you don't have to pay back.
- ▶ Consider reducing the amount of money you borrow, if you can. You may request and borrow a lower federal student loan amount than you qualify for. If you find later in the year that you need additional loan funds, you can request a higher federal student loan amount.

### Plan ahead.

- ▶ Make sure you have a budget for the whole year, not just the next few months.
- ▶ Keep in mind that you may have large one-time expenses, such as tuition or books, at the start of each year or semester.
- ▶ Be aware that you may receive your funding, such as loan payments or grants, only a few times a year.
- ▶ For more on this topic, see the later section *Financial Planning and Debt Management* on page 31.



#### Did you know?

**It's important to graduate!** According to U.S. Census Bureau data, the average college graduate with a four-year degree earns almost \$1 million more over a lifetime than a high school graduate.

### Control your education and non-education expenses.

- ▶ Which ones are vital and which ones are nice to have? Rank them and reduce the amount you spend on lower priority expenses.
- ▶ Share housing or live at home.
- ▶ Buy used textbooks or rent textbooks.
- ▶ Take public transit or carpool.
- ▶ Lower your cell phone bill.
- ▶ Choose less expensive entertainment options.

- ▶ Try adjusting the expenses in your budget and see how it affects your need for income for the year.
- ▶ As much as possible, pay expenses with money you've earned and saved.

### **Pay for expenses with money you earn and save.**

Live within your means, and you will set yourself up for future success. You don't have to repay money you didn't borrow in the first place!

### **Be a smart borrower.**

- ▶ If you can, pay any interest that accrues on your Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Subsidized loans that have lost eligibility for the subsidy, while you're in school. Paying interest as it accrues, instead of allowing it to be capitalized (added to the principal balance you must pay once you leave school), reduces the amount you will pay over time.
- ▶ Use your federal student loan money only to pay for authorized education expenses at the school that certified your loan eligibility.
- ▶ Pay off debt with a high interest rate. If you have any debt with a high interest rate (e.g., credit cards), pay that debt off as soon as possible.
- ▶ Use savings now to reduce borrowing. Money you don't borrow in the first place is money you don't have to pay back or pay interest on.

### **Finish your program and graduate.**

When you graduate, you are more likely to increase your employability, career options, and potential income. However, making smart choices about your occupation and career path can also ensure you have the resources to meet your federal student loan obligations.

### **Stay in touch with your loan servicer.**

Open all your mail and read everything about your Direct Loans. Signing up for electronic correspondence can help ensure that you never miss a letter or bill. Contact your loan servicer before you miss a payment on your Direct Loans. Your loan servicer can explain your repayment options to help you avoid missing a payment. If you are unsure of your loan servicer, please visit [nsls.ed.gov/nsls\\_SA](http://nsls.ed.gov/nsls_SA) for information pertaining to your loans.

### **Pay on time.**

It is very important that you make your Direct Loan payments on time. Contact your loan servicer if you think you will have trouble making your payments or won't be able to pay on time.

## Select a more appropriate repayment plan.

One way to avoid default is to lower your monthly payments by changing to a different repayment plan. Some repayment plans have a monthly payment based on your income. You are never charged a fee to change repayment plans on your Direct Loans.

If lowering your monthly payment is not an option or you are experiencing only a temporary problem repaying your loans, you may be able to temporarily postpone or lower your payments by applying for deferment or forbearance.

## Deferment

If you are having temporary problems repaying your federal student loans, contact your loan servicer to see if you are eligible for deferment. A *deferment* allows you to temporarily stop making payments on your federal student loans. In most cases, if you have Direct Subsidized Loans, you are not charged interest on those loans during deferment. You are never charged a fee for applying for a deferment on your federal student loans.

Note: Interest will continue to be charged during deferment on your Direct Unsubsidized and Direct PLUS Loans. If you do not pay this interest during the deferment, it will be capitalized at the end of the deferment.



### Did you know?

You must continue making payments on your federal student loan until you have been notified that your deferment or forbearance has been granted. If you don't continue to make payments and your application for deferment or forbearance is not approved, your federal student loan may become delinquent and may be declared in default.

