

Plain Language Disclosure for Direct Subsidized Loans and Direct Unsubsidized Loans
William D. Ford Federal Direct Loan Program

1. General information. You are receiving a Direct Subsidized Loan (see Note below) and/or Direct Unsubsidized Loan to help cover the costs of your education. This Plain Language Disclosure (Disclosure) summarizes information about your loan. Please read this Disclosure carefully and keep a copy in a safe place. In this Disclosure, the words "we," "us," and "our" refer to the U.S. Department of Education (the Department). If you have questions about your loan, contact your servicer. Your servicer's telephone number and address are shown on correspondence you will receive related to your loan.

You must repay this loan, even if you are unhappy with your education, do not complete your program of study, or cannot find work in your area of study. Borrow only the amount you can afford to repay, even if you are eligible to borrow more.

By accepting your loan proceeds, you are certifying, under penalty of perjury, that if you have been convicted of, or have pled *nolo contendere* or guilty to, a crime involving fraud in obtaining federal student aid funds under Title IV of the Higher Education Act of 1965, as amended, you have completed the repayment of those funds to the Department, or to the loan holder in the case of a Title IV federal student loan.

Information about your loans will be reported to the National Student Loan Data System (NSLDS). Information in NSLDS is accessible to schools, lenders, and guarantors for specific purposes as authorized by the Department.

NOTE: If you are a graduate or professional student, you are not eligible to receive Direct Subsidized Loans for any period of enrollment (loan period) beginning on or after July 1, 2012. The terms and conditions of any Direct Subsidized Loans you received as a graduate or professional student before that date, or that you received as an undergraduate student, remain the same as described in the Borrower's Rights and Responsibilities Statement you received with those loans.

2. Master Promissory Note (MPN). You are receiving a loan under an MPN that you signed previously. You may receive additional loans under that MPN for up to 10 years if the school that you attend is authorized to use the multi-year feature of the MPN and chooses to do so. If your school is not authorized to use the multi-year feature of the MPN or chooses not to do so, or if you do not want to receive more than one loan under the same MPN, you must sign a new MPN for each loan. If you do not want to receive more than one loan under the same MPN, you must notify your school or your servicer in writing.

3. Loan terms and conditions. This Disclosure summarizes information about your loan. Please refer to your MPN and the Borrower's Rights and Responsibilities Statement that you received previously for the complete terms and conditions of your loan. If you need another copy of the Borrower's Rights and Responsibilities Statement, contact your servicer. Unless we tell you otherwise in this Disclosure, your MPN and the Borrower's Rights and Responsibilities Statement control the terms and conditions of your loan. Loans made under your MPN are subject to the Higher Education Act of 1965, as amended, and federal regulations (collectively referred to as "the Act"). Any changes to the Act apply to loans in accordance with the effective date of the changes.

4. Use of loan money. You may use your loan money only to pay for educational expenses (for example, tuition, room, board, books) at the school that determined you were eligible to receive the loan. If you accept this loan, your eligibility for other student assistance may be affected.

5. Information you must report. While you are still in school, you must notify your school if you (i) change your address or telephone number; (ii) change your name (for example, maiden name to married name); (iii) do not enroll at least half-time for the loan period certified by the school, or do not enroll at the school that certified your eligibility for the loan; (iv) stop attending school or drop below half-time enrollment; or (v) graduate or transfer to another school.

You must also notify your servicer of any of the above changes at any time after you receive your loan. In addition, you must notify your servicer if you (i) change employers or if your employer's address or phone number changes; or (ii) have any other change in status that affects your loan (for example, if you received a deferment but no longer meet the eligibility requirements for that deferment).

6. Amount you may borrow. There are limits on the amount you may borrow each academic year (annual loan limits) and in total (aggregate loan limits), as explained in the Borrower's Rights and Responsibilities Statement. You cannot borrow more than these limits. The annual and aggregate loan limits are as follows:

Annual Loan Limits

Dependent Undergraduates (except students whose parents cannot borrow PLUS loans)	
First Year (freshman)	\$5,500 (maximum \$3,500 subsidized)
Second Year (sophomore)	\$6,500 (maximum \$4,500 subsidized)
Third Year (junior) and Beyond	\$7,500 (maximum \$5,500 subsidized)
Independent Undergraduates (and dependent students whose parents cannot borrow PLUS loans)	
First Year (freshman)	\$9,500 (maximum \$3,500 subsidized)
Second Year (sophomore)	\$10,500 (maximum \$4,500 subsidized)
Third Year (junior) and Beyond	\$12,500 (maximum \$5,500 subsidized)
Graduate and Professional Students	
For loan periods beginning before July 1, 2012: \$20,500 (maximum \$8,500 subsidized)	
For loan periods beginning on or after July 1, 2012: \$20,500 (unsubsidized only)	

