

While you're in school

How the loans are disbursed (paid out)

Generally, your loan will cover a full academic year and your school will make at least two disbursements to you, for example, at the beginning of each semester or quarter, or at the beginning and midpoint of your academic year.

In most cases your school will disburse your loan money by crediting it to your school account to pay (tuition and fees, room and board, and other authorized charges). If the loan disbursement amount exceeds your school charges, the school will pay you the remaining balance of the disbursement directly by check or other means. Your school will notify you in writing each time they disburse part of your loan money and will provide information about how to cancel all or part of your disbursement if you find you no longer need the money. You will also receive a notice from your loan servicer confirming the disbursement. You should read and keep all correspondence received concerning your loan.

Using the loan for education expenses: You may use the loan money you receive only to pay for your education expenses at the school that is giving you the loan. Education expenses include school charges such as tuition, room and board, fees and indirect expenses such as books, supplies, equipment, dependent child care expenses, transportation and rental or purchase of a personal computer.

Enrollment status & other changes

It's important to keep your loan servicer informed of any changes in your status, so that your loan information is up-to-date. This is your responsibility.

You must notify the loan servicer if you:

- Change your local address, permanent address or telephone number;
- Change your name (for example, maiden name to married name);
- Do not enroll at least half-time for the loan period certified by the school;
- Do not enroll at the school that certified your loan;
- Stop attending school or drop below half-time enrollment;
- Transfer from one school to another school; or
- Graduate.

Until you graduate or leave school, you must also keep your school's financial aid office informed of these changes.

A scheduled break in enrollment, such as the summer session at many traditional 4-year schools, is not considered an interruption in your enrollment if you are planning to return to school during the next regularly scheduled enrollment period.

When you graduate, drop below half-time, or withdraw from your academic program, you will receive a six-month grace period for your Direct Subsidized and Unsubsidized Loans. Once your grace period ends, you must begin repaying your loan(s). See [When you graduate or leave school](#).

Paying interest while in school

You may choose to pay interest on your Direct Unsubsidized or Direct PLUS Loans while you are in school. If you choose not to pay the interest while you're in school, it will be added to the unpaid principal amount of your loan.

This is called capitalization, and it can substantially increase the amount you repay, especially if you are receiving multiple loans for a multi-year program. Capitalization increases the unpaid principal balance of your loan, and you will be charged interest on the increased principal amount.

It will save you money in the long run if you pay the interest as it accrues on your loan while you're in school or during the grace period. This is also true if you pay any interest that accrues during periods of deferment or forbearance after you leave school.

If you've already taken out at least one Direct Loan, you can check your interest statements and use the [online calculators](http://www2.ed.gov/offices/OSFAP/DirectLoan/calc.htm) (<http://www2.ed.gov/offices/OSFAP/DirectLoan/calc.htm>) to find out how much you'll pay over the life of the loan if the in-school interest is added to your loan balance.

When you graduate or leave school

Leaving school: graduating, withdrawing, or dropping below half-time

Once you are no longer enrolled at least half time in an eligible program, you'll receive a 6-month grace period (see below) on your Direct Subsidized and Unsubsidized Loans during which you are not required to make loan payments. You must begin repayment at the end of your grace period.

If you have an *in-school deferment* on a Direct Subsidized or Unsubsidized Loan that entered repayment at an earlier date (before you returned to school) and you graduate, drop below half-time enrollment, or withdraw from school, you will be required to immediately begin making payments on the loan because the 6-month grace period has already been used up; there is no second grace period.

Make sure that both your school and loan servicer know that you are no longer enrolled. If you don't begin making payments when required, there is the possibility that you will lose repayment incentives you may have received or even go into default.

Your school is required to ensure that you receive exit counseling before you graduate or withdraw. Check with your school to see how exit counseling is conducted, whether as a personal or group exit interview or as a [session that you can complete online](#).

www.studentloans.gov

Grace periods

When you graduate, drop below half time, or withdraw from your academic program, you will receive a six-month grace period for your Direct Subsidized and Unsubsidized Loans. Your grace period begins the day after you stop attending school on at least a half-time basis. Once your grace period ends, you must begin repaying your loan(s).

If you re-enroll in school at least half time before the end of your 6-month grace period, you will receive the full 6-month grace period when you stop attending school or drop below half-time enrollment.

There is no grace period for Direct PLUS Loans—the repayment period for a PLUS Loan begins on the day after the final loan disbursement is made. However, if you're a graduate or professional student PLUS borrower (or if you're a parent PLUS borrower who is also a student), you can defer repayment while you're enrolled in school at least half time and (for Direct PLUS Loans first disbursed on or after July 1, 2008) for an additional 6 months after you graduate or drop below half-time enrollment.

If you're a parent PLUS borrower, you can defer repayment of Direct PLUS Loans first disbursed on or after July 1, 2008, while the student for whom you obtained the loan is enrolled at least half time, and for an additional 6 months after the student graduates or drops below half-time enrollment.

Remember, if you choose to defer payment on a Direct PLUS Loan, any interest that accumulates during the deferment period will be added to the unpaid principal amount of your loan. This is called "capitalization," and it increases your debt because you'll have to pay interest on this higher principal balance.

Reservists Called to Active Duty: If you are called or ordered to active duty for more than 30 days from a reserve component of the U.S. Armed Forces, the period of your active duty service and the time necessary for you to re-enroll in school after your active duty ends are not counted as part of your grace period. However, the total period that is excluded from your grace period may not exceed three years. If the call or order to active duty occurs while you are in school and requires you to drop below half-time enrollment, the start of your grace period will be delayed until after the end of the excluded period. If the call or order to active duty occurs during your grace period, you will receive a full 6-month grace period at the end of the excluded period.

