**FORM TITLE:** FEDERAL DIRECT LOAN COUNSELING CHECKLIST

**FORM USE:** This form is used as part of the pre-loan counseling required before certification of the Direct Loan application or disbursing Direct Student Loan proceeds, and again as part of the exit counseling package. The purpose of the form is to make borrowers aware of their rights and responsibilities as a borrower.

**New changes**:

- Removed references to FFEL except where applicable.
- Added FACT information.

Entrance counseling must now include information on the possible loss of eligibility for additional DL Subsidized loans, how a borrower's maximum eligibility period and subsidized usage period are determined, the potential for a borrower becoming responsible for all accruing interest on DL Subsidized loans during in-school grace periods, grace periods, and periods of authorized deferment, and the impact of borrower responsibility for accruing interest on the borrower's total debt.

Exit counseling requires the same information as above and information on the sum of the borrower's subsidized usage periods at the time of exit counseling, how to get information from NSLDS on whether he or she has become responsible for accruing interest on any of his or her DL Subsidized loans and whether the borrower is eligible to receive additional Subsidized DL, the possible consequences of receiving additional DL Subsidized loans for additional undergraduate programs, and the potential for a borrower becoming responsible for all accruing interest on DL Subsidized loans during in-school periods, grace periods, and periods of authorized deferment, even if the borrower does not receive an additional DL Subsidized loan. This information is covered on this form.

**INSTRUCTIONS:**

1. Student's Name (please print) and Social Security number (last 4-digits).

2. The student signs and dates document upon INITIAL COUNSELING. (Pg 11)

3. The student signs and dates document upon EXIT COUNSELING. (Pg 11)

**PROCESSING INSTRUCTIONS:**
The original is retained in the student's financial aid file. A copy is given to the student (or mailed in the case of a mailed exit interview package).

**COMMENTS:** This form or documentation of other entrance/exit counseling is required.

 

# Federal Direct Loan Counseling Checklist

[1] [1]

**Student's Name (Please Print)** **Social Security number (last 4-digits)**

You are receiving a Direct Loan to help you cover the costs of your education. You must repay this loan. Before you receive your Direct Loan funds, you must sign a promissory note agreeing to the conditions under which the loan is made and the terms under which you agree to repay the loan. The promissory note authorizes the school to credit loan proceeds to your student account. A copy of the Master Promissory Note, along with your Rights and Responsibilities Statement is part of your entrance and exit loan-counseling packet.

The Master Promissory Note (MPN) is designed for use as both a multi-year and a single-year note. If your school uses a multi-year feature, your MPN will be valid for up to 10 years for multiple loans. The multi-year MPN feature makes the borrowing process easier. However, you will be required to sign a new MPN if your school does not use the multi-year feature. Using the single-year feature, you will sign one MPN for every loan that you obtain. If you are more comfortable doing so, you may also choose to sign a new MPN each time you borrow.

The multi-year feature of the MPN is valid for 10 years from the date you sign it. If no disbursements occur within 12 months of your completing the MPN, the document will be voided. As the loan borrower, you can submit a written request at any time withdrawing your permission for any additional disbursements to occur under the current MPN on file. Direct Loans may also revoke the terms of the MPN in situations such as bankruptcy.

You should always contact the holder of your loan immediately if you anticipate difficulty making a payment. Your failure to pay all or part of a monthly payment, when it is due, may result in late charges. If you fail to make payments for 270 days, your loan is considered to be in default. Defaulting on your Direct Loan can result in consequences such as damage to your credit rating, collection costs, wage garnishment, withholding of your federal and state tax refunds, or delinquent debt collection procedures under federal law. Default can also cause acceleration of the amount due, a lawsuit filed against you (with possible liability for court costs/legal expenses), loss of eligibility for any additional financial aid, loss of deferment entitlements and forbearance eligibility, and referral of your account to a collection agency.

**Always borrow conservatively! If you reduce the amount you borrow now, you will have less to repay later.** You should seek alternatives to loans, if possible. Ask your school about the availability of any state grant funds in order to reduce your need for loans. State grant assistance might be available to both in-state and out-of-state students. It is important to note that accepting a loan might reduce your eligibility for other student aid such as grants, Federal Work Study (FWS), and institutional aid. Keep in mind that after you have finished your educational program, you would have more bills to worry about than just student loans -- for example, rent utilities, car payments, clothing, and food. Be realistic in terms of how much money you can expect to earn after you graduate, and what size of student loan payments you will be able to afford. Above all, limit your borrowing to the amount absolutely necessary, even though you may be eligible to borrow more. You should develop a budget in order to determine the amount of loans you can afford to borrow.

The interest rate for Direct Loans first disbursed on or after July 1, 2006 is a fixed rate of 6.8%. The interest rate for those loans first disbursed on or after July 1, 1994 but prior to July 1, 2006 have a variable rate, which can change each year on July 1. The rate will never be more than 8.25%. Loans first disbursed prior to July 1, 1994 have varying interest rates. For interest rates on a specific loan you obtained prior to July 1, 1994, you should contact your loan holder.

Interest charges begin on the date the loan is disbursed and end when the loan is paid in full. For Subsidized loans, the federal government pays your interest charges while you attend school at least half-time, for 6 months after you leave school, and while you have a deferment on your loan. You must pay all other interest charges on your subsidized loan. You must pay all interest charges on your Unsubsidized Direct loans. You have the option to pay the interest charges on your unsubsidized loan while in school. You agree that the loan holder may add interest charges to your loan amount, as provided by law, if you do not make payments of interest.

Please note that the College Cost Reduction and Access Act of 2007 cut the fixed interest rates on newly originated Subsidized loans for undergraduate students to 6.0% (July 1, 2008 and before July 1, 2009), 5.6% (July 1, 2009 and before July 1, 2010), 4.5% (July 1, 2010 and before July 1, 2011) and 3.4% (July 1, 2011 and before July 1, 2013). These cuts are available only to undergraduate students, not graduate students, and only for Subsidized loans, not Unsubsidized loans. Those loans remain at a fixed rate of 6.8%.

 

# Federal Direct Loan Counseling Checklist

Beginning 7/1/2013, interest rates will be set each year based on the "high yield of the 10-year Treasury note" at the final auction held prior to June 1st with an "add-on" based on the type of loan (undergraduate, graduate or Direct PLUS). Although the interest rates will vary each year, the interest rate for a loan, once established, will apply for the life of the loan.

For the year 7/1/13-6/30/14, the Treasury Note index is 1.81%. The add-on for undergraduates (subsidized and unsubsidized) is 2.05% which resulted in a 3.86% interest rate. For graduate students, the add-on is 3.60% resulting in an interest rate of 5.41%. For Direct PLUS loans (graduate student borrowers and parents of dependent students), the add-on is 4.6% resulting in an interest rate of 6.41%.

For the year 7/1/14-6/30/15, the Treasury Note index is 2.61%. The add-on for undergraduates (subsidized and unsubsidized) is 2.05% which will result in a 4.66% interest rate. For graduate students, the add-on is 3.60% resulting in an interest rate of 6.21%. For Direct PLUS loans (graduate student borrowers and parents of dependent students), the add-on is 4.60% resulting in an interest rate of 7.21%.

The caps for Direct Loans will be 8.25% for undergraduates (subsidized and unsubsidized), 9.5% for graduate students, and 10.5% for Direct PLUS (graduate student borrowers and parents of dependent students). This new law did not change the interest rate for Direct Consolidation Loans. However, it did remove the 8.25% cap on the consolidation loans.

You must repay the full loan amount, including all interest. The time frame allowed to repay your loan depends on your total loan indebtedness. Generally, you'll have from 10 to 25 years to repay your loan, depending on which repayment plan you choose. You will receive a 6-month grace period that starts the day after you graduate, withdraw, or drop below half-time status. You do not have to make payments during your grace period. You must make payments after your grace period ends.

**Note:**
The Consolidated Appropriations Act allows for a temporary elimination of the interest subsidy for Direct Subsidized loans during the six month grace period provided to students when they are no longer enrolled on at least a half-time basis. This change will be effective for new Direct Loans for which the first disbursement is made on or after July 1, 2012, and before July 1, 2014. During this two-year period, students will be responsible for all interest that accrues during the grace period for both subsidized and unsubsidized Direct loans.

Also note that with loan periods beginning on or after 7/1/2012, graduate/professional students are no longer eligible for subsidized loans. The annual loan limit remains the same, but all of it will be unsubsidized.

Outlined below are repayment plan options that are available once repayment of your loan begins. When you have chosen a plan you will be provided with a detailed schedule for the repayment of your loan. If you do not choose a plan when your loan enters repayment, you will be automatically placed under the Standard Repayment Plan. You may request a change to your repayment plan at any time; but you may be limited to one change in your repayment plan each year. These plans are designed to give you flexibility in meeting your repayment obligation. You may make loan payments before they are required, or in amounts greater than the minimum balance due at any time without penalty. You will receive more information about repayment choices from Direct Loans but the information can also be located on their website at www.StudentLoans.gov.

