

CONTACTS

General information about student aid and applying for student aid:

Federal Student Aid Information Center
1-800-4-FED-AID
(TTY 1-800-730-8913)

Student Aid on the Web
www.FederalStudentAid.ed.gov

Visit the Web site or call for general information about student aid. From the Web site, you can access a variety of student aid publications in English and Spanish, including *Funding Education Beyond High School: The Guide to Federal Student Aid*, a comprehensive overview of the financial aid process.

Your single contact for everything related to repayment of your Direct Loan:

Borrower Services at the Direct Loan Servicing Center
1-800-848-0979
(TTY 1-800-848-0983)

Direct Loans on the Web
www.dl.ed.gov

Visit the Web site or call to get your loan account information, obtain a deferment or forbearance application, learn about making online payments, set up automatic payments and much more.

Everything you need to know about Direct Consolidation loans and for an online application:

Direct Loan Consolidation Center
1-800-557-7392
(TTY 1-800-557-7395)

Direct Loan Consolidation Web Site
www.loanconsolidation.ed.gov

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DIRECT LOAN BASICS FOR GRADUATE AND PROFESSIONAL STUDENTS



Direct PLUS Loans for Graduate and Professional Students

A simple, convenient, flexible way to finance your education.

The William D. Ford Federal Direct Loan Program is one of the Federal Student Aid programs of the U.S. Department of Education.

WHAT KINDS OF LOANS ARE AVAILABLE TO GRADUATE AND PROFESSIONAL STUDENTS THROUGH THE DIRECT LOAN PROGRAM?

The Direct Loan program offers three low-interest loans to graduate and professional students who are attending schools participating in the program. The lender is the U.S. Department of Education (the Department) rather than a bank or other financial institution.

- **Direct Subsidized loans** are made for up to \$8,500 per school year and have a fixed interest rate of 6.8 percent. The actual amount that you will receive may be less, depending on your financial need. (Financial need is your cost of attendance minus your estimated financial assistance and your Estimated Family Contribution, or EFC.)
- **Direct Unsubsidized loans** can be used to meet your remaining education costs and to replace your EFC. The interest rate on Unsubsidized loans is also fixed at 6.8 percent. In combination with any Subsidized loan amounts, you may borrow up to \$20,500 per school year. (Study in certain health professions programs may qualify you for higher limits.)
- **Direct PLUS loans** can be made to graduate or professional students who need to borrow more than the maximum Subsidized and Unsubsidized loan amounts to meet education costs that are not covered by other financial aid. The interest rate for PLUS loans is fixed at 7.9 percent. (Parents of dependent undergraduate students are also eligible for PLUS loans on behalf of their children.)

WHAT ARE THE ELIGIBILITY REQUIREMENTS?

You must meet the general eligibility requirements for Federal Student Aid programs, including citizenship or status as an eligible permanent resident. You can find out more about these requirements in our publication, *Funding Education Beyond High School: The Guide to Federal Student Aid*, or by visiting *Student Aid on the Web* (www.studentaid.ed.gov).

To receive any Direct Loan (Subsidized, Unsubsidized, or PLUS loan for graduate and professional students), you

must be enrolled at least half-time at a school that participates in the Direct Loan program. To receive a PLUS Loan as a graduate or professional student, you must be enrolled in a graduate or professional degree program and must pass a credit check.

Graduate or Professional Program

A program leading to a postgraduate degree such as a master's degree, Ph.D., or a law or medical degree.

HOW DO I APPLY FOR AID?

You apply for Direct loans and other Federal Student Aid by completing the *Free Application for Federal Student Aid* (FAFSA). The information from your application will be shared with the schools that you have identified on the FAFSA. Some schools have additional application procedures—check with your school's financial aid office to be sure. After your FAFSA has been processed, the school will notify you, usually through an award letter, of the types of aid for which you are eligible.

CAN I REQUEST A LOWER LOAN AMOUNT THAN THE AMOUNT I'VE BEEN OFFERED?

Yes, you can request less than the amount that the school has offered to you, or decline the loan. The school's aid offer is based on typical expenses for its student population. If you budget carefully, you may be able to reduce your costs during your period of attendance and thus reduce your need for loan assistance. This will mean that your monthly loan payments after you graduate will be smaller.

WHAT ARE THE KEY DIFFERENCES BETWEEN THESE LOANS?

Direct Subsidized and Unsubsidized loans have a lower interest rate (6.8 percent) than Direct PLUS loans for graduate and professional students (7.9 percent). In addition, there is a six-month grace period on Direct Subsidized and Unsubsidized loans after you leave school, during which you are not required to make payments. There is no grace period for Direct PLUS loans. Also, no interest is charged on Direct Subsidized loans while you are in school at least half-time or during grace and deferment periods. (For more information on deferments, see the question on postponing payments.)



Direct Loans on the Web:
www.dl.ed.gov

HOW DO I TAKE OUT A DIRECT LOAN?

You must complete a Master Promissory Note (MPN). The MPN is a legally binding agreement to repay your loan to the Department. In most cases, one MPN can be used for loans that you receive over several years of study. If you received Direct Subsidized or Unsubsidized loans as an undergraduate student, you may still have a valid MPN on file that you may use to take out further Subsidized or Unsubsidized loans as a graduate or professional student.

If you are getting a Direct PLUS Loan for the first time as a graduate or professional student, you'll need to complete and sign a PLUS MPN that is separate from the one that you use for your Direct Subsidized and Unsubsidized loans. Check with your school to see if you can complete an electronic MPN (e-MPN).

