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Federal Direct Loans & FFEL: Repayment Features and Counseling Requirements

Module 10B



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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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Federal Direct Student Loan & FFEL: Repayment Features and Counseling Requirements

Federal Direct Student Loan (Direct Loan) Program Loans

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS
- Direct Consolidation Loans

Federal Family Education Loan (FFEL) Program Loans

- Federal Subsidized Stafford Loans
- Federal Unsubsidized Stafford Loans
- Federal PLUS
- Federal Consolidation Loans

Repayment Features of Direct Loans and FFEL Program Loans

Grace Period

Subsidized and Unsubsidized FFEL and Direct Loans

- All borrowers receive a grace period of six months immediately following borrower's graduation, withdrawal, or cessation of at least half-time enrollment.
 - For new subsidized loans first disbursed on or after 7/1/12 and before 7/1/14, interest will not be subsidized during the borrower's grace period.
- For any single period of active duty, up to three years is excluded from grace period for members of U.S. Armed Forces Reserves called or ordered to active duty for more than 30 days and to other "affected individuals" under the Higher Education Relief Opportunities for Students Act of 2003 (HEROES or HEROES Act).
 - Excluded period includes active duty period and time necessary to resume enrollment during next available regular enrollment period.
 - If called to active duty during initial grace period, the borrower receives new six-month grace period.
 - HEROES defines "affected individuals" as persons who:
 - ◆ Are serving on active duty during a war, other military operation, or national emergency;
 - ◆ Are performing qualifying National Guard duty during a war, other military operation, or national emergency; or
 - ◆ Reside or are employed in a disaster area declared by any federal, state, or local official in connection with a national emergency.

PLUS

- There is no grace period.
- Repayment period begins on the date the loan is fully disbursed (i.e., once last disbursement of loan is made), and the first payment is due within 60 days unless borrower requests and receives a deferment.
- Loan is fully disbursed once all installments of the loan have been made.

Deferments

- A period of time during which borrower is not required to make loan principal payments.
- Interest on unsubsidized loans and PLUS cannot be deferred and continues to accrue, and is capitalized if not paid by the borrower.
- Deferments for FFEL and Direct Loan borrowers with no outstanding Direct Loan or FFEL balance as of 7/1/93 include:
 - **In-School Deferment** for at least half-time enrollment in eligible postsecondary institution (note *HEROES exceptions* below):
 - ◆ Parent PLUS borrower qualifies for deferment based upon his or her half-time enrollment or the half-time enrollment of the dependent student for whom he or she borrowed the loan;
 - **Graduate Fellowship Deferment** for approved study, including study outside the U.S. (note *HEROES exceptions* below);
 - **Disability Rehabilitation Deferment** for approved rehabilitation training program for individuals with disabilities;
 - **Unemployment Deferment** for individuals seeking, but unable to find, full-time employment (maximum of three years); and
 - **Economic Hardship Deferment** for qualifying individuals, including Peace Corps volunteers (maximum of three years).
 - *HEROES exceptions* for in-school and graduate fellowship deferments noted above: For affected individuals, the loan holder is required to maintain in-school or graduate fellowship deferment status for up to three years.
 - ◆ Includes the time necessary for borrower to resume graduate fellowship program or resume enrollment in the next regular enrollment period if borrower returns to school.
 - ◆ Government pays accruing interest on subsidized loans.
 - ◆ Affected individuals are also entitled to another full six-month grace period upon completion of the excluded period of service.
- Deferments for borrowers called to active duty service in U.S. Armed Forces or qualifying National Guard duty during a war, other military operation, or national emergency (as defined in statute) include:
 - **Military Service Deferment** for:
 - ◆ Active duty service encompassing or beginning after 10/1/07, and
 - ◆ 180-day post-demobilization military service deferment available for each active duty service period; and
 - **Post-Active Duty Student Deferment**:
 - ◆ For up to 13 months if borrower was enrolled at least half time at an eligible institution at the time, or within six months prior to the time the borrower was called to active duty, and
 - ◆ Expires at earlier of borrower's re-enrollment in school or end of 13-month period.
 - If borrower is eligible for both the 180-day post-demobilization military service deferment and 13-month post-active duty student deferment, these deferments run concurrently.

- Active duty service includes:
 - ◆ U.S. Armed Forces reservist or retiree ordered to active duty for service in connection with a war, other military operation, or national emergency, regardless of location at which duty is performed; or
 - ◆ Any other member of U.S. Armed Forces on active duty in connection with such emergency (or subsequent actions or conditions) who has been assigned to a duty station location other than one at which service member is usually assigned.
- Qualifying National Guard duty includes service:
 - ◆ As a member of National Guard on full-time National Guard duty during a war, other military operation, or national emergency under call to active service authorized by President or Secretary of Defense;
 - ◆ For period of more than 30 consecutive days in connection with a war, other military operation, or national emergency declared by President and supported by federal funds; or
 - ◆ For purposes of post-active duty student deferment only, on active state duty under which Governor activates National Guard personnel based on state statute or policy, and paid using state funds.
- Does not include active duty service or National Guard duty for purposes of training or service academy enrollment.

60-Month Period during which No Accrual of Interest on Direct Loans for Eligible Military Borrowers

- Provision applicable to Direct Loans first disbursed, or Direct Loan amounts repaid by a Direct Consolidation Loan, on or after 10/1/08.
 - FFEL borrower may consolidate FFEL Program loans into a Direct Consolidation Loan to receive this benefit.
- For eligible borrowers, interest does not accrue for a period of 60 months.
 - If borrower also qualifies for military service deferment, deferment and 60-month interest free periods run concurrently.
- Eligible borrowers are individuals whose military service encompasses or begins on or after 8/14/08 and who are serving:
 - On active duty or performing qualifying National Guard duty during a war or other military operation or national emergency; or
 - In an area of hostilities for which the service qualifies for special pay under section 310 of Title 37 of United States Code (U.S.C.) (i.e., duty subject to hostile fire or imminent danger).

Forbearance

- Temporary cessation of payments, extension of repayment time frame, or reduction in payment amount for borrower who is willing but unable to make payments.
- May apply to principal, interest, or both.
- No interest subsidy during forbearance.
- Generally, forbearance is at loan holder's option, except where noted as mandatory below.
- Borrower is not required to request or approve terms of forbearance in writing.
- Loan holder must document circumstances and terms in borrower's file.
 - At time of granting forbearance, loan holder must provide information to assist borrower in understanding the impact of capitalization of interest on loan principal and total amount of interest to be paid during life of loan.

