

# **MPN TERMS AND CONDITIONS**

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## **GOVERNING LAW**

The terms of this Master Promissory Note (MPN) will be interpreted in accordance with the HEA (20 U.S.C. 1070 et seq.), ED's regulations, any amendments to the HEA and the regulations in accordance with the effective date of those amendments, and other applicable federal laws and regulations. Throughout this MPN, we refer to these laws and regulations collectively as the "Act."

Under applicable state law, except as preempted by federal law, you may have certain borrower rights, remedies, and defenses in addition to those stated in this MPN and the Borrower's Rights and Responsibilities Statement.

## **DISCLOSURE OF LOAN TERMS**

This MPN applies to Direct Subsidized Loans and Direct Unsubsidized Loans. Under this MPN, the principal amount that you owe, and are required to repay, will be the sum of all disbursements that are made (unless you reduce or cancel any disbursements as explained below under Loan Cancellation), plus any unpaid interest that is capitalized and added to the principal balance.

Each loan made under this MPN is separately enforceable based on a true and exact copy of this MPN. At or before the time of the first disbursement of each loan, you will receive a disclosure statement identifying the amount of the loan and additional terms of the loan. The Borrower's Rights and Responsibilities Statement accompanying this MPN contains important additional information. The Borrower's Rights and Responsibilities Statement and any disclosure statement you receive in connection with any loan under this MPN are hereby incorporated into this MPN.

The Act specifies annual and aggregate limits on the amount of loans you may receive under this MPN. You may request additional loan funds to pay for your educational costs up to the annual and aggregate loan limits by contacting your school's financial aid office. Your school will determine if you are eligible for any additional loan funds. You will be notified of any increase or other change in the amount of your loan.

The amount of Direct Subsidized Loans and Direct Unsubsidized Loans you are eligible to receive may increase or decrease based on changes in your financial circumstances. Your school will notify you of any changes in your eligibility. You will be notified of any increase or decrease in the amount of your loan.

We may use a servicer to handle billing and other communications related to your loan.

## **TIME LIMITATION ON DIRECT SUBSIDIZED LOAN ELIGIBILITY FOR FIRST-TIME BORROWERS ON OR AFTER JULY 1, 2013**

If you are a first-time borrower on or after July 1, 2013 (see Note), there is a limit on the maximum period of time (measured in academic years) for which you can receive Direct Subsidized Loans. In general, you may not receive Direct Subsidized Loans for more than 150% of the published length of your program of study. This is called your "maximum eligibility period."

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans, and if you are enrolled in school you may become responsible for paying interest on your Direct Subsidized Loans. You may continue to receive Direct Unsubsidized Loans.

With certain exceptions as provided under the Act (such as if you graduate from your program of study before you receive or at the time you receive Direct Subsidized Loans for your maximum eligibility period), you will become responsible for paying the interest that accrues on your Direct Subsidized Loans during all periods if you:

- Continue to be enrolled in any undergraduate program after you have received Direct Subsidized Loans for your maximum eligibility period, or
- Enroll in another undergraduate program that is the same length as or shorter than your previous program.

The Borrower's Rights and Responsibilities Statement that accompanies this MPN provides additional information concerning the limitation on Direct Subsidized Loan eligibility for first-time borrowers on or after July 1, 2013.

Note: You are considered to be a first-time borrower on or after July 1, 2013 if you had no outstanding balance on a Direct Loan or a Federal Family Education Loan (FFEL) Program loan on July 1, 2013, or if you have no outstanding balance on a Direct Loan or FFEL program loan on the date you obtain a Direct Loan Program loan after July 1, 2013.

## **LOAN CANCELLATION**

You may pay back all or part of a loan disbursement within the timeframes set by the Act, as explained in the Borrower's Rights and Responsibilities Statement and in a disclosure statement that you will receive. If you return the full loan amount within those timeframes, you will not have to pay any loan fee or interest charges. If you return part of a disbursement within those timeframes, we will reduce the loan fee and interest charges in proportion to the amount returned.

## **INTEREST**

Unless we notify you in writing that a different rate will apply, the interest rate for any loan you receive under this MPN is a fixed rate that is calculated in accordance with a formula specified in the Act. The interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans is calculated each year. When the rate is calculated, it applies to Direct Subsidized Loans and Direct Unsubsidized 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. Different interest rates may apply to different loans you receive under this MPN, depending on when the loan is first disbursed and whether you are an undergraduate student or a graduate or professional student. The maximum interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans made to undergraduate students is 8.25%. The maximum interest rate for Direct Unsubsidized Loans made to graduate or professional students is 9.5%. We will notify you of the interest rate on each of your loans.

If you are in the military and the interest rate on your loan is greater than 6%, you may qualify to have the rate limited to 6% during your period of service. In addition, under the no accrual of

interest benefit for active duty service members, you are not required to pay the interest that accrues on any type of Direct Loan Program loan first disbursed on or after October 1, 2008 during periods of qualifying active duty military service (for up to 60 months).

Except as explained below, you are not required to pay the interest that accrues on a Direct Subsidized Loan during an in-school, grace, or deferment period, and during certain periods of repayment under the Revised Pay As You Earn Repayment Plan (REPAYE Plan), the Pay As You Earn Repayment Plan (PAYE Plan), and the Income-Based Repayment Plan (IBR Plan). You must pay the interest that accrues on a Direct Subsidized Loan during all other periods (including forbearance periods), starting on the day after your grace period ends.

If you are a first-time borrower on or after July 1, 2013, under certain conditions you may become responsible for paying the interest that accrues on your Direct Subsidized Loans during all periods, as described under the heading "Time Limitation on Direct Subsidized Loan Eligibility for First-Time Borrowers on or after July 1, 2013."

Except during certain periods of repayment under the REPAYE Plan, you must pay the interest that accrues on a Direct Unsubsidized Loan during all periods (including in-school, grace, deferment, and forbearance periods), starting on the date of the first disbursement of the loan.

You agree to pay all interest that accrues on your Direct Loan(s) during the periods described above. You will be given the opportunity to pay the interest that accrues during in-school, grace, deferment, forbearance, or other periods as provided under the Act. If you do not pay this interest, we may capitalize the interest (add it to the principal balance of your loans) at the end of the grace, deferment, forbearance, or other period.

## **LOAN FEE**

As provided by the Act, we charge a loan fee for each Direct Subsidized Loan and Direct Unsubsidized Loan you receive under this MPN. The loan fee is a percentage of the loan amount and will be deducted proportionately from each disbursement of each of your loans. The specific loan fee you are charged will be shown on disclosure statements that will be sent to you. We may refund the loan fee only as permitted by the Act.

