EXIT COUNSELING GUIDE
FOR BORROWERS OF DIRECT LOANS AND FEDERAL FAMILY EDUCATION PROGRAM LOANS
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
Introduction

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 StudentAid.gov/glossary.

This guide provides an overview of information you will need to successfully repay the federal student loan(s) that you’ve received to help pay for your college costs under the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program. For more detailed information about many of the topics covered in this guide, see your Master Promissory Note (MPN) or the copy of the Borrower’s Rights and Responsibilities Statement that accompanied your MPN.

If you have a FFEL Loan, you can find a copy of your Borrower’s Rights and Responsibilities on your loan servicer’s website.

For Direct Loans, you can find this statement by going to https://studentloans.gov/myDirectLoan/whatYouNeed.action?page=mpn

logging in, scrolling down the page, and selecting either the PDF version of the Master Promissory Note (MPN) for Direct Subsidized/Unsubsidized Loans, or the PDF version of the Federal Direct PLUS Loan Master Promissory Note (MPN) for a graduate/professional student.

Once you get to the right MPN, you can scroll down to the

...
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 your making a false statement.

Aggregate Loan Limit—A limit on the total amount of FFEL or Direct Subsidized Loans and/or 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
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—The U.S. Department of Education is your loan holder. 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 federally held loans made through the Direct Loan Program can be found at 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.nslds.ed.gov/nslds_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.

Principal—The loan amount you borrow plus any capitalized interest.
Welcome to Exit Counseling

Who should use this guide?
Student borrowers of Direct Loans or FFEL Program loans who are graduating, leaving school, or dropping below half-time enrollment are required to complete exit counseling.

Why?
Exit counseling is required by law. Exit counseling provides important information you will need as you prepare to repay your federal student loan(s). During exit counseling, you will review your rights and responsibilities as a borrower.

How do I fulfill the exit counseling requirement?
Check with your school to see how (paper or Web) it expects you to fulfill the exit counseling requirement.

Information you should have on hand for exit counseling:
1. Outstanding balance(s) on your federal student loan(s):
   This information can be found at www.nslds.ed.gov/nslds_SA/.

2. Names, addresses, email addresses, and phone numbers for
   • your next of kin,
   • two references who live in the United States, and
   • your employer or future employer (if known).
The Federal Student Loan Programs Covered in This Guide

Direct and FFEL Loans—Loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan Program (FFEL Program) generally have the same terms and conditions. Depending on which loan program(s) the school(s) you attended participated in, you may have received Direct Loans, FFEL Loans, or both.

William D. Ford Federal Direct Loan (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.

Federal Family Education Loan (FFEL) Program—Federal student loans borrowed through private lenders and guaranteed by the federal government. FFEL Loans include the following types of federal student loans: Subsidized and Unsubsidized Federal Stafford Loans, FFEL PLUS Loans, and FFEL Consolidation Loans. You repay your FFEL Loan to the lender, secondary market, guaranty agency, or the U.S. Department of Education. If your FFEL Loan was sold to the U.S. Department of Education, you repay your FFEL Loan to the U.S. Department of Education. Note: The FFEL Program ended on June 30, 2010, and no new loans have been made under the FFEL Program after that date.

It’s important to note that, while loans made under the FFEL Program were in many cases made by banks, they are not private student loans. Loans that were made under the FFEL Program have an over-the-counter guarantee, which means they are backed by a government guarantee program. Therefore, they are not subject to the same requirements as private student loans.
Types of Direct Loans and FFEL Program Loans

You may have received more than one type of loan under the Direct Loan Program or FFEL Program. Each loan type has its own terms and conditions, such as interest rates. In addition, the names you may see on the documentation for your loans may differ slightly from the naming in the chart below. For example, subsidized and unsubsidized loans are frequently called “Subsidized Stafford Loans, and Unsubsidized Stafford Loans.”

