

**PLAIN LANGUAGE DISCLOSURE FOR DIRECT SUBSIDIZED LOANS AND DIRECT UNSUBSIDIZED LOANS  
WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM (DIRECT LOAN PROGRAM)**

**ABOUT THE PLAIN LANGUAGE DISCLOSURE**

You are receiving a Direct Subsidized Loan and/or Direct Unsubsidized Loan under a Master Promissory Note (MPN) that you signed previously. This Plain Language Disclosure (PLD) summarizes information about the terms and conditions of your loan.

In this PLD, the words "we," "us," and "our" refer to the U.S. Department of Education or our loan servicers. The word "loan" means a Direct Subsidized Loan or a Direct Unsubsidized Loan.

Refer to your MPN and the Borrower's Rights and Responsibilities Statement (BRR) that you received with your MPN for the complete terms and conditions of your loan, and for more detailed information about the topics covered in this PLD. You can obtain a copy of the MPN that you signed, including the BRR, on [StudentAid.gov](http://StudentAid.gov) or by contacting your servicer.

**1. APPLICABLE LAWS AND OTHER LEGAL INFORMATION**

Unless we tell you otherwise in this PLD, your MPN and the BRR control the terms and conditions of your loan. The terms and conditions of loans made under your MPN are determined in accordance with the Higher Education Act of 1965, as amended (the HEA), our regulations, and other federal laws and regulations. In this PLD we refer to these laws and regulations as "the Act."

Amendments to the Act may change the terms of the MPN that you signed. Any amendment to the Act that changes the terms of the MPN will be applied to your loans in accordance with the effective date of the amendment. Depending on the effective date, amendments to the Act may modify or remove a benefit that existed at the time you signed the MPN.

**2. THE DIRECT LOAN PROGRAM**

The Direct Loan Program includes Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans. Loans made under the Direct Loan Program are called "Direct Loans." Direct Loans are made by the U.S. Department of Education.

We use servicers to process Direct Loan payments, deferment and forbearance requests, and other transactions, and to answer questions about your loans. We will tell you how to contact us or our servicers. It is important to keep in contact with your servicer. To learn more about loan servicers, visit [StudentAid.gov/servicers](http://StudentAid.gov/servicers).

If we transfer one or all of your loans to a new servicer, we will notify you of who your new servicer is, how to contact your new servicer, and when your loans will be transferred.

Your loan servicer will never ask you to pay a fee to access a benefit of your loan, like a repayment plan. There are private companies that may offer to help you with your student loans for a fee, but those companies are not affiliated with us. To learn more, visit [StudentAid.gov/loanscams](http://StudentAid.gov/loanscams).

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

**Direct Subsidized Loans** are only for undergraduate students. To receive a Direct Subsidized Loan, you must have financial need. Generally, we do not charge interest on Direct Subsidized Loans

while you are in school, during the grace period, during deferment periods, and during some periods of repayment under certain repayment plans.

**Direct Unsubsidized Loans** are for both undergraduate students and graduate or professional students. You do not need to have financial need to receive a Direct Unsubsidized Loan. Generally, we charge interest on Direct Unsubsidized Loans during all periods.

**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.

Generally, 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 current program of study.

After you have received Direct Subsidized Loans for 150% of the length of your current program of study, you are no longer eligible to receive additional Direct Subsidized Loans, but you may continue to receive Direct Unsubsidized Loans. In addition, if you continue to be enrolled in any undergraduate program after you have lost eligibility for Direct Subsidized Loans because of this time limit, in most cases (there are certain exceptions) we will charge interest on your Direct Subsidized Loans during all periods. We will notify you if this happens.

**5. USE OF THE MPN TO MAKE MORE THAN ONE LOAN**

In most cases, you may receive more than one loan under the MPN that you previously signed for up to 10 years. Your school will tell you if you need to complete a new MPN. You also have the option of signing a new MPN if you do not want to receive more than one loan under an MPN that you signed previously. If you do not want to receive more than one loan under the same MPN, you must notify your school or your servicer in writing.

**6. AMOUNT YOU MAY BORROW**

There are maximum loan amounts you may borrow in a single academic year (annual loan limits) that range from \$5,500 to \$20,500, depending on your year in school, dependency status, and other factors. The actual amount you are eligible to borrow for an academic year may be less than the annual loan limit. There are also maximum amounts you may borrow in total for undergraduate and graduate study (aggregate loan limits). To learn more, visit [StudentAid.gov/sub-unsub#how-much](http://StudentAid.gov/sub-unsub#how-much).

