

# Federal Student Loan Programs

## Will you need a loan to attend college?

If you need a loan to help cover the cost of a college or career school education, think federal student loans first. Both federal and private student loans are borrowed funds that you must repay with interest, but federal student loans usually offer lower interest rates and have more flexible repayment terms and options than private student loans.

### 1. What is a federal student loan?

A federal student loan is made through a loan program administered by the federal government.

### 2. What is a private student loan?

A private student loan is a nonfederal loan made by a private lender, such as a bank or credit union. The terms and conditions of private student loans are set by the lender, not the federal government. If you're not sure whether you're being offered a private loan or a federal loan, check with the financial aid office at your school.

### 3. Why are federal student loans usually a better option for paying for a college or career school education?

Federal student loans offer many benefits that don't typically accompany private loans. These include fixed interest rates, income-based repayment plans, loan cancellation for certain types of employment, deferment (postponement) options, and interest rate reduction based on repayment method. Also, private loans usually require a credit check, while most federal loans for students do not. For these reasons, students and parents should always exhaust federal student loan options first before considering a private loan.

### 4. How much should I borrow?

You can determine whether you need a loan and how much you need to borrow by adding up the total cost of your education (tuition, fees, room and board, etc.) and subtracting the amount of scholarships, grants, and savings you have to contribute to those costs. You should borrow only what you need, and consider the earning potential in your chosen profession to determine how easily you'll be able to repay your debt. You can find salary estimates for various occupations in the U.S. Department of Labor's Occupational Outlook Handbook at <https://www.bls.gov/ooh>. Your student loan payments should be only a small percentage of your salary after you graduate.

### Have questions? Contact or visit the following:

- [StudentAid.gov](https://studentaid.gov)
- a school's financial aid office
- [studentaid@ed.gov](mailto:studentaid@ed.gov)
- 1-800-4-FED-AID (1-800-433-3243)

## What kinds of federal student loans are available?

The interest rates shown are fixed for the life of the loan.

Federal Loan Program	Program Details	Annual Award (subject to change)
<b>Direct Subsidized Loans</b>	<ul style="list-style-type: none"> <li>For undergraduate students with financial need</li> <li>For loans first disbursed on or after July 1, 2021, and before July 1, 2022, the interest rate is 3.73%</li> <li>You're not usually charged interest on the loan during certain periods, such as when you're in school at least half-time</li> <li>The U.S. Department of Education (ED) is the lender; payment is owed to ED</li> </ul>	<p>Up to \$5,500 depending on grade level and dependency status*</p> <p>For total lifetime limit, go to <a href="https://studentaid.gov/sub-unsub">StudentAid.gov/sub-unsub</a></p>
<b>Direct Unsubsidized Loans</b>	<ul style="list-style-type: none"> <li>For undergraduate, graduate, and professional degree students; financial need isn't required</li> <li>For loans first disbursed on or after July 1, 2021, and before July 1, 2022, the interest rate is               <ul style="list-style-type: none"> <li>3.73% for loans made to undergraduate students, and</li> <li>5.28% for loans made to graduate and professional degree students</li> </ul> </li> <li>You're responsible for paying the interest during all periods</li> <li>ED is the lender; payment is owed to ED</li> </ul>	<p>Up to \$20,500 (less any subsidized amounts received for same period) depending on grade level and dependency status*</p> <p>For total lifetime limit, go to <a href="https://studentaid.gov/sub-unsub">StudentAid.gov/sub-unsub</a></p>
<b>Direct PLUS Loans</b>	<ul style="list-style-type: none"> <li>For parents who are borrowing money to pay for their dependent undergraduate child's education, and for graduate or professional degree students;* financial need isn't required</li> <li>For loans first disbursed on or after July 1, 2021, and before July 1, 2022, the interest rate is 6.28%</li> <li>You must not have an adverse credit history (unless you meet certain additional eligibility requirements)**</li> <li>ED is the lender; payment is owed to ED</li> </ul>	<p>Maximum amount is the cost of attendance (determined by the school) minus any other financial aid the student receives</p>

\*Learn about dependency status at [StudentAid.gov/dependency](https://studentaid.gov/dependency).

\*\*Learn about PLUS loans and adverse credit at [StudentAid.gov/plus](https://studentaid.gov/plus).

**Note:** Find interest rates on loans disbursed before July 1, 2021, at [StudentAid.gov/interest](https://studentaid.gov/interest).

For more information on loans, visit [StudentAid.gov/loans](https://studentaid.gov/loans). Find this fact sheet at [StudentAid.gov/resources#loan-programs](https://studentaid.gov/resources#loan-programs).