- Every 180 days during the forbearance period, loan holder must contact borrower to remind him or her that interest will continue to accrue during the forbearance period, and provide borrower with the following information:
 - ◆ Amounts of unpaid principal and interest that has accrued since last 180-day notification;
 - ◆ Amount of interest that will be capitalized and date capitalization will occur;
 - ◆ Borrower's option to pay accrued interest before it is capitalized; and
 - ◆ Borrower's option to discontinue forbearance at any time.
- If forbearance is granted based on military mobilization, borrower must provide loan holder with documentation of military mobilization.
 - Exception to providing documentation applies to affected individuals under HEROES:
 - ◆ Requirement is waived allowing forbearance at the request of borrower, member of borrower's family, or another reliable source for one-year period, including a three-month transition period immediately following that period, without providing loan holder with documentation.
 - ◆ To receive forbearance beyond this period, documentation supporting borrower's military mobilization must be submitted to the loan holder.

Mandatory Forbearance

Mandatory forbearance **must** be granted for the following circumstances, borrower:

- Has a medical or dental internship or residency (granted in yearly increments or for a lesser period equal to actual period for which borrower is eligible), and:
 - FFEL borrower has exhausted his or her eligibility for internship or residency deferment or it is not part of the promissory note, or
 - Internship or residency is required before Direct Loan or FFEL borrower may begin practice or borrower is in medical or dental internship or residency program leading to degree or certificate awarded by school, hospital, or health care facility offering post-graduate program;
- May receive up to three years in forbearance when the borrower's monthly Title IV loan payment is equal to or greater than 20 percent of the borrower's monthly income;
- May receive a forbearance for serving in a national service position for which the borrower receives an education award under National and Community Service Trust Act of 1993 (AmeriCorps);
- May receive forbearance when he or she is eligible for partial loan repayment under the Department of Defense's Student Loan Repayment Program;
- May receive forbearance for the period of service that would qualify for loan forgiveness (or cancellation) under teacher loan forgiveness program; and
- May receive forbearance for the period of state active duty service of more than 30 consecutive days when borrower is a member of the National Guard who qualifies for a post-active duty student deferment, but not a military or other deferment.

Mandatory Administrative Forbearance

Mandatory administrative forbearance must be granted to a borrower for the following circumstances:

- Up to three years where variable interest rate under standard, graduated, or extended repayment plan would result in loan not being paid within the maximum allowed repayment period;
- Up to five years where a decrease in the monthly repayment amount for loans being repaid under the FFEL Income-Sensitive Repayment Plan would result in the loan not being repaid within maximum allowed repayment period;
- Exceptional circumstances identified by Department of Education (ED) (e.g., local or national emergency, military mobilization, or natural disaster); and

- Up to 60 days for FFEL borrowers or for an unspecified period of time for Direct Loan borrowers after the loan holder receives reliable information the borrower (or student for parent PLUS) has died, until loan holder receives documentation of the borrower's death.

Administrative Forbearance

The loan holder *may* apply administrative forbearance to cover the following circumstances:

- Period of time the borrower was granted deferment for which he or she was not eligible;
- Period when the borrower's payments were overdue before deferment began;
- Period between when the borrower entered repayment without loan holder's knowledge and when first payment due date is established;
- For a period of up to 60 days of delinquency existing at the time the loan is sold or transferred;
- Period of time due to military mobilization, local or national emergency, or natural disaster;
- Period of delinquency remaining after a deferment or mandatory forbearance and before next due date;
- For a period up to 60 days to allow the collection and processing of documentation supporting a borrower's deferment, forbearance, change in repayment plan, or consolidation loan request;
- For a period up to three months if the borrower has been affected by a natural disaster, local or national emergency, or military mobilization;
- Period during which loan holder confirms the death of the borrower (or student for parent PLUS) of:
 - Up to 60 days beyond mandatory initial 60-day suspension of collection activities for FFEL borrowers, and
 - No specified period for Direct Loan borrowers;
- Period when collection is suspended under discharge application for total and permanent disability;
- Period of time needed by FFEL lender to obtain a physician's certification if it is not received within 60 days of receiving physician's request for additional time to complete and certify a borrower's discharge application;
- Period of time necessary for Direct Loan borrower to submit appropriate documentation indicating he or she has become totally and permanently disabled;
- For a period up to 120 days, following receipt of a valid identity theft report or credit bureau notification, to determine enforceability of a loan;
- Period of time necessary to determine a borrower's eligibility for discharge of loan(s) due to:
 - Bankruptcy (including period prior to borrower's filing of bankruptcy petition),
 - School closure,
 - Unpaid refunds by school to loan holder,
 - False certification or unauthorized disbursement by school, and
 - False certification resulting from crime of identity theft;
- For period of up to 60 days to collect and process documentation of borrower's eligibility for loan forgiveness under an Income-Based Repayment Plan; and
- Period of delinquency at time a borrower changes repayment plans.

Discharge

Under certain conditions, a borrower may be relieved from further repayment obligations by having his or her loans discharged. Discharge provisions are available under both the FFEL and Direct Loan programs.

Death

- Loan obligation is discharged due to death of a student or parent borrower, or the student for whom parent borrowed PLUS.
- Discharge determination must be based on:
 - Original or certified copy of death certificate;
 - Complete and accurate photocopy of original or certified copy of death certificate; or
 - Other reliable documentation received under unusual circumstances as determined on a case-by-case basis by ED for Direct Loans or FFEL guaranty agency's chief executive officer.

Total and Permanent Disability

- Loan obligation is discharged due to a final determination of total and permanent disability.
 - Defined as the condition of an individual who is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that:
 - ◆ Can be expected to result in death; or
 - ◆ Has lasted or can be expected to last for a continuous period of not less than 60 months.
 - If borrower notifies ED of his or her intent to apply for a discharge under this provision, collection of the borrower's loans is suspended for 120 days to allow the borrower time to collect and submit necessary documentation.
 - Application for discharge must include:
 - ◆ Certification by a physician, legally authorized to practice in a state, that the borrower is totally and permanently disabled (must be submitted within 90 days of physician certification); or
 - ◆ Social Security Administration (SSA) notice of award for Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits indicating that the borrower's next scheduled disability review will be within five to seven years.
 - Date the borrower is considered totally and permanently disabled is date:
 - ◆ The physician certifies disability on the application; or
 - ◆ ED received the SSA notice of award for SSDI or SSI benefits.
 - ED's initial determination of disability is based on a completed application and supporting documentation collected by the holder of the loan.
 - The borrower's obligation to repay the loan will be restored if within three years of the discharge he or she:
 - ◆ Has annual earnings from employment that exceed 100 percent of the poverty guideline for a family of two as published by the Department of Health and Human Services;
 - ◆ Receives a new Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Perkins Loan, or Direct Loan except for Federal Consolidation Loan or Direct Consolidation Loan which includes loans that were not discharged;
 - ◆ Fails to ensure that the full amount of any TEACH Grant or Title IV loan disbursement received prior to the discharge date is returned within 120 days of the disbursement date;
 - ◆ Receives a notice from the SSA indicating the borrower is no longer disabled or the borrower's continuing disability review will no longer be the five to seven years indicated in the SSA notice of award for SSDI or SSI benefits; or
 - ◆ Fails to promptly notify ED of: (1) address or telephone number changes, (2) annual earnings exceed 100 percent of poverty guideline for a family of two, or (3) documentation of annual earnings from employment, if requested.

