

PLAIN LANGUAGE DISCLOSURE FOR DIRECT SUBSIDIZED LOANS AND DIRECT UNSUBSIDIZED LOANS WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

1. GENERAL INFORMATION

You are receiving a Direct Subsidized Loan and/or Direct Unsubsidized Loan under a Master Promissory Note (MPN) that you signed previously (see Item 2). This Plain Language Disclosure (Disclosure) summarizes information about the terms and conditions of your loan. For the complete terms and conditions of your loan, refer to your MPN and the Borrower's Rights and Responsibilities Statement that you received with your MPN. If you need another copy of the Borrower's Rights and Responsibilities Statement, contact your servicer.

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.

We may use a servicer to handle billing and other communications related to your loan. If you have questions about your loan, contact your servicer. Your servicer will provide you with its address and telephone number after the school notifies us that the first disbursement of your loan has been made. It is important to keep in contact with your servicer.

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

By signing the MPN, you certified under penalty of perjury that if you have been convicted of, or if you have pled *nolo contendere* (no contest) or guilty to, a crime involving fraud in obtaining federal student aid funds under Title IV of the Higher Education Act of 1965, as amended, you have fully repaid those funds to us, or to the loan holder in the case of a Title IV federal student loan.

Information about your loans will be reported to the National Student Loan Data System (NSLDS). Information in NSLDS is accessible to schools, lenders, and guarantors for specific purposes that we authorize.

2. MASTER PROMISSORY NOTE (MPN)

You may receive more than one loan under the MPN that you previously signed for up to 10 years if the school that you attend is authorized to use the multi-year feature of the MPN and chooses to do so. If your 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 your school or your servicer in writing.

3. LOAN TERMS AND CONDITIONS

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. The terms and conditions of loans made under your MPN are determined by the Higher Education Act of 1965, as amended (the HEA) and other applicable federal laws and regulations. In this Disclosure, we refer to these laws and regulations as "the Act." Any change to the Act that affects the terms of the MPN that you signed will be applied to your loans in accordance with the effective date of the change.

4. DIRECT SUBSIDIZED LOANS AND DIRECT UNSUBSIDIZED LOANS

Direct Subsidized Loans. Direct Subsidized Loans are available only to undergraduate students (graduate and professional students were eligible to receive Direct Subsidized Loans for periods of enrollment that began before July 1, 2012). To receive a Direct Subsidized Loan, you must have financial need. Except as explained in Item 10, you are not required to pay the interest that accrues on Direct Subsidized Loans while you are in school, during the

grace period, during deferment periods, and during certain periods of repayment under the Revised Pay As You Earn Repayment Plan, the Pay As You Earn Repayment Plan, and the Income-Based Repayment Plan.

Direct Unsubsidized Loans. Direct Unsubsidized Loans are available to both undergraduate students and graduate or professional students. Direct Unsubsidized Loans are not based on financial need. You are responsible for paying the interest that accrues on Direct Unsubsidized Loans during all periods. For more information on interest charges, see Item 10.

5. TIME LIMITATION ON DIRECT SUBSIDIZED LOAN ELIGIBILITY FOR FIRST-TIME BORROWERS ON OR AFTER JULY 1, 2013

If you are a first-time borrower (see the Borrower's Rights and Responsibilities Statement that you received previously) on or after July 1, 2013, there is a limit on the maximum period of time (measured in academic years) that you can receive Direct Subsidized Loans.

In general, if you are a first-time borrower on or after July 1, 2013 you may not receive Direct Subsidized Loans for more than 150% of the published length of your program of study. This is called your "maximum eligibility period". For example, if you are enrolled in a 4-year bachelor's degree program, the maximum for which you can receive Direct Subsidized Loans is 6 years (150% of 4 years = 6 years).

Your maximum eligibility period is based on the published length of the program in which you are currently enrolled. This means that your maximum eligibility period can change if you change programs. If you receive Direct Subsidized Loans for one program and then change to a different program, the period of time for which you received Direct Subsidized Loans for the earlier program will generally count against your new maximum eligibility period.