June 2021



# FEDERAL STUDENT LOANS

## BASICS FOR STUDENTS



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Whether you're an adult returning to school or a recent high school graduate, there's a lot to consider when you're thinking about college or career school. One of those considerations should be how you plan to fund your education.

Chances are, you'll need to rely on student loans (money that you borrow and pay back with **interest\***) to help pay for at least part of your education.

Direct Loans (loans made by the federal government) are available to help you cover your education expenses. This brochure will help guide you through the basics of responsible borrowing.



## BASICS OF STUDENT LOANS

With careful planning and an understanding of the basics of student loans, you can help ensure that you achieve your academic goals and graduate with a manageable amount of debt.

### Know the Types of Direct Loans

The U.S. Department of Education (ED) offers Direct Loans through the William D. Ford Federal Direct Loan (Direct Loan) Program. There are three types of Direct Loans that can help students and parents pay for education after high school.

LOAN TYPE	AVAILABLE TO	DETAILS AND UPDATES
Direct <b>Subsidized Loans*</b>	Undergraduate students who have financial need	<a href="http://StudentAid.gov/sub-unsub">StudentAid.gov/sub-unsub</a>
Direct <b>Unsubsidized Loans*</b>	Undergraduate, graduate, and professional degree students	<a href="http://StudentAid.gov/sub-unsub">StudentAid.gov/sub-unsub</a>
Direct PLUS Loans	Graduate and professional degree students, and parents of dependent undergraduate students (you must not have an adverse credit history)	<a href="http://StudentAid.gov/plus">StudentAid.gov/plus</a>

For information on current Direct Loan interest rates, visit [StudentAid.gov/interest](http://StudentAid.gov/interest).

### Consider Direct Loans First

Student loans can also come from private sources, such as banks or financial institutions. These are often called private student loans. Direct Loans have many benefits that private loans don't typically offer, such as

- low fixed interest rates;
- flexible repayment plans based on income;
- cancellation, discharge, and forgiveness of loans under certain circumstances (learn more at [StudentAid.gov/forgiveness](http://StudentAid.gov/forgiveness)); and
- postponement options, including **deferment\*** and **forbearance\*** of loan payments if you return to school or experience an economic hardship.

To learn more about the differences between Direct Loans and private loans, visit [StudentAid.gov/federal-vs-private](http://StudentAid.gov/federal-vs-private).

**\*Please refer to the glossary on the back page**



# STEPS TO RECEIVE DIRECT LOANS

## Determine Your Eligibility

To qualify for a Direct Loan, you must be enrolled (or planning to enroll) at least half-time at a school that participates in the Direct Loan Program. You must also meet general eligibility requirements for the federal student aid programs. You can learn more about these requirements at [StudentAid.gov/eligibility](https://studentaid.gov/eligibility).

## Fill Out the FAFSA® Form

To apply for Direct Loans, you need to complete the *Free Application for Federal Student Aid* (FAFSA®) form every year you're in school. Completing and submitting the FAFSA form is **free**, and the fastest and easiest way to do so is online at [fafsa.gov](https://fafsa.gov).

Visit [StudentAid.gov/fillingout](https://studentaid.gov/fillingout) for details about the application process.

## Review Aid Offers

The schools that you identified on your FAFSA form (and that have offered you admission) will send you financial aid offers that include the types and amounts of financial aid you may receive. You'll be asked to indicate which financial aid you want to accept.

A good rule of thumb is to accept free money first (**scholarships\*** and **grants\***), then earned money (**work-study\***), and then borrowed money (Direct Loans). You don't have to repay grants, scholarships or work-study earnings (as long as you complete the term for which you were paid). Once you have exhausted those options, then you should look to Direct Loans. **Remember, loans are borrowed money that must be repaid with interest, so you should borrow only what you need.**

Visit [StudentAid.gov/types](https://studentaid.gov/types) to learn more about the different types of aid.

## Complete a Master Promissory Note and Entrance Counseling

Before you can receive a Direct Loan, you'll have to sign a loan agreement called a **Master Promissory Note (MPN)\***. If you're borrowing for the first time, you'll also need to receive **entrance counseling\***. Both requirements can be completed on [StudentAid.gov](https://studentaid.gov), but you should check with your school's financial aid office to find out how they expect you to complete them.

**\*Please refer to the glossary on the back page**



# THINGS TO CONSIDER BEFORE RECEIVING A LOAN

Direct Loans can help you pay your education expenses, but you need to borrow responsibly. It's important that you do the following before you borrow.

## Determine How Much You Should Borrow

Figure out how much money you will need to borrow to cover your education expenses for each year you're in school. Any school that participates in the federal student aid programs is required to provide information on its cost of attendance and to offer a **net price\*** calculator on its website.

