

## Addendum to the Federal Direct Consolidation Loan Application and Promissory Note

The Higher Education Reconciliation Act of 2005 (HERA) and the College Cost Reduction and Access Act of 2007 (CCRAA) changed some of the terms of Federal Direct Consolidation Loans (Direct Consolidation Loans) made under the William D. Ford Federal Direct Loan (Direct Loan) Program. As a result, certain terms of the loan(s) you receive under the accompanying Federal Direct Consolidation Loan Application and Promissory Note (Application and Promissory Note) differ from the terms described in the Application and Promissory Note, Borrower's Rights and Responsibilities, and any accompanying materials you may receive.

This Addendum describes the changes made by the HERA and the CCRAA to the terms of Direct Consolidation Loans. Your loan is subject to these changes. The loan term changes explained in this Addendum are incorporated into and made a part of the accompanying Application and Promissory Note that you sign, the Borrower's Rights and Responsibilities, and any accompanying materials you may receive. In this Addendum, the term "Application and Promissory Note" includes the Additional Loan Listing Sheet and the Instructions for Application and Promissory Note. You should keep a copy of this Addendum.

- 1. Graduate and Professional Students may borrow Direct PLUS Loans.** *Effective for loans originated on or after July 1, 2006,* a graduate or professional student may borrow a Direct PLUS Loan or Federal PLUS Loan and may consolidate PLUS loans into a Direct PLUS Consolidation Loan. All references to "Parent PLUS loans" or "Parent Loan" throughout the Application and Promissory Note, Borrower's Rights and Responsibilities, and any accompanying materials you may receive are understood to include PLUS loans made to graduate or professional students.
- 2. Borrowers who wish to consolidate PLUS loans are no longer subject to credit checks.** *Effective for Applications and Promissory Notes received on or after July 1, 2006,* there is no longer a requirement that borrowers who wish to consolidate PLUS loans into a Direct Consolidation Loan must not have an adverse credit history, and credit checks will not be conducted on such borrowers. All references to adverse credit history and endorsers in any accompanying materials you may receive no longer apply.
- 3. Application and Promissory Note, Section C: Spouse Information, and all references to consolidating jointly with your spouse throughout the Application and Promissory Note, Borrower's Rights and Responsibilities, and any accompanying materials you may receive.** *Effective for Applications and Promissory Notes received on or after July 1, 2006,* a married couple may no longer borrow a Direct Consolidation Loan as joint borrowers. You do not need to complete Section C of the Application and Promissory Note or provide other information relating to your spouse or your spouse's loans.
- 4. Application and Promissory Note, Section E: Repayment Plan Selection; Borrower's Rights and Responsibilities, Item 6: Repayment; and information about repayment plan options in any accompanying materials you may receive.** *Effective for Direct Consolidation Loans that enter repayment on or after July 1, 2006,* the following changes apply to the Standard, Graduated, Extended, and Income Contingent repayment plans:
  - Standard Repayment Plan.** If you choose this plan, you will make fixed monthly payments and repay your Direct Consolidation Loan in full within 10 to 30 years, depending on the amount of your loan and the amount of your other student loan debt.
  - Graduated Repayment Plan.** If you choose this plan, your payments will be lower at first and will then increase over time, generally every two years. You will repay your Direct Consolidation Loan in full within 10 to 30 years, depending on the amount of your loan and the amount of your other student loan debt.
  - Extended Repayment Plan.** You may choose this plan only if (1) you had no outstanding balance on a Direct Loan Program loan as of October 7, 1998 or on the date you obtained a Direct Loan Program loan on or after October 7, 1998, and (2) you have an outstanding balance on Direct Loan Program loans that exceeds \$30,000. Under this plan, you will make monthly payments based on fixed annual or graduated repayment amounts and will repay your loan in full over a period not to exceed 25 years (not including periods of deferment or forbearance) from the date your loan entered repayment. Your payments must be at least \$50 per month and will be more, if necessary, to repay the loan within the required time period.
  - Income Contingent Repayment Plan.** Direct PLUS Consolidation Loan borrowers are no longer prohibited from choosing the Income Contingent Repayment Plan. Any Direct Consolidation Loan that enters repayment on or after July 1, 2006 may be repaid under this plan.*Effective July 1, 2009,* an **Income-Based Repayment Plan** is also available. Under this plan, your required monthly payment will be based on your income during any period when you have a partial financial hardship. Your monthly payment amount 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 on your loans. **NOTE:** Direct Consolidation Loans that repaid parent Direct PLUS Loans or Federal PLUS Loans may not be repaid under the Income-Based Repayment Plan.
- 5. Application and Promissory Note, Section E: Repayment Plan Selection, and information on repayment plan options in any accompanying materials you may receive.** *Effective for Direct Consolidation Loans that enter repayment on or after July 1, 2006,* the Direct PLUS Consolidation Loan portion of a Direct Consolidation Loan may no longer be repaid under a different repayment plan from the Direct Subsidized and/or Direct Unsubsidized Consolidation Loan portion of a Direct Consolidation Loan. A Direct Consolidation Loan must be repaid under a single repayment plan. In Section E of the Application and Promissory Note, Item 31, the repayment plan choices listed for "STUDENT LOANS" apply to all portions of a Direct Consolidation Loan. The repayment plan choices listed for "PARENT LOANS" no longer apply. To choose a repayment plan for your Direct Consolidation Loan, place an "X" in the appropriate box for one of the repayment plans listed for "STUDENT LOANS".
- 6. Application and Promissory Note, Section F: Promissory Note, Grace Period and Repayment; Borrower's Rights and Responsibilities, Items 5 and 6, Grace Period and Repayment; and references to in-school consolidation and grace periods in any accompanying materials you may receive.** *Effective for Applications and Promissory Notes received on or after July 1, 2006,* loans that are in an in-school period may no longer be consolidated into a Direct Consolidation Loan, and there are no longer any conditions under which a Direct Consolidation Loan will receive a grace period. All references to the grace period and to consolidating

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loans that are in an in-school period no longer apply in the case of Direct Consolidation Loans for which the application was received on or after July 1, 2006.