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans, and if you are enrolled in school you may become responsible for paying interest on your Direct Subsidized Loans. You may continue to receive Direct Unsubsidized Loans. We will notify you if you are no longer eligible to receive additional Direct Subsidized Loans.

In addition, if you continue to be enrolled in any undergraduate program after you have received Direct Subsidized Loans for your maximum eligibility period, or if you enroll in another undergraduate program that is the same length as or shorter than your previous program, in most cases (there are certain exceptions as provided under the Act) you will become responsible for paying the interest that accrues on your Direct Subsidized Loans during all periods, beginning on the date of the enrollment that causes you to become responsible for paying the interest. We will notify you if you become responsible for paying all of the interest that accrues on your Direct Subsidized Loans.

You may obtain additional information about the limitation on Direct Subsidized Loan eligibility for first-time borrowers on or after July 1, 2013 from your school's financial aid office or at StudentAid.gov.

6. USE OF LOAN MONEY

You may use your loan money only to pay for authorized educational expenses (for example, tuition, room, board, books) at the school that determined you were eligible to receive the loan. If you accept this loan, your eligibility for other student assistance may be affected.

7. INFORMATION YOU MUST REPORT

While you are still in school, you must notify your school if you:

- Change your address or telephone number;
- Change your name (for example, maiden name to married name);

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- 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;
- Stop attending school or drop below half-time enrollment; or
- Graduate or transfer to another school.

You must also notify your servicer of any of the above changes at any time after you receive your loan. In addition, you must notify your servicer if you:

- Change employers or if your employer's address or phone number changes; or
- 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).

8. AMOUNT YOU MAY BORROW

There are limits on the amount you may borrow each academic year (annual loan limits) and the amount you may borrow in total for undergraduate and graduate study (aggregate loan limits), as explained in more detail in the Borrower's Rights and Responsibilities Statement. The annual and aggregate loan limits are as follows:

ANNUAL LOAN LIMITS

Dependent Undergraduates (<i>except</i> students whose parents cannot obtain Direct PLUS Loans)	
First Year (freshman)	\$5,500 (maximum \$3,500 subsidized)
Second Year (sophomore)	\$6,500 (maximum \$4,500 subsidized)
Third Year (junior) & Beyond	\$7,500 (maximum \$5,500 subsidized)
Independent Undergraduates (<i>and</i> dependent students whose parents cannot obtain Direct PLUS Loans)	
First Year (freshman)	\$9,500 (maximum \$3,500 subsidized)
Second Year (sophomore)	\$10,500 (maximum \$4,500 subsidized)
Third Year (junior) & Beyond	\$12,500 (maximum \$5,500 subsidized)
Graduate and Professional Students	
Maximum amount each year	\$20,500 (unsubsidized only)

AGGREGATE LOAN LIMITS

Dependent Undergraduates (<i>except</i> students whose parents cannot obtain Direct PLUS Loans)
\$31,000 (maximum \$23,000 subsidized)
Independent Undergraduates (<i>and</i> dependent students whose parents cannot obtain Direct PLUS Loans)
\$57,500 (maximum \$23,000 subsidized)
Graduate and Professional Students
\$138,500 (maximum \$65,500 subsidized; includes loans received for undergraduate study))

9. INTEREST RATE

The interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans varies depending on when the loan is first disbursed and other factors, as explained below. Different loans that you received under the same MPN may have different interest rates. We will notify you of the interest rate for each loan you receive in a disclosure statement that we send to you.

Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed on or after July 1, 2013. Loans first disbursed on or after July 1, 2013 have a fixed rate that is calculated in accordance with a formula specified in the Act. The interest rate is calculated each year. When the rate is calculated, it applies to all Direct Subsidized Loans and Direct Unsubsidized Loans for which the first disbursement is made during the period beginning on July 1 of one year and ending on June 30 of the following year. Different fixed interest rates may apply to separate loans made under an MPN depending on when the loan is first disbursed, and whether you are an undergraduate student or a graduate or professional student when the loan is made. The maximum interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans made to undergraduate students is 8.25%. The maximum interest rate for Direct Unsubsidized Loans made to graduate or professional students is 9.5%.

Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed on or after July 1, 2006 and before July 1, 2013. Direct Subsidized Loans first disbursed on or after July 1, 2006 and before July 1, 2013 have different fixed interest rates that range from 3.4% to 6.8%, depending on when the loan was first disbursed, and whether you were an undergraduate student or a graduate or professional student when the loan was made.

All Direct Unsubsidized Loans first disbursed on or after July 1, 2006 and before July 1, 2013 have a fixed interest rate of 6.8%.

Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed before July 1, 2006. Loans first disbursed before July 1, 2006 have a variable interest rate that is adjusted each year on July 1 but will never be more than 8.25%. Some variable interest rate loans have an interest rate that is lower during in-school, grace, and deferment periods, and higher during repayment and forbearance periods. For loans with a variable interest rate, we will notify you annually of the actual interest rate for each loan that you receive.

Reduced interest rate under the Servicemembers Civil Relief Act (SCRA). If you are in military service, you may qualify for a lower interest rate on your loans. Under the SCRA, the interest rate on loans you received before you began your military service may be limited to 6% during your military service. In most cases, your servicer will determine if you are eligible for this benefit based on information from the U.S. Department of Defense, and, if any of your qualifying loans have an interest rate greater than 6%, will automatically

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reduce that rate to 6% during your military service. If you think you qualify for the 6% interest rate but have not received it, contact your servicer. Your servicer can also provide more information about this benefit.

10. PAYMENT OF INTEREST

Direct Subsidized Loans. In general (see **Note** below for exceptions), you are not required to pay the interest that accrues on Direct Subsidized Loans while you are enrolled in school at least half time, during your grace period, during deferment periods, and during certain periods of repayment under the Revised Pay As You Earn Repayment Plan, the Pay As You Earn Repayment Plan, and the Income-Based Repayment Plan. Except as explained below for certain borrowers who are active duty service members, you are responsible for paying the interest that accrues on Direct Subsidized Loans during all other periods (starting on the day after your grace period ends), including forbearance periods.

Note: You are responsible for paying the interest that accrues during the grace period on any Direct Subsidized Loan for which the first disbursement was made on or after July 1, 2012 and before July 1, 2014. Also, if you are a first-time borrower on or after July 1, 2013, under certain conditions you must pay the interest that accrues on your Direct Subsidized Loans during all periods, as explained in Item 5.

Direct Unsubsidized Loans. Except as explained below for certain borrowers who are active duty service members, you are responsible for paying the interest that accrues on Direct Unsubsidized Loans during all periods (starting on the date of the first disbursement). This includes periods while you are enrolled in school at least half-time, during your grace period, and during deferment and forbearance periods. Therefore, you will pay more interest on Direct Unsubsidized Loans than on Direct Subsidized Loans.

Interest capitalization. If you do not pay the interest as it accrues on either a Direct Subsidized Loan or a Direct Unsubsidized Loan (during the periods when you are responsible for paying the interest, as described above), we will add it to the unpaid principal balance of your loan at the end of the deferment, forbearance, or other period. This is called capitalization. Capitalization increases the unpaid principal balance of your loan, and interest then accrues on the increased principal.

No accrual of interest benefit for active duty service members. Under the no accrual of interest benefit for active duty service members, you are not required to pay the interest that accrues on any type of Direct Loan Program loan first disbursed on or after October 1, 2008 during periods of qualifying active duty military service (for up to 60 months).

11. LOAN FEE

For each Direct Subsidized Loan or Direct Unsubsidized Loan you receive, we charge a loan fee that is a percentage of the principal amount of the loan. This fee will be subtracted proportionally from each disbursement of your loan and will be shown on a disclosure statement that we send to you.

12. INTEREST RATE REDUCTION FOR AUTOMATIC WITHDRAWAL OF PAYMENTS

Under the automatic withdrawal option, your bank automatically deducts your monthly loan payment from your checking or savings account and sends it to us. You will receive a 0.25% reduction in your interest rate while you repay under the automatic withdrawal option. This payment option is described in the Borrower's Rights and Responsibilities Statement. Contact your loan servicer for more information.

13. DISBURSEMENT OF LOAN MONEY

Generally, your 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 your 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. Your school may disburse your loan money by crediting it to your student account, or may give it to you directly by check or other means.

