

## What Is Direct Loan Exit Counseling?

Before you graduate, or if you drop below less-than-half-time enrollment, you must complete a Direct Loan (Stafford) Exit Counseling session. You can complete the entire session online in approximately 30–40 minutes at <https://www.dl.ed.gov/borrower/CounselingSessions.do>. The Exit Counseling session is designed to ensure that your lender has your current information and provides you with important information about repayment of your loan(s). Although the information in the online counseling session is very similar to what you'll read here, it contains the most current information and should be referred to in addition to this document.

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### Repayment Period

The repayment period on an **unsubsidized Direct Loan** starts when you've received the last loan for that school year, even though you can postpone your loan payments until you leave school. (You may wish to pay your interest as it accrues—see the section titled “Capitalization” later in this document.)

The repayment period on a **subsidized Direct Loan** doesn't begin until after you leave school.

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### Grace Period

When you leave school, you won't have to begin repaying your loan right away. Direct Loans allow a six-month “grace period” that starts when you leave school or drop below half-time enrollment. If you have a *subsidized* Direct Loan, you won't be charged interest while you're in school or during the grace period. (*Unsubsidized* Direct Loans accrue interest from the date of disbursement.)

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### Repayment

Your lender (the U.S. Department of Education) will give you a choice of **standard**, **graduated**, or **income-sensitive** repayment plans not earlier than six months before the date of the first scheduled loan payment. If you don't choose a plan within 45 days of the lender's offer, the lender will use the standard repayment plan. Even if you don't choose a particular plan, you may reach an agreement with your lender to repay all of your loans under one repayment schedule. You can change your repayment plan annually.

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### Comparing Repayment Plans

There are several key differences between the repayment plans, but the most important differences are your monthly payment and the total amount of interest that you'll be repaying.

- **Standard Repayment Plan** - You'll usually pay your loan within ten years. You'll be repaying the same amount of the loan each month, though your monthly payment may vary slightly from year to year because of interest-rate changes.

- **Graduated Repayment Plan** - You'll start with a lower monthly payment. Over time, your monthly payments will increase. While this plan may help you initially (when your starting salary is lower early in your career), keep in mind that *you'll pay more total interest* over the life of the loan than you would with the Standard Repayment Plan.
- **Income-Sensitive Repayment Plan** - Your payments are adjusted annually based on your expected total monthly gross income. If your salary increases regularly, your monthly payments will increase, as they do under the Graduated Repayment Plan; however, if your salary is reduced, your payments will also be reduced.
- **Extended Repayment Plan** - If you're a new Stafford borrower (as of October 7, 1998) who has more than \$30,000 in Direct Loans, you can choose the **Extended Repayment Plan**. Because you make payments over a longer period (not to exceed 25 years) your monthly payments will be lower; however, the total amount of interest you repay will be greater.

The chart below illustrates some of these differences:

Initial Debt When You Entered Repayment	Standard		Extended (Fixed)		Graduated		Income Contingent Income=\$15,000		Income Contingent Income=\$15,000	
							Single		Married/HOH	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
3,500	50	4,471	Not Available		25	5,157	21	6,939	20	6,673
5,000	58	6,905	Not Available		40	7,278	30	9,912	29	9,533
5,500	63	7,595	Not Available		43	8,007	33	10,903	30	10,463
7,500	86	10,357	Not Available		59	10,919	45	14,868	30	14,019
10,500	121	14,500	Not Available		83	15,283	64	20,815	30	18,877
15,000	173	20,714	Not Available		119	21,834	87	29,685	30	25,229
18,500	213	25,548	Not Available		146	26,929	87	35,992	30	29,465
23,000	265	31,762	Not Available		182	33,479	87	43,141	30	34,128
30,000	345	41,429	Not Available		237	43,668	87	52,340	30	39,756
40,000	460	55,239	277	83,289	316	58,229	87	62,005	30	44,827
46,000	529	63,524	319	95,782	363	66,956	87	66,084	30	46,378
50,000	575	69,048	347	104,111	395	72,778	87	68,153	30	46,860
60,000	690	82,858	391	140,816	474	87,334	87	71,219	30	46,934
70,000	806	96,667	456	164,285	535	101,890	87	71,219	30	46,934
80,000	920	110,477	522	187,754	632	116,445	87	71,219	30	46,934
90,000	1,036	124,287	587	211,224	711	131,002	87	71,219	30	46,934
100,000	1,151	138,096	652	234,693	790	145,556	87	71,219	30	46,934
110,000	1,266	151,906	717	258,162	869	160,111	87	71,219	30	46,934
120,000	1,381	165,716	782	281,632	948	174,668	87	71,219	30	46,934
130,000	1,496	179,525	848	305,101	1,024	189,224	87	71,219	30	46,934
138,500	1,594	191,264	903	325,050	1,094	201,596	87	71,219	30	46,934