The following factors will also affect how much you need to borrow:

- Where you plan to attend school (the cost of living is different depending on the city your school is in)
- The price of the school you plan to attend (the more expensive the school, the more likely it is you will have to borrow)
- The amount of financial aid your school can offer from its funds (some schools offer significant scholarships and grants to make the net price affordable even if the cost of attendance is high)
- Your expected graduation date and your future borrowing needs to get you through to graduation (you can get a rough estimate of your total borrowing needs by multiplying the amount you're borrowing for one year by the length of your program)

For suggestions on reducing your college costs, visit [StudentAid.gov/collegecost](https://studentaid.gov/collegecost).

## Estimate What You Might Earn After Graduation

Check with the career center at your school for starting salaries of recent graduates in your prospective field(s) of study to get an idea of how much you might earn after you graduate. Different programs will have different expected employment outcomes that will influence your earning potential.

Add up your estimated total net income (your monthly salary minus taxes) and any other sources of income you expect to have.

## Understand What Repayment Might Look Like

Once you have a realistic idea of your potential income after you graduate, and the amount you need to borrow to meet your education expenses, you'll want to determine your estimated monthly loan payment amount and the amount you'll pay in total for your loan. To get an idea of what your monthly student loan payment will be under available repayment plans, use the *Repayment Estimator* at [StudentAid.gov/repayment-estimator](https://studentaid.gov/repayment-estimator).

**You'll need to repeat this process each time you receive a student loan to ensure that you are calculating your payments based on your accumulated total loan debt.**

You'll want to make sure that you are able to live comfortably after meeting your monthly student loan payment. You should try to keep your monthly payments to 8% of your monthly pay.

After you leave school or drop below half-time enrollment, your **loan servicer\*** will contact you and provide you with loan repayment information. Generally, you will be expected to start making payments six months after you leave school or drop below half-time enrollment. Learn more at [StudentAid.gov/repay](https://studentaid.gov/repay).

**\*Please refer to the glossary on the back page**



# TIPS FOR MANAGING YOUR LOANS

Don't wait until you leave school to review your student loan debt. If you wait, you may find you have borrowed more than you can afford to repay.

## Track Your Borrowing

You can view your federal student aid history at [StudentAid.gov/login](https://studentaid.gov/login). **If you have private loans, they will not be listed there.**

## Pay Interest as It Accumulates

Whenever possible, pay interest on your Direct Loans while you're in school, and during **grace**,\* deferment, and forbearance periods. This will allow you to avoid **capitalization**\* of any unpaid interest.

## Stay in Touch With Your Loan Servicer

At any time after you receive a Direct Loan, you must notify your loan servicer if you

- change your address or telephone number;
- change your name (for example, maiden name to married name); or
- have any change in status that would affect your loan (for example, if you received a deferment, but you no longer meet the eligibility requirements for the deferment).

**\*Please refer to the glossary on the back page**



## CONTACT US

### U.S. Department of Education

Federal Student Aid Information Center (FSAIC)

P.O. Box 84

Washington, DC 20044-0084

1-800-4-FED-AID (1-800-433-3243)

TTY users can call 1-800-730-8913.

Callers in locations without access to 1-800 numbers may call 1-334-523-2691 (this is not a toll-free number).

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## Stay Connected

Access your federal student loan information at [StudentAid.gov/login](https://studentaid.gov/login)

Information for U.S. armed forces [StudentAid.gov/military](https://studentaid.gov/military)



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The information in this guide was updated in fall 2019. For changes to federal student aid programs since then, visit [StudentAid.gov](https://studentaid.gov).

