

Plain Language Disclosure for Federal Direct PLUS Loans William D. Ford Federal Direct Loan Program

A graduate or professional student or the parent of a dependent undergraduate student may borrow a Federal Direct PLUS Loan (Direct PLUS Loan). In this document, "you" refers to the borrower.

1. General information. You are receiving a Direct PLUS Loan to help pay the costs of your education or your dependent student's education. This Plain Language Disclosure (Disclosure) summarizes important information about your loan. Please read this Disclosure carefully and keep a copy in a safe place. In this Disclosure, the words "we," "us," and "our" refer to the U.S. Department of Education (the Department). If you have questions about your loan, contact our Direct Loan Servicing Center. The Direct Loan Servicing Center's telephone number and address are shown on correspondence you will receive related to your loan.

You must repay this loan, even if you or your dependent undergraduate student are unhappy with the education provided by the school, do not complete the program of study, or cannot find work in that area of study. Borrow only the amount you can afford to repay, even if you are eligible to borrow more.

By accepting your loan proceeds, you are certifying, under penalty of perjury, that if you or your dependent undergraduate student, as applicable, 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 or the student have completed the repayment of those funds to the Department, or to the loan holder in the case of a Title IV federal student loan.

Information about your loans will be submitted to the National Student Loan Data System (NSLDS). Information in NSLDS is accessible to schools, lenders, and guarantors for specific purposes as authorized by the Department.

2. Direct PLUS Loan Application and Master Promissory Note (MPN). You are receiving a loan under an MPN that you signed previously. You may receive additional loans under that MPN for up to 10 years if the school that you or your dependent student attend is authorized to use the multi-year feature of the MPN and chooses to do so. If the school is not authorized to use the multi-year feature of the MPN or chooses not to do so, or if you do not want to receive more than one loan under the same MPN, you must sign a new MPN for each loan. If you do not want to receive more than one loan under the same MPN, you must notify the school or the Direct Loan Servicing Center in writing.

If you are a parent borrowing for more than one dependent undergraduate student, you need a separate MPN for each student. If you are borrowing for yourself as a graduate or professional student and also as a parent for one or more dependent undergraduate students, you need one MPN to borrow for yourself and a separate MPN to borrow for each dependent student.

3. Loan terms and conditions. This Disclosure summarizes information about your loan. Please refer to your MPN and the Borrower's Rights and Responsibilities Statement that you received previously for the complete terms and conditions of your loan. If you need another copy of the Borrower's Rights and Responsibilities Statement, contact the Direct Loan Servicing Center. Unless we tell you otherwise in this Disclosure, your MPN and the Borrower's Rights and Responsibilities Statement control the terms and conditions of your loan. Loans made under your MPN are subject to the Higher Education Act of 1965, as amended, and federal regulations. Any changes to the law or regulations apply to loans in accordance with the effective date of the changes.

4. Use of loan money. You may use your loan money only to pay for educational expenses (for example, tuition, room, board, books) for yourself (if you are a graduate or professional student) or for your dependent undergraduate student (if you are a parent borrower) at the school that determined you were eligible to receive the loan. If you accept this loan, eligibility for other student assistance may be affected.

5. Information you must report. While you or your dependent student are still in school, you must notify the school if (i) you change your address or telephone number; (ii) you change your name (for example, maiden name to married name); (iii) you or your dependent student do not enroll at least half-time for the loan period certified by the school, or do not enroll at the school that certified your eligibility for the loan; (iv) you or your dependent student stop attending school or drop below half-time enrollment; or (v) you or your dependent student graduate or transfer to another school.

You must also notify the Direct Loan Servicing Center of any of the above changes at any time after you receive your loan. In addition, you must notify the Direct Loan Servicing Center if you (i) change employers or if your employer's address or phone number changes; or (ii) have any other change in status that affects your loan (for example, if you received a deferment but no longer meet the eligibility requirements for that deferment).

