



# FEDERAL STUDENT LOANS

# Basics for Students



**Federal Student Aid**  
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**Online Access**

This publication is also available at [StudentAid.gov/resources#loan-basics-students](http://StudentAid.gov/resources#loan-basics-students).

**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).

If you apply for financial aid, you may be offered student loans as part of your financial aid package. Federal student loans are available to help you cover your education expenses at a college or university, community college, or trade, career, or technical school. Student loans originate from the federal government or from private sources, such as a bank or financial institution. Loans made by the federal government are called “federal student loans.”

## What kinds of federal student loans are available?

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The U.S. Department of Education (ED) offers loans through the William D. Ford Federal Direct Loan (Direct Loan) Program. It is the largest federal student loan program, ED is your lender, and there are four types of Direct Loans:

1. **Direct Subsidized Loans**—For eligible undergraduate students. Generally, no interest is charged on subsidized loans while you are in school at least half-time, during the grace period, and during deferment periods. **Note:** If you are a first-time borrower on or after July 1, 2013, there is a limit on the maximum period of time (measured in academic years) that you can receive this loan type. For more information visit [StudentAid.gov/sub-unsub](https://studentaid.gov/sub-unsub).
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 graduate or professional degree students, and for parents of dependent undergraduate students. Interest is charged on PLUS loans during all periods. Visit [StudentAid.gov/plus](https://studentaid.gov/plus) to learn more about PLUS loans.
4. **Direct Consolidation Loans**—For eligible student and parent borrowers. A consolidation loan combines the borrower’s eligible loans into a single loan. See page 6 for information about interest rates for these loans. Visit [StudentAid.gov/consolidation](https://studentaid.gov/consolidation) for more information.

## What are the eligibility requirements to receive a Direct Loan?

You must be enrolled at least half-time at a school that participates in the Direct Loan Program, and you also must meet general eligibility requirements for the federal student aid programs. Learn more about these requirements at [StudentAid.gov/eligibility](https://studentaid.gov/eligibility), or by contacting your school's financial aid office.

## How do I apply for federal student loans?

**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). The schools that you have identified on your FAFSA will receive your information. Some schools have additional application procedures—check with your school's financial aid office to be sure. Visit [StudentAid.gov/fafsa](https://studentaid.gov/fafsa) for more ways to complete and submit the FAFSA.

**Receive and read your aid offer.** The schools you identified on your FAFSA (and that have offered you admission) will send you financial aid offers that include the types and amounts of financial aid you may receive. Review your aid offers and identify any Direct Loans listed. If the schools did not include Direct Loans in their aid offers, ask their financial aid offices if you have the option to apply for them. Not all schools participate in the Direct Loan Program. To learn more about the types of loans a school may include in your aid offer, visit [StudentAid.gov/federal-vs-private](https://studentaid.gov/federal-vs-private).



**Complete a Master Promissory Note (MPN).** You must complete an MPN to receive a Direct Loan. The MPN is a legal document by which you promise to repay your loans and any accrued interest and fees to ED. In most cases, a single MPN can be used for loans that you receive over several years of study.

**Complete entrance counseling.** Before you receive your first loan disbursement, you must complete entrance counseling. This is a mandatory information session that explains your rights and responsibilities as a borrower. It also provides great information that you'll want and need to know for the future.

*Check with your school's financial aid office to find out how to complete both entrance counseling and the MPN.*

## How much can I borrow?

The maximum amount you can borrow each school year depends on your grade level and other factors. For Direct Subsidized and Direct Unsubsidized Loans, the amount ranges from a maximum of \$5,500 per year for a dependent freshman to a maximum of \$20,500 per year for a graduate or professional degree student. The actual amount you are eligible to borrow each year is determined by your school and may be less than the maximum amount. There are also limits on the total amount of your loan debt.

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

**Graduate and professional degree students:** You may be eligible to receive a Direct PLUS Loan. Check with your school's financial aid office to determine your eligibility and to apply.

**Parents of dependent students:** Direct PLUS Loans are also available to parents of dependent undergraduate students. For more information see Direct PLUS Loan Basics for Parents at **[StudentAid.gov/resources#loan-basics-parents](https://studentaid.gov/resources#loan-basics-parents)**.



David Schaffer/Caiaimage/Getty Images

## Did You Know?

You can borrow less money than your school includes in your financial aid offer. If you need help determining how much you need to borrow, see *Federal Student Loans: Be a Responsible Borrower* at **[StudentAid.gov/resources#responsible-borrower](https://studentaid.gov/resources#responsible-borrower)**.

## What is the interest rate?

The interest rate for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans 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. The interest rate for a Direct Consolidation Loan is based on the weighted average of the interest rates on the loans that are consolidated. The rate is also a fixed rate for the life of the loan. View the latest interest rate information at **[StudentAid.gov/interest](https://studentaid.gov/interest)** or check with your school's financial aid office.