# GLOSSARY

Terminology	What does it mean?
<b>Capitalization</b>	The addition of unpaid interest to the principal balance of a loan. When the interest on your federal student loan is not paid as it accrues (accumulates), ED will capitalize the interest under certain circumstances. This increases the outstanding <b>principal*</b> amount due on the loan and may cause your monthly payment amount to increase. Interest is then charged on that higher principal balance, increasing the overall cost of the loan.
<b>Deferment</b>	A postponement of payment on a loan. Deferment is allowed under certain conditions. During deferment, interest does not generally accrue (accumulate) on Direct Subsidized Loans. All other Direct Loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be capitalized (added to the principal balance of the loans).
<b>Direct Subsidized Loan</b>	A loan based on financial need for which the federal government generally pays the interest that accrues while the borrower is in an in-school, grace, or deferment status. A borrower is eligible to receive subsidized loans for up to 150% of his or her program length.
<b>Direct Unsubsidized Loan</b>	A loan for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan. This type of loan is not based on financial need.
<b>Entrance Counseling</b>	A mandatory information session, which takes place before you receive your first federal student loan; entrance counseling explains your responsibilities and rights as a student borrower.
<b>Forbearance</b>	A period during which your monthly loan payments are temporarily suspended or reduced. ED may grant you forbearance if you are willing but unable to make loan payments due to certain types of financial hardships. During forbearance, principal payments are postponed but interest continues to accrue (accumulate). Unpaid interest that accrues during the forbearance will be capitalized (added to the principal balance of your loans), increasing the total amount you owe.
<b>Grace Period</b>	A period of time (generally six months) after you graduate, leave school, or drop below half-time enrollment during which you are not required to make payments on certain Direct Loans. Some Direct Loans will accrue interest during the grace period, and if the interest is unpaid, it will be added to the principal balance of the loan when the repayment period begins.
<b>Grant</b>	Financial aid, often based on financial need, that does not have to be repaid (unless, for example, you withdraw from school and owe a refund).
<b>Interest</b>	A loan expense charged for the use of borrowed money. Interest is paid by the borrower to ED. The expense is calculated as a percentage of the unpaid principal amount of the loan.
<b>Loan Servicer</b>	A company that collects payments, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a federal student loan on behalf of ED. If you're unsure of who your federal student loan servicer is, you can look it up in "My Federal Student Aid" at <a href="https://studentaid.gov/login">StudentAid.gov/login</a> .
<b>Master Promissory Note (MPN)</b>	A binding legal document that you must sign when you get a federal student loan. The MPN can be used to make one or more loans for one or more academic years (up to 10 years) at one or more schools. It lists the terms and conditions under which you agree to repay the loan and explains your rights and responsibilities as a borrower. It's important to read and save your MPN because you'll need to refer to it later when you begin repaying your loan or at other times when you need information about loan provisions, such as deferments or forbearances.
<b>Net Price</b>	An estimate of the actual cost that a student and his or her family need to pay in a given year to cover education expenses for the student to attend a particular school. Net price is determined by taking the institution's cost of attendance and subtracting any grants and scholarships for which the student may be eligible.
<b>Principal</b>	Loan principal can refer either to the original amount borrowed (original principal), or to the remaining amount of principal to be repaid (current principal). The current principal balance may include interest that has been capitalized (for example, interest that was capitalized at the end of a period of deferment or forbearance).
<b>Scholarship</b>	Money awarded to a student based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.
<b>Work-study</b>	A federal student aid program that provides part-time employment while a student is enrolled in school. Work-study earnings help pay the student's education expenses.





## FEDERAL STUDENT LOANS

# Direct PLUS Loan Basics for Parents



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Those who use a telecommunications device for the deaf (TDD) or a teletypewriter (TTY) should call 1-877-576-7734.

**Online Access**

This publication is also available at

[StudentAid.gov/resources#loan-basics-parents](http://StudentAid.gov/resources#loan-basics-parents).

**Alternate Formats**

On request, this publication is available in alternate formats, such as Braille. For more information, please contact Federal Student Aid using the information provided in the previous section.

Some of the Web addresses in this publication are for sites created and maintained by organizations other than the U.S. Department of Education (ED). They are provided for the reader's convenience. ED does not control or guarantee the accuracy, relevance, timeliness, or completeness of this outside information. Further, the inclusion of particular Web addresses is not intended to reflect their importance, nor is it intended to endorse any views expressed or products or services offered on these outside sites, or the organizations sponsoring the sites.

All Web addresses included in this publication were accurate at press time.

Find detailed federal student aid information at [StudentAid.gov](http://StudentAid.gov).

Direct PLUS Loans are available from the U.S. Department of Education (ED) to help parents pay the cost of their child's education at a four-year college or university, community college, or trade, career, or technical school.

## What kinds of federal student loans are available?

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ED offers four types of loans, for which it serves as the lender, through the William D. Ford Federal Direct Loan (Direct Loan) Program:

- 1. Direct Subsidized Loans**—For eligible undergraduate students. Generally, no interest is charged on subsidized loans while a student is in school at least half-time, during the grace period, and during deferment periods.
- 2. Direct Unsubsidized Loans**—For eligible undergraduate, graduate, and professional degree students. Interest is charged on unsubsidized loans during all periods.
- 3. Direct PLUS Loans**—For eligible parents of dependent students. Graduate and professional degree students also may receive Direct PLUS Loans. Interest is charged during all periods.
- 4. Direct Consolidation Loans**—For eligible student and parent borrowers. A consolidation loan combines the borrower's eligible loans into a single loan. To learn how interest rates are calculated on Direct Consolidation Loans, visit **[StudentAid.gov/consolidation](https://studentaid.gov/consolidation)**.