## **LATE CHARGES AND COLLECTION COSTS**

We may collect from you:

- 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 required installment payment within 30 days after it becomes due, and
- Any other charges and fees that are permitted by the Act related to the collection of your loans.

If you default on a loan, you must pay reasonable collection costs, plus court costs and attorney fees.

## **GRACE PERIOD**

You will receive a 6-month grace period on repayment of each loan made under this MPN. The grace period begins the day after you cease to be enrolled at least half-time at an eligible school.

You are not required to make any payments on your loan during the grace period. However, you are responsible for paying the interest that accrues on your Direct Unsubsidized Loan and, in

some cases on your Direct Subsidized Loan during the grace period (see "Interest" in this section of the MPN), and this interest will be capitalized at the end of the grace period if you do not pay it.

## **REPAYMENT**

You must repay the full amount of the loans made under this MPN, plus accrued interest. You will repay each loan in monthly installments during a repayment period that begins on the day immediately following your 6-month grace period on that loan. Generally, payments that you make or that someone else makes on your behalf will be applied first to late charges and collection costs that are due, then to interest that has not been paid, and finally to the principal amount of the loan. However, any payments made under the REPAYE Plan, the PAYE Plan, or the IBR Plan will be applied first to interest that is due, then to fees that are due, and then to the principal amount.

You have a choice of repayment plans. The Borrower's Rights and Responsibilities Statement includes information on these repayment plans. You must select a repayment plan. If you do not select a repayment plan, we will choose a plan for you in accordance with the Act.

Once you choose a repayment plan, we will provide you with a repayment schedule that identifies your payment amounts and due dates. If you intend to repay your loan but are unable to make your scheduled loan payments, we may grant you a forbearance that allows you to temporarily stop making payments or to temporarily make a smaller payment amount, which extends the time for making payments.

We may adjust payment dates on your loans or may grant you a forbearance to eliminate a delinquency that remains even though you are making scheduled installment payments.

You may prepay all or any part of the unpaid balance on your loans at any time without penalty. We will determine how to apply the prepayment in accordance with the Act.

After you have repaid in full a loan made under this MPN, we will send you a notice telling you that you have paid off your loan.

## **ACCELERATION AND DEFAULT**

At our option, the entire unpaid balance of a loan made under this MPN will become immediately due and payable (this is called "acceleration") if any one of the following events occurs:

- (1) You do not begin attendance in any classes at the school that determined you were eligible to receive the loan;
- (2) You do not use the loan money solely for your educational expenses;
- (3) You make a false representation that results in your receiving a loan for which you are not eligible; or
- (4) You default on the loan.

You will be considered in default on your loan if:

- (1) The full unpaid balance of the loan becomes immediately due and payable because event (1), (2), or (3) above occurs and you do not pay the amount due;
- (2) You do not make installment payments when due and your failure to make payments has

continued for at least 270 days; or

**(3)** You do not comply with other terms of the loan, and we reasonably conclude that you no longer intend to honor your repayment obligation.

If you default, we may capitalize all outstanding interest. This will increase the principal balance of your loan, and the full amount of the loan, including the new principal balance and collection costs, will become immediately due and payable.

If you default, the default will be reported to nationwide consumer reporting agencies (credit bureaus) and will significantly and adversely affect your credit history. A default will have additional adverse consequences as explained in the Borrower's Rights and Responsibilities Statement. Following default, you may be required to repay the loan (potentially including amounts in excess of the principal and interest) under the IBR Plan, the PAYE Plan, the REPAYE Plan, or the Income-Contingent Repayment Plan (ICR Plan) in accordance with the Act.

## **LEGAL NOTICES**

Any notice required to be given to you will be effective if it is sent by first-class mail to the most recent address that we have for you, by electronic means to an email address you have provided, or by any other method of notification that is permitted or required by applicable law and regulation. You must immediately notify us of a change in your contact information or status as specified in the Borrower's Rights and Responsibilities Statement under "Information you must report to us after you receive your loan."

If we do not enforce or insist on compliance with any term of this MPN, it does not waive any of our rights. No provision of this MPN may be modified or waived, unless we do so in writing. If any provision of this MPN is determined to be unenforceable, the remaining provisions will remain in force.

Information about your loans will be submitted to the National Student Loan Data System (NSLDS). Information in NSLDS is accessible to schools, lenders, and guarantors for specific purposes that we authorize.

## **NOTICE ABOUT SUBSEQUENT LOANS MADE UNDER THIS MPN**

This MPN authorizes us to make multiple loans to you to pay your educational expenses during the multi-year term of this MPN, upon your request and upon your school's annual certification of your loan eligibility.

At schools that are authorized to use the multi-year feature of the MPN and choose to do so, subsequent loans may be made under this MPN for subsequent academic years. At any school, subsequent loans may be made under this MPN for the same academic year.

No subsequent loans will be made under this MPN after the earliest of the following dates:

- (1)** The date we or your school receive your written notice that no further loans may be made;
- (2)** One year after the date you sign the MPN or the date we receive the MPN if no disbursements are made under the MPN; or
- (3)** Ten years after the date you sign the MPN or the date we receive the MPN.

# IMPORTANT NOTICES

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## GRAMM-LEACH-BLILEY ACT NOTICE

In 1999, Congress enacted the Gramm-Leach-Bliley Act (Public Law 106-102). This Act requires that lenders provide certain information to their customers regarding the collection and use of nonpublic personal information.

We disclose nonpublic personal information to third parties only as necessary to process and service your loan and as permitted by the Privacy Act of 1974. See the Privacy Act Notice below. We do not sell or otherwise make available any information about you to any third parties for marketing purposes.

We protect the security and confidentiality of nonpublic personal information by implementing the following policies and practices. All physical access to the sites where nonpublic personal information is maintained is controlled and monitored by security personnel. Our computer systems offer a high degree of resistance to tampering and circumvention. These systems limit data access to our staff and contract staff on a "need-to-know" basis, and control individual users' ability to access and alter records within the systems. All users of these systems are given a unique user ID with personal identifiers. All interactions by individual users with the systems are recorded.