**Standard Repayment Plan:** The total loan indebtedness for your program is all Federal Stafford (FFEL)/Direct Loan Subsidized + all Unsubsidized + all Federal PLUS/Direct PLUS. Your parent is responsible for the total of all parent PLUS loans received for your undergraduate program of study. The Standard Repayment Plan is the traditional approach to repaying your loan. Your monthly payment will be a fixed amount. The amount will be the minimum necessary to pay off your loan in full within 10 years (not including periods of deferment or forbearance) from the date it enters repayment. Your payments must be at least $50.00 a month but could be more, if necessary, to repay the loan within the required period of time.

**Note: Federal Stafford (FFEL)** - Aggregate loan limits include any Subsidized Federal Stafford Loans and/or Unsubsidized Federal Stafford Loans you may have previously received under the Federal Family Educational Loan (FFEL) Program. As a result of legislation that took effect on July 1, 2010, no further loans are being made under the FFEL Program.

**Graduated Repayment Plan:** The graduated repayment plan is paid over a fixed period of time, but cannot exceed 10 years in length (not including periods of deferment or forbearance). In this plan, your payments begin at a relatively low amount and then increase, normally every two years. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment. 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.

 

# Federal Direct Loan Counseling Checklist

**Extended Repayment Plan:** Under the extended plan, you'll pay a fixed annual or graduated repayment amount over a period not to exceed 25 years. If you're a previous Federal Stafford (FFEL) borrower, you must have more than $30,000 in outstanding FFEL Program loans (not including periods of deferment or forbearance). If you're a Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans (not including periods of deferment or forbearance). This means, for example, that if you have $35,000 in outstanding Federal FFEL Program loans and $10,000 in outstanding Direct Loans, you can choose the extended repayment plan for your FFEL loans, but not for your Direct Loans. Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.

**Income-Contingent Repayment Plan (ICR):** The Income-Contingent Repayment plan (Direct Loans Only) gives you the flexibility to pay your loan without undue financial hardship. The monthly payment amount is based upon how much money you make plus your spouse's income (if married) and the size of your household. The payment amount is recalculated annually with a maximum repayment period of 25 years (not including periods of deferment or forbearance). Under this plan, if you haven't fully repaid your loans after 25 years, the unpaid portion will be discharged. However, you may have to pay taxes on the amount that is discharged.

**The Income-Sensitive Repayment Plan:** The Income-Sensitive Plan (Federal Stafford (FFEL) Only) has a maximum term of 10 years to repay the loan (not including periods of deferment or forbearance). FFEL borrowers may consolidate their loans into the Direct Loan program to become eligible for the Income-Contingent Repayment plan. The terms of these repayment plans vary and you may receive information based specifically on your situation from the holder of your loan.

**Income-Based Repayment Plan (IBR):** As of July 1, 2009, the Income-Based Repayment Plan is available for all borrowers who have a partial financial hardship, except for parent PLUS loan borrowers or consolidation loan borrowers who repaid a parent PLUS loan through the consolidation loan. Under the amended IBR regulations that took effect July 1, 2010 if you and your spouse have IBR-eligible loans, and file a joint federal income tax return, the combined IBR payment amount for both individuals will be adjusted by multiplying that payment amount by the percentage of the total eligible loan debt for you and your spouse.

The required monthly payment for an IBR plan is capped at an amount that is intended to be affordable based on income and family size. You are eligible for IBR if the monthly repayment amount under IBR will be less than the monthly amount calculated under a 10-year Standard Repayment Plan. If you repay under the IBR plan for 25 years (not including periods of deferment or forbearance) and meet other requirements, you may have any remaining balance of your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments through IBR, the remaining balance after ten years in a public service job could be cancelled.

***Note – July, 2014**: For new borrowers on or after July 1, 2014, who are repaying non-defaulted Direct Loans under the IBR plan, the IBR plan payment amount is equal to 10 percent of the amount by which the borrower's AGI exceeds 150 percent of the poverty guideline amount applicable to the borrower's State and family size. However, this 10 percent IBR formula will not be used in the initial determination of a reasonable and affordable loan rehabilitation payment amount on a defaulted loan.

**Pay As You Earn Repayment Plan (PAYE)**: As of December 21, 2012, the Pay As You Earn Plan is available for all eligible Direct Loan borrowers that is designed to limit your required monthly repayments to an amount that is affordable based on your adjusted gross income (AGI) income and family size. The annual repayment plan amount is 10% of the difference between your AGI and 150% of the Department of Health and Human Services Poverty Guideline for your family size and state. This amount is then divided by 12 to get the monthly PAYE repayment amount. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income.

The required monthly payment for a PAYE plan will be less than the monthly amount calculated under a 10-year Standard Repayment Plan (and may be less than under other repayment plans). If you repay under the PAYE plan for 20 years (not including periods of deferment or forbearance) and meet other requirements, you may have any remaining balance of your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments through PAYE, the remaining balance after 10 years in a public service job could be cancelled.

 

# Federal Direct Loan Counseling Checklist

**Estimated Monthly Payment Amount and Total Cost of the Loan by Repayment Plan[1]**

| Debt When Loan Enters Repayment | Standard | | Extended Fixed | | Extended Graduated | | Graduated | |
|---|---|---|---|---|---|---|---|---|
| | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total |
| $5,000 | $58 | $6,904 | N/A | N/A | N/A | N/A | $40 | $7,275 |
| 10,000 | 115 | 13,809 | N/A | N/A | N/A | N/A | 79 | 14,550 |
| 25,000 | 288 | 34,524 | N/A | N/A | N/A | N/A | 198 | 36,375 |
| 50,000 | 575 | 69,048 | 347 | 104,109 | 284 | 112,678 | 396 | 72,749 |
| 100,000 | 1,151 | 138,096 | 694 | 208,217 | 568 | 225,344 | 792 | 145,498 |

| Debt When Loan Enters Repayment | Income Contingent [2] Income = $25,000 | | | | Income-Based [2] Income = $25,000 | | | |
|---|---|---|---|---|---|---|---|---|
| | Single | | Married/HOH [3] | | Single | | Married/HOH [3] | |
| | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total |
| $5,000 | $37 | $8,347 | $36 | $11,088 | N/A | N/A | $39 | $8,005 |
| 10,000 | 75 | 16,699 | 71 | 22,158 | 110 | 13,672 | 39 | 16,081 |
| 25,000 | 186 | 41,748 | 178 | 55,440 | 110 | 45,014 | 39 | 60,754 |
| 50,000 | 247 | 93,322 | 189 | 122,083 | 110 | 109,623 | 39 | 92,704 |
| 100,000 | 247 | 187,553 | 189 | 170,153 | 110 | 118,058 | 39 | 97,020 |

[1]Payments are calculated using a fixed interest rate of 6.8% for Direct Subsidized and Unsubsidized Loans disbursed on or after July 1, 2006.
[2]Assumes a 5 percent annual income growth (Census Bureau).
[3]HOH is Head of Household. Assumes a family size of two.

**Pay As You Earn Monthly Payment Chart**

**Pay As You Earn Monthly Payment Amounts**

| Annual Income | Family Size 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| $10,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $15,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $20,000 | $27 | $0 | $0 | $0 | $0 | $0 | $0 |
| $25,000 | $69 | $19 | $0 | $0 | $0 | $0 | $0 |
| $30,000 | $110 | $61 | $11 | $0 | $0 | $0 | $0 |
| $35,000 | $152 | $103 | $53 | $0 | $0 | $0 | $0 |
| $40,000 | $194 | $144 | $95 | $45 | $0 | $0 | $0 |
| $45,000 | $235 | $186 | $136 | $87 | $37 | $0 | $0 |
| $50,000 | $277 | $228 | $178 | $129 | $79 | $30 | $0 |
| $55,000 | $319 | $269 | $220 | $170 | $121 | $71 | $33 |
| $60,000 | $360 | $311 | $261 | $212 | $162 | $113 | $95 |
| $65,000 | $402 | $353 | $303 | $254 | $204 | $155 | $105 |

Capitalization occurs when a lender adds unpaid accrued interest to the borrower's unpaid principle balance. Capitalizing interest increases the principle amount of the loan and the total cost of the loan. This occurs at the end of a deferment, forbearance or grace period on unsubsidized loans, and at the end of a forbearance period on a subsidized loan.

A late charge fee may be collected if you do not make any part of a payment after it becomes due. You may be held responsible for paying any other charges and fees involved in collecting your loan, including, but not limited to, attorney's fees, court costs, and long distance telephone calls.

Tax benefits are available for certain higher education expenses, including a deduction for student loan interest for certain borrowers. This benefit applies to all loans used to pay for postsecondary education costs. The Internal Revenue Service (IRS) Publication 970, Tax Benefits for Higher Education, explains these credits and other tax benefits. You may get more information online at www.irs.gov or by calling the IRS at 1-800-829-1040.