Learn more about federal student loans at **[StudentAid.gov/loans](https://studentaid.gov/loans)**.



Jamie Grill/Blend Images/Getty Images

## What are the eligibility requirements for a parent to get a Direct PLUS Loan?

- You must be the biological or adoptive parent (or, in some cases, the stepparent) of the student for whom you are borrowing.
- Your child must be a dependent undergraduate student who is enrolled at least half-time at a school that participates in the Direct Loan Program. Generally, your child is considered dependent if he or she is under 24 years of age, has no dependents, and is not married, a veteran, a graduate or professional degree student, or a ward of the court. Learn about dependency status at **StudentAid.gov/dependency**.
- You cannot have an adverse credit history (a credit check will be done).
- In addition, you and your child must be U.S. citizens or eligible noncitizens (see **StudentAid.gov/noncitizen**), not be in default on any federal education loans, not owe an overpayment on a federal education grant, and meet other general eligibility requirements for the federal student aid programs.

**Note:** You can find the general eligibility requirements for the federal student aid programs at **StudentAid.gov/eligibility** or by contacting the school's financial aid office.



Thomas Barwick/Digital Vision/Getty Images





## How do I request a Direct PLUS Loan?

Your child must complete the *Free Application for Federal Student Aid* (FAFSA®). The fastest and easiest way to complete the FAFSA is online at **[fafsa.gov](https://fafsa.gov)**, but there are several ways to complete it. Check with the financial aid office at your child's college or career school for other ways to complete the FAFSA. You (the parent) must complete the Federal Direct PLUS Loan Master Promissory Note (MPN). The MPN explains the terms and conditions of your loan and is your legal agreement to repay your loan to ED. In most cases, a single MPN can be used for loans that you receive over multiple academic years.

The process of completing the MPN varies from school to school. Check with the financial aid office at your child's school to find out the process for completing the MPN.

## How much can I borrow?

There are no set borrowing limits for Direct PLUS Loans, but you may not borrow more than the cost of your child's education minus any other financial aid received, such as a Direct Subsidized Loan or Direct Unsubsidized Loan. The school will determine the actual amount you may borrow.

## What is the interest rate?

The interest rate for a Direct PLUS Loan is determined annually for new loans that are made between July 1 of one year and June 30 of the following year. Each loan will have a fixed interest rate for the life of the loan. View the latest interest rate information at

**[StudentAid.gov/interest](https://StudentAid.gov/interest)**.

## Is there a charge for a Direct PLUS Loan?

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Yes. In addition to interest, you pay a loan fee that is a percentage of the principal amount of the loan. ED deducts the fee before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay. See [StudentAid.gov/interest](https://studentaid.gov/interest) for current loan fee rates.

## How will I receive my loan money?

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Your loan money will usually be paid out in at least two installments. Your child's school will generally credit the loan money to your child's account to pay tuition, fees, and other authorized charges. Any remaining loan funds will be paid to you directly, unless you authorize the school to pay this money to your child.

## When do I have to begin repaying my loan?

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The repayment period for a Direct PLUS Loan begins immediately after you've received the last disbursement of the loan, while your child is still in school. However, you may be able to defer making payments while your child is enrolled at least half-time, and for an additional six months after your child graduates or drops below half-time enrollment status. To learn more about deferment, see the discussion about postponing your loan payments on page 8 of this booklet and visit [StudentAid.gov/deferment-forbearance](https://studentaid.gov/deferment-forbearance).

When it's time for you to begin repaying your Direct PLUS Loan, you'll make payments to your loan servicer, an organization that handles billing and other customer service functions related to your Direct PLUS Loan. The servicer will contact you after you receive your first Direct PLUS Loan to provide you with information about repayment options, and the servicer also will communicate with you throughout the repayment period of your loan.



## How much time will I have to repay my loan, and how much will I have to pay each month?

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Generally, you'll have from 10 to 25 years to repay your loan, depending on the repayment plan that you choose. Your required monthly payment amount will vary depending on how much you borrowed, the interest rates on your loans, and your repayment plan.

**Choose a repayment plan that best meets your needs. The following are the available repayment plans for Direct PLUS Loans made to parents:**

- **Standard Repayment Plan**—Under this plan, you'll have fixed monthly payments for up to 10 years.
- **Graduated Repayment Plan**—Under this plan, your payments will start off lower and then gradually increase, usually every two years. You must repay the loan in 10 years.
- **Extended Repayment Plan**—Under this plan, you can choose to make fixed or graduated monthly payments for up to 25 years. To be eligible for this plan, you must have more than \$30,000 in Direct Loan debt and you must not have already had an outstanding balance on a Direct Loan at the time you received a Direct Loan on or after Oct. 7, 1998.