## You may qualify for a deferment if you are

- ▶ enrolled at least half time at an eligible postsecondary school;
- ▶ in a full-time course of study in a graduate fellowship program;
- ▶ in an approved full-time rehabilitation program for individuals with disabilities;
- ▶ unemployed or unable to find full-time employment (for a maximum of three years);
- ▶ experiencing an economic hardship as defined by federal regulations (for a maximum of three years);

- ▶ serving in the Peace Corps;
- ▶ serving on active duty during a war or other military operation or national emergency and, if you were serving on or after Oct. 1, 2007, for an additional 180-day period following the demobilization date for your qualifying service;
- ▶ performing qualifying National Guard duty during a war or other military operation or national emergency and, if you were serving on or after Oct. 1, 2007, for an additional 180-day period following the demobilization date for your qualifying service; or
- ▶ a member of the National Guard or other reserve component of the U.S. armed forces (current or retired) and you are called or ordered to active duty under certain circumstances: (1) while you are enrolled at least half time at an eligible school; (2) within six months of having been enrolled at least half time during the 13 months following the conclusion of your active duty service; or (3) until you return to enrolled student status on at least a half-time basis, whichever is earlier.

## Forbearance

If you are having temporary problems repaying your Direct Loans and are not eligible for a deferment, contact your loan servicer to see if you are eligible for forbearance. A *forbearance* is another method of temporarily postponing or reducing loan payments. You are never charged a fee for applying for a forbearance on your Direct Loans.



### Did you know?

Periods of deferment and forbearance do not count toward the maximum length of time you have to repay your federal student loans, except for periods while on Economic Hardship Deferment, under the income-driven repayment plans.

For more information on deferment and forbearance, visit [StudentAid.gov/deferment-forbearance](http://StudentAid.gov/deferment-forbearance).

### You may be granted a forbearance if you meet one of the following requirements:

- ▶ You are unable to make your scheduled loan payments for reasons including, but not limited to, financial hardship and illness.
- ▶ You are serving in a medical or dental internship or residency program and you meet specific requirements.

- ▶ The total amount you owe each month for all of the Direct Loans you receive is 20% or more of your total monthly gross income (for a maximum of three years).
- ▶ You are serving in an approved AmeriCorps position.
- ▶ You are performing a teaching service that would qualify for loan forgiveness under the requirements of the Teacher Loan Forgiveness Program.
- ▶ You qualify for partial repayment of your loans under the Student Loan Repayment Program, as administered by the Department of Defense.
- ▶ You are called to active duty in the U.S. armed forces.

Note: Interest will continue to be charged during a forbearance on all types of loans. If you do not pay this interest, it will be capitalized at the end of the forbearance.

## Loan Consolidation

A Direct Consolidation Loan may help make payments more manageable by combining several federal student loans into one loan with one monthly payment. You need to apply for loan consolidation and choose a repayment plan. Depending on the amount of your student loans and the repayment plan you choose, you have between 10 and 30 years to repay your Direct Consolidation Loan. (Private education loans are not eligible for consolidation, but they may be taken into account when determining your maximum repayment period under certain repayment plans.)

The interest rate for Direct Consolidation Loans is fixed. The fixed rate is the weighted average of the interest rates on all of the loans you consolidate, rounded up to the nearest 1/8 of 1%. There is no cap on the interest rate on a Direct Consolidation Loan. To learn more, visit [StudentAid.gov/consolidation](http://StudentAid.gov/consolidation).

### How can consolidation help me manage my debt?

Loan consolidation can offer you benefits to help manage your education debt. Through consolidation, you can

- ▶ make lower monthly payments by increasing your repayment period, and
- ▶ make a single monthly loan payment on one bill to one lender.

As with other types of student loans, you may prepay a Direct Consolidation Loan without penalty and may change repayment plans if you find that your current plan no longer meets your needs.

## Is there a downside to consolidation?

Although consolidation can help many students manage their monthly payments, there are some cases when a Direct Consolidation Loan may not be right for you:

- ▶ Any outstanding interest on the loans you consolidate will be capitalized immediately upon consolidation.
- ▶ Because Direct Consolidation Loans can have a repayment period of up to 30 years, you may be increasing the total amount you have to pay in interest.
- ▶ If you consolidate Perkins Loans, you lose eligibility for cancellation benefits that are available only for Perkins Loans, and you also lose eligibility for Perkins Loan interest subsidy benefits.

