

Repayment plans

The Direct Loan Program offers loan repayment plans designed to meet the needs of almost every borrower. Direct Loans are funded by the U.S. Department of Education through your school and are managed by a loan servicer, under the supervision of the Department. The Direct Loan Program allows you to choose your repayment plan and to switch your plan if your needs change.

To find out more about repayment options before receiving a Direct Loan, borrowers may contact their school's financial aid office or the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243). If you currently have a Direct Loan and would like the exact payment amount on your loan, you can find it out by contacting your loan servicer.

Parent Direct PLUS Loan borrowers may only choose from the standard, extended, or graduated options, but student Direct PLUS Loan borrowers may also choose the income contingent repayment plan or the income-based repayment plan.

❖ **Standard Repayment**

With the standard plan, you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least \$50, and you'll have up to 10 years to repay your loans. The standard plan is good for you if you can handle higher monthly payments because you'll repay your loans more quickly. Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For the same reason—the 10-year limit on repayment—you may pay the least interest.

❖ **Extended Repayment**

To be eligible for the extended plan, you must have more than \$30,000 in Direct Loan debt and you must not have an outstanding balance on a Direct Loan as of October 7, 1998. Under the extended plan you have 25 years for repayment and two payment options: fixed or graduated. Fixed payments are the same amount each month, as with the standard plan, while graduated payments start low and increase every two years, as with the graduated plan below.

This is a good plan if you will need to make smaller monthly payments. Because the repayment period will be 25 years, your monthly payments will be less than with the standard plan. However, you may pay more in interest because you're taking longer to repay the loans. **Remember that the longer your loans are in repayment, the more interest you will pay.**

❖ **Graduated Repayment**

With this plan your payments start out low and increase every two years. The length of your repayment period will be up to ten years. If you expect your income to increase steadily over time, this plan may be right for you. 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.

❖ Income Contingent Repayment

(not available for parent PLUS loans)

This plan gives you the flexibility to meet your Direct Loan obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans. Under the ICR plan you will pay each month the lesser of:

1. the amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that varies with your annual income, or
2. 20% of your monthly discretionary income*.

If your payments are not large enough to cover the interest that has accumulated on your loans, the unpaid amount will be capitalized once each year. However, capitalization will not exceed 10 percent of the original amount you owed when you entered repayment. Interest will continue to accumulate but will no longer be capitalized.

The maximum repayment period is 25 years. If you haven't fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged.

❖ Income-based Repayment

Under this plan the required monthly payment will be based on your income during any period when you have a partial financial hardship. Your monthly payment may be adjusted annually. The maximum repayment period under this plan may exceed 10 years. If you meet certain requirements over a specified period of time, you may qualify for cancellation of any outstanding balance of your loans.

*Monthly discretionary income equals your AGI minus the poverty level for your state of residence and family size, divided by 12. For the current poverty level, see the [Poverty Guidelines Chart](#), which is issued annually by the U.S. Department of Health and Human Services.

<http://www.direct.ed.gov/RepayCalc/dlindex2.html>

Deferment and Forbearance

If you want additional information on loan default, visit the Department's Debt Collection Service website.

❖ Deferments

A deferment is a postponement of payment on a loan, during which interest does not accrue if the loan is subsidized.

You may qualify for a deferment while you are:

- Enrolled at least half time in an eligible postsecondary school or studying full time in a graduate fellowship program or an approved disability rehabilitation program.
- Unemployed or meet our rules for economic hardship (limited to 3 years).

You may also be eligible for a deferment based on qualifying active duty service in the U.S. Armed Forces or National Guard. Refer to the MPN for your loan or contact the Direct Loan Servicing Center for more information about specific qualifications for deferment based on military service.

In most cases, you need to submit a deferment request to your loan servicer along with documentation of your eligibility for the deferment.

If you've gone back to school and your loan servicer receives enrollment information that shows you're enrolled at least half time, it will automatically put your loans into deferment and notify you. You have the option of cancelling the deferment and continuing to make payments on your loan.

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

❖ Forbearance

If you can't make your scheduled loan payments, but don't qualify for a deferment, we may be able to give you a forbearance. A forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments. Some common reasons for getting a forbearance are illness, financial hardship or serving in a medical or dental internship or residency. See your copy of the Borrower's Rights and Responsibilities Statement for more examples. You can get more information by contacting your loan servicer.

Under certain circumstances, we can automatically give you a forbearance, for instance, while we're processing a deferment, forbearance, cancellation, change in repayment plan or consolidation, or if you're involved in a military mobilization or a local or national emergency.

Last updated March 3, 2011

<http://www.direct.ed.gov/postpone.html>

Cancellation and Consolidation

Conditions for cancelling all or part of your loan

- ❖ **Teacher service.** If you are a new borrower* and are a full-time teacher in a low-income elementary or secondary school for 5 consecutive years, you may be able to have as much as \$17,500 of your subsidized or unsubsidized loans cancelled. This provision is not available for borrowers of PLUS Loans. For more information, see Student Aid on the Web or contact your loan servicer.

