

Direct Loan Frequently Asked Questions

Can I use a private Lender?

No, IU South Bend is no longer participating in the Federal Family Educational Loan Program and will no longer certify federal student loans through private lenders.

What is the interest rates?

For Stafford Loans the interest rate is 5.6% for subsidized undergraduate loans and 6.8% for unsubsidized undergraduate and both subsidized and unsubsidized graduate loans.

For PLUS loans disbursed between July 1, 2009 and June 30, 2010, the interest is variable.

What loan fees are charged under Direct Lending?

For Stafford Loans, the origination fee is 0.5% of the loan. If the student fails to make 12 consecutive on-time payments (once repayment starts); they will be billed an additional 1.5% fee. For PLUS loans, the origination fee is 2.5% of the loan. If the borrower fails to make 12 consecutive on-time payments, they will be billed an additional 1.5% fee.

What repayment options are offered with Direct Lending?

- Standard Repayment Plan - Fixed monthly payments for up to 10 years
- Extended Repayment Plan - Fixed monthly payments for 12 to 30 years, depending on the total amount of your Direct Loans
- Graduated Repayment Plan - Payments start lower, and then gradually increase, usually every two years. You will repay your loan in full within 12 to 30 years, depending on the total amount of your Direct Loans.
- Income Contingent Repayment Plan - Your monthly payment is adjusted each year based on your annual income (and your spouse's income, if you are married), your family size, and the total amount of your Direct Loans. After 25 years, any unpaid loan amount will be forgiven.
- Income based repayment plan – Payments cannot exceed 15% of the amount by which the borrowers (and, if applicable the borrower's spouse's) adjusted gross income exceeds 150% of poverty line applicable to the household side divided by 12. Cannot exceed 10 years.

Can I consolidate my Direct Loans and FFELP loans?

Yes, for more information on consolidating student loans visit the Federal Direct Consolidation Loans Information Center at <http://loanconsolidation.ed.gov/>.

Direct Loan Frequently Asked Questions

Are the loan limits the same?

Yes, the annual and lifetime limits are the same for both programs.

Class	Stafford Loan Limits based on class standing		
	Subsidized/Unsubsidized Amount Combination	Additional Dependent Student	Unsubsidized /Independent Student
Freshman	\$3,500	\$2,000	\$ 6,000
Sophomore	\$4,500	\$2,000	\$ 6,000
Junior	\$5,500	\$2,000	\$ 7,000
Senior	\$5,500	\$2,000	\$ 7,000
Teacher Certification	\$5,500	N/A	\$ 7,000
Graduate	\$8,500	N/A	\$12,000

What is the William D. Ford Direct Loan Program?

The William D. Ford Federal Direct Loan Program provides loans to eligible borrowers to cover postsecondary education costs. Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education rather than a bank or other financial institution.

Where can I get more information on Direct Lending?

Please refer to the Federal Student Aid web site <http://www.ed.gov/offices/OSFAP/DirectLoan/index.html>.