## PRIVACY ACT NOTICE

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authority for collecting the requested information from and about you is §451 *et seq.* of the Higher Education Act (HEA) of 1965, as amended (20 U.S.C. 1087a *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations,

disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment status, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

#### **FINANCIAL PRIVACY ACT NOTICE**

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

#### **PAPERWORK REDUCTION NOTICE**

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0007. Public reporting burden for this collection of information is estimated to average 30 minutes (0.5 hours) per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 685.201. If you have comments or concerns regarding the status of your individual submission of this form, write to:

U.S. Department of Education  
Common Origination and Disbursement School Relations Center  
Attn: Student Loan Support  
PO Box 9002  
Niagara Falls, NY 14302

# **William D. Ford Federal Direct Loan Program Direct Subsidized Loan and Direct Unsubsidized Loan Borrower's Rights and Responsibilities Statement**

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## **IMPORTANT NOTICE**

This Borrower's Rights and Responsibilities Statement provides additional information about the terms and conditions of the loans you receive under the accompanying Master Promissory Note (MPN) for Direct Subsidized Loans and Direct Unsubsidized Loans. Please keep this Borrower's Rights and Responsibilities Statement for your records. You may request another copy of this Borrower's Rights and Responsibilities Statement at any time by contacting your servicer.

Throughout this Borrower's Rights and Responsibilities Statement, the words "we," "us," and "our" refer to the U.S. Department of Education. The word "loan" refers to one or more loans made under the accompanying MPN.

## **1. THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM**

The William D. Ford Federal Direct Loan (Direct Loan) Program includes the following types of loans, known collectively as "Direct Loans":

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

The Direct Loan Program is authorized by Title IV, Part D, of the Higher Education Act of 1965, as amended (HEA), 20 U.S.C. 1070 et seq.

You must complete a Free Application for Federal Student Aid (FAFSA) to be eligible for a Direct Subsidized Loan or Direct Unsubsidized Loan.

Direct Loans are made by the U.S. Department of Education. We contract with servicers to process Direct Loan payments, deferment and forbearance requests, and other transactions, and to answer questions about Direct Loans. Your servicer will provide you with its address and telephone number after the school notifies us that the first disbursement of your loan has been made. It is important to keep in contact with your servicer.

## **2. LAWS THAT APPLY TO THIS MPN**

The terms and conditions of loans made under this MPN are determined by the HEA and other applicable federal laws and regulations. These laws and regulations are referred to as "the Act" throughout this Borrower's Rights and Responsibilities Statement. Under applicable state law, except as preempted by federal law, you may have certain borrower rights, remedies, and defenses in addition to those stated in the MPN and this Borrower's Rights and Responsibilities Statement.

**NOTE: Any amendment to the Act that affects the terms of this MPN will be applied to your loans in accordance with the effective date of the amendment.**

## **3. DIRECT SUBSIDIZED LOANS AND DIRECT UNSUBSIDIZED LOANS**

Direct Subsidized Loans and Direct Unsubsidized Loans are made to students to help pay for the cost of education beyond high school.

Direct Subsidized Loans are available only to undergraduate students. Direct Unsubsidized Loans are available to both undergraduate students and graduate or professional students.

To receive a Direct Subsidized Loan, you must have financial need. Except as explained in Item 10 of this Borrower's Rights and Responsibilities Statement ("Payment of interest"), you are not required to pay the interest that accrues on Direct Subsidized Loans while you are in school, during the grace period, during deferment periods, and during certain periods of repayment under the Revised Pay As You Earn Repayment Plan (REPAYE Plan), the Pay As You Earn Repayment Plan (PAYE Plan), and the Income-Based Repayment Plan (IBR Plan).

Direct Unsubsidized Loans are not based on financial need. Except during certain periods of repayment under the REPAYE Plan, you must pay the interest that accrues on Direct Unsubsidized Loans during all periods. For more information on interest charges, see Item 10.

#### **4. TIME LIMITATION ON DIRECT SUBSIDIZED LOAN ELIGIBILITY FOR FIRST-TIME BORROWERS ON OR AFTER JULY 1, 2013**

If you are a first-time borrower on or after July 1, 2013, there is a limit on the maximum period of time (measured in academic years) that you can receive Direct Subsidized Loans.

You are a first-time borrower on or after July 1, 2013 if you had no outstanding balance on a Direct Loan or on a Federal Family Education Loan (FFEL) Program loan on July 1, 2013, or if you have no outstanding balance on a Direct Loan or FFEL program loan on the date you obtain a Direct Loan after July 1, 2013.

In general, if you are a first-time borrower on or after July 1, 2013 you may not receive Direct Subsidized Loans for more than 150% of the published length of your program of study. This is called your "maximum eligibility period." For example, if you are enrolled in a 4-year bachelor's degree program, the maximum period for which you can receive Direct Subsidized Loans is 6 years (150% of 4 years = 6 years).

Your maximum eligibility period is based on the published length of the program in which you are currently enrolled. This means that your maximum eligibility period can change if you change programs. If you receive Direct Subsidized Loans for one program and then change to a different program, the period of time for which you received Direct Subsidized Loans for the earlier program will generally count against your new maximum eligibility period.

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans, and if you are enrolled in school, you may become responsible for paying interest on your Direct Subsidized Loans. You may continue to receive Direct Unsubsidized Loans. We will notify you if you are no longer eligible to receive additional Direct Subsidized Loans.

With certain exceptions as provided under the Act (for example, if you graduate from your program of study before or at the time you receive Direct Subsidized Loans for your maximum eligibility period), if you continue to be enrolled in any undergraduate program after you have received Direct Subsidized Loans for your maximum eligibility period, or if you enroll in another undergraduate program that is the same length as or shorter than your previous program, you will become responsible for paying all of the interest that accrues on your Direct Subsidized

Loans, during all periods, beginning on the date of the enrollment that causes you to become responsible for paying the interest. You will become responsible for paying all of the interest that accrues on your Direct Subsidized Loans based solely on your enrollment as described above, regardless of whether you apply for, request, or receive federal financial aid. We will notify you if you become responsible for paying all of the interest that accrues on your Direct Subsidized Loans.

Additional information about the limitation on Direct Subsidized Loan eligibility for first-time borrowers on or after July 1, 2013 will be provided during entrance counseling (see Item 13 of this Borrower's Rights and Responsibilities Statement). You may also obtain additional information from your school's financial aid office, or at [StudentAid.gov](http://StudentAid.gov).

## **5. ABOUT THE MPN**

You may receive more than one loan under this MPN over a period of up to 10 years to pay for your educational costs, as long as the school you are attending 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 this MPN, you must sign a new MPN for each loan that you receive. If you do not want to receive more than one loan under this MPN, you must notify your school or your servicer in writing.