* You are considered a new borrower if you did not have an outstanding balance on an FFEL or Direct Loan on Oct. 1, 1998, or on the date you obtained an FFEL or Direct Loan after Oct. 1, 1998.

- ❖ **Public service.** If you are employed in certain public service jobs and have made 120 payments on your Direct Loans (after Oct. 1, 2007), the remaining balance that you owe may be forgiven. Only payments made under certain repayment plans may be counted toward the required 120 payments. You must not be in default on the loans that are forgiven.

- ❖ **School-related discharges.** In certain cases, you may be able to have all or a part of your loan cancelled because:

- Your school closed before you completed your program.
- Your school forged your signature on your promissory note or falsely certified that you were eligible to get the loan.
- Your loan was falsely certified because of identity theft (additional requirements apply).
- You withdrew from school but the school didn't pay a refund that it owed under its written policy or our regulations. Check with the school to see how refund policies apply to federal aid at the school.

In general, you must repay your loan even if you don't graduate, can't find work in your field of study, or are dissatisfied with the education program.

- ❖ **Disability, bankruptcy, or death.**

- Your loan may be discharged if you are determined to be totally and permanently disabled and you meet certain requirements during a 3-year conditional discharge period. To apply for this discharge, you must provide a physician's statement that you became totally and permanently disabled after the loan was made. See your copy of the Borrower's Rights and Responsibilities Statement for more information on the procedures and conditions for this discharge.
- Your loan may be cancelled if it is discharged in bankruptcy. This is not an automatic process—you must prove to the bankruptcy court that repaying the loan would cause undue hardship.
- For a student who dies, the loan will be cancelled if a family member or other representative provides an original or a copy of the original or certified copy of the death certificate to the Direct Loan Servicing Center.

Contact your loan servicer for more information or to get a cancellation form. You can also find more information in your copy of the Borrower's Rights and Responsibilities Statement.

Consolidation

There may be advantages to consolidating (combining) your federal student loans into one loan, starting with the convenience of making a single monthly payment. Consolidation generally extends the repayment period, resulting in a lower monthly payment. This may make it easier for you to repay your loans. However, you will pay more interest if you extend your repayment period through consolidation since you will be making payments for a longer period of time. Contact the Direct Loan Consolidation Center for more information: at 1-800-557-7392, TTY for the hearing-impaired at 1-800-557-7395. The Direct Loans Consolidation website also has an [online calculator](#) that you can use to find out how much you'll pay each month if you consolidate.

<http://www.direct.ed.gov/cancellation.html>

Eligible Loans to Consolidate

The following federal education loans are eligible for consolidation into a Direct Consolidation Loan:

Subsidized Loans:

- Subsidized Federal Stafford Loans
- Direct Subsidized Loans
- Subsidized Federal Consolidation Loans
- Direct Subsidized Consolidation Loans
- Federal Insured Student Loans (FISL)
- Guaranteed Student Loans (GSL)

Unsubsidized Loans:

- Unsubsidized and Nonsubsidized Federal Stafford Loans
- Direct Unsubsidized Loans, including Direct Unsubsidized Loans (TEACH) (converted from TEACH Grants)
- Unsubsidized Federal Consolidation Loans
- Direct Unsubsidized Consolidation Loans
- Federal PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Consolidation Loans
- Federal Perkins Loans
- National Direct Student Loans (NDSL)
- National Defense Student Loans (NDSL)
- Federal Supplemental Loans for Students (SLS)
- Parent Loans for Undergraduate Students (PLUS)
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans (NSL)
- Loans for Disadvantaged Students (LDS)

Ineligible Loans

Some loans are always ineligible for consolidation. While these loans may not be included in a Direct Consolidation Loan, they may be considered in the calculation of the maximum repayment period under the Graduated or Extended Repayment Plan. These include but are not limited to the following:

- Loans made by a state or private lender and not guaranteed by the federal government
- Primary Care Loans
- Law Access Loans
- Medical Assist Loans
- PLATO Loans

<http://loanconsolidation.ed.gov/borrower/bloans.html>

There are several ways that you can apply for a Direct Consolidation Loan:

- Online Web Application - Apply online. Visit Application and Promissory Note Home Page.
- Express Phone Application - 1-800-557-7392. Apply over the phone if you have all Direct Loans.
- Paper Application - Download a paper copy of the application and promissory note - including the complete contents of the application package or request an application package be mailed to you:

Phone at 1-800-557-7392 8AM to 8PM (EST)
(TDD 1-800-557-7395) or (334) 206-7400 outside USA

E-mail at loan_consolidation@mail.ed.gov

<http://loanconsolidation.ed.gov/borrower/bapply.html>