14. CANCELING YOUR LOAN

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

- **You may notify your school (within certain timeframes).** 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 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 your school's payment period, whichever is later (your school can tell you the first day of the payment period).

If your 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.

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

- **You may return all or part of your loan to us.** Within 120 days of the date your school disbursed your loan money (by crediting the loan money to your account at the school, by paying it directly to you, or both), you may cancel all or part of your loan by returning all or part of the loan money to us. Contact your servicer 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 is cancelled or returned within the timeframes described above. We will adjust your loan amount to eliminate any interest and loan fee that applies to the amount of the loan that was cancelled or returned.

15. GRACE PERIOD

You will receive a 6-month grace period on repayment that starts the day after you stop attending school or drop below half-time enrollment. You do not have to begin making payments on your loan until after your grace period ends.

16. REPAYING YOUR LOAN

You must repay each loan that you receive according to the repayment schedule provided by your servicer. You must begin repaying your loan after your grace period ends.

You have a choice of repayment plans. These plans are designed to give you flexibility in meeting your obligation to repay your loan. We will ask you to choose a repayment plan before your loans enter repayment. If you do not choose a plan, we will place you on the Standard Repayment Plan.

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 repaid a

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loan in full, your servicer will send you a notice telling you that you have paid off your loan. You should keep this notice in a safe place.

You may choose one of the following repayment plans:

Standard Repayment Plan. You will make fixed monthly payments and repay your loan in full within 10 years (not including periods of deferment or forbearance) from the date the loan entered repayment. Your payments must be at least \$50 per month (\$600 per year) and will be more, if necessary, to repay the loan within the required time period.

Graduated Repayment Plan. Your payments will usually be lower at first, and will then increase over time. You must repay your loan in full within 10 years (not including periods of deferment and forbearance) from the date the loan entered repayment. Your monthly payment must at least be equal to the amount of interest that accrues each month. No single payment will be more than 3 times greater than any other payment.

Extended Repayment Plan. You may choose this plan only if

- You had no outstanding balance on a Direct Loan as of October 7, 1998 or on the date you obtained a Direct Loan on or after October 7, 1998, and
- You have an outstanding balance on Direct Loans that exceeds \$30,000.

You may choose to make fixed monthly payments or graduated monthly payments that start out lower and gradually increase over time, 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. If you make fixed monthly payments, your payments must be at least \$50 per month (\$600 per year) and will be more, if necessary, to repay the loan within the required time period. If you make graduated payments, your monthly payment must at least be equal to the amount of interest that accrues each month. No single payment under the graduated option will be more than three times greater than any other payment.

Revised Pay As You Earn Repayment Plan (REPAYE Plan). Under this plan, your monthly payment amount is generally 10% of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married, the income used to determine your REPAYE Plan payment amount will generally be the combined income of you and your spouse, regardless of whether you file a joint or separate federal income tax return.

While you are repaying under the REPAYE Plan, you must provide documentation of your income (and, if you are married, your spouse's income) and certify your family size each year so that we may recalculate your payment amount.

Under the REPAYE Plan, if all of the loans you are repaying under the plan were obtained for undergraduate study, any remaining loan amount will be forgiven after you have made the equivalent of 20 years of qualifying monthly payments over a period of at least 20 years. If any of the loans you are repaying under the REPAYE Plan were obtained for graduate or professional study, any remaining loan amount will be forgiven after you have made the equivalent of 25 years of qualifying monthly payments over a period of at least 25 years. You may have to pay federal income tax on the loan amount that is forgiven.

Pay As You Earn Repayment Plan (PAYE Plan). Under the PAYE Plan, your monthly payment amount is generally 10% of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your PAYE Plan payment amount will be the combined adjusted gross income of you and your spouse.

If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your PAYE Plan payment amount.

The PAYE Plan is available only to new borrowers. You are a new borrower for the PAYE Plan if:

(1) You had no outstanding balance on a Direct Loan or a FFEL Program loan as of October 1, 2007, or you have no outstanding balance on a Direct Loan or a FFEL Program loan when you obtain a new loan on or after October 1, 2007, and

(2) You receive a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or student Direct PLUS Loan (a Direct PLUS Loan made to a graduate or professional student) on or after October 1, 2011, or you receive a Direct Consolidation Loan based on an application received on or after October 1, 2011. However, you are not considered to be a new borrower for the PAYE Plan if the Direct Consolidation Loan you receive repays loans that would make you ineligible under part **(1)** of this definition.