## **6. USE OF YOUR LOAN MONEY**

You may use the loan money you receive only to pay for your authorized educational expenses for attendance at the school that determined you were eligible to receive the loan. Authorized expenses include the following:

- Tuition
- Room
- Board
- Institutional fees
- Books
- Supplies
- Equipment
- Dependent care expenses
- Transportation
- Commuting expenses
- Rental or purchase of a personal computer
- Loan fees
- Other documented, authorized costs

## **7. INFORMATION YOU MUST REPORT TO US AFTER YOU RECEIVE YOUR LOAN**

You must notify your servicer and/or the financial aid office at your school about certain changes.

Until you graduate or otherwise leave school, you must notify your school's financial aid office if you:

- Change your address or telephone number;
- Change your name (for example, maiden name to married name);
- Do not enroll at least half-time for the loan period certified by the school;
- Do not enroll at the school that determined you were eligible to receive the loan;
- Stop attending school or drop below half-time enrollment;
- Transfer from one school to another school; or
- Graduate.

You must also notify your servicer if any of the above events occur at any time after you receive your loan. In addition, you must notify your servicer if you:

- Change your employer, or your employer's address or telephone number changes; or
- Have any other change in status that would affect your loan (for example, if you receive a deferment while you are unemployed, but you find a job and therefore no longer meet the eligibility requirements for the deferment).

## **8. AMOUNT YOU MAY BORROW**

The charts that follow show the maximum amounts of Direct Subsidized Loans and Direct Unsubsidized Loans that you may borrow for a single academic year (annual loan limits), and the maximum amounts that you may borrow in total for undergraduate and graduate study (aggregate loan limits).

The aggregate loan limits are combined limits that include Direct Subsidized Loans and Direct Unsubsidized Loans, as well as any Subsidized Federal Stafford Loans and Unsubsidized Federal Stafford Loans you may have previously received through the FFEL Program.

The annual and aggregate loan limits for independent undergraduates also apply to dependent undergraduates whose parents are unable to obtain a Direct PLUS Loan because of exceptional circumstances.

If you are enrolled in certain health professions programs, you may qualify for higher annual and aggregate limits on Direct Unsubsidized Loans.

The actual loan amount you receive will be determined by your school, based on your academic level, dependency status, and other factors such as:

- The length of the program or the remaining portion of the program in which you are enrolled, if it is less than a full academic year;
- Your cost of attendance;
- Your Expected Family Contribution;
- Other financial aid you receive; and
- Your remaining eligibility under the annual or aggregate loan limits.

The actual amount you receive for an academic year may be less than the maximum annual amounts shown in the charts.

If you are an undergraduate student, your school must determine your eligibility for a Federal Pell Grant before you may receive a Direct Subsidized Loan or a Direct Unsubsidized Loan, and

must determine your eligibility for a Direct Subsidized Loan before determining your eligibility for a Direct Unsubsidized Loan.

**ANNUAL LOAN LIMITS**

<b>Dependent Undergraduate Students</b> <i>(except students whose parents cannot obtain Direct PLUS Loans)</i>	
First Year Total (maximum \$3,500 subsidized)	\$5,500
Second Year Total (maximum \$4,500 subsidized)	\$6,500
Third Year & Beyond (Total Each Year) (maximum \$5,500 subsidized)	\$7,500
<b>Independent Undergraduate Students</b> <i>(and dependent students whose parents cannot obtain Direct PLUS Loans)</i>	
First Year Total (maximum \$3,500 subsidized)	\$9,500
Second Year Total (maximum \$4,500 subsidized)	\$10,500
Third Year & Beyond (Total Each Year) (maximum \$5,500 subsidized)	\$12,500
<b>Graduate and Professional Students</b>	
Total Amount (Each Year) (unsubsidized only)	\$20,500

**AGGREGATE LOAN LIMITS**

<b>Dependent Undergraduate Students</b> <i>(except students whose parents cannot obtain Direct PLUS Loans)</i>	
Total Amount Cumulative (maximum \$23,000 subsidized)	\$31,000

<b>Independent Undergraduate Students (and dependent students whose parents cannot obtain Direct PLUS Loans)</b>	
Total Amount Cumulative (maximum \$23,000 subsidized)	\$57,500
<b>Graduate and Professional Students</b>	
Total Amount Cumulative (maximum \$65,500 subsidized; includes loans received for undergraduate study)	\$138,500

## **9. INTEREST RATE**

The interest rate on Direct Subsidized Loans and Direct Unsubsidized Loans is a fixed rate that is calculated in accordance with a formula specified in the Act. The interest rate is calculated each year. When the rate is calculated, it applies to all Direct Subsidized Loans and Direct Unsubsidized 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. Different fixed interest rates may apply to separate loans made under this MPN depending on when the loan is first disbursed, and whether you are an undergraduate student or a graduate or professional student when the loan is made. The maximum interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans made to undergraduate students is 8.25%. The maximum interest rate for Direct Unsubsidized Loans made to graduate or professional students is 9.5%. We will notify you of the interest rate for each loan you receive in a disclosure statement that we send to you.

### **Servicemembers Civil Relief Act**

**If you are in military service, you may qualify for a lower interest rate on your loans.**

Under the Servicemembers Civil Relief Act, the interest rate on loans you received before you began your military service may be limited to 6% during your military service. In most cases, your servicer will determine if you are eligible for this benefit based on information from the U.S. Department of Defense, and, if any of your qualifying loans have an interest rate greater than 6%, will automatically reduce that rate to 6% during your military service. If you think you qualify for the 6% interest rate but have not received it, contact your servicer. Your servicer can also provide more information about this benefit.

## **10. PAYMENT OF INTEREST**

In general, you are not required to pay the interest that accrues on Direct Subsidized Loans during certain periods, but you must pay the interest that accrues on Direct Unsubsidized Loans during all periods, as explained below.

### **Direct Subsidized Loans**

Except as explained below, you are not required to pay the interest that accrues on a Direct Subsidized Loan while you are enrolled in school at least half-time, during your grace period, during deferment periods, and during certain periods of repayment under the REPAYE Plan, the PAYE Plan, and the IBR Plan. Except as discussed below for certain borrowers who are active

duty service members, you are responsible for paying the interest that accrues on a Direct Subsidized Loan during all other periods (starting on the day after your grace period ends), including forbearance periods.