Aggregate Loan Limits

Dependent Undergraduates (except students whose parents cannot borrow PLUS loans)
\$31,000 (maximum \$23,000 subsidized)
Independent Undergraduates (and dependent students whose parents cannot borrow PLUS loans)
\$57,500 (maximum \$23,000 subsidized)
Graduate and Professional Students
\$138,500 (maximum \$65,500 subsidized)

7. Interest. Loans with a first disbursement date on or after July 1, 2006 have a fixed interest rate. However, different fixed interest rates may apply to separate loans made under the MPN depending on whether the loan is subsidized or unsubsidized, when the loan is first disbursed, and whether you are an undergraduate or graduate student. Loans with a first disbursement date prior to July 1, 2006 have a variable interest rate that is adjusted each year on July 1 but will never be more than 8.25%. Some variable interest rate loans have an interest rate that is lower during in-school, grace, and deferment periods, and higher during repayment and forbearance periods. For loans with a variable interest rate, we will notify you annually of the actual interest rate for each loan that you receive.

If you qualify under the Servicemembers Civil Relief Act, the interest rate on your loans obtained prior to military service may be limited to 6% during your military service. To receive this benefit, you must contact your servicer for information about the documentation you must provide to show that you qualify.

We do not charge interest on Direct Subsidized Loans while you are enrolled in school at least half-time, during your grace period, and during deferment periods. Except as provided below for certain military borrowers, we charge interest on Direct Subsidized Loans during all other periods (starting on the day after your grace period ends), including forbearance periods.

Except as provided below for certain military borrowers, we charge interest on Direct Unsubsidized Loans during all periods (starting on the day your loan is paid out). This includes periods while you are enrolled in school, during your grace period, and during deferment and forbearance periods. Therefore, you will pay more interest on Direct Unsubsidized Loans than on Direct Subsidized Loans.

If you do not pay the interest that is charged to you during in-school, grace, deferment, and forbearance periods, we will add it to the unpaid amount of your loan. This is called capitalization. Capitalization increases the unpaid amount of your loan, and we will then charge interest on the increased amount.

Under the no accrual of interest benefit for active duty service members, we do not charge interest on Direct Loan Program loans first disbursed on or after October 1, 2008 during periods of qualifying active duty military service (for up to 60 months).

8. Loan fee. For a Direct Subsidized or Direct Unsubsidized Loan first disbursed on or after July 1, 2010, we charge a loan fee of 1% of the principal amount of the loan. This fee will be subtracted proportionately from each disbursement of your loan and will be shown on a disclosure statement that we send to you.

9. Repayment incentive programs. A repayment incentive is a benefit that we offer to encourage you to repay your loan on time. Under a repayment incentive program, the interest rate we charge on your loan may be reduced. The following repayment incentive programs may be available to you: *Interest Rate Reduction for Automatic Withdrawal of Payments* and *Up-Front Interest Rebate*. (Note: The *Up-Front Interest Rebate* is available only for loans with a first disbursement date that is before July 1, 2012.) These repayment incentive programs are described in the Borrower's Rights and Responsibilities Statement.

10. Disbursement of loan money. Generally, your school will disburse (pay out) your loan money in more than one installment, usually at the beginning of each academic term (for example, at the beginning of each semester or quarter). If your school does not use academic terms or does not have academic terms that meet certain requirements, it will generally disburse your loan in at least two installments, one at the beginning of the period of study for which you are receiving the loan and one at the midpoint of that period of study. Your school may disburse your loan money by crediting it to your student account, or may give it to you directly by check or other means.

11. Canceling your loan. Before your loan money is disbursed, you may cancel all or part of your loan at any time by notifying your school. After your loan money is disbursed, there are two ways to cancel all or part of your loan:

- If your school obtains your written confirmation of the types and amounts of Title IV loans that you want to receive for an award year before crediting loan money to your account at the school, you may tell the school that you want to cancel all or part of that loan within 14 days after the date the school notifies you of your right to cancel all or part of the loan, or by the first day of your school's payment period, whichever is later (your school can tell you the first day of the payment period). If the school does not obtain your written confirmation of the types and amounts of loans you want to receive before crediting the loan money to your account, you may cancel all or part of that loan by informing the school within 30 days of the date the school notifies you of your right to cancel all or part of the loan. In either case, your school will return the cancelled loan amount to us.