6. Amount you may borrow. For each academic year, you may borrow up to – but not more than – the estimated cost of attendance minus the amount of any other financial aid awarded for that academic year. The school determines the cost of attendance using federal guidelines.

7. Interest. Loans with a first disbursement on or after July 1, 2006 have a fixed interest rate of 7.9%. Loans with a first disbursement prior to July 1, 2006 have a variable interest rate that is adjusted each year on July 1 but will never be more than 9%. For loans with a

variable interest rate, we will notify you annually of the actual interest rate for each loan that you receive.

If you qualify under the Servicemembers Civil Relief Act, the interest rate on your loans obtained prior to military service may be limited to 6% during your military service. To receive this benefit, you must contact the Direct Loan Servicing Center for information about the documentation you must provide to show that you qualify.

Except as provided below for certain military borrowers, we charge interest on your Direct PLUS Loan from the date the loan is first disbursed until it is repaid in full, including during periods of deferment or forbearance. If you do not pay the interest as it is charged during deferment or forbearance (for example, during an in-school deferment), we will add it to the unpaid amount of your loan. This is called capitalization. Capitalization increases the unpaid amount of your loan, and we will then charge interest on the increased amount.

Under the no accrual of interest benefit for active duty service members, we do not charge interest on Direct Loan Program Loans first disbursed on or after October 1, 2008 during periods of qualifying active duty military service (for up to 60 months). For Direct Consolidation Loans, this benefit applies to the portion of the consolidation loan that repaid loans first disbursed on or after October 1, 2008.

8. Loan fee. We charge a loan fee on your loan of 4% of the principal amount of the loan. This fee will be subtracted proportionately from each disbursement of your loan, and will be shown on a disclosure statement that we send to you.

9. Repayment incentive programs. A repayment incentive is a benefit that we offer to encourage you to repay your loan on time. Under a repayment incentive program, the interest rate we charge on your loan may be reduced. Some repayment incentive programs require you to make a certain number of payments on time to keep the reduced interest rate. The following repayment incentive programs may be available to you: *Interest Rate Reduction for Electronic Debit Account Repayment* and *Up-Front Interest Rebate*. These repayment incentive programs are described in the Borrower's Rights and Responsibilities Statement. The Direct Loan Servicing Center can provide you with more information on other repayment incentive programs that may be available.

10. Disbursement of loan money. Generally, the school will disburse (pay out) your loan money in more than one installment, usually at the beginning of each academic term (for example, at the beginning of each semester or quarter). If the school does not use academic terms or does not have academic terms that meet certain requirements, it will generally disburse your loan in at least two installments, one at the beginning of the period of study for which you are receiving the loan, and one at the midpoint of that period of study. The school may disburse your loan money by crediting it to your or your dependent student's account at the school, or may give it to you directly by check or other means. The Direct Loan Servicing Center will notify you each time the school disburses a portion of your loan.

11. Canceling your loan. Before your loan money is disbursed, you may cancel all or part of your loan at any time by notifying the school. After your loan money is disbursed, there are two ways to cancel all or part of your loan:

- If your school obtains your written confirmation of the types and amounts of Title IV loans that you want to receive for an award year before crediting loan money to your or your dependent student's account at the school, you may tell the school that you want to cancel all or part of that loan within 14 days after the date the school notifies you of your right to cancel all or part of the loan, or by the first day of the school's payment period, whichever is later (the school can tell you the first day of the payment period). If the school does not obtain your written confirmation of the types and amounts of loans you want to receive before crediting the loan money to your account, you may cancel all or part of that loan by informing the school within 30 days of the date the school notifies you of your right to cancel all or part of the loan. In either case, the school will return the cancelled loan amount to us. You do not have to pay interest or the loan fee on the part of your loan that you tell the school to cancel within these timeframes. If you received an up-front interest rebate on your loan, the rebate does not apply to the part of your loan that you tell the school to cancel. Your loan will be adjusted to eliminate any interest, loan fee, and rebate amount that applies to the amount of the loan that was cancelled.

