

Federal Student Aid

How can Direct Loans help pay for college or career school expenses?

Direct Loans are federal loans to help you pay the cost of your four-year college or university, community college, or trade, career, or technical school. The lender is the U.S. Department of Education (ED) rather than a bank.

Direct Loans are:

- **S** —You borrow directly from the federal government.
- **F y b** —You can choose from several repayment plans that are designed to meet your needs, and you can switch repayment plans at any time.

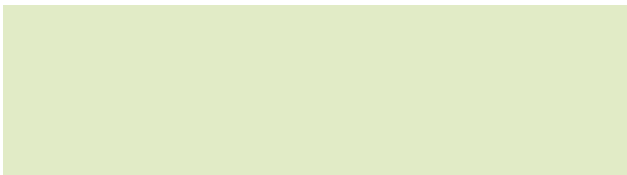
What kinds of Direct Loans are available?

- **D c S b dY d**—For undergraduate students. No interest is charged on subsidized loans while you are in school at least half-time and during

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 ED. In most cases, a single MPN can be used



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 **StudentAid.gov** for current interest rate information.

If you receive a Direct Subsidized Loan on or after July 1, 2012, and before July 1, 2014, you will be responsible for paying any interest that accrues on it during your grace period. You do not have to make payments during the grace period (unless you choose to), but the interest will be capitalized (added to your principal amount of your loan) when the grace period ends. Interest on your unsubsidized and PLUS loan begins to accrue on the date your loan is first disbursed.

Is there a charge for Direct Loans?

Yes. In addition to interest, you pay a loan fee that is a percentage of the principal amount of each loan. 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 loan money will usually be disbursed (paid out) in at least two installments. Your school will generally credit the loan money to your school account to pay tuition and fees, and other authorized charges. Any remaining loan funds will be paid to you directly.

When will I begin repayment of my loan?

Direct Subsidized and Direct Unsubsidized Loans have a six-month grace period that starts the day after you graduate, leave school, or drop below half-time enrollment. The repayment period begins the day after your grace period ends. However, you may make payments on your loans without penalty at any time before the repayment period begins.

Direct PLUS Loans do not have a grace period. Your PLUS loan enters repayment once your loan is fully disbursed (paid out). However, you may defer repayment while you are enrolled in school at least half-time, and for an additional six months after you graduate, leave school, or drop below half-time enrollment. Parent PLUS borrowers must submit the request for deferment for dependent undergraduate students. Learn more about *deferment and forbearance* at **StudentAid.gov**.

How do I repay my loan?

After you receive the money from your Direct Loan, your loan servicer will contact you and provide you with a loan repayment schedule that states when your first payment is due, the number and frequency of payments, and the amount of each payment.

Contact your loan servicer directly to find out how to make payments. It is very important that you make your full loan payment on time according to your repayment schedule. If you don't, you could end up in default, which has serious consequences (see *Understanding Default* at StudentAid.gov). Student loans are **real** loans—you have to repay the amount you borrowed plus any interest that accumulates.

What's a loan servicer?

A loan servicer is a company that collects payments on your loan, responds to your service inquiries, and performs other administrative tasks associated with maintaining a loan on behalf of a lender.

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.

You may choose a repayment plan that best meets your needs. The repayment plans are:

- **S d d R P** —Under this plan, you'll have fixed monthly payments for up to 10 years.
- **G d d R P** —Under this plan, your payments start off lower and then gradually increase, usually every two years. You must repay the loan in 10 years.
- **E d d R P** —Under this plan, you will have fixed or graduated monthly payments for up to 25 years. To be eligible for this repayment plan, you must have more than \$30,000 in Direct Loan debt and you must not have had an outstanding balance on a Direct Loan on Oct. 7, 1998.
- **I c -C R (ICR P** —Under this 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. Payments are made for a maximum of 25 years.

(Direct PLUS Loans made to parents may not be repaid under ICR.)

- **Income-Based Repayment (IBR)** —Under this plan, your monthly payment is capped at an amount that is affordable based on your income and family size. Payments are made over a period of 25 years. (Direct PLUS Loans made to parents may not be repaid under IBR.)

Note: There are additional requirements for each repayment plan. You can read more about each of the plans, including the **new** "Pay As You Earn Repayment Plan" at [StudentAid.gov/repay](https://studentaid.gov/repay). You also can use our online calculators to estimate your monthly payment under each repayment plan. You can change plans at any time. There'

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

You must repay your loan even if you don't complete your program of study, can't find a job related to your program of study, or are unhappy with the education you paid for with your loan. We may discharge (forgive) your loan if you become totally and permanently disabled, have your loan canceled in bankruptcy, or if you die.

We may discharge some or all of your loan in the following situations:

- 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. Get more information about refund policies at **StudentAid.gov**.

You also may qualify for forgiveness of some or all of your loan balance if you meet the following conditions:

- If you teach full-time for five years at a school or educational service agency serving low-income families and meet other requirements, or
- After you have made 120 on-time, full, monthly payments on a Direct Loan under your county theft.

StudentAid.gov

Get more information about the Direct Loan Program and the aid application process, including helpful publications and tools for managing Direct Loans.

www.StudentLoans.gov

Get more information about completing