 

# Federal Direct Loan Counseling Checklist

Consolidation Loan allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple monthly payments. Make sure to carefully consider whether loan consolidation is the best option for you. While loan consolidation can simplify loan repayment and lower your monthly payment, it also can significantly increase the total cost of repaying your loans. Consolidation offers lower monthly payments by giving you up to 30 years to repay your loans (not including periods of deferment or forbearance). However, by increasing the length of your repayment period, you'll also make more payments and pay more in interest than you would otherwise. In fact, in some situations, consolidation can double your total interest expense. If you don't need monthly payment relief, you should compare the cost of repaying your unconsolidated loans against the cost of repaying a consolidation loan.

You also should take into account the impact of losing any borrower benefits offered under repayment plans for the original loans. Borrower benefits from your original loan, which may include interest rate discounts, principle rebates, or some loan cancellation benefits, can significantly reduce the cost of repaying your loans. You may lose those benefits if you consolidate. Once your loans are combined they cannot be removed. That's because the loans that were consolidated have been paid off and no longer exist. Take the time to study the pros and cons of consolidation before you submit your application. FFEL only borrowers may consolidate those loans into a Direct Consolidation Loan to benefit from an interest waiver for active duty military service personnel or to qualify for the Public Service Loan Forgiveness Program.

Before you apply for a consolidation loan seek guidance from the holder of your loan. If you're in default on a federal student loan, you still might be able to consolidate if you make satisfactory repayment arrangements on the defaulted loan or agree to repay the consolidation loan under the Income-Contingent, Income-Sensitive, or Income-Based Repayment Plans, provided the defaulted loan is not subject to a judgment or wage garnishment.

Student loans are often sold to secondary student loan markets such as the Student Loan Marketing Association (SALLIE MAE), and loan holders often use outside contractors to service student loans. Your lender may sell or assign your loan without your consent and without selling or assigning any of your other loans. The sale or transfer of your loan does not affect your rights and responsibilities with respect to the loan. You will be given the name, address, and telephone number of any new owner of your loan, if the change in ownership means you must send payments to a new address.

You should have received a college catalog and/or enrollment agreement that contains the school's academic progress policy and refund policy. If you withdraw from school, a Return of Title IV funds may be required, which may affect the amount of your loan repayment. You are required to attend exit counseling before you graduate, withdraw, or cease to be enrolled at least half time. Exit counseling will provide you with specific information about your total indebtedness, lender contact information, repayment options, loan consolidation, and debt-management strategies.

To remain eligible for Federal Student Loans, you must remain enrolled on at least a half-time basis. If your enrollment status at any time drops below half-time status, you may be ineligible for any future scheduled disbursements and your loans may enter repayment. To determine the requirements for half-time status, please contact your school as the requirements may vary per program of study.

To avoid delinquency and default, you should inform Direct Loans (StudentLoans.gov or www.direct.ed.gov), or for Federal Stafford (FFEL) borrowers the loan holder, of any changes to your name, mailing address, telephone number, or Social Security Number so that all correspondences are promptly directed to you. You should also inform the Direct Loans or your loan holders if you withdraw from school, drop below half-time status, or transfer to another school. Always read and keep all documents you receive pertaining to your Federal Student Loan, and be sure to understand your loan amount and the payments that will be required. You should also notify your lender or servicer if you cannot make your payments by the due date.

In the case of your death, your loan obligation will be cancelled. Your loan also may be cancelled if you become totally and permanently disabled. Loan cancellation due to disability requires certification from a physician. Your loan may be cancelled in other instances including school closure, false certification, identity theft, or failure of the school to pay a refund if you withdraw.

Borrowers may also qualify for other cancellations or loan forgiveness programs such as being a survivor of a 9/11/01 victim or through the teacher loan forgiveness program. To receive a complete list of cancellation, discharge, and loan forgiveness categories or to apply for a cancellation, discharge, or loan forgiveness, the borrower must contact Direct Loans and review the Discharge/Cancellation page. Generally, federal student loans may not be cancelled or discharged due to bankruptcy. Borrower's who received loans under the Federal Stafford (FFEL) program will need to contact their loan holder to discuss these options.

 

# Federal Direct Loan Counseling Checklist

In the event that you're experiencing financial difficulty you should contact your loan holder immediately for assistance in handling your repayment obligation. They may be able offer options that temporarily reduce or suspend your monthly payment on your loan.

Under certain circumstances, you may be eligible for a deferment and may not have to make payments for a period of time. You will not have to make payments while you are attending school at least half-time or for up to 3 years while you are unemployed. A complete list of deferment options along with documentation and eligibility requirements are listed on your Rights and Responsibilities Statement.

When a loan is deferred, the federal government pays the interest on subsidized loans. You must pay the interest on unsubsidized loans during deferment periods, or it will be added to the principle amount of the loan. If interest is added to the principle amount, you will then pay interest on the larger amount. Having interest added to the principle amount of your loan may also cause your monthly payment amount to increase. If you cannot make scheduled payments and do not qualify for a deferment, forbearance may be an option. During periods of forbearance, you may be allowed to temporarily make smaller payments or stop making payments for an approved length of time. Be advised that interest continues to be charged on your loan while in a forbearance.

You should keep all financial aid materials in one place especially any records relating to your loans. Make sure to include a copy of your Borrower's Rights and Responsibilities Statement that you received prior to signing the Master Promissory Note (MPN). The statement provides information regarding your student loan, such as Grace Period, Repayment, Deferments, etc. You should also have a copy of your Master Promissory Note (MPN) and any schedules provided by your lender reflecting when repayment begins. Both Direct and FFEL borrowers should retain documentation of canceled checks and money order receipts whenever you make a payment on your loan. You should store copies of any requests for deferment, forbearance, or other types of correspondences which you submit to Direct Loans or any agency on your own behalf.

The Department has made available the **Financial Awareness Counseling Tool (FACT)**. FACT is an online interactive resource that provides students with basic financial literacy and information about the student's federal student loan debt (and total student loan debt if the student enters information about his or her private student loans). The tool estimates what the student's loan debt and repayment amounts are likely to be when the student leaves school. It also provides financial planning tips. While students cannot be required to use FACT, we recommend that institutions encourage all of their borrowers to do so, especially before a student decides to continue borrowing. Students can access FACT at **studentloans.gov**.

Your loan history can be viewed online at the National Student Loan Data System – Student Access website **http://www.nslds.ed.gov/nslds_SA/** (PIN required for access). The information on NSLDS may not be as current as the latest information from your loan holders. To resolve loan disputes and problems in an informal manner, the Federal Student Aid (FSA) Ombudsman works with student loan borrowers. The goal is to find creative alternatives for borrowers who need help with their federal loans. You can reach the FSA Ombudsman as follows:

| Postal Mail: | Contact: |
|---|---|
| U.S. Department of Education<br><br>FSA Ombudsman Group<br>830 First Street, N.E., Mail Stop 5144<br>Washington, D.C. 20202-5144 | Toll-free phone: 877-557-2575<br>Fax number: 202-275-0549<br><br>On-line assistance: http://studentaid.gov/repay-loans/disputes/prepare |

 

# Federal Direct Loan Counseling Checklist

## Time Limitation on Direct Subsidized Loan Eligibility for First-Time Borrowers on or after July 1, 2013

**Maximum eligibility period to receive Direct Subsidized Loans**

There is a limit on the maximum period of time (measured in academic years) that 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. This is called your "maximum eligibility period". You can usually find the published length of any program of study in your school's catalog.

> ***For example, if you are enrolled in a 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). If you are enrolled in a 2-year associate degree program, the maximum period for which you can receive Direct Subsidized Loans is 3 years (150% of 2 years = 3 years).***

Your maximum eligibility period is based on the published length of your current program. This means that your maximum eligibility period can change if you change programs. Also, if you receive Direct Subsidized Loans for one program and then change to another program, the Direct Subsidized Loans you received for the earlier program will [1]generally count against your new maximum eligibility period.

[2] See some examples below that show how your maximum eligibility period can change if you change programs.

[1] If you receive Direct Subsidized Loans for an undergraduate program and then enroll in a teacher certification program that you must complete to receive a teaching certification in your state (but you do not receive a certificate or other credential from the school where you complete the program), the Direct Subsidized Loans you received for your undergraduate program do not count against your maximum eligibility period for the teacher certification program.

If you receive Direct Subsidized Loans for the teacher certification program, those loans will be counted against a separate maximum eligibility period, which is based on the length of the teacher certification program.

[2] Example 1

(1) You are enrolled in a two-year undergraduate program. You then enroll in a four-year undergraduate program. When you change programs, your maximum eligibility changes from three years to six years.

(2) You received Direct Subsidized Loans for only one year while enrolled in the two-year program. You would have been eligible to receive two more years of Direct Subsidized Loans if you had stayed in that program.

(3) When you enroll in the four-year program, you are eligible to receive five more years of Direct Subsidized Loans.

Example 2

(1) You are enrolled in a four-year undergraduate program. You then enroll in a two-year undergraduate program. When you change programs, your maximum eligibility changes from six years to three years.