## Loan Forgiveness and Discharge

Under certain circumstances, you may have all or a portion of your Direct Loans forgiven or discharged. Contact your loan servicer for details. If you are unsure of your loan servicer, please visit [nslds.ed.gov/nslds\\_SA](http://nslds.ed.gov/nslds_SA) for information pertaining to your loans.

### Loan forgiveness programs

#### *Teacher Loan Forgiveness*

You are eligible for Teacher Loan Forgiveness if you teach full time at certain elementary or secondary schools or educational service agencies that serve low-income students.

This program forgives up to \$5,000 (up to \$17,500 for highly-qualified teachers in certain subject areas) of your Direct Subsidized Loans and Direct Unsubsidized Loans (not Direct PLUS Loans), provided you teach for five consecutive years as a highly qualified teacher. For more information, visit [StudentAid.gov/teach-forgive](http://StudentAid.gov/teach-forgive).

#### *Public Service Loan Forgiveness (PSLF)*

PSLF forgives all of your remaining Direct Loan debt after you have made the 120 qualifying payments. To be eligible for PSLF, you must be

- ◆ making payments under a qualifying repayment plan; and
- ◆ working full-time at a qualifying public service organization while making 120 qualifying monthly payments.

For more information, visit [StudentAid.gov/publicservice](http://StudentAid.gov/publicservice).

## Loan discharge

### ***School-related discharge***

Your Direct Loans may be discharged if

- ◆ your school closed before you could complete your program,
- ◆ your school falsely certified your loan eligibility,
- ◆ your school signed your name without your authorization,
- ◆ your school failed to refund all or a portion of your Direct Loan to the loan servicer when it was required by law to do so, or
- ◆ your Direct Loan was falsely certified as a result of identity theft.

### ***Total and permanent disability discharge***

If you become totally and permanently disabled as defined in federal regulations and meet certain other requirements, your loan may be discharged. For more information, please visit [StudentAid.gov/repay-loans/forgiveness-cancellation/disability-discharge](http://StudentAid.gov/repay-loans/forgiveness-cancellation/disability-discharge).

### ***Death***

If you die, or if you are a parent borrower of a Direct PLUS Loan and the student for whom you obtained the loan dies, you may be eligible for a discharge.

## Resolving Student Loan Disputes

If you think there might be an issue with your Direct Loan, first collect and review all of your loan paperwork, then identify and document what you think the problem is. Call your loan servicer to discuss the issue. A current listing of federal loan servicers can be found at [StudentAid.gov/servicer](http://StudentAid.gov/servicer). If you don't know your servicer, see "Identifying Your Loan Servicer" on page 3.

If you would like additional information to guide you through the problem resolution process, you can visit the section "Resolving Disputes" at [StudentAid.gov/ombudsman](http://StudentAid.gov/ombudsman).

### **The Ombudsman**

If you are unable to resolve the issue by working with your loan servicer, then, as a last resort, you may contact the Federal Student Aid (FSA) Ombudsman Group for assistance. The FSA Ombudsman Group works with federal student loan borrowers to resolve disputes or issues from an impartial, independent viewpoint.

You can find additional information about the FSA Ombudsman Group at [StudentAid.gov/repay-loans/disputes/prepare#how-do-i-contact](http://StudentAid.gov/repay-loans/disputes/prepare#how-do-i-contact).

You can contact the Ombudsman here:

**FSA Ombudsman Group**  
**P.O. Box 1843**  
**Monticello, KY 42633**

**Toll Free Phone: 1-877-557-2575**

## Financial Planning and Debt Management

Every successful aspect of your life requires planning, whether it is planning a weekend or planning a year-long project. Personal financial planning might be the most important of all because it can help secure your future.

### Budgeting

The first important step in planning your finances is to create a monthly budget that includes what you will earn, spend, and owe. Having a budget that you stick to will make you much more knowledgeable about your finances and about money in general.