- Loan obligation is also dischargeable under the total and permanent disability provisions based on a Department of Veterans Affairs (VA) finding that the borrower is unemployable due to a service-connected condition or disability.
 - To qualify, the borrower must submit, with the application, documentation from the VA indicating a determination the borrower is unemployable due to a service-related disability.
 - ◆ If approved, three-year monitoring period for discharges does not apply.

Bankruptcy

- Loan is canceled if the borrower's loan obligation is discharged by bankruptcy ruling.
 - Neither ED nor the lender may require the borrower to make further payments.

School Closure

- Loan is discharged if the borrower (or student for whom parent borrows PLUS) is unable to complete his or her program of study due to the school's closure.
- Loan cannot be discharged if the student completes a program of study through a teach-out plan (as defined in section 600.2 of Institutional Eligibility regulations) at another school, or by transferring academic credits or hours earned at a closed school to another school.

False Certification or Unauthorized Disbursements by School

- Loan is discharged due to false certification if the school:
 - Falsely certified a student's eligibility for a loan on the basis of the student's ability to benefit from training and the student did not meet applicable requirements;
 - Signed the borrower's name on the loan application or promissory note without the borrower's authorization; or
 - Certified eligibility of the student who, due to physical or mental condition, age, criminal record, or other reason accepted by ED, would not meet the requirements in the student's state of residence for employment in an occupation for which the training was intended.
- Loan is discharged due to unauthorized disbursement if the school endorsed the borrower's loan check or authorization for electronic funds transfer without the borrower's authorization.
 - Does not apply if the loan proceeds were actually delivered to the borrower or were applied to school charges for a portion of the educational program completed.

False Certification Due to Identity Theft

- Loan is discharged if the borrower is the victim of a proven crime of identity theft.
- Borrower must:
 - Provide a copy of the local, state, or federal court verdict or judgment; and
 - Certify he or she did not knowingly accept or benefit from a falsely certified loan.

Unpaid Refunds by School to Loan Holder

- Up to the amount the school was required to return is discharged if the school fails to repay loan funds to the lender due to the student's withdrawal, termination, or nonattendance.

Forgiveness

Teacher Loan Forgiveness Program

- Portion of subsidized and unsubsidized FFEL and Direct Loan balance canceled to encourage individuals to enter and continue teaching in certain subject areas in certain schools.
 - Does not apply to PLUS.
- Borrower must complete five consecutive, complete academic years of qualifying teaching service in ED-designated elementary or secondary schools, or at state-approved educational service agencies (ESAs) meeting regulatory criteria and serving low-income families.
 - At least one academic year must be after the 1997–98 academic year.
 - Eligible teaching service at ESAs must occur after the 2007–08 academic year.
 - ◆ *HEROES exception*: Period during which borrower is an affected individual, including the three-month transition period, is not considered an interruption in the five-consecutive-year requirement.
 - Loan for which forgiveness is sought must have been obtained prior to the end of the five-year qualifying teaching service period.
 - Information regarding ED-approved elementary and secondary schools, and state-approved ESAs, is available online at <https://www.tcli.ed.gov/CBSWebApp/tcli/TCLIPubSchoolSearch.jsp>.
- Up to \$5,000 is forgiven for those borrowers who began qualifying teaching service prior to 10/30/04:
 - For service as a full-time, secondary school teacher teaching in a subject area relevant to their academic major; or
 - For service as a full-time, elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, and other areas of elementary school curriculum; and
 - Up to \$5,000 is forgiven for borrowers who begin the same qualifying teaching service (as above) on or after 10/30/04 and meet the definition of “highly-qualified” teacher (below).
- Up to \$17,500 is forgiven for an eligible teacher who:
 - Had no outstanding Direct Loan or FFEL balance on 10/1/98, or when taking out new loan on or after 10/1/98; and
 - Is employed full time for five consecutive years as a highly-qualified teacher of:
 - ◆ Science or math at ED-designated secondary school or state-approved ESA serving low-income families, or
 - ◆ Special education at ED-designated elementary or secondary school serving low-income families.
- Under the Elementary and Secondary Education Act of 1965, term “highly qualified” refers to any public elementary or secondary school teacher who, in part:
 - Has obtained full certification as a teacher (including certification obtained through alternative certification routes) or passed a teacher licensing examination in the state in which he or she is teaching, and holds a license to teach in that state; or
 - If teaching in a public charter school, meets the requirements set forth in the state’s public charter school law; and
 - ◆ Has not had his or her certification or licensure requirements waived on an emergency, temporary, or provisional basis, and
 - ◆ Meets other applicable requirements of someone “highly qualified” per the loan forgiveness application.
- Private nonprofit elementary or secondary school teachers who are exempt from state certification requirements may become “highly-qualified” by earning certain scores on competency tests in applicable grade levels and subject areas.
 - Tests must be recognized by at least five states as fulfilling the highly qualified teacher requirements under the No Child Left Behind Act of 2001.

- Score on each test must equal or exceed the average passing score of the same test in those five states.
- Borrowers also may have a portion of their loans forgiven for participation in National and Community Service programs.
 - Borrowers cannot receive teacher loan forgiveness and National and Community Service benefits for the same teaching service.