(2) You received Direct Subsidized Loans for two years while enrolled in the four-year program. You were eligible to receive four more years of Direct Subsidized Loans if you had stayed in that program.

(3) When you enroll in the two-year program, you are eligible to receive one more year of Direct Subsidized Loans.

 

# Federal Direct Loan Counseling Checklist

Example 3

(1) You are enrolled in a four-year undergraduate program. You then enroll in a different four-year undergraduate program. Because both programs are the same length, your maximum eligibility does not change when you change programs – it remains six years.

(2) You received Direct Subsidized Loans for three years while enrolled in the first four-year program. You were eligible to receive three more years of Direct Subsidized Loans if you had stayed in that program.

(3) When you enroll in the second four-year program, you are still eligible three more years of Direct Subsidized Loans.

## Periods that count against your maximum eligibility period

The periods of time that count against your maximum eligibility period are periods of enrollment (also known as "loan periods") for which you received Direct Subsidized Loans.

> ***For example, if you are a full-time student and you receive a Direct Subsidized Loan that covers the fall and spring semesters (a full academic year), this will count as one year against your maximum eligibility period.***

If you receive a Direct Subsidized Loan for a period of enrollment that is shorter than a full academic year, the period that counts against your maximum usage period will generally be reduced accordingly.

> ***For example, if you are a full-time student and you receive a Direct Subsidized Loan that covers the fall semester but not the spring semester, this will count as one-half of a year against your maximum eligibility period.***

With one exception, the amount of a Direct Subsidized Loan you receive for a period of enrollment does not affect how much of your maximum eligibility period you have used. That is, even if you receive a Direct Subsidized Loan in an amount that is less than the full [3]annual loan limit, that lesser amount does not reduce the amount of your maximum eligibility period you have used. The one exception applies if you receive the full annual loan limit for a loan period that does not cover the whole academic year. If you are attending less than full time, the usage period will be pro-rated by your enrollment status (i.e. half-time or three-quarter time).

[4] See an example below.

[3] For Direct Subsidized Loans, the annual loan limits (the maximum amount you can receive for an academic year) are: (1) for first year students, $3,500; for second-year students, $4,500; and (3) for third-year students and beyond, $5,500.

[4] For example, if you receive a Direct Subsidized Loans that covers only the fall semester and not the spring semester, and the loan amount you receive is equal to the full annual loan limit for your grade level, this period counts as one year of usage if you are full time for the fall semester. If you were half-time, this would equal .50 of a year usage. If you were three-quarter time, this would equal .75 of a year usage which would be rounded to .80.

 

# Federal Direct Loan Counseling Checklist

## Effect of borrowing while enrolled part-time

If you receive a Direct Subsidized Loan when you are enrolled less than full-time, the period that is counted against your maximum eligibility period will be reduced.

***For example, if you are enrolled half-time and received a Direct Subsidized Loan for a period of enrollment that covers a full academic year, the borrower's Subsidized Usage Period would initially be set to one year but would then be pro-rated by 0.5 based on the borrower's half-time enrollment status.***

**Loss of eligibility for additional Direct Subsidized Loans and becoming responsible for paying interest on Direct Subsidized Loans**

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans. However, you may continue to receive Direct Unsubsidized Loans.

In addition, if you continue to be enrolled in any undergraduate program after you have received Direct Subsidized Loans for your maximum eligibility period, we will no longer (with certain exceptions) pay the interest that accrues on your Direct Subsidized Loans for periods when we would normally would have done so. The chart below provides examples of these circumstances.

| Do I become responsible for paying the interest that accrues on my Direct Subsidized Loans because . . . | Yes | No |
|---|---|---|
| I am no longer eligible for Direct Subsidized Loans and I stay enrolled in my current program? | X | |
| I am no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is the same length or shorter than my prior program? | X | |
| I transferred into the shorter program and lost eligibility for Direct Subsidized Loans because I have received Direct Subsidized loans for a period that equals or exceeds my new, lower maximum eligibility period, which is based on the length of the new program? | X | |
| I was no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is longer than my prior program? | | X |
| I lose eligibility for Direct Subsidized Loans and immediately withdraw from my program? | | X |
| I graduated from my prior program prior to or upon meeting the 150% limit, and enroll in an undergraduate program that is the same length or shorter than my prior program? | | X |
| I enroll in a graduate or professional program? | | X |
| I enroll in preparatory coursework that I am required to complete to enroll in a graduate or professional program? | | X |
| I enroll in a teacher certification program (where my school does not award an academic credential)? | | X |

Remember, your maximum eligibility period can change if you enroll in a different program. So, if you received Direct Subsidized Loans for your maximum eligibility period for one program and then enroll in a longer program, you will not become responsible for interest that accrues on your Direct Subsidized Loans.

If you meet any of the conditions on the prior page, you will become responsible for the interest that accrues on your Direct Subsidized Loans, from the date of your enrollment after meeting the 150% limit, during periods when we would have normally paid the interest for you. On the next page is a chart that summarizes the periods when we normally pay the interest on your Direct Subsidized Loans, and an explanation and what happens after you become responsible for the interest.

[5] See example next page.

# Federal Direct Loan Counseling Checklist

[5] If you are enrolled in a four-year undergraduate program and receive Direct Subsidized Loans for six years, you are no longer eligible to receive Direct Subsidized Loans.

Whether you become responsible for interest on your Direct Subsidized Loans depends on what you do next:

(1) If you complete the program in 6 years and do not enroll for a 7th year, the Federal government will continue to pay the interest accrued on your Direct Subsidized Loans as described in the chart (previous page). Even if you eventually enroll in another program, because you completed the program before enrolling for a 7th year, the Federal government will continue to pay your interest as described in the chart (previous page).

(2) If you continue to be enrolled in the program for a 7th year, then on the date you enroll for the 7th year, you will become responsible for paying all interest that accrues on your Direct Subsidized Loans from that point forward.

(3) If you do not complete the program, but transfer to another undergraduate program that is four years or less (that has a maximum eligibility period of 6 years or less), then you will become responsible for interest, starting with the interest that accrues on the date that you enroll in the other program.

| During what period am I responsible for paying the interest on my Direct Subsidized Loans . . . | Before meeting the 150% limit? | After meeting the 150% limit? |
|---|---|---|
| While enrolled in school at least half-time | No | Yes |
| During my grace period on loans first disbursed (paid out) July 1, 2013 through June 30, 2014 | Yes | Yes |
| During my grace period on loans first disbursed (paid out) July 1, 2014 or after | No | Yes |
| During deferment periods | No | Yes |
| During certain periods of repayment under the Income-Based Repayment or Pay As You Earn Plan | No | Yes |
| During forbearance periods | Yes | Yes |
| During all other periods of repayment | Yes | Yes |

If you become responsible for the interest that accrues on your Direct Subsidized Loans, any interest that you do not pay will be capitalized (added to your loan principal balance) at the end of the grace, deferment, or other periods. Capitalized interest increases your loan principal, increases your monthly payment amount under most Direct Loan repayment plans, and causes you to pay more interest over the life of your loan. Your federal loan servicer will notify you if you become responsible for paying the interest on your Direct Subsidized Loans.

Based on all of your enrollment, your subsidized usages period at the time of the exit counseling is __________. This is determined by using the following formula; however, any refunds or late disbursements may change your total subsidized usage period:

$$\frac{\text{\# of days in your loan period(s)}}{\text{\# of days in your academic year}}$$

You should check with your school or National Student Loan Data System – Student Access website **http://www.nslds.ed.gov/nslds_SA/** (PIN required for access) within the next 30-45 days to see if your subsidized usage period has changed.

If the above calculation has a blank value it means that your loans awarded are not subject to the 150% subsidized limits.

Also, the number of years in your subsidized usage period will be rounded up or down, as appropriate, to the nearest tenth of a year. Ex: 0.45 years would be rounded to 0.5; 0.88 years would be rounded to 0.9.

# Federal Direct Loan Counseling Checklist

EXCEPTIONS:

- For a first-time borrower who receives a Direct Subsidized Loan in an amount that is equal to the annual loan limit for a loan period that is less than a full academic year in length, the subsidized usage period is one (1) year. However, this usage period will be pro-rated if the student is attending less than full time.
- Prorate the subsidized usage period for borrowers enrolled on a half-time or three-quarter-time basis. This proration is done by multiplying the borrower's usage period by 0.5 (for half-time) or 0.75 (three-quarter-time) respectively.

You can access NSLDS (online at the National Student Loan Data System – Student Access website **http://www.nslds.ed.gov/nslds_SA/** (PIN required for access) to determine whether you have become responsible for accruing interest on any of your DL Subsidized loans:

**Regaining eligibility for Direct Subsidized Loans**

If you become ineligible for Direct Subsidized Loans because you have received Direct Subsidized Loans for your maximum eligibility period, you may again become eligible to receive Direct Subsidized Loans if you enroll in a new program that is longer than your previous program.

[6] See an example below.