<table>
<thead>
<tr>
<th>Types of Federal Student Loans (Excluding Consolidation Loans)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who may receive this loan?</strong></td>
</tr>
<tr>
<td>Direct &amp; FFEL Subsidized Loans: Undergraduate students with financial need</td>
</tr>
<tr>
<td>Direct &amp; FFEL Unsubsidized Loans: All students</td>
</tr>
<tr>
<td>Direct &amp; FFEL PLUS Loans: Graduate or professional students and parents of dependent undergraduate students</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>When does the government pay my interest?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct &amp; FFEL Subsidized Loans: 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.</td>
</tr>
<tr>
<td>Direct &amp; FFEL Unsubsidized Loans: You pay all interest charged over the course of your loan term.</td>
</tr>
<tr>
<td>Direct &amp; FFEL PLUS Loans: You pay all interest charged over the course of your loan term.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>When must I begin making payments?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct &amp; FFEL Subsidized Loans: Six months after you graduate or drop below half-time enrollment.</td>
</tr>
<tr>
<td>Direct &amp; FFEL Unsubsidized Loans: Six months after you graduate or drop below half-time enrollment.</td>
</tr>
<tr>
<td>Direct &amp; FFEL PLUS Loans: Six months after you graduate or drop below half-time enrollment.</td>
</tr>
</tbody>
</table>
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 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\(^1\) 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.

\(^1\) Graduate and professional students are not eligible for Direct Subsidized Loans.
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 \((150\% \times 2 \text{ years} = 3 \text{ years})\).

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 programs, the maximum eligibility period for the new program will be based on the length of that program, not on the length of your previous programs.
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.
<table>
<thead>
<tr>
<th>Period</th>
<th>Before meeting the 150 percent limit</th>
<th>After meeting the 150 percent limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>While enrolled in school at least half-time</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>During my grace period on loans first disbursed (paid out) July 1, 2012, through June 30, 2014</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>During my grace period on loans first disbursed (paid out) after June 30, 2014</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>During deferment periods</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>During certain periods of repayment under the Income-Based Repayment, Pay As You Earn, and Revised Pay As You Earn plans</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>During forbearance periods</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>During all other periods of repayment</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

1 Interest on Direct Unsubsidized Loans and Direct PLUS Loans accrues during all periods.  
2 The 150 percent limit refers to 150 percent of the published length of your program.

**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 your exhausting the 150 percent limit. The chart on page 11 provides examples of how changes in your circumstances can affect your having to pay the interest that accrues on your Direct Subsidized Loans.
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 enrolled 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).

**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

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 25 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.

<table>
<thead>
<tr>
<th>Repayment Plan Options for Direct Loans and FFEL Program Loans</th>
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<tbody>
<tr>
<td><strong>Repayment Plans</strong></td>
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<tr>
<td><strong>Standard Repayment Plan</strong></td>
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<td></td>
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<tr>
<td><strong>Graduated Repayment Plan</strong></td>
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</tbody>
</table>
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.

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 (Direct Loan) or an income sensitive plan (FFEL Loans).

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.
Under the Income-Sensitive Repayment Plan, your monthly payments increase or decrease based on your annual income and payments are made for a maximum period of 10 years.

If you have FFEL Program loans owned by the U.S. Department of Education, contact your loan servicer. If you have FFEL Program loans that are not owned by the U.S. Department of Education, contact your lender. If you are not sure who owns your loans, visit the National Student Loan Data System (NSLDS®) to find out.

### Flexible Repayment Plan Options for Direct Loans

<table>
<thead>
<tr>
<th>Repayment Plans</th>
<th>Eligible Loans</th>
<th>Monthly Payment and Time Frame</th>
<th>Eligibility and Other Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income-Driven Repayment Plans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised Pay As You Earn Repayment Plan (REPAYE)</td>
<td>Direct Subsidized and Unsubsidized Loans</td>
<td>Your monthly payments will be 10 percent of discretionary income. Payments are recalculated each year and are based on your updated income and family size. 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). Any outstanding balance on your loan will be forgiven if you haven’t repaid your loan in full after 20 or 25 years. Any Direct Loan borrower with an eligible loan type may choose this plan. Your monthly payment can be more than the 10-year Standard Plan amount. You may have to pay income tax on any amount that is forgiven. A good option for those seeking Public Service Loan Forgiveness (PSLF).</td>
<td></td>
</tr>
<tr>
<td>Pay As You Earn Repayment Plan (PAYE)</td>
<td>Direct Subsidized and Unsubsidized Loans</td>
<td>Your maximum monthly payments will be 10 percent of discretionary income.</td>
<td>You must be a new borrower on or after October 1, 2007, and must remain in this plan for at least 10 years.</td>
</tr>
</tbody>
</table>
### Flexible Repayment Plan Options for Direct Loans (contd.)