You are responsible for paying the interest that accrues during the grace period on any Direct Subsidized Loan for which the first disbursement was made on or after July 1, 2012 and before July 1, 2014. In addition, if you are a first-time borrower on or after July 1, 2013, under certain conditions you may become responsible for paying the interest that accrues on your Direct Subsidized Loans during all periods, as explained in Item 4 of this Borrower's Rights and Responsibilities Statement ("Time limitation on Direct Subsidized Loan eligibility for first-time borrowers on or after July 1, 2013").

**Direct Unsubsidized Loans**

Except as explained below for certain borrowers who are active duty service members, and during certain periods of repayment under the REPAYE Plan, you are responsible for paying the interest that accrues on a Direct Unsubsidized Loan during all periods (starting on the date of the first disbursement). This includes periods while you are enrolled in school at least half-time, during your grace period, and during deferment and forbearance periods. Therefore, you will pay more interest on a Direct Unsubsidized Loan than on a Direct Subsidized Loan.

**No accrual of interest benefit for active duty service members**

Under the no accrual of interest benefit for active duty service members, you are not required to pay the interest that accrues on any type of Direct Loan Program loan first disbursed on or after October 1, 2008 during periods of qualifying active duty military service (for up to 60 months).

**Interest capitalization**

If you do not pay the interest as it accrues on either a Direct Subsidized Loan or a Direct Unsubsidized Loan (during periods when you are responsible for payment of interest), we will add the accrued interest to the unpaid principal balance of your loan. This is called "capitalization." Capitalization increases the unpaid principal balance of your loan, and interest then accrues on the increased principal balance. We capitalize unpaid interest when you resume payment after periods of deferment or forbearance. We may also capitalize unpaid interest that has accrued since the first disbursement of a Direct Unsubsidized Loan when you enter repayment for the first time.

The chart below shows the difference in the total amount you would repay on a \$15,000 Direct Unsubsidized Loan if you pay the interest as it accrues during a 12-month deferment or forbearance period, compared to the amount you would repay if you do not pay the interest and it is capitalized.

	<b>If you pay the interest as it accrues...</b>	<b>If you do not pay the interest and it is capitalized...</b>
Loan Amount	<b>\$15,000</b>	<b>\$15,000</b>

Interest for 12 Months	<b>\$1,238 (paid as accrued)</b>	<b>\$1,238 (unpaid and capitalized)</b>
Principal to be Repaid	<b>\$15,000</b>	<b>\$16,238</b>
Monthly Payment	<b>\$184</b>	<b>\$199</b>
Number of Payments	<b>120</b>	<b>120</b>
Total Repaid	<b>\$23,315</b>	<b>\$23,899</b>

The example in the chart above shows payments made under the Standard Repayment Plan at an interest rate of 8.25%, the maximum interest rate for Direct Unsubsidized Loans made to undergraduate students. In this example, you would pay \$15 less per month and \$584 less altogether if you pay the interest as it accrues during a 12-month deferment or forbearance period.

**Federal income tax deduction**

You may be able to claim a federal income tax deduction for interest payments you make on Direct Loans. For further information, refer to IRS Publication 970, which is available at <http://www.irs.ustreas.gov>.

**11. LOAN FEE**

For each Direct Subsidized Loan or Direct Unsubsidized Loan that you receive under this MPN, we charge a loan fee that is a percentage of the principal amount of each loan. This fee will be subtracted proportionally from each disbursement of your loan and will be shown on a disclosure statement that we send to you.

**12. INTEREST RATE REDUCTION FOR AUTOMATIC WITHDRAWAL OF PAYMENTS**

Under the automatic withdrawal option, your bank automatically deducts your monthly loan payment from your checking or savings account and sends it to us. Automatic withdrawal helps to ensure that your payments are made on time. In addition, you receive a 0.25% interest rate reduction while you repay under the automatic withdrawal option. Your servicer will provide you with information about the automatic withdrawal option. You can also get the information on your servicer's web site, or by calling your servicer. Your servicer's web site address and toll-free telephone number are provided on correspondence that your servicer sends you.

**13. DISBURSEMENT (HOW YOUR LOAN MONEY WILL BE PAID OUT)**

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 determines the schedule for disbursing your loan money in accordance with the Act.

In most cases, if the Direct Subsidized Loan or Direct Unsubsidized Loan that you are receiving is your first student loan under either the Direct Loan Program or the FFEL Program, you must complete entrance counseling before your school can make the first disbursement of your loan. Your school will tell you if entrance counseling is required, and will provide instructions for completing entrance counseling.

Your school may disburse your loan money by crediting it to your account at the school, or may give some or all of it to you directly by check or other means.

If your school credits your loan money to your account and the amount credited is more than the amount of your tuition and fees, room and board, and other authorized charges, the excess amount is called a credit balance. Unless you authorize your school to hold the credit balance for you, your school must pay you the credit balance within the following timeframes:

- If the credit balance occurs after the first day of class of a payment period (your school can tell you this date), your school must pay you the credit balance no later than 14 days after the date the balance occurs.
- If the credit balance occurs on or before the first day of class of a payment period, your school must pay you the credit balance no later than 14 days after the first day of class of the payment period.

#### **14. 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:

- **You may notify your school (within certain timeframes).** 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 your 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.

If you ask your school to cancel all or part of your loan within the timeframes described above, the 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.

- **You may return all or part of your loan to us.** 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 cancel all or part of your loan by returning all or part of the loan money 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. We will adjust your loan amount to eliminate any interest and loan fee that applies to the amount of the loan that is cancelled or returned.

## **15. GRACE PERIOD**

You will receive a 6-month grace period on repayment of each Direct Subsidized Loan and Direct Unsubsidized Loan that you receive. Your 6-month grace period begins 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.

If you are called or ordered to active duty for more than 30 days from a reserve component of the U.S. Armed Forces, the period of your active duty service and the time necessary for you to re-enroll in school after your active duty ends are not counted as part of your grace period. However, the total period that is excluded from your grace period may not exceed three years. If the call or order to active duty occurs while you are in school and requires you to drop below half-time enrollment, the start of your grace period will be delayed until after the end of the excluded period. If the call or order to active duty occurs during your grace period, you will receive a full 6-month grace period at the end of the excluded period.

## **16. REPAYING YOUR LOAN**

The repayment period for each Direct Subsidized Loan and Direct Unsubsidized Loan that you receive begins on the day after your grace period ends. Your servicer will notify you of the date your first payment is due.

You must make payments on your loan even if you do not receive a bill or repayment notice.