If you regain eligibility to receive additional Direct Subsidized Loans because you enrolled a program that is longer than your prior program and you previously became responsible for paying all of the interest that accrues on your Direct Subsidized Loans, we will pay the interest that accrues on your new loans during the periods described in the chart above.

[6] If you are enrolled in a two-year undergraduate program and then enroll in a four-year undergraduate program, your maximum eligibility changes from three years to six years.

If you received Direct Subsidized Loans for three years, you were not eligible to receive any more Direct Subsidized Loans in the two-year program. However, when you enroll in the four-year program, you are eligible to receive three more years of Direct Subsidized Loans.

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By signing this form, you are verifying that you have reviewed and understood everything on this form. If there is anything about your loan(s) that you do not understand, please contact your school's financial aid office.

Initial counseling received: **[2]** Exit counseling received: **[3]**

Signature Signature

Date Date

The student must date this checklist so that its use may be distinguished between *Pre-Loan* versus *Exit* Counseling.

 

# Federal Direct Loan Counseling Checklist

**Student's Name (Please Print)** **Social Security number (last 4-digits)**

You are receiving a Direct Loan to help you cover the costs of your education. You must repay this loan. Before you receive your Direct Loan funds, you must sign a promissory note agreeing to the conditions under which the loan is made and the terms under which you agree to repay the loan. The promissory note authorizes the school to credit loan proceeds to your student account. A copy of the Master Promissory Note, along with your Rights and Responsibilities Statement is part of your entrance and exit loan-counseling packet.

The Master Promissory Note (MPN) is designed for use as both a multi-year and a single-year note. If your school uses a multi-year feature, your MPN will be valid for up to 10 years for multiple loans. The multi-year MPN feature makes the borrowing process easier. However, you will be required to sign a new MPN if your school does not use the multi-year feature. Using the single-year feature, you will sign one MPN for every loan that you obtain. If you are more comfortable doing so, you may also choose to sign a new MPN each time you borrow.

The multi-year feature of the MPN is valid for 10 years from the date you sign it. If no disbursements occur within 12 months of your completing the MPN, the document will be voided. As the loan borrower, you can submit a written request at any time withdrawing your permission for any additional disbursements to occur under the current MPN on file. Direct Loans may also revoke the terms of the MPN in situations such as bankruptcy.

You should always contact the holder of your loan immediately if you anticipate difficulty making a payment. Your failure to pay all or part of a monthly payment, when it is due, may result in late charges. If you fail to make payments for 270 days, your loan is considered to be in default. Defaulting on your Direct Loan can result in consequences such as damage to your credit rating, collection costs, wage garnishment, withholding of your federal and state tax refunds, or delinquent debt collection procedures under federal law. Default can also cause acceleration of the amount due, a lawsuit filed against you (with possible liability for court costs/legal expenses), loss of eligibility for any additional financial aid, loss of deferment entitlements and forbearance eligibility, and referral of your account to a collection agency.

**Always borrow conservatively! If you reduce the amount you borrow now, you will have less to repay later.** You should seek alternatives to loans, if possible. Ask your school about the availability of any state grant funds in order to reduce your need for loans. State grant assistance might be available to both in-state and out-of-state students. It is important to note that accepting a loan might reduce your eligibility for other student aid such as grants, Federal Work Study (FWS), and institutional aid. Keep in mind that after you have finished your educational program, you would have more bills to worry about than just student loans -- for example, rent utilities, car payments, clothing, and food. Be realistic in terms of how much money you can expect to earn after you graduate, and what size of student loan payments you will be able to afford. Above all, limit your borrowing to the amount absolutely necessary, even though you may be eligible to borrow more. You should develop a budget in order to determine the amount of loans you can afford to borrow.

The interest rate for Direct Loans first disbursed on or after July 1, 2006 is a fixed rate of 6.8%. The interest rate for those loans first disbursed on or after July 1, 1994 but prior to July 1, 2006 have a variable rate, which can change each year on July 1. The rate will never be more than 8.25%. Loans first disbursed prior to July 1, 1994 have varying interest rates. For interest rates on a specific loan you obtained prior to July 1, 1994, you should contact your loan holder.

Interest charges begin on the date the loan is disbursed and end when the loan is paid in full. For Subsidized loans, the federal government pays your interest charges while you attend school at least half-time, for 6 months after you leave school, and while you have a deferment on your loan. You must pay all other interest charges on your subsidized loan. You must pay all interest charges on your Unsubsidized Direct loans. You have the option to pay the interest charges on your unsubsidized loan while in school. You agree that the loan holder may add interest charges to your loan amount, as provided by law, if you do not make payments of interest.

Please note that the College Cost Reduction and Access Act of 2007 cut the fixed interest rates on newly originated Subsidized loans for undergraduate students to 6.0% (July 1, 2008 and before July 1, 2009), 5.6% (July 1, 2009 and before July 1, 2010), 4.5% (July 1, 2010 and before July 1, 2011) and 3.4% (July 1, 2011 and before July 1, 2013). These cuts are available only to undergraduate students, not graduate students, and only for Subsidized loans, not Unsubsidized loans. Those loans remain at a fixed rate of 6.8%.

# Federal Direct Loan Counseling Checklist

Beginning 7/1/2013, interest rates will be set each year based on the "high yield of the 10-year Treasury note" at the final auction held prior to June 1st with an "add-on" based on the type of loan (undergraduate, graduate or Direct PLUS). Although the interest rates will vary each year, the interest rate for a loan, once established, will apply for the life of the loan.

For the year 7/1/13-6/30/14, the Treasury Note index is 1.81%. The add-on for undergraduates (subsidized and unsubsidized) is 2.05% which resulted in a 3.86% interest rate. For graduate students, the add-on is 3.60% resulting in an interest rate of 5.41%. For Direct PLUS loans (graduate student borrowers and parents of dependent students), the add-on is 4.6% resulting in an interest rate of 6.41%.

For the year 7/1/14-6/30/15, the Treasury Note index is 2.61%. The add-on for undergraduates (subsidized and unsubsidized) is 2.05% which will result in a 4.66% interest rate. For graduate students, the add-on is 3.60% resulting in an interest rate of 6.21%. For Direct PLUS loans (graduate student borrowers and parents of dependent students), the add-on is 4.60% resulting in an interest rate of 7.21%.

The caps for Direct Loans will be 8.25% for undergraduates (subsidized and unsubsidized), 9.5% for graduate students, and 10.5% for Direct PLUS (graduate student borrowers and parents of dependent students). This new law did not change the interest rate for Direct Consolidation Loans. However, it did remove the 8.25% cap on the consolidation loans.

You must repay the full loan amount, including all interest. The time frame allowed to repay your loan depends on your total loan indebtedness. Generally, you'll have from 10 to 25 years to repay your loan, depending on which repayment plan you choose. You will receive a 6-month grace period that starts the day after you graduate, withdraw, or drop below half-time status. You do not have to make payments during your grace period. You must make payments after your grace period ends.

**Note:**
The Consolidated Appropriations Act allows for a temporary elimination of the interest subsidy for Direct Subsidized loans during the six month grace period provided to students when they are no longer enrolled on at least a half-time basis. This change will be effective for new Direct Loans for which the first disbursement is made on or after July 1, 2012, and before July 1, 2014. During this two-year period, students will be responsible for all interest that accrues during the grace period for both subsidized and unsubsidized Direct loans.

Also note that with loan periods beginning on or after 7/1/2012, graduate/professional students are no longer eligible for subsidized loans. The annual loan limit remains the same, but all of it will be unsubsidized.

Outlined below are repayment plan options that are available once repayment of your loan begins. When you have chosen a plan you will be provided with a detailed schedule for the repayment of your loan. If you do not choose a plan when your loan enters repayment, you will be automatically placed under the Standard Repayment Plan. You may request a change to your repayment plan at any time; but you may be limited to one change in your repayment plan each year. These plans are designed to give you flexibility in meeting your repayment obligation. You may make loan payments before they are required, or in amounts greater than the minimum balance due at any time without penalty. You will receive more information about repayment choices from Direct Loans but the information can also be located on their website at www.StudentLoans.gov.

**Standard Repayment Plan:** The total loan indebtedness for your program is all Federal Stafford (FFEL)/Direct Loan Subsidized + all Unsubsidized + all Federal PLUS/Direct PLUS. Your parent is responsible for the total of all parent PLUS loans received for your undergraduate program of study. The Standard Repayment Plan is the traditional approach to repaying your loan. Your monthly payment will be a fixed amount. The amount will be the minimum necessary to pay off your loan in full within 10 years (not including periods of deferment or forbearance) from the date it enters repayment. Your payments must be at least $50.00 a month but could be more, if necessary, to repay the loan within the required period of time.

**Note: Federal Stafford (FFEL)** - Aggregate loan limits include any Subsidized Federal Stafford Loans and/or Unsubsidized Federal Stafford Loans you may have previously received under the Federal Family Educational Loan (FFEL) Program. As a result of legislation that took effect on July 1, 2010, no further loans are being made under the FFEL Program.