<table>
<thead>
<tr>
<th>Repayment Plans</th>
<th>Eligible Loans</th>
<th>Monthly Payment and Time Frame</th>
<th>Eligibility and other Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income-Driven Repayment Plans</strong></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
| **Income-Based Repayment Plan (IBR)** | Direct Subsidized and Unsubsidized Loans  
Subsidized and Unsubsidized Federal Stafford Loans  
All PLUS loans made to students  
Consolidation Loans (Direct or FFEL) that do not include Direct or FFEL PLUS loans made to parents | Your monthly payments will be 10 or 15 percent of discretionary income.  
Payments are recalculated each year and are based on your updated income and family size.  
If you’re married, your spouse’s income or loan debt will be considered only if you file a joint tax return.  
Any outstanding balance on your loan will be forgiven if you haven’t repaid your loan in full after 20 or 25 years. | You must have a high debt relative to your income.  
Your monthly payment will never be more than the 10-year Standard Plan amount.  
You’ll pay more over time than under the 10-year Standard Plan.  
A good option for those seeking Public Service Loan Forgiveness (PSLF).  
You may have to pay income tax on any amount that is forgiven. |
| **Income-Contingent Repayment Plan (ICR)** | Direct Subsidized and Unsubsidized Loans  
Direct PLUS loans made to students  
Direct Consolidation Loans | Your monthly payment will be the lesser of  
• 20 percent of your discretionary income, or  
• the amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income.  
Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans. | Any Direct Loan borrower with an eligible loan type may choose this plan.  
Your monthly payment can be more than the 10-year Standard Plan amount.  
You may have to pay income tax on any amount that is forgiven.  
A good option for those seeking Public Service Loan Forgiveness (PSLF). |
## Estimated Monthly Payments for Direct Loans and FFEL Program Loans
(by Repayment Plan and Debt When Your Loan Enters Repayment)

### Non-Consolidation Borrowers

<table>
<thead>
<tr>
<th>Debt When Loan Enters Repayment</th>
<th>Standard</th>
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<tr>
<td></td>
<td>Per Month</td>
<td>Total</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$5,000</td>
<td>$58</td>
<td>$6,904</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>$40</td>
<td>$7,275</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,000</td>
<td>115</td>
<td>13,809</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>79</td>
<td>14,550</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25,000</td>
<td>288</td>
<td>34,524</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>198</td>
<td>36,375</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>50,000</td>
<td>575</td>
<td>69,048</td>
<td>347</td>
<td>104,109</td>
<td>284</td>
<td>112,678</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100,000</td>
<td>1,151</td>
<td>138,096</td>
<td>694</td>
<td>208,217</td>
<td>568</td>
<td>225,344</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Income Contingent

- **Income Contingent**
  - **Income = $25,000**

<table>
<thead>
<tr>
<th>Debt When Loan Enters Repayment</th>
<th>Single</th>
<th>Married/HOH</th>
<th>Single</th>
<th>Married/HOH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Month</td>
<td>Total</td>
<td>Per Month</td>
<td>Total</td>
</tr>
<tr>
<td>$5,000</td>
<td>$37</td>
<td>$8,347</td>
<td>$36</td>
<td>$11,088</td>
</tr>
<tr>
<td>10,000</td>
<td>75</td>
<td>16,699</td>
<td>71</td>
<td>22,158</td>
</tr>
<tr>
<td>25,000</td>
<td>186</td>
<td>41,748</td>
<td>178</td>
<td>55,440</td>
</tr>
<tr>
<td>50,000</td>
<td>247</td>
<td>93,322</td>
<td>189</td>
<td>122,083</td>
</tr>
<tr>
<td>100,000</td>
<td>247</td>
<td>187,553</td>
<td>189</td>
<td>170,153</td>
</tr>
</tbody>
</table>