You must repay all of your Direct Loans under the same repayment plan, unless you want to repay your loans under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan (see below) and you have other Direct Loans that do not qualify for repayment under those plans. In that case, you may select the REPAYE, PAYE, IBR, or ICR plan for the loans that are eligible for repayment under those plans, and may select a different repayment plan for the loans that may not be repaid under the REPAYE, PAYE, IBR, or ICR plan.

Your Direct Subsidized Loans and Direct Unsubsidized Loans can be repaid under one of the repayment plans listed below. We will ask you to choose a repayment plan before your loans enter repayment. If you do not choose a repayment plan, we will place you on the Standard Repayment Plan.

### **Standard Repayment Plan**

Under the Standard Repayment Plan, you will make fixed monthly payments and repay your loan in full within 10 years (not including periods of deferment or forbearance) from the date the loan entered repayment. Your payments must be at least \$50 a month (\$600 a year) and will be more, if necessary, to repay the loan within the required time period.

### **Graduated Repayment Plan**

Under the Graduated Repayment Plan, you will usually make lower payments at first, and your payments will gradually increase over time. You will repay your loan in full within 10 years (not including periods of deferment or forbearance) from the date the loan entered repayment. Your scheduled monthly payment must at least be equal to the amount of interest that accrues each month. No single scheduled payment will be more than three times greater than any other payment.

### **Extended Repayment Plan**

You are eligible for the Extended Repayment Plan only if (1) you have an outstanding balance on Direct Loans that exceeds \$30,000, and (2) you had no outstanding balance on a Direct Loan as of October 7, 1998 or on the date you obtained a Direct Loan on or after October 7, 1998.

Under this plan, you will repay your loan in full over a period not to exceed 25 years (not including periods of deferment or forbearance) from the date the loan entered repayment. You may choose to make fixed monthly payments or graduated monthly payments that start out lower and gradually increase over time. If you make fixed monthly payments, your payments must be at least \$50 a month (\$600 a year) and will be more, if necessary, to repay the loan within the required time period. If you make graduated payments, your scheduled monthly payment must at least be equal to the amount of interest that accrues each month. No single scheduled payment under the graduated option will be more than three times greater than any other payment.

### **Revised Pay As You Earn Repayment Plan (REPAYE Plan)**

Under the REPAYE Plan, your monthly payment amount is generally 10% of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married, the income used to determine your REPAYE Plan payment amount will generally be the combined income of you and your spouse, regardless of whether you file a joint or separate federal income tax return.

While you are repaying under the REPAYE Plan, you must provide documentation of your income (and, if you are married, your spouse's income) and certify your family size each year so that we may recalculate your payment amount.

Under the REPAYE Plan, if all of the loans you are repaying under the plan were obtained for undergraduate study, any remaining loan amount will be forgiven after you have made the equivalent of 20 years of qualifying monthly payments over a period of at least 20 years. If any of the loans you are repaying under the REPAYE Plan were obtained for graduate or professional study, any remaining loan amount will be forgiven after you have made the equivalent of 25 years of qualifying monthly payments over a period of at least 25 years. You may have to pay federal income tax on the loan amount that is forgiven.

### **Pay As You Earn Repayment Plan (PAYE Plan)**

Under the PAYE Plan, your monthly payment amount is generally 10% of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your

PAYE Plan payment amount will be the combined adjusted gross income of you and your spouse.

If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your PAYE Plan payment amount.

The PAYE Plan is available only to new borrowers. You are a new borrower for the PAYE Plan if:

**(1)** You had no outstanding balance on a Direct Loan or a FFEL Program loan as of October 1, 2007, or you have no outstanding balance on a Direct Loan or a FFEL Program loan when you obtain a new loan on or after October 1, 2007, and

**(2)** You receive a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or student Direct PLUS Loan (a Direct PLUS Loan made to a graduate or professional student) on or after October 1, 2011, or you receive a Direct Consolidation Loan based on an application received on or after October 1, 2011. However, you are not considered to be a new borrower for the PAYE Plan if the Direct Consolidation Loan you receive repays loans that would make you ineligible under part **(1)** of this definition.

In addition to being a new borrower, to initially qualify for the PAYE Plan, the monthly amount you would be required to pay under this plan, based on your income and family size, must be less than the amount you would have to pay under the Standard Repayment Plan.

If you are married and file a joint federal income tax return, the loan amount we use to determine whether you qualify for the PAYE Plan will include your eligible loans and your spouse's eligible loans. If you are married and file a separate federal income tax return from your spouse, the loan amount we use to determine whether you qualify for the PAYE Plan will include only your eligible loans.

While you are repaying under the PAYE Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount. If your income increases to the point that the amount you would have to pay under the PAYE Plan based on your income is more than what you would have to pay under the Standard Repayment Plan, you will remain on the PAYE Plan, but your monthly payment will no longer be based on your income. Instead, your monthly payment will be what you would be required to pay under the Standard Repayment Plan.

Under the PAYE Plan, if your loan is not repaid in full after you have made the equivalent of 20 years of qualifying monthly payments over a period of at least 20 years, any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

### **Income-Based Repayment Plan (IBR Plan)**

Under the IBR Plan, your monthly payment amount is generally 15% (10% if you are a new borrower; see Note below) of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your IBR Plan payment amount will be the combined adjusted gross income of you and your spouse.

If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your IBR Plan payment amount.

To initially qualify for the IBR Plan, the monthly amount you would be required to pay under this plan, based on your income and family size, must be less than the amount you would have to pay under the Standard Repayment Plan.

If you are married and file a joint federal income tax return, the loan amount we use to determine whether you qualify for the IBR Plan will include your eligible loans and your spouse's eligible loans. If you are married and file a separate federal income tax return from your spouse, the loan amount we use to determine whether you qualify for the IBR Plan will include only your eligible loans.

While you are repaying under the IBR Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount. If your income increases to the point that the amount you would have to pay under the IBR Plan based on your income is more than what you would have to pay under the Standard Repayment Plan, you will remain on the IBR Plan, but your monthly payment will no longer be based on your income. Instead, your monthly payment will be what you would be required to pay under the Standard Repayment Plan.

Under the IBR Plan, if your loan is not repaid in full after you have made the equivalent of 25 years (20 years if you are a new borrower) of qualifying monthly payments over a period of at least 25 years (20 years if you are a new borrower), any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

**Note:** You are a new borrower for the IBR Plan if you have no outstanding balance on a Direct Loan or a FFEL Program loan on July 1, 2014, or if you have no outstanding balance on a Direct Loan or a FFEL Program loan on the date you obtain a Direct Loan after July 1, 2014. Your servicer will determine whether you are a new borrower based on the information about your loans in the U.S. Department of Education's National Student Loan Data System.

