

## Questions about the Federal Direct Lending Program

### Q1. Is there a loan application for a Direct Loan?

A1. There is no separate loan application for Direct Loans. A borrower only completes a Free Application for Federal Student Aid (FAFSA) and the IUSB Financial Aid Application. The school determines the borrower's eligibility and loan amount. A new master promissory note (MPN) will need to be completed at the Department of Education website <http://www.dlenote.ed.gov>. The same PIN used to complete the FAFSA is used to complete the MPN.

### Q2. Do Direct Lending Stafford and PLUS loans have the same interest rates as FFELP Stafford and PLUS Loans?

A2. Stafford loans have the same interest rates. The interest rate for PLUS loans in Direct Lending is lower than FFELP. For PLUS loans disbursed between July 1, 2008 and June 30, 2009, the interest rate is 7.9%

### Q3. What loan fees are charged under Direct Lending?

A3. 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.

### Q4. Is entrance loan counseling required?

A4. Yes, please go to [Direct Lending Web Site](#) and complete entrance loan counseling

### Q5. How does a parent/graduate student apply for a PLUS Loan?

A5. The parent will complete the [PLUS loan request form](#). Parents will need to complete the master promissory note at <http://www.dlenote.ed.gov/>. Please note that the PLUS loan request form is required before the PLUS loan can be processed.

### Q6. How does the credit check process work for PLUS loans?

A6. Once a parent or graduate/professional student completes an MPN (which includes the applicant's authorization for a credit check to be completed) a credit check can be processed. Borrowers will receive written confirmation of the credit check result.

### Q7. For how long are credit checks valid?

A7. A credit check is valid for 90 days.

### Q8. What repayment options are offered with Direct Lending?

A8. Options include

- 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 that start off lower, and then gradually increase, usually every two years. You'll 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're married), your family size, and the total amount of your Direct Loans. After 25 years, any unpaid loan amount will be forgiven.

### Q9. Can I consolidate my Direct Loans and FFELP loans?

A9. Yes.

### Q10. Where can I get more information on Direct Lending?

A10. Please refer to the [Federal Student Aid web site](#)