**Note:** You can find more information about each of the plans and use our Repayment Estimator to estimate your monthly payment under different repayment plans at [StudentAid.gov/repayment-estimator](https://StudentAid.gov/repayment-estimator).

You can change plans at any time. There's no penalty if you make payments before they are due or pay more than the amount due each month.

## Can I transfer the loan to my child for repayment?

No. A Direct PLUS Loan made to you as a parent cannot be transferred to your child. You are responsible for repaying the loan.

## Can I ever postpone making loan payments?

Yes, under certain circumstances you may receive a deferment or forbearance, which allows you to temporarily stop or lower your payments.

You may receive a deferment in the following circumstances:

- While you are enrolled at least half-time at a school that's eligible to participate in ED's federal student aid programs.
- While the student for whom you obtained a Direct PLUS Loan is enrolled at least half-time at a school that's eligible to participate in ED's federal student aid programs.
- During the six-month period after the student for whom you obtained a Direct PLUS Loan ceases to be enrolled at least half-time.
- While you are in a full-time course of study in a graduate fellowship program.
- While you are in an approved full-time rehabilitation program for individuals with disabilities.
- While you are unemployed or meet our rules for economic hardship (for these conditions, deferment is limited to a maximum of three years).
- While you are serving on qualifying active duty in the U.S. armed forces or National Guard.







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If you don't qualify for a deferment but are temporarily unable to make loan payments for such reasons as illness or financial hardship, your loan servicer may grant you a forbearance. With forbearance, you may be able to stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.

We charge interest on Direct PLUS Loans during all periods of deferment and forbearance. You may choose to pay the interest as it accrues during these periods to reduce the total amount you will repay on your loan. If you don't pay the interest that accrues during a period of deferment or forbearance, it will be capitalized (added to your loan principal amount) at the end of the deferment or forbearance period.

For more information on deferments and forbearance, including specific eligibility requirements, contact your loan servicer and visit **[StudentAid.gov/deferment-forbearance](https://StudentAid.gov/deferment-forbearance)**.



Ariel Skelley/Blend Images/Getty Images

## Can my loan ever be canceled, discharged, or forgiven?

You must repay your Direct PLUS Loan even if your child doesn't complete or can't find a job related to his or her program of study, or if you or your child are unhappy with the education you paid for with your loan. However, we will discharge (forgive) your loan if

- you become totally and permanently disabled (in accordance with ED's definition);
- your loan is discharged in bankruptcy after you have proven to the bankruptcy court that repaying the loan would cause undue hardship; or
- you die, or the child for whom you borrowed dies.

In certain cases, we may also discharge all or a portion of your loan if

- the school closed before your child completed the program;
- the school falsely certified your eligibility for the loan;
- your loan was falsely certified through identity theft; or
- your child withdrew from school but the school didn't pay a refund of your loan money that it was required to pay under federal regulations.

To read more about loan discharge, visit **[StudentAid.gov/forgiveness](https://studentaid.gov/forgiveness)**.

## Make Your Payments On Time With Automatic Payment Withdrawal

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With this option, your monthly payment will be automatically deducted from your checking or savings account. This helps ensure that your payments are made on time. In addition, you'll receive an interest rate reduction on your loans as long as you remain enrolled in automatic payment withdrawal. Contact your loan servicer for more information.



# RESOURCES

## ***Federal Student Aid's Website*** **StudentAid.gov**

Get more information about the federal student aid programs, the aid application process, and tools for managing Direct Loans. For information on preparing for college or career school, applying for aid, consumer protection, and more, visit **StudentAid.gov/resources**.

## **StudentLoans.gov**

Get more information about completing Master Promissory Notes and Direct PLUS Loan requests.

## ***Stay connected:***



**/FederalStudentAid**



**/FAFSA**



**/FederalStudentAid**

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**Photos:** U.S. Department of Education except as noted. Getty Images photos (front cover—image of two men, Tetra Images/Tetra Images/Getty Images and image of two women, XiXinXing/XiXinXing/Getty Images—and pages 3, 4, 9, and 10) are protected by copyright. Permission to use or otherwise reproduce these photos must be obtained directly from Getty Images.

**Note:** The information in this document was compiled in summer 2015. For updates or additional information, visit **StudentAid.gov** or call 1-800-4-FED-AID.

### **Notice to Limited English Proficient Persons**

If you have difficulty understanding English, you may request language assistance services for the U.S. Department of Education information that is available to the public. These language assistance services are available free of charge.