### **Income Contingent Repayment Plan (ICR Plan)**

Under the ICR Plan, your monthly payment amount will be either 20% of your discretionary income or a percentage of what you would repay under a Standard Repayment Plan with a 12-year repayment period, whichever is less. Discretionary income for this plan is the difference between your adjusted gross income and the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your ICR Plan payment amount will be the combined adjusted gross income of you and your spouse. If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your ICR Plan payment amount. Until we obtain the information needed to calculate your monthly payment amount, your payment will equal the amount of interest that accrues monthly on your loan unless you request a forbearance.

While you are repaying under the ICR Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount.

Under the ICR Plan, if your loan is not repaid in full after you have made the equivalent of 25

years of qualifying monthly payments over a period of at least 25 years, any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

### **Additional repayment plan information**

Under each plan, the number or amount of payments may need to be adjusted to reflect capitalized interest and/or new loans made to you.

If you can show to our satisfaction that the terms and conditions of the repayment plans described above are not adequate to meet your exceptional circumstances, we may provide you with an alternative repayment plan.

You can use the Repayment Estimator at [StudentAid.gov/Repayment-Estimator](https://studentaid.gov/Repayment-Estimator) to estimate your monthly and total payment amounts under the different repayment plans and to evaluate your eligibility for the PAYE and IBR plans. The calculators are for informational purposes only. Your servicer will make the official determination of your payment amount and, for the PAYE and IBR plans, your eligibility for the plan.

You may change repayment plans at any time after you have begun repaying your loan. However, you may not change to a different repayment plan that has a maximum repayment period of less than the number of years your loan has already been in repayment, except that you may change to the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan at any time.

If you are making payments under any repayment plan other than the REPAYE Plan, the PAYE Plan, and the IBR Plan, we apply your payments in the following order:

1. Late charges and collection costs,
2. Outstanding interest, and
3. Outstanding principal.

If you are making payments under the REPAYE Plan, the PAYE Plan, or the IBR Plan, we apply your payments in the following order:

1. Outstanding interest,
2. Late charges and collection costs, and
3. Outstanding principal.

There is no penalty if you make loan payments before they are due, or pay more than the amount due each month (prepayments). We apply any prepayments in accordance with the Act. Your servicer can provide more information about how prepayments are applied.

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.

## **17. TRANSFER OF LOAN**

We may transfer the servicing of one or all of your loans to another servicer. If there is a change in the address to which you must send payments or direct communications, we will notify you of the new servicer's name, address and telephone number, the effective date of the transfer, and the date when you must begin sending payments or directing communications to that servicer.

Transfer of a loan to a different servicer does not affect your rights and responsibilities under that

loan.

## **18. LATE CHARGES AND COLLECTION COSTS**

If you do not make any part of a payment within 30 days after it is due, we may require you to pay a late charge. This charge will not be more than six cents for each dollar of each late payment. If you do not make payments as scheduled, we may also require you to pay other charges and fees involved in collecting your loan.

## **19. DEMAND FOR IMMEDIATE REPAYMENT**

The entire unpaid amount of your loan becomes due and payable (this is called "acceleration") if you:

- Receive loan money, but do not begin attendance in any classes at the school that determined you were eligible to receive the loan;
- Use your loan money to pay for anything other than expenses related to your education at the school that determined you were eligible to receive the loan;
- Make a false statement that causes you to receive a loan that you are not eligible to receive; or
- Default on your loan.

## **20. DEFAULTING ON YOUR LOAN**

Default (failing to repay your loan) is defined in detail in the Terms and Conditions section of your MPN. If you default:

- We will require you to immediately repay the entire unpaid amount of your loan.
- We may sue you, take all or part of your federal and state tax refunds and other federal or state payments, 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.
- We will report your default to nationwide consumer reporting agencies (see Item 21). This will harm your credit history and may make it difficult for you to obtain credit cards, home or car loans, or other forms of consumer credit.

If you default on your loan, you will not be charged collection costs if you respond within 60 days to the initial notice of default that we send to you, and you enter into a repayment agreement with us, including a loan rehabilitation agreement, and fulfill that agreement.

## **21. CONSUMER REPORTING AGENCY NOTIFICATION**

We will report information about your loan to nationwide consumer reporting agencies (commonly known as "credit bureaus") on a regular basis. 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.

If you default on a loan, we will report this to nationwide consumer reporting agencies. We will notify you at least 30 days in advance that we plan to report default information to a consumer reporting agency unless you resume making payments on the loan within 30 days of the date of the notice. You will be given a chance to ask for a review of the debt before we report it.

If a consumer reporting agency contacts us regarding objections you have raised about the accuracy or completeness of any information we have reported, we are required to provide the agency with a prompt response.

## **22. DEFERMENT AND FORBEARANCE (POSTPONING PAYMENTS)**

### **General**

If you meet certain requirements, you may receive a **deferment** that allows you to temporarily stop making payments on your loan. 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.

### **Deferment**

You may receive a deferment:

- While you are enrolled at least half-time at an eligible school;
- While you are in a full-time course of study in a graduate fellowship program;
- While you are in an approved full-time rehabilitation program for individuals with disabilities;
- While you are unemployed (for a maximum of three years; you must be diligently seeking, but unable to find, full-time employment);
- While you are experiencing an economic hardship (including Peace Corps service), as defined in the Act (for a maximum of three years);
- 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; or
- 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 you are enrolled at least half-time at an eligible school or within 6 months of having been enrolled at least half-time, during the 13 months following the conclusion of your active duty service, or until you return to enrolled student status on at least a half-time basis, whichever is earlier.

You may be eligible to receive additional deferments if, at the time you received your first Direct Loan, you had an outstanding balance on a loan made under the FFEL Program before July 1, 1993. If you meet this requirement, contact your servicer for information about additional deferments that may be available.

You may receive a deferment based on your enrollment in school on at least a half-time basis if:

- You submit a deferment request to your servicer along with documentation of your eligibility for the deferment, or
- Your servicer receives information from the school you are attending that indicates you are enrolled at least half-time.

If your servicer processes a deferment based on information received from your school, you will be notified of the deferment and will have the option of canceling the deferment and continuing to make payments on your loan.

