



### Important Terms to Know and Understand:

- Borrower** The *borrower* for Federal Direct Loans is the student.
- Disbursement** Funds will be received by electronic funds transfer for the loan *disbursement* to the school. Disbursements are scheduled for distribution based on the loan period.
- Entrance Counseling** *Entrance counseling* is an online tutorial that teaches students about their Federal Direct Loans. This requirement may be met online at <https://studentaid.gov>
- Grace** The six-month *grace* period begins when the borrower ceases enrollment on at least a half-time basis. Federal Direct Subsidized borrowers will begin to accrue interest charges at the conclusion of the grace period. Full interest and principal repayment begin at the end of the six-month grace period.
- Interest** *Interest* is the charge you will pay for the privilege of borrowing student loans. Federal Direct Loan interest rates are set annually by the federal government. The interest rate for Subsidized and Unsubsidized Direct Loans is 8.08% fixed. \*
- Master Promissory Note** The standard promissory note for Federal Direct Loans, referred to as an *MPN*. The Federal Direct Loan Master Promissory Note may be completed online at <https://studentaid.gov>.
- Origination Fee** An *origination fee* is charged by the U.S. Department of Education for Federal Direct Loans. The origination fee\* is deducted from the loan proceeds delivered to Simpson College. Loan origination fees are set by the federal government and were 1.057% for Federal Direct Loans at the time of publication.
- Servicer** The federal government will assign your loan(s) to another organization for servicing at no expense to you. Your loan servicers will work with you on repayment options (such as income-driven repayment plans and loan consolidation) and will assist you with other tasks related to your federal student loans.
- Subsidized Loans** The federal government pays the interest on Federal Direct *Subsidized* Loans while the student is enrolled at least half-time. Interest accrual begins when the student enters repayment.
- Unsubsidized Loans** Federal Direct *Unsubsidized* Loans begin accruing interest at disbursement. The borrower may make interest payments or allow interest to accrue during the in-school period. Unpaid interest will capitalize at repayment.

### Estimated Repayment Information for Federal Direct Loans:

8.08% Fixed-interest rate			
Balance at repayment	Number of payments	Estimated payment amount	Total cost of the loan on standard repayment plan
\$1,000	21	\$50	\$1,078
\$5,500	120	\$67	\$8,036
\$10,000	120	\$122	\$14,610
\$15,000	120	\$183	\$21,915
\$20,000	120	\$244	\$29,220
\$25,000	120	\$304	\$36,525
\$30,000	120	\$365	\$43,830

The interest rate for Federal Direct Loans is 8.08% fixed. \* The minimum monthly payment amount is \$50 under the 10-year Standard Repayment Plan but may be more depending on how much you borrow.

On average, undergraduate students at Simpson College borrow \$35,811 in Direct Loans with an estimated \$436 monthly payment. The chart above provides estimated monthly payment amounts based on levels of Federal Direct Loan indebtedness at a 8.08% fixed interest rate.

\*Interest rates and origination fees are set annually by the federal government. The interest rates and fees listed above were accurate at the time of publication.