If you need more information about interpretation or translation services, please call 1-800-USA-LEARN (1-800-872-5327) (TTY: 1-800-437-0833), or e-mail us at: **ed.language.assistance@ed.gov**. Or write to:

U.S. Department of Education  
Information Resource Center  
LBJ Education Building  
400 Maryland Ave., SW  
Washington, DC 20202

To view federal student aid publications and resources in Spanish, go to **StudentAid.gov/recursos**.



# Money Management Checklist for College Students

No student wants to interrupt his or her education because of financial troubles. Here is a checklist to help you manage your financial life while in school.

## 1. Apply for financial aid.

Do you need money for college? There are many resources to help you pay for school. The first resource you should consider is filling out the *Free Application for Federal Student Aid* (FAFSA®) form at [fafsa.gov](https://fafsa.gov). At [StudentAid.gov](https://StudentAid.gov), you can find out how to prepare for college, career school, graduate school, and professional school, what types of aid are available (including aid from the federal government, state where you live, or the school you attend), and how to apply for that aid. You can also download a video on the federal student aid process at [StudentAid.gov/resources#aid-process-video](https://StudentAid.gov/resources#aid-process-video).

## 2. Know about the student loans you owe.

Did you borrow to pay for college? What is the balance of your federal student loans? When do you have to start paying your loans back? Where will you send the payments? Did you know that you may be eligible for a 0.25% percent rate reduction if you set up auto-debit payments? Take the first steps in managing your credit and student loans by viewing your "My Federal Student Aid" account at [StudentAid.gov/login](https://StudentAid.gov/login) or downloading the myStudentAid mobile app to get an overview of all of your federal student loans. Watch the "Repayment: What to Expect" video at [StudentAid.gov/resources#repayment-expect-video](https://StudentAid.gov/resources#repayment-expect-video) to learn about federal student loan repayment options.

## 3. Maintain a bank account.

Do you check your bank account online? Are there any ATMs near campus that don't charge a fee? Bank accounts are a necessary tool to help you track, spend, and save money. If you don't already have a bank account, learn more at [consumer.gov/articles/1003-opening-bank-account](https://consumer.gov/articles/1003-opening-bank-account). Keeping track of your expenses is a habit that will come in handy for future loan repayment.

## 4. Create a budget and spend wisely.

Ever wondered where all your money goes? Keep track of your expenses by creating a budget and checking it regularly. Budgets change over time. For example, if you move from a dorm room into an off-campus apartment, you will have different expenses. Check out [StudentAid.gov/resources#budgeting-video](https://StudentAid.gov/resources#budgeting-video) to find out how easy budgeting can be and find a method that works for you.

## 5. Get into the habit of saving.

Are you checking your budget? Great! Do you know how much you have in your online bank account? Fantastic! Now is the time to start saving (paying yourself first). Create an emergency fund for unexpected expenses; save up for grad school; put money aside to buy your first home . . . prepare for your future. Find out more about saving money at [mymoney.gov/save-invest](https://mymoney.gov/save-invest).

## 6. Manage your credit cards.

How many credit cards do you have? Do you know the interest rate for each card? Credit cards can come in handy, but they can also get you into financial trouble, so use them wisely. For more information, check out [mymoney.gov/borrow](https://mymoney.gov/borrow).

## 7. Monitor your credit score.

Did you know that after college you still have a GPA of sorts? It's called a credit score. Paying your bills on time will help you keep your credit in good shape. A good credit score can lead to all sorts of financial advantages such as cheaper insurance premiums and lower borrowing costs. Your future employer may even choose to review your credit report as part of the hiring decision. Protect your credit and review your credit report. Find out more at [consumer.ftc.gov/topics/credit-and-loans](https://consumer.ftc.gov/topics/credit-and-loans).

## 8. Protect your identity.

How many times have you had to complete a form and list your Social Security number (SSN)? College students are easy targets for identity theft, so watch out for criminals trying to steal your personal information and protect your identity by not sharing your SSN unless it is required. Find out how to protect yourself from identity theft while in school at [StudentAid.gov/scams](https://StudentAid.gov/scams). Learn about identity theft in general at [consumer.ftc.gov/features/feature-0014-identity-theft](https://consumer.ftc.gov/features/feature-0014-identity-theft).

Following this checklist will help you save time and money during your college years

October 2019

# Federal Student Aid and Identity Theft

**Before you apply for federal student aid, learn how to prevent identity theft.**

## How Identity Theft Happens

Criminals access names, Social Security numbers, and bank and credit card information to obtain credit cards, set up cell phone accounts, and more.