If you ask the school to cancel all or part of your loan outside the timeframes described above, the school may process your cancellation request, but it is not required to do so.

- Within 120 days of the date the school disbursed your loan money (by crediting the loan money to your or your dependent student's account at the school, by paying it directly to you, or both), you may return all or part of your loan to us. Contact the Direct Loan Servicing Center for guidance on how and where to return your loan money. You do not have to pay interest or the loan fee on the part of your loan that you return within 120 days of the date that part of your loan is disbursed. If you received an up-front interest rebate on your loan, the rebate does not apply to the part of your loan that you return. Your loan will be adjusted to eliminate any interest, loan fee, and rebate amount that applies to the amount of the loan that you return.

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12. Repaying your loan. The repayment period for each Direct PLUS Loan you receive under the MPN begins on the date of the final disbursement of that loan. This means that the repayment period for each loan will begin on a different date. Unless you receive a deferment or forbearance (see Item 17), your first payment on each loan will be due within 60 days of the final disbursement of that loan. The amount of time you have to repay your loan will vary from 10 to 25 years, depending on the repayment plan that you choose and the total amount you have borrowed. You may choose one of the following repayment plans:

Standard Repayment Plan. Refer to the Borrower's Rights and Responsibilities Statement for the terms and conditions of this plan.

Graduated Repayment Plan. If you choose this plan, your payments will usually be lower at first, and will then increase over time. No single payment will be more than 3 times greater than any other payment. Under this plan, you must repay your loan in full within 10 years (not including periods of deferment and forbearance) from the date the loan entered repayment. If your loan has a variable interest rate, we may need to adjust the number or amount of your payments to reflect changes in the interest rate.

Extended Repayment Plan. You may choose this plan only if (i) 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 (ii) you have an outstanding balance on Direct Loan Program loans that exceeds \$30,000. If you are eligible for and choose 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 and 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. If your loan has a variable interest rate, we may need to adjust the number or amount of your payments to reflect changes in the interest rate.

Effective July 1, 2009, the following additional repayment plans are available to graduate and professional student Direct PLUS Loan borrowers (parent Direct PLUS Loan borrowers may not repay their Direct PLUS Loans under these plans):

Income Contingent Repayment Plan. Under this plan, your monthly payment amount is based on your annual income (and your spouse's income, if you are married), family size, and total Direct Loan debt. Until we obtain the information needed to calculate your monthly payment amount under this plan, the monthly payment will equal the amount of interest that has accrued on the loan unless you request a forbearance. As your income changes, the monthly payment amount may change. If you do not repay a loan after 25 years under this plan, the unpaid portion will be forgiven. However, you may have to pay income tax on any amount forgiven.

Income-Based Repayment Plan. If you are eligible for this plan, your required monthly payment amount will be based on your income during any period when you have a partial financial hardship. The maximum repayment period under this plan may exceed 10 years. If you meet certain requirements over a 25-year period, you may qualify for cancellation of any outstanding balance on your loans.

These plans are designed to give you flexibility in meeting your obligation to repay your loan. You may change repayment plans at any time after you have begun repaying your loan. You may make loan payments before they are due, or pay more than the amount due each month, without penalty. When you have fully repaid a loan, the Direct Loan Servicing Center will send you a notice telling you that you have paid off your loan. You should keep this notice in a safe place.

13. Late charges and collection costs. We may require you to pay a late charge of not more than six cents for each dollar of each late payment if you do not make any part of a payment within 30 days after it is due. We may also require you to pay other charges and fees involved in collecting your loan.

14. Demand for immediate repayment. The entire unpaid amount of your loan becomes due and payable (on your MPN this is called "acceleration") if you (i) receive loan money, but you or your dependent student do not enroll at least half-time at the school that certified your eligibility for the loan; (ii) use your loan money to pay for anything other than expenses related to the cost of education at the school that certified your eligibility for the loan; (iii) make a false statement that causes you to receive a loan that you are not eligible to receive; or (iv) default on your loan.