### Income-Based

- **Income-Based**
  - **Income = $25,000**

<table>
<thead>
<tr>
<th>Debt When Loan Enters Repayment</th>
<th>Single</th>
<th>Married/HOH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Month</td>
<td>Total</td>
</tr>
<tr>
<td>$5,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>10,000</td>
<td>110</td>
<td>13,672</td>
</tr>
<tr>
<td>25,000</td>
<td>110</td>
<td>45,014</td>
</tr>
<tr>
<td>50,000</td>
<td>110</td>
<td>109,623</td>
</tr>
<tr>
<td>100,000</td>
<td>110</td>
<td>118,058</td>
</tr>
</tbody>
</table>

### Consolidation Borrowers

<table>
<thead>
<tr>
<th>Debt When Loan Enters Repayment</th>
<th>Standard</th>
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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.

Did you know?
You can make payments during your grace period to prevent interest from accruing and 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 Repayment Estimator at 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.

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.
What if I want to pay off my loan early?

You may prepay all or part of your federal student loan(s) 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 the end of your six-month grace period, your 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.

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 maintains at least half-time enrollment at the start of the call or order, the six-month grace period begins to run from the time you are notified of the call or order to active duty and you do not report for duty as scheduled.
Repayment Incentives

Up-front interest rebate

If you received an up-front interest rebate, you need to make all of your first 12 required monthly payments on time in order to keep the interest rebate. Contact your loan servicer or check your disclosure statement, sent to you around the time of your first disbursement, to see if you received the up-front interest rebate.

The interest rebate is equal to a percentage of the amount you borrowed.

To keep an up-front interest rebate, your first 12 required monthly payments must be on time (the loan servicer must receive each payment no later than six days after the due date). If you lose the interest rebate, your loan servicer will add the rebate amount back to the principal balance on your Direct Loan account. This will increase the amount that you have to repay.

Interest rate reduction for payments made with automatic withdrawal

The Automatic Debit payment option allows your loan servicer to automatically deduct your monthly payment from your checking or savings account. Under the automatic debit payment option, on your loans that are owned by the Department, you receive a 0.25% interest rate reduction during periods of repayment.

Navigating Repayment

Where do I send my payments?

In the Direct Loan Program, each loan you obtain is assigned a unique 10-digit Federal Loan Application Identifier (FLAI). All payments to Direct Loans are made to an account in the borrower's name. You must send payments to the correct address, which is based on the loan holder's name. You can find the correct address for your loan on the borrower information page.
When should I contact my loan servicer?

Contact your loan servicer if you

- graduate,
- change your name, address, or phone number,
- transfer schools,
- drop below half-time enrollment,
- leave school,
- need help making your monthly federal student loan payments, or
- are called to active duty with the U.S. armed forces for more than 30 days.

Did you know?

You must inform your loan holder or servicer if you

- fail to begin classes at the school that determined you were eligible to receive your loan, or
- do not begin classes as at least a half-time student for the loan period certified by your school.

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 monthly payments.
Your Repayment Obligation—Avoiding Delinquency and Default

Repayment of your federal student 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 federal student loan payments can have major consequences:

- Your federal student loan becomes delinquent the first day after you miss (fail to make) a payment that is due.
- If a federal student 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 credit rating?

f Your credit score will be damaged.

f You may have difficulty qualifying for credit cards, car loans, or mortgages and will be charged much higher interest rates.

f You may have difficulty signing up for utilities, getting car or homeowner’s insurance, or getting a cell phone plan.

f 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.

Strategies for Avoiding Delinquency and Default

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.

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Did you know?


