



Planning Ahead for Loan Repayment

Grace period, deferments, forbearance

You will have a sixth-month grace period before the first payment must be made on a Ford Federal Direct Subsidized or Unsubsidized Loan. The grace period starts the day after you cease to be enrolled at least half-time. During the grace period of a Direct Unsubsidized Loan, accumulating interest must be paid, or it will be capitalized (added back to the principal of your loan).

You can temporarily postpone payment on Subsidized and Unsubsidized Loans by requesting a deferment. If you have a **Subsidized** loan, you **will not** be charged interest during the deferment. However, if you have an **Unsubsidized** loan you **will** be charged interest during the deferment. If you do not pay the interest as it accrues it will be capitalized and will increase the amount of the loan that you must repay.

Deferments may be available if you are:

- pursuing at least half-time study at an eligible school
- enrolled in a graduate fellowship program approved by the Department of Education
- enrolled in a Department of Education approved rehabilitation training program for individuals with disabilities
- conscientiously seeking but unable to find full-time employment (for up to three years)
- experiencing economic hardship (for up to three years)

The deferments above apply to all Direct Loans. Other deferments may also be available to you as a Direct Loan borrower. If at the time you obtained a Direct Loan and you have an outstanding balance on a Federal Stafford Loan, Guaranteed Student Loan (GSL), Federally Insured Student Loan (FISL), Federal PLUS Loan, Federal Supplemental Loan for Students (SLS), Auxiliary Loan To Assist Students (ALAS), or Federal Consolidation Loan borrowed before July 1, 1993.

You can also defer your direct loan:

- while serving in the U.S. Armed Forces, in the Commissioned Corps of the Public Health Service, or in the Peace Corps (for up to three years)
- while serving as a full-time paid volunteer for the ACTION programs, or any approved tax-exempt organization (for up to three years)
- while you are “temporarily totally disabled” according to the certification of a qualified physician, or while unable to work because you must care for a spouse or other dependent who is temporarily totally disabled (for up to three years)
- while serving in an internship or residency required to begin professional practice (for up to two years)
- while serving in the National Oceanic and Atmospheric Administration Corps (for up to three years)
- while teaching full time in a public or nonprofit private elementary or secondary school in an area the U.S. Department of Education has determined to be a teacher shortage area (for up to three years)
- if you are a mother of a pre-school-age child and you have entered or re-entered the workforce within the preceding year in a full-time position at a salary not more than \$1 above the minimum wage (for up to one year)
- for parental leave for each period during which you are pregnant, you are caring for your newborn child, or you are caring for your newly adopted child (for up to six months). You must be unemployed, must not be a student, and must apply within six months after you leave school or drop below half-time status.

You must apply for a deferment through the Direct Loan Servicing Center. Contact the Servicing Center to request a deferment form. The Servicing Center will send you the form that is appropriate for your situation.

Forbearance is a temporary postponement or reduction of loan payments for a limited and specified period or an extension of the time you have to make your loan payments.

You may qualify for forbearance if you are:

- Unable to make loan payments due to poor health or other acceptable reasons, and you do not meet a deferment condition
- Serving in a Medical or Dental internship or residency
- Serving in a position under the National and Community Service Trust Act of 1993
- Are obligated to make payments on Federal Student Loans that are equal to or greater than 20 percent of your total monthly gross income (for up to three years)

In a period of forbearance, interest will be charged and, unless it is paid, will be capitalized. This will increase the amount you owe.

Repaying Your Direct Loans

Your payments will go to the Direct Loan Servicing Center, which has a toll free number that appears on all of your correspondence and monthly statements. You will always have only one Servicing Center, even if you borrow several Direct Loans or transfer from one school to another. If you have trouble making your payments, call the Direct Loan Servicing Center at 1-800-848-0979. Servicing Center staff will work with you to help you avoid the serious consequences of default.

Minimum \$5 Payment

If your income is less than or equal to the poverty level for your family size, your monthly payment will be zero. If your calculated monthly payment is greater than zero but less than \$5, you will be required to make a \$5 monthly payment. If your monthly payment is calculated to be more than \$5, you will be required to pay that calculated amount.



Avoiding Default

Default occurs when you become 180 days delinquent in making a payment on your loans. If you miss a payment, the Servicing Center will mail you a letter reminding you that your payment is due and may add late fees to the payments due. If your account remains delinquent, the Servicing Center will mail you warning notices regularly to remind you of your obligation to repay your loans and the consequences of default. If you fail to make loan payments on time or if you default on your loans, the consequences are very serious. At the option of the Department of Education, the entire unpaid balance and accrued interest on your loan can become due immediately. In addition, you can be subject to these penalties:

- You would lose your deferment options
- You would not be eligible for further Federal Student Aid
- Your account could be referred to a Collection Agency
- Your account would be reported as delinquent to Credit Bureaus, which can damage your credit rating
- The Federal Government could take your federal tax refunds
- Late fees, additional interest, court costs, collection fees, Attorney's fees and other costs could increase your total debt
- Your employer, at the request of the Federal Government, could withhold (garnish) part of your wages
- The Federal Government could take legal action against you

Record Keeping

Although the Servicing Center keeps records of all your Direct Loan transactions, you should also keep accurate records. As you repay your loans, you should not throw out items such as canceled checks and letters you receive from your School or the Servicing Center. You might need those records if you ever have to prove to a potential lender that you have managed your loans responsibly.

You should keep:

- All "borrower" copies of loan documents from the University and the Servicing Center, such as promissory notes
- Bank account statements or copies of money orders used to make payments on your loans
- All loan correspondence that you receive from the University
- All correspondence you receive from the Servicing Center, including letters confirming that your loan has been repaid in full
- All entrance and exit counseling materials from the University and Servicing Center