**Graduated Repayment Plan:** The graduated repayment plan is paid over a fixed period of time, but cannot exceed 10 years in length (not including periods of deferment or forbearance). In this plan, your payments begin at a relatively low amount and then increase, normally every two years. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment. 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.

 

# Federal Direct Loan Counseling Checklist

**Extended Repayment Plan:** Under the extended plan, you'll pay a fixed annual or graduated repayment amount over a period not to exceed 25 years. If you're a previous Federal Stafford (FFEL) borrower, you must have more than $30,000 in outstanding FFEL Program loans (not including periods of deferment or forbearance). If you're a Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans (not including periods of deferment or forbearance). This means, for example, that if you have $35,000 in outstanding Federal FFEL Program loans and $10,000 in outstanding Direct Loans, you can choose the extended repayment plan for your FFEL loans, but not for your Direct Loans. Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.

**Income-Contingent Repayment Plan (ICR):** The Income-Contingent Repayment plan (Direct Loans Only) gives you the flexibility to pay your loan without undue financial hardship. The monthly payment amount is based upon how much money you make plus your spouse's income (if married) and the size of your household. The payment amount is recalculated annually with a maximum repayment period of 25 years (not including periods of deferment or forbearance). Under this plan, if you haven't fully repaid your loans after 25 years, the unpaid portion will be discharged. However, you may have to pay taxes on the amount that is discharged.

**The Income-Sensitive Repayment Plan:** The Income-Sensitive Plan (Federal Stafford (FFEL) Only) has a maximum term of 10 years to repay the loan (not including periods of deferment or forbearance). FFEL borrowers may consolidate their loans into the Direct Loan program to become eligible for the Income-Contingent Repayment plan. The terms of these repayment plans vary and you may receive information based specifically on your situation from the holder of your loan.

**Income-Based Repayment Plan (IBR):** As of July 1, 2009, the Income-Based Repayment Plan is available for all borrowers who have a partial financial hardship, except for parent PLUS loan borrowers or consolidation loan borrowers who repaid a parent PLUS loan through the consolidation loan. Under the amended IBR regulations that took effect July 1, 2010 if you and your spouse have IBR-eligible loans, and file a joint federal income tax return, the combined IBR payment amount for both individuals will be adjusted by multiplying that payment amount by the percentage of the total eligible loan debt for you and your spouse.

The required monthly payment for an IBR plan is capped at an amount that is intended to be affordable based on income and family size. You are eligible for IBR if the monthly repayment amount under IBR will be less than the monthly amount calculated under a 10-year Standard Repayment Plan. If you repay under the IBR plan for 25 years (not including periods of deferment or forbearance) and meet other requirements, you may have any remaining balance of your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments through IBR, the remaining balance after ten years in a public service job could be cancelled.

***Note – July, 2014**: For new borrowers on or after July 1, 2014, who are repaying non-defaulted Direct Loans under the IBR plan, the IBR plan payment amount is equal to 10 percent of the amount by which the borrower's AGI exceeds 150 percent of the poverty guideline amount applicable to the borrower's State and family size. However, this 10 percent IBR formula will not be used in the initial determination of a reasonable and affordable loan rehabilitation payment amount on a defaulted loan.

**Pay As You Earn Repayment Plan (PAYE)**: As of December 21, 2012, the Pay As You Earn Plan is available for all eligible Direct Loan borrowers that is designed to limit your required monthly repayments to an amount that is affordable based on your adjusted gross income (AGI) income and family size. The annual repayment plan amount is 10% of the difference between your AGI and 150% of the Department of Health and Human Services Poverty Guideline for your family size and state. This amount is then divided by 12 to get the monthly PAYE repayment amount. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income.

The required monthly payment for a PAYE plan will be less than the monthly amount calculated under a 10-year Standard Repayment Plan (and may be less than under other repayment plans). If you repay under the PAYE plan for 20 years (not including periods of deferment or forbearance) and meet other requirements, you may have any remaining balance of your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments through PAYE, the remaining balance after 10 years in a public service job could be cancelled.

 

# Federal Direct Loan Counseling Checklist

**Estimated Monthly Payment Amount and Total Cost of the Loan by Repayment Plan[1]**

| Debt When Loan Enters Repayment | Standard | | Extended Fixed | | Extended Graduated | | Graduated | |
|---|---|---|---|---|---|---|---|---|
| | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total |
| $5,000 | $58 | $6,904 | N/A | N/A | N/A | N/A | $40 | $7,275 |
| 10,000 | 115 | 13,809 | N/A | N/A | N/A | N/A | 79 | 14,550 |
| 25,000 | 288 | 34,524 | N/A | N/A | N/A | N/A | 198 | 36,375 |
| 50,000 | 575 | 69,048 | 347 | 104,109 | 284 | 112,678 | 396 | 72,749 |
| 100,000 | 1,151 | 138,096 | 694 | 208,217 | 568 | 225,344 | 792 | 145,498 |

| Debt When Loan Enters Repayment | Income Contingent [2] Income = $25,000 | | | | Income-Based [2] Income = $25,000 | | | |
|---|---|---|---|---|---|---|---|---|
| | Single | | Married/HOH [3] | | Single | | Married/HOH [3] | |
| | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total |
| $5,000 | $37 | $8,347 | $36 | $11,088 | N/A | N/A | $39 | $8,005 |
| 10,000 | 75 | 16,699 | 71 | 22,158 | 110 | 13,672 | 39 | 16,081 |
| 25,000 | 186 | 41,748 | 178 | 55,440 | 110 | 45,014 | 39 | 60,754 |
| 50,000 | 247 | 93,322 | 189 | 122,083 | 110 | 109,623 | 39 | 92,704 |
| 100,000 | 247 | 187,553 | 189 | 170,153 | 110 | 118,058 | 39 | 97,020 |

[1]Payments are calculated using a fixed interest rate of 6.8% for Direct Subsidized and Unsubsidized Loans disbursed on or after July 1, 2006.
[2]Assumes a 5 percent annual income growth (Census Bureau).
[3]HOH is Head of Household. Assumes a family size of two.

**Pay As You Earn Monthly Payment Chart**

**Pay As You Earn Monthly Payment Amounts**

| Annual Income | Family Size 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| $10,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $15,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $20,000 | $27 | $0 | $0 | $0 | $0 | $0 | $0 |
| $25,000 | $69 | $19 | $0 | $0 | $0 | $0 | $0 |
| $30,000 | $110 | $61 | $11 | $0 | $0 | $0 | $0 |
| $35,000 | $152 | $103 | $53 | $0 | $0 | $0 | $0 |
| $40,000 | $194 | $144 | $95 | $45 | $0 | $0 | $0 |
| $45,000 | $235 | $186 | $136 | $87 | $37 | $0 | $0 |
| $50,000 | $277 | $228 | $178 | $129 | $79 | $30 | $0 |
| $55,000 | $319 | $269 | $220 | $170 | $121 | $71 | $33 |
| $60,000 | $360 | $311 | $261 | $212 | $162 | $113 | $95 |
| $65,000 | $402 | $353 | $303 | $254 | $204 | $155 | $105 |

Capitalization occurs when a lender adds unpaid accrued interest to the borrower's unpaid principle balance. Capitalizing interest increases the principle amount of the loan and the total cost of the loan. This occurs at the end of a deferment, forbearance or grace period on unsubsidized loans, and at the end of a forbearance period on a subsidized loan.

A late charge fee may be collected if you do not make any part of a payment after it becomes due. You may be held responsible for paying any other charges and fees involved in collecting your loan, including, but not limited to, attorney's fees, court costs, and long distance telephone calls.

Tax benefits are available for certain higher education expenses, including a deduction for student loan interest for certain borrowers. This benefit applies to all loans used to pay for postsecondary education costs. The Internal Revenue Service (IRS) Publication 970, Tax Benefits for Higher Education, explains these credits and other tax benefits. You may get more information online at www.irs.gov or by calling the IRS at 1-800-829-1040.

 

# Federal Direct Loan Counseling Checklist

Consolidation Loan allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple monthly payments. Make sure to carefully consider whether loan consolidation is the best option for you. While loan consolidation can simplify loan repayment and lower your monthly payment, it also can significantly increase the total cost of repaying your loans. Consolidation offers lower monthly payments by giving you up to 30 years to repay your loans (not including periods of deferment or forbearance). However, by increasing the length of your repayment period, you'll also make more payments and pay more in interest than you would otherwise. In fact, in some situations, consolidation can double your total interest expense. If you don't need monthly payment relief, you should compare the cost of repaying your unconsolidated loans against the cost of repaying a consolidation loan.

You also should take into account the impact of losing any borrower benefits offered under repayment plans for the original loans. Borrower benefits from your original loan, which may include interest rate discounts, principle rebates, or some loan cancellation benefits, can significantly reduce the cost of repaying your loans. You may lose those benefits if you consolidate. Once your loans are combined they cannot be removed. That's because the loans that were consolidated have been paid off and no longer exist. Take the time to study the pros and cons of consolidation before you submit your application. FFEL only borrowers may consolidate those loans into a Direct Consolidation Loan to benefit from an interest waiver for active duty military service personnel or to qualify for the Public Service Loan Forgiveness Program.