**7. INTEREST RATE**

The interest rates for Direct Subsidized Loans and Direct Unsubsidized Loans are determined in accordance with the Act. Different interest rates may apply depending on when a loan was first disbursed (paid out) and other factors. Different loans you received under the same MPN may have different interest rates.

Loans first disbursed on or after July 1, 2013 have a fixed rate (meaning that the rate will never change) that is calculated each

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year. When the rate is calculated, it applies to all loans that have a first disbursement date during the period beginning on July 1 of one year and ending on June 30 of the following year. The interest rate for loans made to undergraduate students can never be more than 8.25%. The interest rate for loans made to graduate or professional students can never be more than 9.5%.

Loans first disbursed during the period from July 1, 2006 through June 30, 2013 have different fixed interest rates. To view the interest rates for these loans, visit [StudentAid.gov/interest](http://StudentAid.gov/interest).

Loans first disbursed before July 1, 2006 have variable interest rates that are adjusted each year on July 1. If you have loans with a variable interest rate, we will notify you annually when the rate is adjusted.

**Servicemembers Civil Relief Act (SCRA).** Under the SCRA, if you are serving in the military the interest rate on loans you received before you began your military service may be limited to 6% during your service. In most cases, we will determine if you are eligible for this benefit based on information from the U.S. Department of Defense, and if you have any qualifying loans with an interest rate greater than 6%, we will automatically reduce the rate on those loans to 6% during your military service.

**Interest rate reduction for automatic withdrawal of payments.** You will receive a 0.25% reduction in the interest rate on your loan if you choose to repay the loan under the automatic withdrawal option. Under this option, we automatically deduct your monthly loan payment from your checking or savings account.

### 8. PERIODS WHEN WE CHARGE INTEREST

**Direct Subsidized Loans.** Generally (see exceptions below), we do not charge interest on Direct Subsidized Loans while you are enrolled in school at least half time, during your grace period, during deferment periods, and during some periods of repayment under certain repayment plans. Generally, we charge interest on Direct Subsidized Loans during all other periods, starting on the day after your grace period ends.

**Exceptions:** We charge interest on Direct Subsidized Loans during the grace period if the first disbursement of the loan was made during the period from July 1, 2012 through June 30, 2014. If you are a first-time borrower on or after July 1, 2013, under certain conditions we charge interest on Direct Subsidized Loans during all periods, as explained in Item 4 of this PLD.

**Direct Unsubsidized Loans.** Generally, we charge interest on Direct Unsubsidized Loans during all periods, starting on the date of the first disbursement.

**No accrual of interest benefit for active duty service members.** We do not charge interest on any type of Direct Loan first disbursed on or after October 1, 2008 during periods while you are on qualifying active military duty in an area of hostilities where your service qualifies you for special pay (for up to 60 months).

**Interest capitalization.** If you do not pay the interest as it accrues on a loan, we will add the accrued interest to the unpaid principal

balance of your loan at certain points. This is called "capitalization." Capitalization increases the principal amount you owe on the loan and the total amount of interest you will pay. To learn more about capitalization, visit [StudentAid.gov/interest#capitalization](http://StudentAid.gov/interest#capitalization).

### 9. LOAN FEE

For each loan you receive, we charge a loan fee that is a percentage of the amount you borrowed. The loan fee will be subtracted from each loan disbursement, meaning that the actual disbursement amount you receive will be less than the disbursement amount you must repay. We will notify you of the specific loan fee that we charge on each loan you receive. To learn more, visit [StudentAid.gov/interest#fees](http://StudentAid.gov/interest#fees).

### 10. 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. We may also require you to pay other charges and fees involved in collecting your loan.

### 11. YOUR RIGHT TO CANCEL ALL OR PART OF A 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 your loan:

- Within certain timeframes you can notify your school that you want to cancel all or part of your loan. Your school will tell you the specific cancellation timeframe that applies to you.
- Within 120 days of the date your school disbursed your loan money, you may cancel all or part of your loan by returning all or part of the loan money to us. Contact your servicer for instructions on how to do this.

You do not have to pay interest or the loan fee on the part of your loan that is cancelled or returned within these timeframes.

