

1. Interest Rates & Fees

Federal loans have **fixed interest rates** (they do not change for the life of the loan). The government also deducts an "origination fee" from the loan amount before sending the money to your school.

Loan Type	Borrower	Rate (2024–25)	Rate (2025–26)	Origination Fee
Direct Subsidized	Undergrads	6.53%	6.39%	1.057%
Direct Unsubsidized	Undergrads	6.53%	6.39%	1.057%
Direct Unsubsidized	Graduates	8.08%	7.94%	1.057%
Direct PLUS	Parents & Grads	9.08%	8.94%	4.228%

2. Core Conditions by Loan Type

Direct Subsidized Loans

- **Eligibility:** Undergraduate students with financial need.
- **The "Subsidy":** The government pays your interest while you are in school at least half-time, during your 6-month grace period, and during periods of deferment.
- **Limits:** These have the lowest borrowing limits (typically \$3,500–\$5,500 per year).

Direct Unsubsidized Loans

- **Eligibility:** Undergrad and graduate students; **no** financial need required.
- **Interest:** Interest starts accruing **immediately** after the loan is disbursed. You are responsible for all interest. If you don't pay it while in school, it will be added to your principal balance (capitalized).

Direct PLUS Loans (Grad & Parent)

- **Credit Check:** Unlike the loans above, PLUS loans require a credit check. Borrowers with an "adverse credit history" may be denied unless they have an endorser (cosigner).
- **Limits:** You can borrow up to the **Cost of Attendance** (determined by the school) minus any other financial aid received.
- **Repayment Start:**
 - **Grad PLUS:** Automatically placed in a 6-month deferment after leaving school.
 - **Parent PLUS:** Repayment technically begins immediately, but parents can request a deferment while the student is enrolled.

3. The "Master Promissory Note" (Legal Agreement)

When you sign the Master Promissory Note (MPN), you are agreeing to the following non-negotiable terms:

- **You Must Repay:** You are legally obligated to repay the loan (plus interest and fees) even if:
 - You do not complete your education.
 - You are dissatisfied with the education you received.
 - You cannot find employment after graduation.
- **Grace Period:** For Subsidized and Unsubsidized loans, you generally receive a **6-month grace period** after you graduate, leave school, or drop below half-time enrollment before payments are due.
- **Use of Funds:** You certify that the loan money will only be used for authorized educational expenses (tuition, room/board, books, supplies, etc.).
- **Default:** If you miss payments for roughly 9 months (270 days), the loan defaults. This can lead to wage garnishment, seizure of tax refunds, and loss of eligibility for future federal aid.

4. Repayment Options

Federal loans offer flexibility that private loans do not. You can typically switch between these plans for free:

- **Standard Plan:** Fixed monthly payments for 10 years (this is the default option).
- **Graduated Plan:** Payments start low and increase every 2 years (paid over 10 years).
- **Extended Plan:** Payments spread over 25 years (requires more than \$30k in outstanding debt).
- **Income-Driven Repayment (IDR):** Payments are calculated as a percentage of your discretionary income. Any remaining balance is forgiven after 20–25 years.