When you complete a PLUS MPN, you are authorizing the Department to perform a credit check. If the credit check shows that you have an adverse credit history, you may still be able to have your loan approved if you can get the loan endorsed by someone who does not have an adverse credit history. By endorsing your loan, the endorser is agreeing to repay the loan if you do not repay it.

PLUS loans for graduate and professional students vs. PLUS loans for parents If you are a graduate or professional student completing the e-MPN for a PLUS Loan, be sure to select the link "Complete new MPN for Student Loans" and not "Complete new MPN for Parent PLUS Loans."

IS THERE A FEE FOR MY DIRECT LOAN?

Yes, it is called the origination fee. You pay a fee that is a percentage of each Direct Loan that you receive. The amount will be shown on the disclosure statement that you will receive. We deduct the fee before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay.

HOW WILL I RECEIVE MY LOAN MONEY?

The school will generally disburse loan money by crediting your school account. It may also give some of it to you directly. Your loan money will usually be disbursed in at least two installments.

WHEN DO I HAVE TO BEGIN MAKING PAYMENTS ON MY LOAN?

In most cases, you won't begin making payments until after you leave school. As long as your school reports to us that you are still enrolled at least half-time, we will assume that you do not want to make payments while you're continuing your education.

Contact the Direct Loan Servicing Center if you want to pay the interest that accrues on your Unsubsidized loan or your PLUS Loan while you're in school. (Paying interest as it accrues will reduce the total amount that you will repay on your loans.)

Direct Subsidized and Unsubsidized loans

A six-month grace period starts the day after you graduate, leave school, or drop below half-time enrollment. You don't have to begin making payments until your grace period ends.

Direct PLUS loans for Graduate and Professional Students

Normally, repayment begins 60 days after you've received the last installment of the loan for that school year. As noted, you can postpone repayment while you're enrolled half-time if you qualify for an in-school deferment. However, there is no grace period for PLUS loans, so you will be expected to begin repayment as soon as your deferment ends.

HOW MUCH TIME WILL I HAVE TO REPAY MY LOAN, AND HOW MUCH WILL I HAVE TO PAY EACH MONTH?

Generally, you'll have from 10 to 25 years to repay your loan, depending on the repayment plan that you choose. Your monthly payment amount will be based on the amount you borrowed and the repayment plan you select.

Graduate and Professional PLUS borrowers may choose one of several repayment plans:

- **Standard Repayment Plan**—You make fixed monthly payments for up to 10 years.
- **Graduated Repayment Plan**—Your payments start off lower at first and then gradually increase, usually every two years. The loan must be repaid within 10 years.
- **Extended Fixed or Extended Graduated Repayment Plan**—You make fixed or graduated monthly payments over a period of time not to exceed

25 years. Extended repayment plans are available only to new Direct Loan borrowers on or after Oct. 7, 1998, who currently have an outstanding Direct Loan balance of more than \$30,000.

- **Income Contingent Repayment Plan** (not available for PLUS loans)—Your monthly payment is adjusted each year based on your annual income (and your spouse's income, if you're married), your family size, and the total amount of your Direct loans. After 25 years, any unpaid loan amount will be forgiven.

You can change plans at any time. There's no penalty if you make payments before they are due or pay more than the amount due each month.

You can find more information about these plans by visiting *Direct Loans on the Web* (www.dl.ed.gov).

ONCE I'VE STARTED REPAYING MY LOANS, CAN I EVER POSTPONE MAKING LOAN PAYMENTS?

Yes, under some conditions you may receive a deferment or forbearance that allows you to temporarily stop making payments on your loans.

You may qualify for a deferment on your Direct loans if:

- You return to school at least half-time.
- You are unemployed or meet our rules for economic hardship (limited to three years).
- You are serving on active duty or performing qualifying National Guard duty during a war or other military operation or national emergency.

If you don't qualify for a deferment but are temporarily unable to make loan payments for reasons such as illness or financial hardship, we may grant you a forbearance.

We charge interest on Direct Unsubsidized and PLUS loans during all periods of deferment and forbearance. Interest on Direct Subsidized loans is charged only during periods of forbearance.

CAN MY LOAN EVER BE CANCELED OR DISCHARGED?

You must repay your loan even if you don't complete or can't find a job related to your program of study, or if you are unhappy with the education you paid for with your loan. However, we will cancel your loan if you

have your loan discharged in bankruptcy, if you die or if you become totally and permanently disabled (additional conditions apply).

We may discharge some or all of your loan if:

- The school closed before you completed your program.
- The school forged your signature on your promissory note or falsely certified that you were eligible to get the loan.
- A loan in your name was falsely certified through identity theft.
- You withdrew from school but the school didn't return the portion of your aid award that it was required to return under our regulations. (See the written notice on return of aid that your school provides to its students.)

Some or all of your Direct Subsidized or Unsubsidized loans may be canceled if you teach full-time for five years in certain low-income elementary or secondary schools and meet other requirements. Visit *Student Aid on the Web* for more information (www.studentaid.ed.gov).

DOES MY PLUS LOAN COUNT TOWARD MY AGGREGATE LOAN LIMIT?

No. Only Direct Subsidized or Unsubsidized and Federal Stafford loans (subsidized and unsubsidized) made through the Federal Family Education Loan (FFEL) program count toward the \$138,500 aggregate limit for graduate and professional students.

WHERE CAN I GET MORE INFORMATION?

For more information about the Direct Loan program and other Federal Student Aid programs, contact the financial aid office at your school, or check the Contacts section of this brochure.

This brochure is a general introduction to Federal Student Aid for graduate and professional students who are attending schools that participate in the Direct Loan program, and is based on current terms and conditions. Earlier loans may have terms and conditions that differ from those described in this brochure.