### 12. HOW YOU WILL RECEIVE YOUR LOAN MONEY

In most cases your school will disburse your loan money in more than one installment. Each installment is called a disbursement. Depending on how your school measures your academic progress, it will generally make a loan disbursement at the beginning of each academic term (for example, at the beginning of each semester or quarter), or will make one disbursement at the beginning of the period of study for which you are receiving the loan, and one at the midpoint of that period of study. Your school may disburse your loan money by crediting it to your student account, or may give some or all of it to you directly by check or other means. We will notify you each time your school disburses part of your loan money.

### 13. USE OF LOAN MONEY

You may use your loan money only to pay for authorized educational expenses (for example, tuition, room, board, books) at the school that determined you were eligible to receive the loan.

### 14. INFORMATION YOU MUST REPORT AFTER YOU RECEIVE YOUR LOAN

While you are still in school, you must notify your servicer and your school if you change your address, telephone number, or name. At

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any time after you receive your loan, you must notify your servicer if you:

- Change your address, telephone number, or name; or
- Have any other change in status that affects your loan (for example, if you received a deferment but no longer qualify for the deferment).

**15. GRACE PERIOD**

You do not need to begin making payments on your loan until 6 months after you stop attending school or drop below half-time enrollment. This is called your "grace period."

**16. REPAYING YOUR LOAN**

The repayment period for each loan you receive begins on the day after your grace period ends. We will notify you of the date your first payment is due.

You have a choice of repayment plans. There are two types of repayment plans: **traditional repayment plans** and **income-driven repayment plans**. We will ask you to choose a repayment plan. If you do not choose a plan, we will place you on the Standard Repayment Plan. Generally, you may change from your current repayment plan to any other repayment plan you qualify for at any time after you have begun repaying your loan. You can prepay your loans at any time without penalty.

When choosing a repayment plan, it is important to understand that there is a relationship between your payment amount and the total amount of interest that you will pay on your loans. Generally, you will pay more interest over the life of your loan if you have a lower monthly payment amount, and will pay less interest if you have a higher monthly payment amount.

**Traditional repayment plans**

Under a traditional repayment plan, your required monthly payment amount is based on the loan amount that you owe, the interest rate on your loans, and the length of the repayment period.

There are three traditional plans: the Standard, Graduated, and Extended repayment plans. The chart below summarizes some of the key terms of each of the traditional repayment plans. For more information, visit [StudentAid.gov/plans](http://StudentAid.gov/plans).

Plan	Payments...	Loan will be repaid within...
<b>Standard</b>	Are fixed	10 years
<b>Graduated</b>	Start low, then increase every 2 years	10 years
<b>Extended</b>	Are fixed, or Start low, then increase every 2 years (your choice)	25 years

**Income-driven repayment plans**

Under an income-driven repayment plan (IDR plan), your monthly payment amount is based on your income and family size. Changes in your income and family size will result in changes to your monthly payment amount. If you choose an IDR plan, you must certify your family size and provide documentation of your income (and, if you are married, your spouse’s income) each year so that we can recalculate your payment amount. Your monthly payment amount under an IDR plan is generally a percentage of your discretionary income.

Under an IDR plan, any remaining loan amount that you owe after you have made the equivalent of a certain number of years of qualifying monthly payments will be forgiven. You might have to pay federal income tax on the loan amount that is forgiven.

There are four IDR plans: the Revised Pay As You Earn (REPAYE), Pay As You Earn (PAYE), Income-Based Repayment (IBR), and Income-Contingent Repayment (ICR) plans. There are different eligibility requirements for each of the IDR plans, but the chart below summarizes some of the key terms of each plan. For more information, visit [StudentAid.gov/IDR](http://StudentAid.gov/IDR).

Plan	Payments are generally...	Forgiveness is generally provided after...
<b>REPAYE</b>	10% of discretionary income	20 or 25 years
<b>PAYE</b>	10% of discretionary income	20 years
<b>IBR</b>	15% of discretionary income	25 years
<b>ICR</b>	20% of discretionary income	25 years

**17. DEFAULTING ON YOUR LOAN**

You will be considered in default on your loan if you do not make your monthly loan payments for a total of at least 270 days or we accelerate your loan (see Item 18, below) and you do not pay the amount due.