Knowing exactly where your money is going every month can help you avoid falling further into debt and can help you see future financial issues before they arise. If you include the loan payments you will have to make under the various repayment options available to you, you can determine the repayment plans that offer payments you will be able to afford. Then you can choose the repayment plan that best helps you meet your goals (e.g., getting out of debt as quickly as possible).



#### **Is your budget realistic?**

Compare your budget to the amount you actually spend in a given month.

You may be surprised how fast small expenses can add up!

### **Set short- and long-term goals.**

- ▶ Pay off credit card debt.
- ▶ Buy a car without having to borrow.
- ▶ Pay off your student loans.

## **Save.**

- ▶ Take advantage of any retirement savings plan offered by your employer, especially any matching plan. Increase automatic deposits when you get a raise.
- ▶ Start a private savings plan. As your budget becomes more familiar to you, you will be able to come up with new ways to squeeze savings out of your monthly income. Saving just \$10 per week at 3% interest adds up to \$6,000 in 10 years.
- ▶ Set up automatic deposits from your paycheck.

## **Create a monthly spending plan and spend wisely.**

- ▶ Gather details on your income and expenses.
- ▶ Set monthly spending limits.
- ▶ Pay with money you have, and track whether you exceed your spending limits.
- ▶ Pay your credit card balance in full each month.
- ▶ Pay your bills on time.

## **Take advantage of education-related tax incentives.**

- ▶ Stay up-to-date on federal tax deductions for education-related expenses and on interest you pay on your Direct Loans.
- ▶ Learn about tax credits for education-related expenses while attending school.

## **Helpful Resources**

Keep your loan paperwork in a safe place, including your MPN, disclosure notices and billing statements. These provide you with a record of the terms of your Direct Loans and how much you have borrowed. Copies of your MPN are available on [StudentLoans.gov](http://StudentLoans.gov) if you completed your MPN electronically.

If you choose to receive electronic correspondence from the U.S. Department of Education, copies of that correspondence, including loan disclosure statements, will also be available from [StudentLoans.gov](http://StudentLoans.gov).

You can find information about all of your federal student loans on the National Student Loan Data System (NSLDS) by visiting [www.nsls.ed.gov/nsls\\_SA/](http://www.nsls.ed.gov/nsls_SA/).

Your servicer can also assist you with questions you may have about your loan. If you are unsure of your servicer, see “Identifying Your Loan Servicer” on *page 3*.

# STUDENT CONTACT INFORMATION

You are required to provide your current contact information to your loan servicer. If you complete the Department's entrance counseling online at StudentLoans.gov, your contact information will automatically be provided to your loan servicer. If you did not (and will not) complete entrance counseling online, you may use this form to provide the information to your school. You are also required to notify your loan servicer of any changes to your contact information after you leave school. You can use this form for that as well. You must complete all items except those marked as optional.

## Personal Information (Please print clearly)

\_\_\_\_\_  
Last Name, First Name (Middle Name is Optional)

\_\_\_\_\_  
Your Permanent Home Street Address

\_\_\_\_\_  
City, State, Zip Code/Postal Code, Country

\_\_\_\_\_  
Area Code/Telephone Number

\_\_\_\_\_  
Email Address (Optional)

\_\_\_\_\_  
Driver's License or State ID number (Optional)

\_\_\_\_\_  
Issuing State (Optional)

## Employer Information (Optional, if known)

\_\_\_\_\_  
Expected Employer (After Leaving School)

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code/Postal Code, Country

\_\_\_\_\_  
Employer Phone Number

**Important: You are required by law to provide your loan servicer with the above contact information as well as information on your next of kin and two personal references (see next page), and you must keep the information current.**

# Student Contact Information

Page 2

Enter next of kin with a U.S. address different from yours, who will know your whereabouts for at least three years

\_\_\_\_\_  
Last Name, First Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Area Code/Telephone Number

References: You must list two persons with U.S. addresses different from each other and from yours, who will know your whereabouts for at least three years.

**1**

\_\_\_\_\_  
Last Name, First Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Area Code/Telephone Number

**2**

\_\_\_\_\_  
Last Name, First Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Area Code/Telephone Number

*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.*

\_\_\_\_\_  
Student's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Student's Name (Please Print)