Public Service Loan Forgiveness Program

- Loan forgiveness program is for qualifying public service employment.
- Remaining outstanding balance on eligible Direct Loans is forgiven for a borrower who:
 - Is not in default;
 - Has made, after 10/1/07, 120 separate monthly payments within 15 days of each due date under one or more qualifying repayment plans; and
 - Is employed full time (i.e., average of at least 30 hours per week or higher if set by employer) by a public service organization (defined below) or serving in a full-time AmeriCorps or Peace Corps position for the entire 120-month period during which the qualifying monthly payments were made, as well as when the borrower requests forgiveness and at the time the remaining loan amount is forgiven.
 - ◆ Exception may apply to the 120 separate monthly payments criterion if borrower is a former AmeriCorps and Peace Corps employee who respectively uses all or part of a Segal Education Award or Peace Corps transition payment to make a lump sum payment on an eligible loan (payment must be made within six months after the borrower leaves the Peace Corps).
- Only loans made under the Direct Loan Program are eligible.
 - FFEL borrowers may consolidate or reconsolidate FFEL Program loans into a Direct Consolidation Loan if intending to take advantage of the Public Service Loan Forgiveness Program.
 - Payments made on FFEL Program loans prior to Direct Loan consolidation do not count toward 120-month payment requirement.
- Qualifying Direct Loan repayment plans:
 - Income-Contingent Repayment Plan;
 - Pay As You Earn Repayment Plan;
 - Income-Based Repayment Plan;
 - Standard Repayment Plan based on 10-year repayment period; or
 - Any Direct Loan repayment plan if monthly payment amounts are not less than those which would have been paid under 10-year Standard Repayment Plan.
- Public service organization is defined as any:
 - Federal, state, local, or tribal government organization, agency, or entity (except serving as member of U.S. Congress);
 - Public child or family service agency;
 - Nonprofit organization under section 501(c)(3) of the Internal Revenue Code that is exempt from taxation under section 501(a) of that code;
 - Tribal college or university; or
 - Private organization that:
 - ◆ Provides emergency management, government, military service, public safety, law enforcement, public interest law services, early childhood education (including licensed or regulated health care, Head Start, and state funded pre-kindergarten), public service for individuals with disabilities and the elderly, public health (including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health care support

occupations, as defined by the Bureau of Labor Statistics), public education, public or school library services, or other school-based services, and

- ◆ Is not a for-profit business, a labor union, a partisan political organization, or an organization engaged in religious activities, unless the qualifying activities are unrelated to religious instruction, worship services, or any form of proselytizing.
- Earliest any borrower may qualify for forgiveness under this program is in 2017.

Civil Legal Assistance Attorney Student Loan Repayment Program

- Program was created under the Higher Education Opportunity Act of 2008 (HEOA), but not implemented until U.S. Congress first appropriated program funds for Fiscal Year 2010. Congress has not appropriated funds for subsequent fiscal years.
- Loan forgiveness is intended to encourage qualified individuals to enter and continue employment as civil legal assistance attorneys.
- To qualify, borrower must:
 - Be employed full time by a nonprofit organization that provides legal assistance to low income individuals on civil matters without charging a fee, a protection and advocacy system, or a client assistance program that provides legal assistance on civil matters to clients; and
 - For any forgiveness benefits received, sign a Service Agreement with ED committing to perform qualifying employment service on a full-time basis for a minimum of three years after entering into agreement.
 - ◆ All forgiven loan amounts must be repaid if qualifying service is not completed to fulfill the Service Agreement.
 - ◆ ED will grant exception to repayment requirements for borrowers who are involuntarily separated from their employment, unless that separation is due to misconduct.
 - ◆ Same service cannot also count for Public Service Loan Forgiveness Program benefits.
 - Borrower may also enter into subsequent Service Agreement after he or she fulfills all terms of his or her first agreement.
 - ◆ Additional Service Agreement could be for period of less than three years.
 - Funds received may be used to repay portions of any outstanding balance on eligible FFEL, Direct Loan, or Federal Perkins Loans obtained by qualifying borrower, and on which borrower is not in default.
 - ◆ Parent PLUS, and consolidation loans used to pay off parent PLUS, are ineligible.
 - Borrower may receive up to \$6,000 annual maximum, and up to \$40,000 aggregate maximum lifetime limit.
 - Funds used to repay qualifying borrower's eligible loans are not awarded until after the borrower documents successful completion of a consecutive 12-month period of service as a civil legal assistance attorney, using ED-specified application, submission procedures, and deadlines.
 - ◆ Fiscal year 2010 eligibility criteria and application procedures were published in the *Federal Register* on 7/7/10.
 - Forgiveness benefits are granted on a first-come, first-served basis up to the total amount appropriated for each fiscal year by U.S. Congress.

Service in Areas of National Need Loan Forgiveness Program

- Loan forgiveness program created by HEOA, but it cannot be implemented until funds are appropriated by Congress.
- See pages 124 to 127 of GEN-08-12 for additional information.

Repayment Plans

- All borrowers are allowed to prepay their loans without penalty.
- Repayment plans available to Direct Loan Program borrowers include:
 - Standard Repayment Plan;
 - Graduated Repayment Plan;
 - Extended Repayment Plan;
 - Income-Based Repayment Plan (*not available for parent PLUS or Consolidation Loan used to pay a parent PLUS or defaulted loans*);
 - Income-Contingent Repayment Plan (*not available for parent PLUS*);
 - Pay As You Earn Repayment Plan (*not available for parent PLUS*); and
 - Alternative Repayment Plan.
- Repayment plans available to FFEL Program borrowers include:
 - Standard Repayment Plan;
 - Graduated Repayment Plan;
 - Extended Repayment Plan;
 - Income-Based Repayment Plan (*not available for parent PLUS or Consolidation Loan used to pay a parent PLUS or defaulted loans*); and
 - Income-Sensitive Repayment Plan.
- Repayment plans with longer repayment periods generally have lower monthly payments, but borrower will pay more interest over life of the loan.
- Direct Loan borrowers may change repayment plans at any time after the loan enters repayment.
- FFEL lenders and servicers must allow borrowers to change repayment plans at least once per year.
 - Borrowers on an income-based repayment plan may change repayment plans at any time.