7. **Application and Promissory Note, Section F: Promissory Note, Borrower Certification and Authorization.** *Effective for Applications and Promissory Notes signed on or after July 1, 2006,* by signing your Application and Promissory Note you are certifying, under penalty of perjury, that if you have been convicted of, or have pled *nolo contendere* or guilty to, a crime involving fraud in obtaining federal student aid funds under Title IV of the Higher Education Act of 1965, as amended, you have completed the repayment of those funds to the U.S. Department of Education, or to the loan holder in the case of a Title IV federal student loan.
8. **Application and Promissory Note, Section F: Promissory Note, Borrower Certification and Authorization.** *Effective July 1, 2006,* paragraph (2) is revised to read as follows:

“I certify that I do not now owe an overpayment on a Federal Perkins Loan, Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Academic Competitiveness Grant (ACG), National Science or Mathematics Access to Retain Talent (SMART) Grant, or Leveraging Educational Assistance Partnership Grant, or if I owe an overpayment, I have made satisfactory arrangements with the holder to repay the amount owed. I further certify that I am not now in default on any loan I am consolidating or, if I am in default, I have either made a satisfactory repayment arrangement with the holder of that defaulted loan, or I will repay under the income contingent repayment plan.”
9. **Application and Promissory Note, Section F: Promissory Note, Borrower Certification and Authorization.** Paragraph (4) is revised to read as follows:

“I certify that I do not have any other application pending for a Federal Consolidation Loan with any other lender. Unless I am consolidating a Federal Consolidation Loan that has been submitted to the guaranty agency by the lender for default aversion or that has defaulted, or, effective July 1, 2008, I am consolidating one or more FFEL Program loans into the Direct Loan Program to use the Public Service Loan Forgiveness Program, I further certify that if none of the loans I am consolidating is a Direct Loan Program loan, I have sought and been unable to obtain a Federal Consolidation Loan from a FFEL Program lender, or I have been unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms or, effective July 1, 2009, income-based repayment terms that are acceptable to me.”
10. **Borrower’s Rights and Responsibilities, Item 2, Loan Identification Numbers.** *Effective for Applications and Promissory Notes received on or after July 1, 2006,* unless you are consolidating a Federal Consolidation Loan that has been submitted to the guaranty agency by the lender for default aversion or that has defaulted, or, effective July 1, 2008, you are consolidating a Federal Consolidation Loan into the Direct Loan Program to use the Public Service Loan Forgiveness Program, you may not consolidate a Direct Consolidation Loan or a Federal Consolidation Loan unless you include at least one additional eligible loan in the consolidation.
11. **Borrower’s Rights and Responsibilities, Item 2, Loan Identification Numbers, paragraph 2a.** *Effective for Applications and Promissory Notes received on or after July 1, 2006,* Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (NDSL) will be consolidated under the same loan identification number as the unsubsidized loans listed in paragraph 2b and will be treated as unsubsidized loans after they are consolidated.
12. **Borrower’s Rights and Responsibilities, Item 6, Repayment.** The next-to-last paragraph is revised to read as follows:

“There will be no penalty for prepaying any portion of my loan. Except during periods of repayment under the Income-Based Repayment Plan, all payments and prepayments will be applied in the following order: late charges and fees, and collection costs first, outstanding interest second, and outstanding principal last. Under the Income-Based Repayment Plan, payments will be applied first to interest that is due, then to fees that are due, and then to the principal amount.”
13. **Borrower’s Rights and Responsibilities, Item 9, Discharge.** *Effective July 1, 2006,* all or a portion of your Direct Consolidation Loan is also eligible for discharge if it is determined that your eligibility for one or more of the FFEL or Direct Loan program loans that were consolidated was falsely certified as a result of a crime of identity theft.
14. **Borrower’s Rights and Responsibilities, Item 10, Special Repayment Arrangements.** In addition to the teacher loan forgiveness program described in this item, a public service loan forgiveness program is also available. The public service loan forgiveness program provides for the cancellation of the remaining balance due on your eligible Direct Loan Program loans after you have made 120 payments (after October 1, 2007) on those loans under certain repayment plans while you are employed in certain public service jobs.
15. **Borrower’s Rights and Responsibilities, Item 11, Deferments.** In addition to the deferments listed in this item, the following additional deferments are available:

You may receive a deferment on while you are serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency, and if you are serving on or after October 1, 2007, for the 180-day period following the demobilization date for your qualifying service. A representative may request this deferment on your behalf.

*Effective October 1, 2007,* if you are a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and you are called or ordered to active duty while enrolled at an eligible school, or within 6 months of having been enrolled, you are eligible for a deferment during the 13 months following the conclusion of the active duty service, or until the date you return to enrolled student status, whichever is earlier.