If you ask your school to cancel all or part of your loan outside the timeframes described above, your school may process your cancellation request, but it is not required to do so.

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- Within 120 days of the date your school disbursed your loan money (by crediting the loan money to your account at the school, by paying it directly to you, or both), you may return all or part of your loan to us. Contact your servicer for guidance on how and where to return your loan money.

You do not have to pay interest or the loan fee on the part of your loan that is cancelled or returned within the timeframes described above, and if you received an up-front interest rebate on your loan, the rebate does not apply. Your loan will be adjusted to eliminate any interest, loan fee, and rebate amount that applies to the amount of the loan that was cancelled or returned.

12. Grace period. You will receive a 6-month grace period on repayment that starts the day after you stop attending school or drop below half-time enrollment. You do not have to begin making payments on your loan until after your grace period ends.

13. Repaying your loan. You must repay each loan that you receive according to the repayment schedule provided by your servicer. You must begin repaying your loan after your grace period ends. The amount of time you have to repay your loan (the repayment period) will vary from 10 to 25 years, depending on the repayment plan that you choose and the total amount you have borrowed. If your loan has a variable interest rate, we may need to adjust the number or amount of your payments to reflect changes in the interest rate. You may choose one of the following repayment plans:

- **Standard Repayment Plan.** You will make fixed monthly payments and repay your loan within 10 years (not including periods of deferment or forbearance) from the date the loan entered repayment. Your payments must be at least \$50 per month (\$600 per year) and will be more, if necessary, to repay the loan within the required time period.
- **Graduated Repayment Plan.** Your payments will usually be lower at first, and will then increase over time. No single payment will be more than 3 times greater than any other payment. You must repay your loan in full within 10 years (not including periods of deferment and forbearance) from the date the loan entered repayment.
- **Extended Repayment Plan.** You may choose this plan only if (i) you had no outstanding balance on a Direct Loan Program loan as of October 7, 1998 or on the date you obtained a Direct Loan Program loan on or after October 7, 1998, and (ii) you have an outstanding balance on Direct Loan Program loans that exceeds \$30,000. You may choose to make fixed monthly payments or graduated monthly payments that start out lower and gradually increase over time, and will repay your loan in full over a period not to exceed 25 years (not including periods of deferment and forbearance) from the date your loan entered repayment. If you make fixed monthly payments, your payments must be at least \$50 per month (\$600 per year) and will be more, if necessary, to repay the loan within the required time period.
- **Income Contingent Repayment (ICR) Plan.** Your monthly payment amount will be based on your annual income (and your spouse's income, if you are married), your family size, and the total amount of your Direct Loans. As your income changes, your payments may change. If you do not repay your loan after 25 years under this plan, the remaining unpaid balance will be forgiven. Refer to the Borrower's Rights and Responsibilities Statement for more information about the ICR Plan.
- **Income-Based Repayment (IBR) Plan.** Your monthly payment amount will be based on your income (and your spouse's income, if you are married and file a joint federal tax return) during any period when you have a partial financial hardship. Your payment amount may be adjusted annually. If your loan is not repaid in full after you have made the equivalent of 25 years of qualifying payments and at least 25 years have elapsed, the remaining unpaid balance will be forgiven. To initially qualify for this plan and to continue to make income-based payments, you must have a partial financial hardship. Refer to the Borrower's Rights and Responsibilities Statement for more information about the IBR Plan.

These plans are designed to give you flexibility in meeting your obligation to repay your loan. You may change repayment plans at any time after you have begun repaying your loan. You may make loan payments before they are due, or pay more than the amount due each month, without penalty. When you have repaid a loan in full, your servicer will send you a notice telling you that you have paid off your loan. You should keep this notice in a safe place.

14. Late charges and collection costs. We may require you to pay a late charge of not more than six cents for each dollar of each late payment if you do not make any part of a payment within 30 days after it is due. We may also require you to pay other charges and fees involved in collecting your loan.

15. Demand for immediate repayment. The entire unpaid amount of your loan becomes due and payable (on your MPN this is called "acceleration") if you (i) receive loan money but do not enroll at least half-time at the school that determined you were eligible to receive the loan; (ii) use your loan money to pay for anything other than educational expenses at the school that determined you were eligible to receive the loan; (iii) make a false statement that causes you to receive a loan that you are not eligible to receive; or (iv) default on your loan.