Stay in touch with your loan servicer

Open all your mail and read everything about your federal student loan(s). 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 federal student loan(s). They can explain your repayment options to help you avoid missing a payment. If you are unsure of your loan servicer, please visit www.nslds.ed.gov/nslds_SA/ for information pertaining to your loans.

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 federal student 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. If you have Direct Subsidized Loans and have not exceeded 150 percent of the published length of your program, 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, FFEL Unsubsidized, and PLUS Loans. If you do not pay this interest, it will be added to the principal balance of your loan(s).
- 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;

- 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.

*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.

**Forbearance**

If you are having temporary problems repaying your federal student
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 the Direct Loans and FFEL Loans you received is 20 percent 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.

Important!

If your account remains delinquent, your loan servicer will send you warning notices reminding you of your repayment obligation. Continued delinquency could result in your loan servicer referring your account to a collection agency or taking other action to collect the amount owed.
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 percent. There is no cap on the interest rate on a Direct Consolidation Loan that is made based on an application received on or after July 1, 2013. To learn more, visit 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:

- You may lose repayment incentives on loans made under the FFEL Program that you consolidate.
- 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.
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 subsidized and unsubsidized loans (not PLUS Loans), provided you teach for five consecutive years as a highly-qualified teacher. For more information, visit StudentAid.gov/teach-forgive.

Public Service Loan Forgiveness (PSLF)
(Direct Loans Only)

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.

If you have Perkins Loans and at least one other qualifying loan (Direct Loan or FFEL Loan), you may consolidate them into a Direct Consolidation Loan to take advantage of PSLF.

For more information, visit StudentAid.gov/publicservice.

Loan discharge

School-related discharge
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.

Death

If you die, or if you are a parent borrower of a 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 federal student 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. If you don’t know your servicer, see “Identifying Your Loan Servicer” on page 3.

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. Contact information is below:

U.S. Department of Education
Federal Student Aid
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).

**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 where you can.
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 federal student loans.

» Learn about tax credits for education-related expenses while attending school.

* 

**Help with Tax Issues**

Contact a tax advisor or visit *IRS Tax Benefits for Education* at [www.irs.gov/uac/Tax-Benefits-for-Education:-Information-Center](http://www.irs.gov/uac/Tax-Benefits-for-Education:-Information-Center) and *IRS Information for Students* at [www.irs.gov/Individuals/Students](http://www.irs.gov/Individuals/Students) for detailed information on tax credits, deductions, or other tax benefits for postsecondary students.

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**Your Credit and Identity**

A credit report is a collection of information about you and your credit history, kept by the three major credit bureaus:

» Equifax

» Transunion

» Experian

These credit bureaus track and store information on your credit history, such as

» how promptly you pay your bills,

» the total amount of debt you owe, and

» how many credit cards you have.
Protect your credit and identity:

- Never give your personal information (e.g. SSN, date of birth, account numbers, etc.) to someone if you did not contact them.
- Store documents containing your personal information in a safe location, and shred unnecessary documents.
- Protect your passwords.
- Monitor your bank and credit card statements.

Remember!

Borrowers with higher credit scores are charged lower interest rates than those with lower credit scores. (This does not apply to federal student loans.)

For more information on credit reports and credit scores, you can visit the Federal Trade Commission (FTC) website at www.ftc.gov/.

Manage your debt:

Manage credit card debt:

- Spend only what you can pay back immediately.
- Pay your balance in full each month to avoid interest and fees.
- Look for the lowest annual interest rate (APR) and fees.
- Read the fine print!
- Limit the number of credit cards you hold.
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 federal student loan(s) and how much you have borrowed. Copies of your MPN are available on 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.

You can find information about all of your federal student loans on the National Student Loan Data System (NSLDS) by visiting www.nslds.ed.gov/nslds_SA/.

Your servicer can also assist you with questions you may have about your loan. If you don’t know 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 exit counseling online at StudentLoans.gov, your contact information will automatically be provided to your loan servicer. If you did not (and will not) complete exit 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)
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
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 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 your loan to another servicer without your 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.