## Tips to Help Reduce the Risk of Identity Theft When You Apply for Federal Student Aid

- Use [fafsa.gov](https://fafsa.gov) when filling out the *Free Application for Federal Student Aid* (FAFSA®) form; when you exit the FAFSA site, close the browser so cookies from the session will be deleted automatically.
- Don't give your FSA ID to anyone, even if that person is helping you fill out the FAFSA form.
- Review your financial aid offers; keep track of the amounts of financial aid you applied for and the amounts you received.
- Never give personal information over the phone or internet unless you made the contact. If you have questions about your financial aid, ask your college or contact the Federal Student Aid Information Center at [studentaid@ed.gov](mailto:studentaid@ed.gov) or 1-800-4-FED-AID (1-800-433-3243; TTY for the deaf or hard of hearing 1-800-730-8913).

## How We Keep Your Information Safe

Information you share with us over our secure online systems goes through a process called “encryption,” which uses a mathematical formula to scramble your data into a format that is unreadable to a hacker.

## Report Identity Theft

If you suspect that your personal information has been stolen, act quickly. Contact the credit reporting agencies and “freeze” your account so nobody else can open new credit accounts in your name. You'll find tips and credit agency contact information at the Federal Trade Commission's website listed below.

These federal websites offer information on reporting and repairing identity theft:

- U.S. Department of Education (ED) Office of Inspector General Hotline at [oighotline.ed.gov](https://oighotline.ed.gov) (for cases in which ED funds are involved)
- Federal Trade Commission at [IdentityTheft.gov](https://IdentityTheft.gov)
- Social Security Administration at [ssa.gov/pubs/10064.html](https://ssa.gov/pubs/10064.html)
- Consumer Financial Protection Bureau at [consumerfinance.gov/ask-cfpb/what-is-identity-theft-en-1243](https://consumerfinance.gov/ask-cfpb/what-is-identity-theft-en-1243)

September 2019

# Don't Get Scammed on Your Way to College

## ***Avoid financial aid fraud.***

Avoid scams and paying for free services when you're searching for scholarships, filling out the *Free Application for Federal Student Aid* (FAFSA®) form, and sharing your personal information.

### *Don't Pay for Help to Find Money for College*

Commercial financial aid advice services can cost well over \$1,000. You might have heard or seen these claims at seminars or online:

- "Buy now or miss this opportunity." Don't give in to pressure tactics. Remember, the "opportunity" is a chance to pay for information you could find yourself for free. Check out our list of free sources of financial aid information below.
- "We guarantee you'll get aid." A company could claim it fulfilled its promise if you were offered student loans or a \$200 scholarship. Is that worth a fee of \$1,000 or more?
- "I've got aid for you; give me your credit card or bank account number." Never give out such information unless you know the organization you're giving it to is legitimate. You could be putting yourself at risk of identity theft.

### *Try These Free Sources of Information*

- Description of U.S. Department of Education (ED) financial aid at [StudentAid.gov/types](https://studentaid.gov/types)
- Tips for finding financial aid from other federal agencies at [StudentAid.gov/types#federal-aid](https://studentaid.gov/types#federal-aid)
- A college or career school financial aid office
- A high school or TRIO counselor
- Your state grant agency; find it at [ed.gov/sgt](https://ed.gov/sgt)
- A free scholarship search; try [StudentAid.gov/scholarships](https://studentaid.gov/scholarships)
- Your library's reference section
- Foundations, religious or community organizations, local businesses, or civic groups
- Organizations (including professional associations) related to your field of interest
- Ethnicity-based organizations
- Your employer or your parents' employers

### *Don't Pay for the FAFSA® Form*

Several websites offer FAFSA help for a fee. These sites are not affiliated with or endorsed by ED. We urge you not to pay these sites for assistance that you can get for free elsewhere. The official FAFSA site is [fafsa.gov](https://fafsa.gov), and you can get free help to complete the application from

- the financial aid office at your college or the college(s) you're thinking about attending;
- the FAFSA form's online help at [fafsa.gov](https://fafsa.gov); and
- the Federal Student Aid Information Center ([studentaid@ed.gov](mailto:studentaid@ed.gov) or 1-800-4-FED-AID).

If you are asked for your credit card information while filling out the FAFSA form online, you are not at the official government site. Remember, the official FAFSA site address—[fafsa.gov](https://fafsa.gov)—has.gov in it!

### *Report Financial Aid Fraud*

A company charging for financial aid advice is not committing fraud unless it doesn't deliver what it promises. To report financial aid fraud, contact

- the Federal Trade Commission at [ftccomplaintassistant.gov](https://ftccomplaintassistant.gov); or
- the U.S. Department of Education Office of Inspector General Fraud Hotline at [oighotline.ed.gov](https://oighotline.ed.gov) or 1-800-MIS-USED (1-800-647-8733).