

LOAN COUNSELING

LOAN ENTRANCE AND EXIT COUNSELING

A student borrowing a Direct Loan for the first time at time DEC is required to complete loan counseling before the loan is disbursed. All Direct Loan borrowers are required to complete loan exit counseling upon graduation, withdrawal, or dropping below halftime enrollment. Online Entrance and Exit Counseling must be completed online at www.studentloans.gov.

Borrowers are also encouraged to complete Financial Awareness Counseling also available on www.studentloans.gov.

Entrance counseling for Direct Subsidized and Unsubsidized loan borrowers must:

- i. Explain the use of a master promissory note (MPN);
- ii. Emphasize to the borrower the seriousness and importance of the repayment obligation the student borrower is assuming;
- iii. Describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation;
- iv. Emphasize that the student borrower is obligated to repay the full amount of the loan even if the student borrower does not complete the program, does not complete the program within the regular time for program completion, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student borrower purchased from the school;
- v. Inform the student borrower of sample monthly repayment amounts based on—
 - (A) A range of student levels of indebtedness of Direct Subsidized Loan and Direct Unsubsidized Loan borrowers or student borrowers with Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans, depending on the types of loans the borrower has obtained; or
 - (B) The average indebtedness of other borrowers in the same program at the same school as the borrower;
- vi. To the extent practicable, explain the effect of accepting the loan to be disbursed on the eligibility of the borrower for other forms of student financial assistance;
- vii. Provide information on how interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the U.S. Department of Education;
- viii. Inform the borrower of the option to pay the interest on a Direct Unsubsidized Loan while the borrower is in school;
- ix. Explain the definition of half-time enrollment at the school, during regular terms and summer school, if applicable, and the consequences of not maintaining half-time enrollment;
- x. Explain the importance of contacting the appropriate offices at the school if the borrower withdraws prior to completing the borrower's program of study so that the school can provide exit counseling, including information regarding the borrower's repayment options and loan consolidation;
- xi. Provide information on the National Student Loan Data System (NSLDS) and how the borrower can access the borrower's records;

- xii. Provide the name of and contact information for the individual the borrower may contact if the borrower has any questions about the borrower's rights and responsibilities or the terms and conditions of the loan; and
- xiii. For first-time borrowers, explain the limitation on eligibility for Direct Subsidized Loans and possible borrower responsibility for accruing interest, including-
 - (A) The possible loss of eligibility for additional Direct Subsidized Loans;
 - (B) How a borrower's maximum eligibility period, remaining eligibility period, and subsidized usage period are calculated;
 - (C) The possibility that the borrower could become responsible for accruing interest on previously received Direct Subsidized Loans and the portion of a Direct Consolidation Loan that repaid a Direct Subsidized Loan during in-school status, the grace period, authorized periods of deferment, and certain periods under the Income-Based Repayment and Pay As You Earn Repayment plans; and
 - (D) The impact of borrower responsibility for accruing interest on the borrower's total debt.

Exit counseling must:

- i. Inform the student borrower of the average anticipated monthly repayment amount based on the student borrower's indebtedness or on the average indebtedness of student borrowers who have obtained Direct Subsidized Loans and Direct Unsubsidized Loans, student borrowers who have obtained only Direct PLUS Loans, or student borrowers who have obtained Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans, depending on the types of loans the student borrower has obtained, for attendance at the same school or in the same program of study at the same school;
- ii. Review for the student borrower available repayment plan options, including the standard repayment, extended repayment, graduated repayment, income contingent repayment plans, and income-based repayment plans, including a description of the different features of each plan and sample information showing the average anticipated monthly payments, and the difference in interest paid and total payments under each plan;
- iii. Explain to the borrower the options to prepay each loan, to pay each loan on a shorter schedule, and to change repayment plans;
- iv. Provide information on the effects of loan consolidation including, at a minimum—
 - (A) The effects of consolidation on total interest to be paid, fees to be paid, and length of repayment;
 - (B) The effects of consolidation on a borrower's underlying loan benefits, including grace periods, loan forgiveness, cancellation, and deferment opportunities;
 - (C) The options of the borrower to prepay the loan and to change repayment plans; and
 - (D) That borrower benefit programs may vary among different lenders;
- v. Include debt management strategies that are designed to facilitate repayment;
- vi. Explain to the student borrower how to contact the party servicing the student borrower's Direct Loans;
- vii. Meet the requirements described in paragraphs (a)(6)(i), (a)(6)(ii), and (a)(6)(iv) of this section [see entrance counseling requirements (i), (ii), and in the first column of the previous page];

viii. Describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation;

ix. Provide-

(A) A general description of the terms and conditions under which a borrower may obtain full or partial forgiveness or discharge of principal and interest, defer repayment of principal or interest, or be granted forbearance on a Title IV loan; and

(B) A copy, either in print or by electronic means, of the information the U.S. Department of Education makes available pursuant to section 485(d) of the HEA;*

x. Review for the student borrower information on the availability of the Department's Student Loan Ombudsman's office;

xi. Inform the student borrower of the availability of Title IV loan information in the National Student Loan Data System (NSLDS) and how NSLDS can be used to obtain Title IV loan status information;

xii. Explain to first-time borrowers—

(A) How the borrower's maximum eligibility period, remaining eligibility period, and subsidized usage period are determined;

(B) The sum of the borrower's subsidized usage periods at the time of the exit counseling;

(C) The consequences of continued borrowing or enrollment--

i. The possible loss of eligibility for additional Direct Subsidized Loans; and

ii. The possibility that the borrower could become responsible for accruing interest on previously received Direct Subsidized Loans and the portion of a Direct Consolidation Loan that repaid a Direct Subsidized Loan during in-school status, the grace period, authorized periods of deferment, and certain periods under the Income- Based Repayment and Pay As You Earn Repayment plans;

(D) The impact of the borrower becoming responsible for accruing interest on total student debt;

(E) That the U.S. Department of Education will inform the student borrower of whether he or she is responsible for accruing interest on his or her Direct Subsidized Loans; and

(F) That the borrower can access NSLDS to determine whether he or she is responsible for accruing interest on any Direct Subsidized Loans;

xiii. A general description of the types of tax benefits that may be available to borrowers; and

xiv. Require the student borrower to provide current information concerning name, address, Social Security number, references, and driver's license number and state of issuance, as well as the student borrower's expected permanent address, the address of the student borrower's next of kin, and the name and address of the student borrower's expected employer (if known).

FEDERAL STUDENT AID OMBUDSMAN

The Federal Student Aid Ombudsman Group of the U.S. Department of Education is dedicated to helping resolve disputes related to Direct Loans, Federal Family Education Loan (FFEL) Program loans, Guaranteed Student Loans, and Perkins Loans. The Ombudsman Group is a neutral, informal, and confidential resource to help resolve disputes about your federal student loans.

Borrowers should make every attempt to resolve the loan dispute before contacting the Federal Student Aid Ombudsman Group.

Contact information

Mail: U.S. Department of Education FSA Ombudsman Group
P.O. Box 1843 Monticello, KY 42633

Telephone: 1-877-557-2575 (Toll Free)

Fax: 606-396-4821

Online: www.ombudsman.ed.gov

Email: fsaombudsmanoffice@ed.gov