For all other deferments, you (or, for a deferment based on active duty military service or qualifying National Guard duty during a war or other military operation or national emergency, a representative acting on your behalf) must submit a deferment request to your servicer, along with documentation of your eligibility for the deferment. In certain circumstances, you may not be required to provide documentation of your eligibility if your servicer confirms that you have been granted the same deferment for the same period of time on a FFEL Program loan. Your servicer can provide you with a deferment request form that explains the eligibility and documentation requirements for the type of deferment you are requesting. You may also obtain deferment request forms and information on deferment eligibility requirements from your servicer's web site.

If you are in default on your loan, you are not eligible for a deferment.

You are not responsible for paying the interest on a Direct Subsidized Loan during a period of deferment, except as explained in Item 10 of this Borrower's Rights and Responsibilities Statement. However, you are responsible for paying the interest on a Direct Unsubsidized Loan during a period of deferment.

### **Forbearance**

We may give you a forbearance if you are temporarily unable to make your scheduled loan payments for reasons including, but not limited to, financial hardship and illness.

We will give you a forbearance if:

- You are serving in a medical or dental internship or residency program, and you meet specific requirements;
- The total amount you owe each month for all of the student loans you received under Title IV of the Act (Direct Loan Program loans, FFEL Program loans, and Federal Perkins Loans) is 20% or more of your total monthly gross income (for a maximum of three years);
- You are serving in a national service position for which you receive a national service education award under the National and Community Service Trust Act of 1993. In some cases, the interest that accrues on a qualified loan during the service period will be paid by the Corporation for National and Community Service;
- You are performing service that would qualify you for loan forgiveness under the Teacher Loan Forgiveness program that is available to certain Direct Loan and FFEL program borrowers;
- You qualify for partial repayment of your loans under a student loan repayment program administered by the Department of Defense; or

- You are called to active duty in the U.S. Armed Forces.

To request a forbearance, contact your servicer. Your servicer can explain the eligibility and documentation requirements for the type of forbearance you are requesting. You may also obtain information on forbearance eligibility requirements from your servicer's web site.

Under certain circumstances, we may also give you a forbearance without requiring you to submit a request or documentation. These circumstances include, but are not limited to, the following:

- Periods necessary for us to determine your eligibility for a loan discharge;
- A period of up to 60 days in order for us to collect and process documentation related to your request for a deferment, forbearance, change in repayment plan, or consolidation loan (we do not capitalize the interest that is charged during this period); or
- Periods when you are involved in a military mobilization, or a local or national emergency.

You are responsible for paying the interest on both Direct Subsidized Loans and Direct Unsubsidized Loans during a period of forbearance.

### **23. DISCHARGE (HAVING YOUR LOAN FORGIVEN)**

#### **Death, bankruptcy, and total and permanent disability**

We will discharge (forgive) your loan if:

- You die. Your servicer must receive acceptable documentation (as defined in the Act) of your death.
- Your loan is discharged in bankruptcy after you have proven to the bankruptcy court that repaying the loan would cause undue hardship. Direct Loans are not automatically discharged if you file for bankruptcy.
- You become totally and permanently disabled (as defined in the Act) and meet certain other requirements.

#### **School closure, false certification, identity theft, and unpaid refund**

In certain cases, we may also discharge all or a portion of your loan if:

- You could not complete a program of study because the school closed;
- Your loan eligibility was falsely certified by the school;
- A loan in your name was falsely certified as a result of a crime of identity theft; or
- The school did not pay a refund of your loan money that it was required to pay under federal regulations.

#### **Teacher Loan Forgiveness**

We may forgive a portion of eligible student loans you received under the Direct Loan or FFEL program after October 1, 1998 if you:

- Teach full time for five consecutive years in certain low-income elementary or secondary

- schools, or for certain low-income educational service agencies;
- Meet certain other qualifications; and
- Did not owe 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.

### **Public Service Loan Forgiveness**

A Public Service Loan Forgiveness (PSLF) program is also available. Under this program, we will forgive the remaining balance due on your eligible Direct Loan Program loans after you have made 120 payments on those loans (after October 1, 2007) under certain repayment plans while you are employed full-time in certain public service jobs. The required 120 payments do not have to be consecutive. Qualifying repayment plans include the REPAYE Plan, the PAYE Plan, the IBR Plan, the ICR Plan, and the Standard Repayment Plan with a 10-year repayment period.

**Note:** Although the Standard Repayment Plan with a 10-year repayment period is a qualifying repayment plan for PSLF, to receive any loan forgiveness under this program you must make the majority of the required 120 payments under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan.

### **Additional loan discharge information**

The Act may provide for certain loan forgiveness or repayment benefits on your loans in addition to the benefits described above.

For a discharge based on your death, a family member must contact your loan servicer. To request a loan discharge based on one of the other conditions described above (except for a discharge due to bankruptcy), you must complete an application. Your servicer can tell you how to apply.

In some cases, you may assert, under applicable law and regulations, a defense against repayment of your loan on the basis that the school did something wrong or failed to do something that it should have done. You can make such a defense against repayment only if the school's act or omission directly relates to your loan or to the educational services that the loan was intended to pay for. If you believe that you have a defense against repayment of your loan, contact your servicer.

We do not guarantee the quality of the academic programs provided by schools that participate in federal student financial aid programs. You must repay your loan even if you do not complete the education paid for with the loan, are unable to obtain employment in the field of study for which the school provided training, or are dissatisfied with, or do not receive, the education you paid for with the loan.

## **24. LOAN CONSOLIDATION**

A Direct Consolidation Loan Program is available that allows you to consolidate one or more of your eligible federal education loans into a new loan with a single monthly payment, and may 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 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.

## **25. DEPARTMENT OF DEFENSE AND OTHER FEDERAL AGENCY LOAN REPAYMENT**

Under certain circumstances, military personnel may have their federal education loans repaid by the Secretary of Defense. This benefit is offered as part of a recruitment program that does not apply to individuals based on their previous military service or to those who are not eligible for enlistment in the U.S. Armed Forces. For more information, contact your local military service recruitment office.

Other agencies of the federal government may also offer student loan repayment programs as an incentive to recruit and retain employees. Contact the agency's human resources department for more information.

## **26. AMERICORPS PROGRAM EDUCATION AWARDS**

Under the National and Community Service Act of 1990, you may receive an education award that can be used to repay a Direct Subsidized Loan or Direct Unsubsidized Loan if you successfully complete a term of service in an AmeriCorps program. For more information, contact an official of your program.