In addition to being a new borrower, to initially qualify for the PAYE Plan, the monthly amount you would be required to pay under this plan, based on your income and family size, must be less than the amount you would have to pay under the Standard Repayment Plan.

If you are married and file a joint federal income tax return, the loan amount we use to determine whether you qualify for the PAYE Plan will include your eligible loans and your spouse's eligible loans. If you are married and file a separate federal income tax return from your spouse, the loan amount we use to determine whether you qualify for the PAYE Plan will include only your eligible loans.

While you are repaying under the PAYE Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount. If your income increases to the point that the amount you would have to pay under the PAYE Plan based on your income is more than what you would have to pay under the Standard Repayment Plan, you will remain on the PAYE Plan, but your monthly payment will no longer be based on your income. Instead, your monthly payment will be what you would be required to pay under the Standard Repayment Plan.

Under the PAYE Plan, if your loan is not repaid in full after you have made the equivalent of 20 years of qualifying monthly payments over a period of at least 20 years, any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

Income-Based Repayment Plan (IBR Plan). Under the IBR Plan, your monthly payment amount is generally 15% (10% if you are a new borrower; see Note below) of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your IBR Plan payment amount will be the combined adjusted gross income of you and your spouse.

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If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your IBR Plan payment amount.

To initially qualify for the IBR Plan, the monthly amount you would be required to pay under this plan, based on your income and family size, must be less than the amount you would have to pay under the Standard Repayment Plan.

If you are married and file a joint federal income tax return, the loan amount we use to determine whether you qualify for the IBR Plan will include your eligible loans and your spouse's eligible loans. If you are married and file a separate federal income tax return from your spouse, the loan amount we use to determine whether you qualify for the IBR Plan will include only your eligible loans.

While you are repaying under the IBR Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount. If your income increases to the point that the amount you would have to pay under the IBR Plan based on your income is more than what you would have to pay under the Standard Repayment Plan, you will remain on the IBR Plan, but your monthly payment will no longer be based on your income. Instead, your monthly payment will be what you would be required to pay under the Standard Repayment Plan.

Under the IBR Plan, if your loan is not repaid in full after you have made the equivalent of 25 years (20 years if you are a new borrower) of qualifying monthly payments over a period of at least 25 years (20 years if you are a new borrower), any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

Note: You are a new borrower for the IBR Plan if you have no outstanding balance on a Direct Loan or a FFEL Program loan on July 1, 2014, or if you have no outstanding balance on a Direct Loan or a FFEL Program loan on the date you obtain a Direct Loan after July 1, 2014. Your servicer will determine whether you are a new borrower based on the information about your loans in the U.S. Department of Education's National Student Loan Data System.

Income Contingent Repayment Plan (ICR Plan). Under the ICR Plan, your monthly payment amount will be either 20% of your discretionary income or a percentage of what you would repay under a Standard Repayment Plan with a 12-year repayment period, whichever is less. Discretionary income for this plan is the difference between your adjusted gross income and the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your ICR Plan payment amount will be the combined adjusted gross income of you and your spouse. If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your ICR Plan payment amount. Until we obtain the information needed to calculate your monthly payment amount, your payment will equal the amount of interest that accrues monthly on your loan unless you request a forbearance.

While you are repaying under the ICR Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount.

Under the ICR Plan, if your loan is not repaid in full after you have made the equivalent of 25 years of qualifying monthly payments over a period of at least 25 years, any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

17. TRANSFER OF LOAN

We may transfer the servicing of one or all of your loans to another servicer. If there is a change in the address to which you must send payments or direct communications, you will be notified of the new servicer's name, address, and telephone number, the effective date of the transfer, and the date when you must begin sending payments or directing communications to that servicer. Transfer of a loan to a different servicer does not affect your rights and responsibilities under that loan.