If you are a reservist called to active duty with the U.S. Armed Forces for more than 30 days, contact your loan servicer to let them know your status.

Choosing a repayment plan

You'll have the choice of [several plans](http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlindex2.html) (<http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlindex2.html>) and the loan servicer will notify you of the date your first payment is due. If you do not choose a repayment plan, you will be placed on the standard repayment plan. Most Direct Loan borrowers choose to stay with the standard repayment plan, but there are other options for borrowers who may need more time to repay or who need to make lower payments at the beginning of the repayment period.

Consolidation

If you have multiple federal education loans, you can consolidate them into a single Direct Consolidation Loan. This may simplify repayment if you are currently making separate loan payments to different loan holders, as you'll only have one monthly payment to make. There may be tradeoffs, however, so you'll want to learn about the advantages and possible disadvantages of consolidation before you consolidate. To learn more, visit our [Direct Consolidation Loan website](http://loanconsolidation.ed.gov/). <http://loanconsolidation.ed.gov/>

While you're in repayment

Generally, you'll have from 10 to 25 years to repay your loan, depending on which [repayment plan](#) (there are several) you choose.

Your loan servicer will notify you of the date your first payment is due. If you do not choose a repayment plan, you will be placed on the standard repayment plan, with fixed monthly payments for up to 10 years. Most Direct Loan borrowers choose to stay with the standard repayment plan, but there are other options for borrowers who may need more time to repay or who need to make lower payments at the beginning of the repayment period.

You can change repayment plans at any time by contacting your loan servicer.

Automated payments (electronic debit)

When you receive your first bill, you'll learn how you can sign up for the electronic debit account (EDA) option and have your bank automatically make your monthly loan payments for you from your checking or savings account. You won't have to write checks, use stamps, or worry if your payment will arrive by the due date. In addition you'll receive a 0.25% reduction in the interest rate on your loans during any period when your payments are made through EDA.

Trouble making payments

If you're having trouble making payments on your loans, contact your loan servicer as soon as possible. Their staff will work with you to determine the best option for you. Options include:

- Changing repayment plans.
- Deferment, if you meet certain requirements. A deferment allows you to temporarily stop making payments on your loan.
 - Forbearance, if you don't meet the eligibility requirements for a deferment but are temporarily unable to make your loan payments. A forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments. Read more about [deferments and forbearance](#). (<http://www2.ed.gov/offices/OSFAP/DirectLoan/postpone.html>)

If you stop making payments and don't get a deferment or forbearance, your loan could go into default, which has serious consequences—see below.

Your loan first becomes "delinquent" if your monthly payment is not received by the due date. If you fail to make a payment, you'll receive a reminder that your payment is late. If your account remains delinquent, you'll receive warning notices reminding you of the consequences of default and of your obligation to repay your loans.

If you are delinquent on your loan payments, contact your loan servicer immediately to find out how to bring your account current. Late fees may be added, and your delinquency will be reported to one or more national consumer reporting agencies (credit bureaus), but this is much better than remaining delinquent on your payments and going into default.

Consequences of default

If you default:

- We will require you to immediately repay the entire unpaid amount of your loan.
- We may sue you, take all or part of your federal and state tax refunds and other federal or state 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 may be denied a professional license.
- You will lose eligibility for other federal student aid and assistance under most federal benefit programs.
- You will lose eligibility for loan deferments.
- We will report your default to national consumer reporting agencies (credit bureaus).

For more information and to learn what actions to take if you default on your loans, see the Department's [Debt Resolution website](#).

(<https://www.myeddebt.com/borrower/>)

Loan cancellation (forgiveness or discharge)

Under certain conditions, you can have all or part of your loan cancelled or discharged. Read more about [loan cancellation](#).

(<http://www2.ed.gov/offices/OSFAP/DirectLoan/cancellation.html>)

What's next?

Stay in touch with your loan servicer—let them know if you've changed your name or permanent address, and make sure that they know when you've completed your educational program or transferred to another school.

Last updated January 3, 2014

Student Loan Servicer Contact Information

For questions regarding Loan Repayment, Deferment or Forbearance, contact your loan servicer:

Nelnet www.nelnet.com	1-888-486-4722
Great Lakes Educational Loan Services, Inc. www.mygreatlakes.org	1-800-236-4300
Sallie Mae www.salliemae.com	1-800-722-1300
FedLoan Servicing (PHEAA) www.myfedloan.org	1-800-699-2908
Direct Loan Servicing Center (ACS) www.myedaccount.com	1-800-848-0979
MOHELA www.mohela.com	1-888-866-4352
ESA/Edfinancial www.edfinancial.com/DL	1-855-337-6884
CornerStone www.MyCornerStoneLoan.org	1-800-663-1662
Aspire Resources Inc www.AspireResourcesInc.com	1-855-475-3335
Granite State - GSMR www.gsmr.org	1-888-556-0022
OSLA Servicing www.osla.org	1-866-264-9762
EdManage www.edmanage.myedloan.com	1-855-479-0490
VSAC Federal Loans www.vsacfederalloans.org	1-888-932-5626
KSA Servicing www.ksa.myedloan.com	1-877-292-4825
EDGEducation Loans www.EDGEducationloans.myedloan.com	1-877-292-7470
COSTEP www.costep.myedloan.com	1-877-292-8639