15. Default. You are in default on your loan if you (i) do not repay the entire unpaid amount of your loan if we require you to do so; (ii) have not made a payment on your loan for at least 270 days; or (iii) do not comply with other terms and conditions of your loan, and we conclude that you no longer intend to honor your obligation to repay your loan.

If you default on your loan, we will report that fact to national consumer reporting agencies. We may sue you, take all or part of your federal tax refund or other federal payments, and/or garnish your wages so that your employer is required to send us part of your salary to pay off your loan. We will require you to pay reasonable collection fees and costs, plus court costs and attorney fees. You will lose eligibility for other federal student aid and assistance under most federal benefit programs. You will lose eligibility for loan deferments.

16. Consumer reporting agency notification. We will report information about your loan to national consumer reporting agencies. This information will include the disbursement dates, amount, and repayment status of your loan (for example, whether you are current or delinquent in making payments). Your loan will be identified as an education loan.

17. Deferment and forbearance (postponing payments). If you meet certain requirements, you may receive a **deferment** that allows you to temporarily stop making payments on your loan. For example:

You may receive a deferment for up to 3 years while you are unemployed.

You may defer repayment while you are enrolled at least half-time at an eligible school and (only for loans first disbursed on or after July 1, 2008) during the 6-month period after you cease to be enrolled at least half-time. If you are a parent borrower, you may request that repayment of loans first disbursed on or after July 1, 2008 be deferred while the student for whom you obtained the loan is enrolled at least half-time at an eligible school and for the 6-month period after the student ceases to be enrolled at least half-time.

You may receive a deferment 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 an additional 180-day period following the demobilization date for your qualifying service.

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 least half-time at an eligible school, or within 6 months after having been enrolled at least half-time, you may defer repayment during the 13 months following the conclusion of your active duty service, or until the date you return to enrolled student status on at least a half-time basis, whichever is earlier.

This is not a complete list of available deferments. For a complete list, refer to the Borrower's Rights and Responsibilities Statement that you received previously.

You are responsible for paying the interest on a Direct PLUS Loan during a period of deferment.

If you cannot make your scheduled loan payments but do not qualify for a deferment, we may 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. For example, we may give you a forbearance if you are temporarily unable to make scheduled loan payments because of financial hardship or illness. We may also give you a forbearance under other conditions as described in the Borrower's Rights and Responsibilities Statement that you received previously. You are responsible for paying the interest on a Direct PLUS Loan during a period of forbearance.

To request a deferment or forbearance, contact the Direct Loan Servicing Center.

18. Loan discharge. We may discharge (forgive) all or part of your loan if (i) you die, or the dependent student for whom you borrowed dies, and we receive an original or certified copy of a death certificate for you or the student; (ii) you become totally and permanently disabled and meet certain other requirements; (iii) your loan is discharged in bankruptcy; (iv) you or the dependent student for whom you obtained the loan were unable to complete the program of study because the school closed; (v) the school falsely certified your loan eligibility; (vi) the school did not pay a refund of your loan money that it was required to pay under federal regulations; or (vii) a loan in your name was falsely certified as a result of a crime of identity theft. To request a loan discharge, contact the Direct Loan Servicing Center.

A public service loan forgiveness program is also available. This 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.

The Act may provide for certain loan forgiveness or repayment benefits on your loans in addition to the benefits described above. If other forgiveness or repayment options become available, the Direct Loan Servicing Center will provide information about these benefits.

In some cases, you may assert, as a defense against collection of your loan, that the school did something wrong or failed to do something that it should have done. You can make such a defense against repayment only if what the school did or did not do would give rise to a legal cause of action under applicable state law. If you believe that you have a defense against repayment of your loan, contact the Direct Loan Servicing Center.

19. Loan consolidation. You may consolidate (combine) one or more of your eligible federal education loans into one loan. Consolidation allows you to extend the period of time that you have to repay your loans, and to combine several loan debts into a single 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 Servicing Center for more information about loan consolidation.