Direct Loan and FFEL Repayment Plan Comparison

	Monthly Payment Amount	Repayment Period*	Special Conditions
Standard Repayment Plan	Fixed payment amount of at least \$50/month	10-year maximum (subsidized, unsubsidized, and PLUS); 10-30 years (consolidation loans per total borrowed)	If variable interest rate change would prevent repayment within 10 years: <ul style="list-style-type: none"> • Payment amount may be adjusted; or • Forbearance may be granted to extend repayment up to 3 additional years
Graduated Repayment Plan	Variable payment amount <ul style="list-style-type: none"> • Initially lower, then increases every 2 years • May not exceed 3 times any other payment amount • Must at least equal accrued interest between scheduled payments 	10-year maximum (subsidized, unsubsidized, and PLUS); 10-30 years (consolidation loans per total borrowed)	If variable interest rate change would prevent repayment within 10 years: <ul style="list-style-type: none"> • Payment amount may be adjusted; or • Forbearance may be granted to extend repayment up to 3 additional years
Extended Repayment Plan	Fixed or graduated payment amount <ul style="list-style-type: none"> • Borrower may choose \$50/month minimum fixed payment 	Extended period not to exceed 25 years	Available only to borrowers with: <ul style="list-style-type: none"> • Outstanding FFEL or Direct Loan balance greater than \$30,000 • No outstanding FFEL or Direct Loan principal or interest balance when borrowing new loan on or after 10/7/98 • If variable interest rate would prevent repayment within 25 years, forbearance may be granted to extend repayment up to 3 additional years
Income-Based Repayment Plan	Variable payment amount based on borrower's (and spouse's if filing joint tax return) loan amount, federal adjusted gross income (AGI), family size, and state of residence <ul style="list-style-type: none"> • Amount adjusted annually • May not exceed 3 times any other payment amount • If calculated monthly amount is less than \$5, monthly payment is \$0 • If calculated monthly amount is at least \$5, but less than \$10, monthly payment is \$10 	25-year maximum	<ul style="list-style-type: none"> • Not available for parent PLUS, Consolidation Loan used to pay a parent PLUS, or defaulted loans • Borrower qualifies if 10-year Standard Repayment Plan monthly payment is more than under Income-Based Repayment • Borrower must demonstrate partial financial hardship • If payment amount is not sufficient to pay accrued interest on subsidized loans or subsidized portion of a Consolidation Loan, government pays accrued interest up to 3-consecutive-year maximum, excluding economic hardship deferment periods • After 25 years, under certain regulatory conditions, borrower's outstanding balance on qualifying loans may be canceled

	Monthly Payment Amount	Repayment Period*	Special Conditions
Income-Sensitive Repayment Plan (FFEL only)	Variable payment amount based on borrower's annual gross income <ul style="list-style-type: none"> • Adjusted annually • Increases or decreases based on income changes 	10-year maximum	<ul style="list-style-type: none"> • If a decrease in payment amount would prevent repayment within 10 years, forbearance must be granted for up to 5 years • Borrower must reapply each year for this plan
Income-Contingent Repayment Plan (Direct Loan only)	Variable payment amount based on borrower's (and borrower's spouse's if filing joint federal tax return) AGI, family size, and state of residence <ul style="list-style-type: none"> • Amount adjusted annually based on borrower's (and spouse's if repaying jointly): <ul style="list-style-type: none"> ◆ Loan amount ◆ Documentation of AGI and family size 	25-year maximum	<ul style="list-style-type: none"> • Not available to parent PLUS borrowers • Under this plan, borrower pays lesser of: <ul style="list-style-type: none"> ◆ 12-year standard repayment schedule multiplied by income percentage factor based on borrower's loan debt and AGI, as published annually in <i>Federal Register</i>, or ◆ 20 percent of borrower's (and spouse's if repaying jointly) discretionary income • If borrower and spouse are repaying jointly, repayment amount is based on both borrowers' Direct Loan debt when entering repayment. Borrower (and spouse if repaying jointly) must authorize Internal Revenue Service (IRS) to provide ED with AGI amount from tax records • Any amount not repaid after 25 years is canceled/forgiven (becomes taxable income)
Alternative Repayment Plan (Direct Loan only)	Varies; amount set by ED	30-year maximum	<ul style="list-style-type: none"> • May be offered by ED to accommodate exceptional circumstances when other repayment plans are inadequate • If payment amount is less than monthly accrued interest, unpaid interest is capitalized until outstanding principal amount is 10% greater than original; after that, interest accrues but is not capitalized

	Monthly Payment Amount	Repayment Period*	Special Conditions
Pay As You Earn Repayment Plan (Direct Loan only)	<p>Variable payment amount that is affordable based on borrower's (and borrower's spouse's if filing joint federal tax return) AGI, family size, and state of residence</p> <ul style="list-style-type: none"> • Calculated monthly payment amount (or combined calculated monthly payment amount of borrower and spouse if filing joint taxes) must be lower than monthly payment amount under Standard Repayment Plan • Amount adjusted annually based on required annual documentation of AGI and family size to loan servicer • Annual payment amount is 10% of difference between borrower's (and spouse's if filing joint taxes) AGI and 150% of U.S. Department of Health and Human Services (HHS) annual Poverty Guideline for the borrower's family size and state <ul style="list-style-type: none"> ◆ Annual payment amount is divided by 12 for monthly payment amount • If borrower and spouse file separate tax returns, only borrower's loan debt and income are used to calculate monthly payment amount 	20-year maximum, including periods of economic hardship deferment	<ul style="list-style-type: none"> • Available for Direct Subsidized Loan and Direct Unsubsidized Loan borrowers, Direct PLUS made to graduate or professional students, and Direct Consolidation Loans that did not repay any parent PLUS loans • Not available for parent PLUS, Consolidation Loans used to pay a parent PLUS, defaulted loans, or FFEL Program loans • Available only to borrowers: <ul style="list-style-type: none"> ◆ With no outstanding FFEL or Direct Loan principal or interest balance when borrowing new loan on or after 10/1/07; and ◆ Who received a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or Direct PLUS for graduate or professional students on or after 10/1/11; or ◆ Who received a Direct Consolidation Loan based on consolidation loan application received on or after 10/1/11 • Borrower must demonstrate partial financial hardship • Borrower's (and spouse's if married filing joint taxes) total eligible FFEL and Direct Loan debt is considered when determining if borrower qualifies for PAYE <ul style="list-style-type: none"> ◆ Eligible FFEL debt includes FFEL subsidized and unsubsidized Stafford Loans, FFEL graduate PLUS, and FFEL Consolidation Loans that do not repay parent PLUS ◆ Ineligible FFEL debt includes FFEL parent PLUS, FFEL Consolidation Loans that repaid parent PLUS, and defaulted loans • If payment amount is insufficient to pay monthly accrued interest, ED will pay unpaid accrued interest on Direct Subsidized Loans and subsidized portion of Direct Consolidation Loan for up to 3 consecutive years of beginning repayment under PAYE • After 20 years, under certain regulatory conditions, borrower's outstanding balance on qualifying loans is canceled/forgiven and becomes taxable income

*All repayment periods exclude periods of deferment and forbearance, except for the Pay As You Earn Repayment Plan which includes periods of economic hardship deferment.

Direct Loan and FFEL Repayment Counseling Tools

Direct Loan and FFEL repayment counseling tools are available to schools and borrowers from the U.S. Department of Education (ED) as well as the many Direct Loan and FFEL servicers. As a financial aid administrator, you should familiarize yourself with the various offerings from both ED and the federal loan servicers.