Before you apply for a consolidation loan seek guidance from the holder of your loan. If you're in default on a federal student loan, you still might be able to consolidate if you make satisfactory repayment arrangements on the defaulted loan or agree to repay the consolidation loan under the Income-Contingent, Income-Sensitive, or Income-Based Repayment Plans, provided the defaulted loan is not subject to a judgment or wage garnishment.

Student loans are often sold to secondary student loan markets such as the Student Loan Marketing Association (SALLIE MAE), and loan holders often use outside contractors to service student loans. Your lender may sell or assign your loan without your consent and without selling or assigning any of your other loans. The sale or transfer of your loan does not affect your rights and responsibilities with respect to the loan. You will be given the name, address, and telephone number of any new owner of your loan, if the change in ownership means you must send payments to a new address.

You should have received a college catalog and/or enrollment agreement that contains the school's academic progress policy and refund policy. If you withdraw from school, a Return of Title IV funds may be required, which may affect the amount of your loan repayment. You are required to attend exit counseling before you graduate, withdraw, or cease to be enrolled at least half time. Exit counseling will provide you with specific information about your total indebtedness, lender contact information, repayment options, loan consolidation, and debt-management strategies.

To remain eligible for Federal Student Loans, you must remain enrolled on at least a half-time basis. If your enrollment status at any time drops below half-time status, you may be ineligible for any future scheduled disbursements and your loans may enter repayment. To determine the requirements for half-time status, please contact your school as the requirements may vary per program of study.

To avoid delinquency and default, you should inform Direct Loans (StudentLoans.gov or www.direct.ed.gov), or for Federal Stafford (FFEL) borrowers the loan holder, of any changes to your name, mailing address, telephone number, or Social Security Number so that all correspondences are promptly directed to you. You should also inform the Direct Loans or your loan holders if you withdraw from school, drop below half-time status, or transfer to another school. Always read and keep all documents you receive pertaining to your Federal Student Loan, and be sure to understand your loan amount and the payments that will be required. You should also notify your lender or servicer if you cannot make your payments by the due date.

In the case of your death, your loan obligation will be cancelled. Your loan also may be cancelled if you become totally and permanently disabled. Loan cancellation due to disability requires certification from a physician. Your loan may be cancelled in other instances including school closure, false certification, identity theft, or failure of the school to pay a refund if you withdraw.

Borrowers may also qualify for other cancellations or loan forgiveness programs such as being a survivor of a 9/11/01 victim or through the teacher loan forgiveness program. To receive a complete list of cancellation, discharge, and loan forgiveness categories or to apply for a cancellation, discharge, or loan forgiveness, the borrower must contact Direct Loans and review the Discharge/Cancellation page. Generally, federal student loans may not be cancelled or discharged due to bankruptcy. Borrower's who received loans under the Federal Stafford (FFEL) program will need to contact their loan holder to discuss these options.

# Federal Direct Loan Counseling Checklist

In the event that you're experiencing financial difficulty you should contact your loan holder immediately for assistance in handling your repayment obligation. They may be able offer options that temporarily reduce or suspend your monthly payment on your loan.

Under certain circumstances, you may be eligible for a deferment and may not have to make payments for a period of time. You will not have to make payments while you are attending school at least half-time or for up to 3 years while you are unemployed. A complete list of deferment options along with documentation and eligibility requirements are listed on your Rights and Responsibilities Statement.

When a loan is deferred, the federal government pays the interest on subsidized loans. You must pay the interest on unsubsidized loans during deferment periods, or it will be added to the principle amount of the loan. If interest is added to the principle amount, you will then pay interest on the larger amount. Having interest added to the principle amount of your loan may also cause your monthly payment amount to increase. If you cannot make scheduled payments and do not qualify for a deferment, forbearance may be an option. During periods of forbearance, you may be allowed to temporarily make smaller payments or stop making payments for an approved length of time. Be advised that interest continues to be charged on your loan while in a forbearance.

You should keep all financial aid materials in one place especially any records relating to your loans. Make sure to include a copy of your Borrower's Rights and Responsibilities Statement that you received prior to signing the Master Promissory Note (MPN). The statement provides information regarding your student loan, such as Grace Period, Repayment, Deferments, etc. You should also have a copy of your Master Promissory Note (MPN) and any schedules provided by your lender reflecting when repayment begins. Both Direct and FFEL borrowers should retain documentation of canceled checks and money order receipts whenever you make a payment on your loan. You should store copies of any requests for deferment, forbearance, or other types of correspondences which you submit to Direct Loans or any agency on your own behalf.

The Department has made available the **Financial Awareness Counseling Tool (FACT)**. FACT is an online interactive resource that provides students with basic financial literacy and information about the student's federal student loan debt (and total student loan debt if the student enters information about his or her private student loans). The tool estimates what the student's loan debt and repayment amounts are likely to be when the student leaves school. It also provides financial planning tips. While students cannot be required to use FACT, we recommend that institutions encourage all of their borrowers to do so, especially before a student decides to continue borrowing. Students can access FACT at **studentloans.gov**.

Your loan history can be viewed online at the National Student Loan Data System – Student Access website **http://www.nslds.ed.gov/nslds_SA/** (PIN required for access). The information on NSLDS may not be as current as the latest information from your loan holders. To resolve loan disputes and problems in an informal manner, the Federal Student Aid (FSA) Ombudsman works with student loan borrowers. The goal is to find creative alternatives for borrowers who need help with their federal loans. You can reach the FSA Ombudsman as follows:

| | |
|---|---|
| **Postal Mail:**<br>U.S. Department of Education<br><br>FSA Ombudsman Group<br>830 First Street, N.E., Mail Stop 5144<br>Washington, D.C. 20202-5144 | **Contact:**<br>Toll-free phone: 877-557-2575<br>Fax number: 202-275-0549<br><br>On-line assistance: http://studentaid.gov/repay-loans/disputes/prepare |

# Federal Direct Loan Counseling Checklist

## Time Limitation on Direct Subsidized Loan Eligibility for First-Time Borrowers on or after July 1, 2013

**Maximum eligibility period to receive Direct Subsidized Loans**

There is a limit on the maximum period of time (measured in academic years) that 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. This is called your "maximum eligibility period". You can usually find the published length of any program of study in your school's catalog.

***For example, if you are enrolled in a 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). If you are enrolled in a 2-year associate degree program, the maximum period for which you can receive Direct Subsidized Loans is 3 years (150% of 2 years = 3 years).***

Your maximum eligibility period is based on the published length of your current program. This means that your maximum eligibility period can change if you change programs. Also, if you receive Direct Subsidized Loans for one program and then change to another program, the Direct Subsidized Loans you received for the earlier program will [1]generally count against your new maximum eligibility period.

[2] See some examples below that show how your maximum eligibility period can change if you change programs.

[1] If you receive Direct Subsidized Loans for an undergraduate program and then enroll in a teacher certification program that you must complete to receive a teaching certification in your state (but you do not receive a certificate or other credential from the school where you complete the program), the Direct Subsidized Loans you received for your undergraduate program do not count against your maximum eligibility period for the teacher certification program.

If you receive Direct Subsidized Loans for the teacher certification program, those loans will be counted against a separate maximum eligibility period, which is based on the length of the teacher certification program.

[2] Example 1

(1) You are enrolled in a two-year undergraduate program. You then enroll in a four-year undergraduate program. When you change programs, your maximum eligibility changes from three years to six years.

(2) You received Direct Subsidized Loans for only one year while enrolled in the two-year program. You would have been eligible to receive two more years of Direct Subsidized Loans if you had stayed in that program.

(3) When you enroll in the four-year program, you are eligible to receive five more years of Direct Subsidized Loans.

Example 2

(1) You are enrolled in a four-year undergraduate program. You then enroll in a two-year undergraduate program. When you change programs, your maximum eligibility changes from six years to three years.

(2) You received Direct Subsidized Loans for two years while enrolled in the four-year program. You were eligible to receive four more years of Direct Subsidized Loans if you had stayed in that program.

(3) When you enroll in the two-year program, you are eligible to receive one more year of Direct Subsidized Loans.

# Federal Direct Loan Counseling Checklist

Example 3

(1) You are enrolled in a four-year undergraduate program. You then enroll in a different four-year undergraduate program. Because both programs are the same length, your maximum eligibility does not change when you change programs – it remains six years.

(2) You received Direct Subsidized Loans for three years while enrolled in the first four-year program. You were eligible to receive three more years of Direct Subsidized Loans if you had stayed in that program.

(3) When you enroll in the second four-year program, you are still eligible three more years of Direct Subsidized Loans.

## Periods that count against your maximum eligibility period

The periods of time that count against your maximum eligibility period are periods of enrollment (also known as "loan periods") for which you received Direct Subsidized Loans.