16. Default. You are in default on your loan if you (i) do not repay the entire unpaid amount of your loan if we require you to do so; (ii) have not made a payment on your loan for at least 270 days; or (iii) do not comply with other terms and conditions of your loan, and we conclude that you no longer intend to honor your obligation to repay your loan.

If you default on your loan, we will report your default to national consumer reporting agencies. We may sue you, take all or part of your federal tax refund, and/or garnish your wages so that your employer is required to send us part of your salary to pay off your loan. We will require you to pay reasonable collection fees and costs, plus court costs and

attorney fees. You will lose eligibility for other federal student aid and assistance under most federal benefit programs. You will lose eligibility for loan deferments.

17. Consumer reporting agency notification. We will report information about your loan to national consumer reporting agencies. This information will include the disbursement dates, amount, and repayment status of your loan (for example, whether you are current or delinquent in making payments). Your loan will be identified as an education loan.

18. Deferment and forbearance (postponing payments). If you meet certain requirements, you may receive a **deferment** that allows you to temporarily stop making payments on your loan. For example:

You may receive a deferment while you are attending school at least half-time, or for up to 3 years while you are unemployed or experiencing an economic hardship.

You may receive a deferment while you are serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency, and if you were serving on or after October 1, 2007, for an additional 180-day period following the demobilization date for your qualifying service.

If you are 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 while enrolled at least half-time at an eligible school, or within 6 months after having been enrolled at least half-time, you are eligible for a deferment during the 13 months following the conclusion of your active duty service, or until the date you return to enrolled student status on at least a half-time basis, whichever is earlier.

This is not a complete list of available deferments. For a complete list, refer to the Borrower's Rights and Responsibilities Statement that you received previously.

We do not charge interest on Direct Subsidized Loans during deferment periods. However, we do charge interest on Direct Unsubsidized Loans during deferment periods.

If you cannot make your scheduled loan payments but do not qualify for a deferment, we may give you a **forbearance**. A forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments. For example, we may give you a forbearance if you are temporarily unable to make scheduled loan payments because of financial hardship or illness. We may also give you a forbearance under other conditions as described in the Borrower's Rights and Responsibilities Statement. We charge interest on both Direct Subsidized Loans and Direct Unsubsidized Loans during forbearance periods.

To request a deferment or forbearance, contact your servicer.

19. Loan discharge. We may discharge (forgive) all or part of your loan if (i) you die, and we receive acceptable documentation of your death; (ii) you become totally and permanently disabled and meet certain other requirements; (iii) your loan is discharged in bankruptcy; (iv) you were unable to complete your course of study because your school closed; (v) your school falsely certified your eligibility; (vi) your school did not pay a refund of your loan money that it was required to pay under federal regulations; or (vii) a loan in your name was falsely certified as a result of a crime of identity theft. To request a loan discharge, contact your servicer.

We may forgive a portion of any loans you received under the Direct Loan or Federal Family Education Loan (FFEL) program after October 1, 1998 if you teach full-time for 5 consecutive years in certain low-income elementary or secondary schools, or for certain low-income educational service agencies, and meet certain other qualifications. In addition, you must not have owed a Direct Loan or FFEL program loan as of October 1, 1998, or as of the date you obtain a loan after October 1, 1998. Contact your servicer for specific eligibility requirements.

A public service loan forgiveness program is also available. Under this program, the remaining balance due on your eligible Direct Loan Program loans may be cancelled after you have made 120 payments on those loans (after October 1, 2007) under certain repayment plans while you are employed in certain public service jobs.

The Act may provide for certain loan forgiveness or repayment benefits on your loan in addition to the benefits described above. If other forgiveness or repayment options become available, your servicer will provide information about these benefits.

In some cases, you may assert, as a defense against collection of your loan, that your school did something wrong or failed to do something that it should have done. You can make such a defense against repayment only if what your school did or did not do would give rise to a legal cause of action under applicable state law. If you believe that you have a defense against repayment of your loan, contact your servicer.

20. Loan consolidation. You may consolidate (combine) one or more of your eligible federal education loans into a new loan with a single monthly payment. Consolidation may also allow you to extend the period of time that you have to repay your loans. This may make it easier for you to repay your loans. However, you will likely pay more interest if you extend your repayment period through consolidation, since you will be making payments for a longer period of time. Contact your servicer for more information about loan consolidation.