Resource	Information Provided	Website
StudentAid.gov “Repay Your Loans”	<ul style="list-style-type: none"> • Overview of the Direct Loan and FFEL repayment plans • Repayment plan comparison calculator • Income-Based Repayment (IBR) Plan, Pay As You Earn Repayment (PAYE) Plan, and Income-Contingent Repayment (ICR) Plan calculators • Loan servicer information • Loan deferment, forbearance, forgiveness, cancellation, and discharge information • Loan consolidation information • Loan repayment resource publications • <i>Income-Based Repayment Plan for the Direct Loan and FFEL Programs</i> fact sheet • <i>Pay As You Earn Repayment Plan for the Direct Loan Program</i> fact sheet • <i>Federal Student Aid Loan Programs Fact Sheet</i> 	http://studentaid.ed.gov/repay-loans
Federal Loan Servicers	<ul style="list-style-type: none"> • General and servicer-specific federal student loan repayment information and calculators for current federal loan servicers 	http://studentaid.ed.gov/repay-loans/understand/servicers
ED’s Your Federal Student Loans: Learn the Basics and Manage Your Debt	<ul style="list-style-type: none"> • Information on the types of federal student loans available, differences between private and federal student loans, how much to borrow, consequences of default, repayment and debt management tips, etc. • Examples of monthly payment amounts under the Standard, Extended, Graduated, and ICR Repayment Plans for typical Direct Loan borrowers • Sample IBR monthly payment amounts based on borrower income and family size 	http://studentaid.ed.gov/sites/default/files/your-federal-student-loans_0.pdf
ED’s Exit Counseling Guide for Federal Student Loan Borrowers	<ul style="list-style-type: none"> • Information on the types of federal student loans available, loan summaries in the National Student Loan Data System (NSLDS), consequences of default, repayment and debt management tips, etc. • Examples of monthly payment amounts under the Standard, Extended, Graduated, IBR, and ICR Repayment Plans for typical federal loan borrowers 	http://www.fsapubs.gov/
ED’s Funding Your Education: The Guide to Federal Student Aid	<ul style="list-style-type: none"> • Explains what students and their families should consider when planning to borrow for college • Includes the types of federal and nonfederal student aid available that might offset student borrowing • Contains general loan repayment information 	http://studentaid.ed.gov/sites/default/files/2012-13-funding-your-education.pdf (2013–14 version unavailable at time of this publication)

Consolidation Loans

- Consolidation loans combine and pay off multiple educational loans by creating a single new loan for simplified repayment benefits, such as:
 - Single repayment schedule with one monthly payment;
 - Extended repayment period;
 - Single interest rate; and
 - Resolution of defaulted loan under certain conditions.

Loans Eligible for Consolidation	
All FFEL and Direct Loan Program loans	National Defense Education Loans
Guaranteed Student Loans	Health Education Assistance Loans
Federal Insured Student Loans	Health Professions Student Loans
Federal Supplemental Loans for Students	Nursing Student Loans
Federal Perkins Loans	Loans for Disadvantaged Students
National Direct Student Loans (NDSLs)	Auxiliary Loans to Assist Students

- Loan consolidation is not permitted during in-school status.
 - Borrower must be in repayment or in grace period preceding repayment to be eligible for consolidation.
 - ◆ Any subsidized and unsubsidized FFEL and Direct Loan repayment period does not begin until the day after six months have elapsed after the student ceases half-time enrollment.
- Consolidation loans may be repaid under most FFEL or Direct Loan repayment plans. (See chart starting on page 10B-12)
- FFEL borrowers may apply for a Direct Consolidation Loan when:
 - Seeking an acceptable financial hardship related repayment plan, including income-based and income-contingent repayment plans;
 - Direct Consolidation Loan is used to resolve defaulted loan; or
 - Borrower intends to qualify for Public Service Loan Forgiveness or the 60-month period during which interest does not accrue for certain military service.
- Borrowers must make satisfactory repayment arrangements to consolidate a defaulted loan or must agree to repay defaulted loan under the Income-Based Repayment Plan or Income-Contingent Repayment.
- Deferment, forbearance, and discharge provisions are generally the same for consolidation loans as for other types of Direct Loans and FFEL.
 - *Exception:* For joint consolidation loans by married couples, both spouses must qualify separately for a deferment or forbearance.

Direct Loan and FFEL Counseling Requirements

The following compilation includes all current Direct Loan Program requirements related to entrance counseling (required before a first-time borrower can receive the first loan installment) and Direct Loan and FFEL exit counseling (required when a student ceases half-time enrollment).

Counseling Requirements	Entrance Counseling	Exit Counseling
Conduct with any first-time borrower of subsidized, unsubsidized, or graduate PLUS loan before releasing the first installment of any loan proceeds	✓	
May be provided in person, on written form that borrower must sign and return to school, or online or through interactive electronic means with borrowers acknowledging receipt of materials	✓	
Must take reasonable steps to ensure the borrower receives the counseling materials, and participates in and completes the counseling	✓	
Someone with expertise in Title IV programs must be reasonably available shortly following counseling to answer borrower questions	✓	✓
Provide and/or explain:		
<ul style="list-style-type: none"> • Use of the master promissory note (MPN) 	✓	✓
<ul style="list-style-type: none"> • Seriousness and importance of the repayment obligation 	✓	✓
<ul style="list-style-type: none"> • Consequences of loan default, including adverse credit reports, federal delinquent debt collection procedures, and litigation 	✓	✓
<ul style="list-style-type: none"> • His or her obligation to repay the full loan amount even if he or she does not complete the program, takes longer than normal to complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive educational or other services purchased from the school 	✓	✓
<ul style="list-style-type: none"> • Examples of monthly repayment amounts based on range of student levels of indebtedness of subsidized and unsubsidized loan as well as graduate PLUS borrowers, depending on the types of loans the borrower has obtained, or average cumulative indebtedness of other borrowers in the same programs of study as the borrower at the same school 	✓	✓
<ul style="list-style-type: none"> • To extent practicable, any effect accepting the loan will have on his or her eligibility for other forms of student aid 	✓	
<ul style="list-style-type: none"> • Information on how interest accrues and is capitalized during periods when interest is not paid by the borrower or ED 	✓	
<ul style="list-style-type: none"> • His or her option to pay unsubsidized loan interest while in school 	✓	
<ul style="list-style-type: none"> • School's definition of half-time enrollment, during regular terms and summer periods, and consequences of not maintaining half-time enrollment 	✓	