18. LATE CHARGES AND COLLECTION COSTS

If you do not make any part of a payment within 30 days after it is due, we may require you to pay a late charge. This charge will not be more than six cents for each dollar of each late payment. We may also require you to pay other charges and fees involved in collecting your loan.

19. DEMAND FOR IMMEDIATE REPAYMENT

The entire unpaid amount of your loan becomes due and payable (on your MPN this is called "acceleration") if you:

- Receive loan money but do not begin attendance in any classes at the school that determined you were eligible to receive the loan;
- Use your loan money to pay for anything other than expenses related to your education at the school that determined you were eligible to receive the loan;
- Make a false statement that causes you to receive a loan that you are not eligible to receive; or
- Default on your loan.

20. DEFAULT

You are in default on your loan if:

- The entire unpaid amount of your loan becomes immediately due and payable because one of the first three events described in Item 19 occurs and you do not pay the amount due;
- You have not made a payment on your loan for at least 270 days; or
- You do not comply with other terms 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 your default to nationwide consumer reporting agencies (see Item 21). 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 will lose eligibility for other federal student aid and assistance under most federal benefit programs. You will lose eligibility for loan deferments.

21. CONSUMER REPORTING AGENCY NOTIFICATION

We will report information about your loan to nationwide consumer reporting agencies (commonly known as "credit bureaus"). 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.

22. 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:

- While you are enrolled at least half-time at an eligible school;
- While you are unemployed or experiencing an economic hardship (for a maximum of three years);.

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- 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 were serving on or after October 1, 2007, for an additional 180-day period following the demobilization date for your qualifying service; or
- 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, 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 not responsible for paying the interest that accrues on Direct Subsidized Loans during deferment periods, except as explained in Item 10. However, you are responsible for paying the interest on Direct Unsubsidized Loans during deferment periods.

If you are temporarily unable 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. You are responsible for paying the interest on both Direct Subsidized Loans and Direct Unsubsidized Loans during forbearance periods.

To request a deferment or forbearance, contact your servicer.

23. LOAN DISCHARGE (HAVING YOUR LOAN FORGIVEN)

We may discharge (forgive) all or part of your loan if:

- You die, and we receive acceptable documentation of your death;
- You become totally and permanently disabled and meet certain other requirements;
- Your loan is discharged in bankruptcy after you have proven to the bankruptcy court that repaying the loan would cause undue hardship;
- You were unable to complete your course of study because your school closed;
- Your school falsely certified your eligibility;
- Your school did not pay a refund of your loan money that it was required to pay under federal regulations; or
- A loan in your name was falsely certified as a result of a crime of identity theft.

We may forgive a portion of any loans you received under the Direct Loan or FFEL program after October 1, 1998 if you teach full-time for 5 consecutive years in certain low-income elementary or secondary schools, or for certain low-income educational service agencies, and meet certain other qualifications. In addition, you must not have owed a Direct Loan or FFEL program loan as of October 1, 1998, or as of the date you obtain a loan after October 1, 1998. Contact your servicer for specific eligibility requirements.

A Public Service Loan Forgiveness program is also available. Under this program, we will forgive the remaining balance due on your eligible Direct Loan Program loans after you have made 120 qualifying payments on those loans (after October 1, 2007) under certain repayment plans while you are

employed full-time in certain public service jobs. Contact your servicer for specific eligibility requirements.

To request any type of loan discharge except for a discharge based on your death or a discharge based on bankruptcy, you must complete a discharge application. Your servicer can tell you how to obtain an application.

The Act may provide for certain loan forgiveness or repayment benefits on your loan in addition to the benefits described above.

In some cases, you may assert, under applicable law and regulations, a defense against repayment of your loan on the basis 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 the school's act or omission directly relates to your loan or to the educational services that the loan was intended to pay for. If you believe that you have a defense against repayment of your loan, contact your servicer.

24. LOAN CONSOLIDATION

You may consolidate (combine) one or more of your eligible federal education loans into a new Direct Consolidation Loan with a single monthly payment. Consolidation may also allow you to extend the period of time that you have to repay your loans. This may make it easier for you to repay your loans. However, you will likely pay more interest if you extend your repayment period through consolidation, since you will be making payments for a longer period of time. Contact your servicer for more information about loan consolidation.