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Income Contingent Income = \$25,000				Income Contingent Income = \$45,000			
Single		Married/HOH		Single		Married/HOH	
Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
27	6,092	25	6,405	36	5,128	36	5,128
38	8,703	36	9,150	51	7,326	51	7,326
42	9,574	40	10,065	56	8,059	56	8,059
57	13,055	54	13,725	76	10,989	76	10,989
80	18,277	76	19,215	107	15,385	107	15,385
114	26,110	108	27,451	153	21,978	153	21,978
140	32,203	134	33,856	188	27,106	188	27,106
174	40,036	166	42,091	234	33,699	234	33,699
228	52,221	197	55,743	407	43,956	407	43,956
253	72,717	197	84,352	468	58,608	468	58,608
253	89,828	197	105,472	509	67,399	509	67,399
253	103,268	197	111,575	587	73,260	587	73,260
253	136,615	197	124,085	587	88,251	587	88,251
253	148,551	197	133,106	587	106,551	587	106,551
253	157,373	197	138,907	587	128,146	587	128,146
253	163,227	197	141,925	587	152,967	587	152,967
253	166,457	197	142,386	587	181,224	587	181,224
253	167,172	197	142,386	587	213,485	587	213,485
253	167,172	197	142,386	587	250,281	587	250,281
253	167,172	197	142,386	587	292,313	587	292,313
253	167,172	197	142,386	587	332,912	587	332,912

### Deferment Periods

These are periods during which you don't have to make loan payments. The most common deferments are for students attending college (enrolled at least half-time), who are unemployed, or who have economic hardship. If you have a *subsidized* Direct Loan, the government pays the interest while the loan is in deferment. If you have an *unsubsidized* loan, you can either pay the interest as it continues to accrue on the loan, or postpone your interest payments during the deferment. (See the section titled "Capitalization.")

If you believe you may be eligible for one of these deferments, contact Direct Loan Servicer. (See contact information at the end of this document.)

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### Forbearance Periods

These are periods are similar to the deferment periods, but often they are at the lender's option. Also, you will always have to pay the interest that accumulates, even on a subsidized loan.

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### Capitalization

If interest is accumulating on your loan during a period when you're not making loan payments, the lender will usually *capitalize* the interest, which means the interest is added to the loan principal. For instance, if you choose not to pay the interest on an unsubsidized Direct Loan while you're in school, in forbearance, in deferment, or in a grace period, the interest will usually be capitalized. Because this added amount also begins accruing interest, capitalizing usually increases the overall amount to be repaid.

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### Default

Unfortunately, some students don't repay their student loans, and the loans go into what is referred to as *default*. Default can have very serious consequences for the borrower. If you default on a loan, you will be reported to national credit bureaus (harming your credit rating and jeopardizing your ability to get a loan for a new car or home, etc.), your wages can be garnished, your income tax refund can be withheld, **and you won't be able to get student aid to go back to school.**

## **Repay Your Loan—Don't Default!**

Defaulting on your loan is a serious matter and can have severe consequences for your future credit standing. Follow these simple steps to prevent defaulting on your loans:

- **Keep all your loan paperwork.** Keep your promissory note, repayment schedule, cancelled checks, just the same as if you were borrowing to buy a car or a house. If you sign your promissory note electronically, print a copy of the confirmation.
- **Stay in touch with your lender.** Be sure your lender always has your current address and phone number on file. When you complete the online Direct Loan Exit Counseling session, you not only obtain important information about repayment of your loan(s), you also ensure that your lender has your current information.
- **Contact your lender if you're having trouble making payments.** If you find yourself in a financial bind and are having difficulty making your loan payments, the lender may be able to offer forbearance on the loan or make other arrangements to keep you from defaulting. Always, always contact your Direct Loan Servicer if you find it difficult or impossible to make your monthly payments:

**Direct Loan Servicer**

1-800-848-0979

[www.dlservicer.ed.gov](http://www.dlservicer.ed.gov)