

## CONTACTS

General information about student aid and applying for student aid:

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

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

For information about the Department's Direct Loan Program:

*Direct Loans on the Web*  
[www.direct.ed.gov](http://www.direct.ed.gov)

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

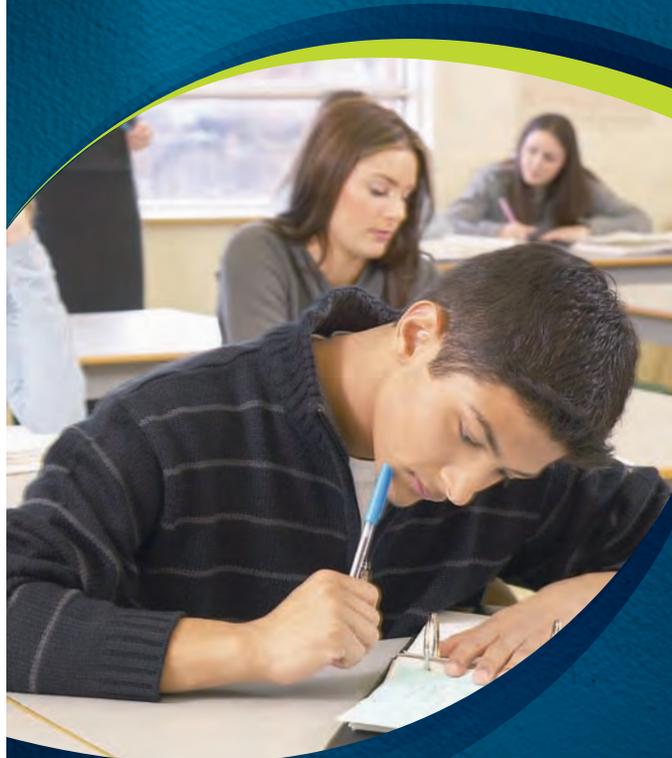
*Borrower Services at the Direct Loan Servicing Center*  
**1-800-848-0979**  
**(TTY 1-800-848-0983)**  
*Direct Loan Servicing Online*  
[www.dl.ed.gov](http://www.dl.ed.gov)

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

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

*Direct Loan Consolidation Center*  
**1-800-557-7392**  
**(TTY 1-800-557-7395)**  
*Direct Loan Consolidation Web Site*  
[www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

# DIRECT LOAN BASICS FOR STUDENTS



## Direct Subsidized Loans & 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.*

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## 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 at Direct Loan Servicing Online at: [www.dl.ed.gov](http://www.dl.ed.gov).
- **Flexible**—You can choose from several repayment plans that are designed to meet the needs of almost any borrower, and you can switch repayment plans if your needs change.

## What kinds of Direct Loans are available?

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

## What are the eligibility requirements?

You must be enrolled at least half-time at a school that participates in the Direct Loan 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.

## How do I apply for aid?

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

## How do I take out a Direct Loan?

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

Direct Loans on the Web: [www.direct.ed.gov](http://www.direct.ed.gov)

COVER PHOTO: ©Jupiter Images Corporation, 2008.

## How much can I borrow?

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

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

## What is the interest rate?

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

## Is there a charge for this loan?

Yes. In addition to interest, you pay a loan origination fee that is a percentage of the principal amount of each Direct Subsidized, Unsubsidized, or PLUS 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 2 installments.

## When do I have to begin repaying my loan?

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

There is no grace period for a Direct PLUS Loan, and if you are a graduate/professional student Direct PLUS Loan borrower, repayment begins 60 days after you've received the last installment of the loan for that school year. (However, you may defer repayment of your Direct PLUS Loan while you are enrolled in school at least half-time). Contact the Direct Loan Servicing Center if you want to pay the interest that accrues on your unsubsidized loan or your PLUS Loan while you are in school. (Paying interest as it accrues will reduce the total amount that you will repay on your loans).

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

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

### You may choose one of several repayment plans:

- **Standard Repayment Plan**—Fixed monthly payments for up to 10 years.
- **Graduated Repayment Plan**—Payments that start off lower at first, and then gradually increase, usually every 2 years. The loan must be repaid in 10 years.
- **Fixed or Extended Graduated Repayment Plan**—Fixed or graduated monthly payments over a period of time, not to exceed 25 years. Extended repayment plans are available only to new Direct Loan borrowers on or after Oct. 7, 1998, who currently have an outstanding Direct Loan balance of more than \$30,000.
- **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. (This plan is not available to Direct PLUS Loan borrowers.)

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 or lower your payments.

### For example, you may qualify for a deferment if:

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

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

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

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

You must repay your loan even if you don't complete or can't find a job related to your program of study, or are unhappy with the education you paid for with your loan. However, we will discharge (forgive) your loan if you have your loan discharged in bankruptcy, or if you become totally and permanently disabled, 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 for aid.
- Your loan was falsely certified through identity theft.
- You withdrew from school but the school didn't pay a refund that it owed under its written policy or the Department's regulations. Check with the school to see how refund policies apply to federal aid at the school.

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

You also may qualify forgiveness of the remaining balance due on your Direct Loans after you have made 120 payments on those loans while employed in certain public service jobs (additional conditions apply).

## Where can I get more information?

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

## SAVE TIME & MONEY WITH AUTOMATIC MONTHLY PAYMENTS

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

Direct Loans on the Web: [www.direct.ed.gov](http://www.direct.ed.gov)