

Financial Aid: Direct Loan Program FAQs

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Is there any expense to me when I borrow under the Direct Loan Program?

If you have a Direct Subsidized Loan, there will be no interest charges while you are enrolled in school at least half-time or during deferments. Interest for this loan begins once you start your repayments. If you have a Direct Unsubsidized Loan, your interest charges begin the day the loan is disbursed to you and last until the day you fully repay the loan. You may pay the accumulating interest while you are in school, or you can choose to capitalize the interest.

NOTE: There is also a loan fee, which is another expense to borrowing a Direct Loan. This fee is about 1% and is charged for both subsidized and unsubsidized loans. This fee is subtracted from the loaned money when it is disbursed.

What if I have concerns about the terms of my loan that cannot be resolved by talking to my lender?

There is an ombudsman established by the Department of Education to specifically work with student borrowers to help resolve any loan disputes or problems. If you have any concerns, call the Ombudsman Customer Service Line at 1-877-557-2575 or visit the new merged [OFSA Ombudsman](#) website.

Who is my loan servicer?

Your loan servicer is listed on your disbursement notice. Your loan servicer will contact you after the

first disbursement of your Direct Loan. If you know your loan servicer, you can [locate your servicer](#). If you do not know your loan servicer or you do not have one, you can view a [list of services](#).

How can I find out how much I have borrowed?

You can find out how much you borrowed by accessing the [NSLDS website](#). Enter your FSA ID to access your federal loan information which includes your loan history, repayment status, and loan servicer.

What are my repayment options?

There are multiple repayment plans. Use the [repayment estimator](#) provided by the Federal Student Aid website to determine which option is best for you.

Can I combine my loans to make repayment easier?

Federal Subsidized Loans, including Direct Loans and Perkins loans, can be combined into one Direct Subsidized Consolidation Loan, and Direct Unsubsidized Loans can be combined into one Direct Unsubsidized Consolidation Loan. Visit the [Federal Student Aid](#) website for additional information.

When do I begin repayment?

After you graduate, leave school, or drop below half-time enrollment, you have six months before you must begin repayment. This is called a grace period. The interest for Direct Subsidized Loans begins six months after you are out of school. This interest will not accrue during your grace period. The interest for Direct Unsubsidized Loans begins while you are in school and during the grace period.

Can I prepay my loan?

You can prepay part or all of the unpaid balance on a loan to your servicer at any time without penalty. If you have more than one Direct Loan, be sure to specify which loan you are prepaying.

Can my direct loan debt ever be canceled?

You can receive a loan cancellation only under special circumstances such as death, total and permanent disability, and an inability to complete a course of study because your school closed. If your school did something wrong or failed to do something which led to legal action being taken against the school, you may cancel your loan.

What should I do about my loan if I am a transfer student?

If you transfer to another school and will be enrolled at least half-time, contact your servicer to request an in-school deferment.

What if I have problems repaying my loan? What deferments are possible?

If you cannot make a payment on your loan as scheduled, contact your servicer as soon as possible to help you avoid defaulting on your Direct Loans. You have two options for postponing payments. The first is deferment. If you use deferment for a Direct Subsidized Loan, the principal payments are postponed and the interest is not charged. For Direct Unsubsidized Loans, the principal payments are postponed but the interest will continue to be charged. There are many possible deferments

depending on your situation. Deferments are available to those who are:

- Pursuing at least half-time study at an eligible school.
- In a graduate fellowship program approved by the department of education.
- In a rehabilitation training program for individuals with disabilities, approved by the department of education.
- Conscientiously seeking but unable to find full-time employment for up to three years.
- Experiencing economic hardship for up to three years.
- Doing service in the Peace Corps.
- Doing service under the domestic volunteer service act of 1973.
- In a comparable volunteer service for tax-exempt organization of demonstrated effectiveness in the field of community service.

Check your promissory note for all the deferments you may be eligible to receive. Deferments can be used at any time to help you manage your Direct Loan payments.

If you're not qualified for deferment, but cannot make your loan payments, you may qualify for forbearance. Under forbearance, your payments can be postponed or reduced for a specified period, or you may receive an extension on the time you have to repay your loans. In these cases, the interest will continue to be charged and be added to your principal balance, unless it is paid.

What happens if I do not repay my loan?

Several things can happen if you fail to make loan payments on time or if you default on your loans, including:

- Not being eligible for further federal student financial aid.
- Damaging your credit rating.
- The federal government taking your federal tax refunds.
- Your total debt may be increased by late fees, court costs, attorney's fees, etc.
- Your employer withholding part of your wages and giving them to the federal government.
- The repossession and selling of your car and other possessions to pay the loans.
- The federal government suing you.

If you are having trouble making your payments, contact your [loan servicer](#). They will work with you to help you from defaulting on your loan.

What is teacher loan forgiveness?

The Teacher Forgiveness Program became effective on July 1, 2001. This program grants loan forgiveness for up to \$17,500 for qualifying borrowers.

For more information, you can go to the [Loan Forgiveness for Teachers](#) page.