Counseling Requirements	Entrance Counseling	Exit Counseling
<ul style="list-style-type: none"> Importance of contacting the appropriate school offices if he or she withdraws prior to completing the program of study so the school can provide exit counseling, including information regarding his or her repayment options and loan consolidation 	✓	
<ul style="list-style-type: none"> Information on the National Student Loan Data System (NSLDS) and how to access his or her records 	✓	✓
<ul style="list-style-type: none"> Names and contact information of individuals to contact with questions regarding his or her rights and responsibilities or loan terms and conditions 	✓	✓
<ul style="list-style-type: none"> For first-time graduate PLUS borrowers, borrower's option to pay graduate PLUS interest while in school 	✓	
<ul style="list-style-type: none"> For each graduate PLUS borrower who has previously received a subsidized or unsubsidized loan, comparisons of maximum interest rates for unsubsidized loans and for graduate PLUS, periods when interest accrues on unsubsidized loans and on graduate PLUS, and points at which unsubsidized loans and graduate PLUS enter repayment 	✓	
<p>School must ensure exit counseling is conducted with each subsidized and unsubsidized loan, and graduate PLUS borrower shortly before he or she ceases at least half-time enrollment in person, by audiovisual presentation, online, or through interactive means</p>		✓
<p>If borrower leaves school without school's knowledge or fails to complete counseling, school must provide counseling by electronic means or by mailing written materials to the borrower's last known address within 30 days of learning that a borrower has left the school or has failed to complete exit counseling</p>		✓
<p>If student is enrolled in study abroad or correspondence and school chooses to provide the borrower written exit counseling materials, school must mail the materials within 30 days after borrower completes program</p>		✓
<p>Provide and/or explain:</p>		
<ul style="list-style-type: none"> Available repayment plan options, including a description of the different features of each plan and sample information showing, for each plan, the average anticipated monthly payments, interest paid, and total payments 		✓
<ul style="list-style-type: none"> Option to prepay each loan, pay on a shorter schedule, or to change repayment plans 		✓
<ul style="list-style-type: none"> Effects of loan consolidation on total interest and fees to be paid, length of repayment, underlying loan benefits (e.g., grace periods, forgiveness, deferments, etc.), prepayment and change of payment plan options, and borrower benefit programs that may vary among different lenders 		✓
<ul style="list-style-type: none"> Debt-management strategies designed to facilitate repayment 		✓

Counseling Requirements	Entrance Counseling	Exit Counseling
<ul style="list-style-type: none"> • General description of the terms and conditions for full or partial forgiveness or discharge of principal and interest, deferment of principal or interest, and forbearance, including forgiveness or discharge benefits available to a FFEL borrower who consolidates his or her loan into a Direct Consolidation Loan 		✓
<ul style="list-style-type: none"> • A copy, either on paper or by electronic means, of the information ED makes available under Section 485(d) of the HEA 		✓
<ul style="list-style-type: none"> • Availability of the ED's Federal Student Aid (FSA) Ombudsman's office 		✓
<ul style="list-style-type: none"> • General description of the types of tax benefits that may be available to borrowers 		✓
Collect borrower's name, address, Social Security Number, references, driver's license number and state of issuance (if applicable), expected permanent address, name and address of next of kin and expected employer, and provide within 60 days to the Direct Loan Servicing Center		✓
Document, for each borrower, compliance with counseling requirements	✓	✓

Requirements Specific to Online Counseling

Online Entrance Counseling

- Schools may opt to use ED's online entrance counseling.
 - Borrower completes counseling through ED's StudentLoans.gov website (www.studentloans.gov), which provides borrower with:
 - ◆ All entrance counseling information required by regulation, including rights and responsibilities related to the student loan obligation;
 - ◆ Available repayment plans and estimated repayment amounts;
 - ◆ Tips on budgeting and managing educational expenses; and
 - ◆ Facts about other resources available to help cover educational costs.
 - Confirmation of completion is automatically sent to ED's Common Origination and Disbursement (COD) System.
 - Schools verify completion of counseling requirement by:
 - ◆ Using COD website (www.cod.ed.gov) to perform Entrance Counseling Search using student's Social Security Number; or
 - ◆ Reviewing weekly Entrance Counseling Report generated by COD.

Online Exit Counseling

- Schools may opt to use ED's online exit counseling.
 - Borrower completes exit counseling through ED's StudentLoans.gov website (www.studentloans.gov), which provides borrower with:
 - ◆ All exit counseling information required by regulation, including repayment features such as deferment, forbearance, forgiveness, etc.;
 - ◆ A detailed summary of his or her current loan history data from NSLDS;
 - ◆ Available repayment plans and estimated payment schedules under each plan using his or her current loan balances;
 - ◆ Debt management and budgeting tips and related resources; and
 - ◆ Confirmation of completion which may be provided to the school.
 - Schools verify completion of counseling requirement by:
 - ◆ Using COD website (www.cod.ed.gov) to perform Exit Counseling Search using student's Social Security Number; or
 - ◆ Reviewing weekly Entrance Counseling Report generated by COD.
 - There are also options for emailing, exporting, printing, and tweeting the results of the loan counseling module.

References for Federal Direct Loans & FFEL: Repayment Features and Counseling Requirements

The following is a list of resources used to develop these materials that you may find helpful if you need additional information or clarification on a topic covered in this training module.

Law

The Higher Education Act of 1965, as amended:

- Part B – Federal Family Education Loan Program
- Part D – William D. Ford Federal Direct Loan Program
- Part G – General Provisions Relating to Student Assistance Programs

Regulations

34 CFR 668 – Student Assistance General Provisions

34 CFR 682 – Family Education Loan (FFEL) Program

34 CFR 685 – William D. Ford Federal Direct Loan Program

Federal Registers

Federal Register, 12/7/12, p. 72960 – William D. Ford Federal Direct Loan Program (Announcement of early implementation date for Pay As You Earn Repayment Plan)

Federal Register, 11/1/12, pp. 66088 to 66147 – Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program; Final Rule

Federal Register, 9/27/12, pp. 59311 to 59318 – Notice Extending the Waivers and Modifications of Statutory and Regulatory Provisions Pursuant to the Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act)

Federal Register, 7/17/12, pp. 42086 to 42184 – Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program; Notice of Proposed Rulemaking

Federal Register, 7/7/10, pp. 38999 to 39001 – Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program; Notice (Requirements and Procedures for the Civil Legal Assistance Attorney Student Loan Repayment Program)

Federal Register, 8/10/99, p. 43432 – Federal Family Education Loan Program and William D. Ford Federal Direct Loan Program; Notice of Proposed Rule Making (Bankruptcy Discharge)