> ***For example, if you are a full-time student and you receive a Direct Subsidized Loan that covers the fall and spring semesters (a full academic year), this will count as one year against your maximum eligibility period.***

If you receive a Direct Subsidized Loan for a period of enrollment that is shorter than a full academic year, the period that counts against your maximum usage period will generally be reduced accordingly.

> ***For example, if you are a full-time student and you receive a Direct Subsidized Loan that covers the fall semester but not the spring semester, this will count as one-half of a year against your maximum eligibility period.***

With one exception, the amount of a Direct Subsidized Loan you receive for a period of enrollment does not affect how much of your maximum eligibility period you have used. That is, even if you receive a Direct Subsidized Loan in an amount that is less than the full [3]annual loan limit, that lesser amount does not reduce the amount of your maximum eligibility period you have used. The one exception applies if you receive the full annual loan limit for a loan period that does not cover the whole academic year. If you are attending less than full time, the usage period will be pro-rated by your enrollment status (i.e. half-time or three-quarter time).

[4] See an example below.

[3] For Direct Subsidized Loans, the annual loan limits (the maximum amount you can receive for an academic year) are: (1) for first year students, $3,500; for second-year students, $4,500; and (3) for third-year students and beyond, $5,500.

[4] For example, if you receive a Direct Subsidized Loans that covers only the fall semester and not the spring semester, and the loan amount you receive is equal to the full annual loan limit for your grade level, this period counts as one year of usage if you are full time for the fall semester. If you were half-time, this would equal .50 of a year usage. If you were three-quarter time, this would equal .75 of a year usage which would be rounded to .80.

# Federal Direct Loan Counseling Checklist

## Effect of borrowing while enrolled part-time

If you receive a Direct Subsidized Loan when you are enrolled less than full-time, the period that is counted against your maximum eligibility period will be reduced.

***For example, if you are enrolled half-time and received a Direct Subsidized Loan for a period of enrollment that covers a full academic year, the borrower's Subsidized Usage Period would initially be set to one year but would then be pro-rated by 0.5 based on the borrower's half-time enrollment status.***

**Loss of eligibility for additional Direct Subsidized Loans and becoming responsible for paying interest on Direct Subsidized Loans**

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans. However, you may continue to receive Direct Unsubsidized Loans.

In addition, if you continue to be enrolled in any undergraduate program after you have received Direct Subsidized Loans for your maximum eligibility period, we will no longer (with certain exceptions) pay the interest that accrues on your Direct Subsidized Loans for periods when we would normally would have done so. The chart below provides examples of these circumstances.

| Do I become responsible for paying the interest that accrues on my Direct Subsidized Loans because . . . | Yes | No |
|---|---|---|
| I am no longer eligible for Direct Subsidized Loans and I stay enrolled in my current program? | X | |
| I am no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is the same length or shorter than my prior program? | X | |
| I transferred into the shorter program and lost eligibility for Direct Subsidized Loans because I have received Direct Subsidized loans for a period that equals or exceeds my new, lower maximum eligibility period, which is based on the length of the new program? | X | |
| I was no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is longer than my prior program? | | X |
| I lose eligibility for Direct Subsidized Loans and immediately withdraw from my program? | | X |
| I graduated from my prior program prior to or upon meeting the 150% limit, and enroll in an undergraduate program that is the same length or shorter than my prior program? | | X |
| I enroll in a graduate or professional program? | | X |
| I enroll in preparatory coursework that I am required to complete to enroll in a graduate or professional program? | | X |
| I enroll in a teacher certification program (where my school does not award an academic credential)? | | X |

Remember, your maximum eligibility period can change if you enroll in a different program. So, if you received Direct Subsidized Loans for your maximum eligibility period for one program and then enroll in a longer program, you will not become responsible for interest that accrues on your Direct Subsidized Loans.

If you meet any of the conditions on the prior page, you will become responsible for the interest that accrues on your Direct Subsidized Loans, from the date of your enrollment after meeting the 150% limit, during periods when we would have normally paid the interest for you. On the next page is a chart that summarizes the periods when we normally pay the interest on your Direct Subsidized Loans, and an explanation and what happens after you become responsible for the interest.

[5] See example next page.

# Federal Direct Loan Counseling Checklist

[5] If you are enrolled in a four-year undergraduate program and receive Direct Subsidized Loans for six years, you are no longer eligible to receive Direct Subsidized Loans.

Whether you become responsible for interest on your Direct Subsidized Loans depends on what you do next:

(1) If you complete the program in 6 years and do not enroll for a 7th year, the Federal government will continue to pay the interest accrued on your Direct Subsidized Loans as described in the chart (previous page). Even if you eventually enroll in another program, because you completed the program before enrolling for a 7th year, the Federal government will continue to pay your interest as described in the chart (previous page).

(2) If you continue to be enrolled in the program for a 7th year, then on the date you enroll for the 7th year, you will become responsible for paying all interest that accrues on your Direct Subsidized Loans from that point forward.

(3) If you do not complete the program, but transfer to another undergraduate program that is four years or less (that has a maximum eligibility period of 6 years or less), then you will become responsible for interest, starting with the interest that accrues on the date that you enroll in the other program.

| During what period am I responsible for paying the interest on my Direct Subsidized Loans . . . | Before meeting the 150% limit? | After meeting the 150% limit? |
|---|---|---|
| While enrolled in school at least half-time | No | Yes |
| During my grace period on loans first disbursed (paid out) July 1, 2013 through June 30, 2014 | Yes | Yes |
| During my grace period on loans first disbursed (paid out) July 1, 2014 or after | No | Yes |
| During deferment periods | No | Yes |
| During certain periods of repayment under the Income-Based Repayment or Pay As You Earn Plan | No | Yes |
| During forbearance periods | Yes | Yes |
| During all other periods of repayment | Yes | Yes |

If you become responsible for the interest that accrues on your Direct Subsidized Loans, any interest that you do not pay will be capitalized (added to your loan principal balance) at the end of the grace, deferment, or other periods. Capitalized interest increases your loan principal, increases your monthly payment amount under most Direct Loan repayment plans, and causes you to pay more interest over the life of your loan. Your federal loan servicer will notify you if you become responsible for paying the interest on your Direct Subsidized Loans.

Based on all of your enrollment, your subsidized usages period at the time of the exit counseling is ___________. This is determined by using the following formula; however, any refunds or late disbursements may change your total subsidized usage period:

$$\frac{\text{\# of days in your loan period(s)}}{\text{\# of days in your academic year}}$$

You should check with your school or National Student Loan Data System – Student Access website **http://www.nslds.ed.gov/nslds_SA/** (PIN required for access) within the next 30-45 days to see if your subsidized usage period has changed.

If the above calculation has a blank value it means that your loans awarded are not subject to the 150% subsidized limits.

Also, the number of years in your subsidized usage period will be rounded up or down, as appropriate, to the nearest tenth of a year. Ex: 0.45 years would be rounded to 0.5; 0.88 years would be rounded to 0.9.

# Federal Direct Loan Counseling Checklist

EXCEPTIONS:

- For a first-time borrower who receives a Direct Subsidized Loan in an amount that is equal to the annual loan limit for a loan period that is less than a full academic year in length, the subsidized usage period is one (1) year. However, this usage period will be pro-rated if the student is attending less than full time.
- Prorate the subsidized usage period for borrowers enrolled on a half-time or three-quarter-time basis. This proration is done by multiplying the borrower's usage period by 0.5 (for half-time) or 0.75 (three-quarter-time) respectively.

You can access NSLDS (online at the National Student Loan Data System – Student Access website **http://www.nslds.ed.gov/nslds_SA/** (PIN required for access) to determine whether you have become responsible for accruing interest on any of your DL Subsidized loans:

**Regaining eligibility for Direct Subsidized Loans**

If you become ineligible for Direct Subsidized Loans because you have received Direct Subsidized Loans for your maximum eligibility period, you may again become eligible to receive Direct Subsidized Loans if you enroll in a new program that is longer than your previous program.

[6] See an example below.

If you regain eligibility to receive additional Direct Subsidized Loans because you enrolled a program that is longer than your prior program and you previously became responsible for paying all of the interest that accrues on your Direct Subsidized Loans, we will pay the interest that accrues on your new loans during the periods described in the chart above.

[6] If you are enrolled in a two-year undergraduate program and then enroll in a four-year undergraduate program, your maximum eligibility changes from three years to six years.

If you received Direct Subsidized Loans for three years, you were not eligible to receive any more Direct Subsidized Loans in the two-year program. However, when you enroll in the four-year program, you are eligible to receive three more years of Direct Subsidized Loans.

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By signing this form, you are verifying that you have reviewed and understood everything on this form. If there is anything about your loan(s) that you do not understand, please contact your school's financial aid office.

| Initial counseling received: | Exit counseling received: |
|---|---|
| ______________________ Signature | ______________________ Signature |
| ______________________ Date | ______________________ Date |

The student must date this checklist so that its use may be distinguished between *Pre-Loan* versus *Exit* Counseling.