## Is there a charge to take out a Direct Loan?

In addition to interest, you pay a loan fee that is a percentage of the principal amount of each loan. We deduct 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. The current fees by loan type are available at **[StudentAid.gov/interest](https://studentaid.gov/interest)**.

## How will I receive my loan money?

Your loan money will usually be paid out in at least two installments. Your school will generally credit the loan money to your school account to pay tuition, fees, and other authorized charges. Check with your school for your options for receiving any remaining loan funds.

## When will I begin repayment of my loan?

For most student loans, there is a set period of time after you graduate, leave school, or drop below half-time enrollment before you must begin making payments. Depending on the type of loan you have, this period is called a **grace** or a **deferment** period, and it may last six months. The repayment period begins the day after your grace period ends. Your loan servicer will let you know when your first payment is due. However, you're responsible for making your payments on time even if you don't receive this information. Remember, you may make payments on your loans without penalty at any time before the repayment period begins.



## What is a loan servicer?

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ED assigns your loan to a loan servicer after your loan amount is first disbursed (paid out). Servicers will help you manage the repayment of your federal student loans.

## What is principal?

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It is the total sum of money borrowed plus any interest that has been capitalized.

## What is capitalization?

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It is the addition of unpaid interest to the principal balance of a loan. When the interest is not paid as it accrues during periods of in-school status, or during the grace period, deferment, or forbearance, ED may capitalize the interest. This increases the outstanding principal 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.

## How do I repay my loan?

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Your loan servicer will contact you and provide you with a loan repayment schedule. It will state when your first payment is due, the number and frequency of payments, and the amount of each payment. Your servicer also will give you the opportunity to pay any interest that accumulated on your Direct Loans while you were enrolled in school and during the six-month grace or deferment period. If you don't pay this interest, it will be capitalized.

Contact your loan servicer directly to find out how to make payments. To avoid more costs and potentially defaulting on your loan, it's very important that you make your full loan payment on time according to your repayment schedule.





## How much time will I have to repay my loan?

Generally, you'll have from 10 to 25 years to repay your loan, depending on the repayment plan that you choose. You may find that a plan based on your income is best for you. If you consolidate your loans into a Direct Consolidation Loan after you leave school, you may have up to 30 years to repay it. When you are ready to consolidate your loans, check **[StudentAid.gov/consolidation](https://studentaid.gov/consolidation)**.

*To get the latest repayment plan information and to calculate your estimated payment amount under each of the different plans, use the Repayment Estimator at **[StudentAid.gov/repayment-estimator](https://studentaid.gov/repayment-estimator)**.*



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## Can I ever postpone making loan payments?

Yes. Under certain conditions you can receive a deferment or forbearance that allows you to temporarily postpone or reduce your federal student loan payments. You'll need to work with your loan servicer to apply for deferment or forbearance; be sure to keep making payments on your loan until the deferment or forbearance is in place. More information is available at **[StudentAid.gov/deferment-forbearance](https://studentaid.gov/deferment-forbearance)**.

**Note:** If you don't qualify for a deferment but are temporarily unable to make loan payments for such reasons as illness or financial hardship, we may grant you loan forbearance. With forbearance, you may be able to stop making payments or reduce your monthly payment. Interest will continue to accrue on your subsidized and unsubsidized loans (including all PLUS loans).

### ***Benefits for Military Service***

*You may qualify for a deferment based on active duty service in the U.S. armed forces or National Guard. Contact your loan servicer for more information about specific qualifications for deferment based on military service or check out **[StudentAid.gov/deferment-forbearance](https://studentaid.gov/deferment-forbearance)** for additional details.*

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

You may qualify to have some or all of your loan amount forgiven if you perform certain types of service (for example, teaching in a low-income school or working for certain types of public service organizations). In certain other circumstances, such as if you were unable to complete your program of study because the school closed, if you become totally and permanently disabled (in accordance with our definition), or if you die, your obligation to repay your federal student loan may be discharged. Additional requirements apply to receive these benefits. Learn about cancellation, discharge, and forgiveness at **[StudentAid.gov/forgiveness](https://studentaid.gov/forgiveness)**.

### REMEMBER...

Stay in contact with your loan servicer and inform your servicer of changes to

- your name, address, or phone number; or
- your enrollment status, such as transferring schools, dropping below half-time enrollment, or leaving school (including graduation).



# RESOURCES

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

Get detailed information about federal student aid. You'll find details about loan repayment and much more. For other federal student aid publications, including *Be a Responsible Borrower* and *Repaying Your Loans*, visit **StudentAid.gov/resources**.

## **“My Federal Student Aid”**

View your financial aid history. Simply log in at **StudentAid.gov/login**.

## **StudentLoans.gov**

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

## **Financial Aid for Graduate and Professional Degree Students**

Get more information about loans for graduate or professional school at **StudentAid.gov/grad**.

## ***Stay connected:***



**/FederalStudentAid**



**/FAFSA**



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**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**.