Dear Colleague Letters

GEN-12-22 – Approval of Income-Based/Pay As You Earn/Income-Contingent Repayment Plan Request Form

GEN-12-14 – Approval of Direct Loan and FFEL Program Deferment and Mandatory Forbearance Request Forms

GEN-12-05 – Revised Loan Discharge Application: Unpaid Refund

GEN-12-01 – Changes Made To The Title IV Student Aid Programs By The Recently Enacted Consolidated Appropriations Act, 2012

GEN-10-17 – Approval of Military Service Deferment/Post-Active Duty Student Deferment Request Form

GEN-10-05 – Enactment of the Student Aid Provisions of the Health Care and Education Reconciliation Act of 2010 (HCERA)

GEN-10-03 – Revised School Closure, False Certification, and Unpaid Refund Loan Discharge Applications

GEN-09-07 – Discharge Procedures for Veterans Determined Unemployable Due to a Service-Related Condition or Disability

GEN-08-12 – Higher Education Opportunity Act Summary (Service in Areas of National Need Loan Forgiveness Program and Loan Repayment Program)

GEN-08-11 – Revised Teacher Loan Forgiveness Application and Forbearance Request Forms

Electronic Announcements

Electronic Announcement, 4/5/13 – StudentLoans.gov Resources - Enhanced Loan Counseling Clarifications

Electronic Announcement, 3/29/13 – Operational Guidance for Guaranty Agencies - Delayed Implementation of IBR/Pay As You Earn/ICR Request Form for Direct Consolidation Loan Purposes

Electronic Announcement, 3/25/13 – Availability of Enhanced Loan Counseling Modules and New Repayment Estimator (Updated April 5, 2013)

Electronic Announcement, 11/9/12 – Federally-Owned Loan Initiatives Planned for November and December 2012

Electronic Announcement, 10/4/12 – Removal of Entrance and Exit Counseling Videos from Direct Loan Web Site Effective October 12, 2012

Electronic Announcement, 9/26/12 – Electronic Income-Based Repayment Application Available on StudentLoans.gov Web Site (Updated December 21, 2012)

Electronic Announcement, 8/16/12 – Improvements to Financial Awareness Counseling Links on StudentLoans.gov Web site

Electronic Announcement, 6/20/12 – Traditional Direct Consolidation Loan Information – Mandatory IBR or ICR Applicants Must Submit Income Documentation with Application

Electronic Announcement, 4/13/12 – Income Documentation for the IBR Plan

2012–13 FSA Handbook

Volume 2 – School Eligibility and Operations, Chapter 6: Providing Consumer & Safety Information

Other Resources

Entrance Counseling Guide for Direct Loan Borrowers, U.S. Department of Education (ED), December 2010

Exit Counseling Guide for Federal Student Loan Borrowers, ED, February 2013

NSLDS Newsletter 42, "New Borrower Demographic Report and New Repayment Plan Type Codes in NSLDS," ED, February 2013

NSLDS Newsletter 37, "NSLDS Loan Exit Counseling Report Enhancements," ED, March 2012

NSLDS Newsletter 35, "New NSLDS Exit Counseling Summary Report and other Report Enhancements," ED, November 2011

NSLDS Newsletter 28, "New NSLDS Report Functionality for Schools," (Exit Counseling), ED, September 2010

NSLDS Newsletter 26, "New Exit Counseling Tool on NSLDS," (Exit Counseling), ED, March 2010

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Module 10B

Federal Direct Loans & FFEL: Repayment Features and Counseling Requirements

National Association of Student
Financial Aid Administrators Presents ...

Module 10B

**Federal Direct Loans &
FFEL: Repayment
Features and Counseling
Requirements**

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Direct Loan and FFEL: Grace Period

For Federal Direct Student Loan (Direct Loan) and
Federal Family Education Loan (FFEL) programs:

- Subsidized and unsubsidized loans: 6-month
grace period
 - If subsidized, government pays accruing interest
(certain loans)
 - If unsubsidized, interest accrues and borrower can pay
as it accrues or have it capitalized (added to principal)
- PLUS: No grace period

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Direct Loan and FFEL: Deferments

- Periods during which payments of principal
not required
- Federal government pays accruing interest
on subsidized loans
- Interest on unsubsidized loans and PLUS
may be paid as it accrues or may be
capitalized

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Module 10B

Federal Direct Loans & FFEL: Repayment Features and Counseling Requirements

Direct Loan and FFEL: Deferments

- In-school
- Graduate fellowship
- Disability rehabilitation training
- Unemployment
- Economic hardship
- Military service

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Direct Loan and FFEL: Forbearance

- May take form of:
 - Temporary cessation of payments
 - Temporary reduction in payment amount
 - Extension of repayment period
- May apply to principal, interest, or both
- No interest subsidy
 - Interest is capitalized unless borrower makes interest-only payments during forbearance

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Direct Loan and FFEL: Forbearance

Three types of forbearance:

- Mandatory
- Mandatory administrative
- Administrative

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Module 10B

Federal Direct Loans & FFEL: Repayment Features and Counseling Requirements

Direct Loan and FFEL: Discharge

- Death of student or parent borrower, or student for whom parent borrowed PLUS
- Total and permanent disability
- Bankruptcy
- School closure

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Direct Loan and FFEL: Discharge

- False certification or unauthorized disbursements by school
- False certification due to identity theft
- Unpaid refunds by school to loan holder

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Direct Loan and FFEL: Forgiveness

- Teacher Loan Forgiveness Program
- Public Service Loan Forgiveness Program
- Civil Legal Assistance Attorney Student Loan Repayment Program (currently unfunded)
- Service in Areas of National Need Loan Forgiveness Program (unfunded)

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Module 10B

Federal Direct Loans & FFEL: Repayment Features and Counseling Requirements

Direct Loan Repayment Plans

- Standard
- Graduated
- Extended
- Income-Based
- Income-Contingent
- Pay As You Earn
- Alternative

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FFEL Repayment Plans

- Standard
- Graduated
- Extended
- Income-Based
- Income-Sensitive

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Direct and FFEL Consolidation Loans

- Combine certain student loans to simplify repayment (e.g., single payment, extended repayment period, lower interest rate, etc.)
- May be used to resolve defaulted loan

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Module 10B

Federal Direct Loans & FFEL: Repayment Features and Counseling Requirements

Direct Loan and FFEL: Counseling

- Entrance Counseling
 - Required for first-time subsidized and unsubsidized loan borrowers, and first-time graduate PLUS borrowers
- Exit Counseling
 - Required for all subsidized and unsubsidized loan and graduate PLUS borrowers

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