If you default on your loan, we may:

- Report the default to nationwide consumer reporting agencies (credit bureaus);
- Demand that you immediately repay the loan in full;
- Order administrative wage garnishment (AWG) of your wages;
- Take (offset) your federal income tax refund or Social Security Administration payments or other payments authorized for offset under federal law and use that amount to pay off part of your loan;
- File a lawsuit against you to collect on the loan; and
- Require you to pay collection costs.

If you default on your loan you will lose eligibility for other federal student financial aid and assistance under most federal benefit programs. You will also lose eligibility for loan deferments, forbearances, and repayment plans. If you default on your loans,

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there are several ways you can get out of default. To learn more about getting out of default, visit [StudentAid.gov/end-default](https://StudentAid.gov/end-default).

### 18. CONDITIONS WHEN WE MAY REQUIRE YOU TO IMMEDIATELY REPAY THE FULL AMOUNT OF YOUR LOAN

We will require you to immediately repay the full amount of your loan (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 authorized educational expenses 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.

### 19. INFORMATION WE REPORT ABOUT YOUR LOAN

We will report information about your loan to nationwide consumer reporting agencies (commonly known as "credit bureaus") and to the National Student Loan Data System (NSLDS) 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.

### 20. DEFERMENT AND FORBEARANCE (POSTPONING PAYMENTS)

If you meet certain requirements, you may receive a **deferment or forbearance** that allows you to temporarily stop making payments on your loan. To learn more about deferment and forbearance, visit [StudentAid.gov/deferment-forbearance](https://StudentAid.gov/deferment-forbearance).

You may receive a **deferment**:

- While you are enrolled at least half-time at an eligible school;
- While you are unemployed or experiencing an economic hardship;
- While you are serving on qualifying active military duty; or
- For loans first disbursed on or after September 28, 2018, or for loans first disbursed before that date that entered repayment on or before September 28, 2018, while you are receiving treatment for cancer and for an additional 6 months after your treatment has ended.

This is not a complete list of available deferments. For a complete list, visit [StudentAid.gov/deferment-forbearance](https://StudentAid.gov/deferment-forbearance).

We may give you a **forbearance** if you are temporarily unable to make your loan payments for reasons including, but not limited to, financial hardship or illness. You may also receive a forbearance under other circumstances that are described at [StudentAid.gov/deferment-forbearance](https://StudentAid.gov/deferment-forbearance).

### 21. LOAN DISCHARGE (HAVING YOUR LOAN FORGIVEN)

If you meet certain conditions, we may discharge (forgive) some or all of your loan. You cannot have your loan discharged solely because you did not complete the education paid for with your loan, are unable to find employment in the field of study for which your school provided training, or are dissatisfied with, or do not receive, the education you paid for with your loan. To learn more, visit [StudentAid.gov/forgiveness](https://StudentAid.gov/forgiveness).

#### Death, total and permanent disability, bankruptcy, school closure, false certification, identity theft, unpaid refund, and borrower defense

We may discharge (forgive) all or part of your loan if:

- You die or become totally and permanently disabled;
- Your loan is discharged in bankruptcy after you have proven to the bankruptcy court that repaying the loan would cause undue hardship;
- You were unable to complete the course of study paid for with your loan because your school closed;
- Your school falsely certified your eligibility;
- A loan in your name was falsely certified as a result of a crime of identity theft;
- Your school did not pay a refund of your loan money that it was required to pay under federal regulations; or
- Your school did something or failed to do something related to your loan or to the educational services that the loan was intended to pay for.

#### Teacher Loan Forgiveness

We may forgive a portion of your eligible loans 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, and meet certain other qualifications. To learn more, visit [StudentAid.gov/teach-forgive](https://StudentAid.gov/teach-forgive).

#### 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 Loans after you have made 120 qualifying payments (after October 1, 2007) on those loans under certain repayment plans while you are employed full-time by a qualifying employer. To learn more, visit [StudentAid.gov/publicservice](https://StudentAid.gov/publicservice).

### 22. LOAN CONSOLIDATION

You can combine one or more of your federal education loans into a new Direct Consolidation Loan with a single monthly payment. Consolidation may also allow you to extend the period of time for repaying your loans. Although consolidation can provide certain benefits, it can also cause you to lose benefits on the loans that you consolidate. To learn more, visit [StudentAid.gov/consolidation](https://StudentAid.gov/consolidation).