



## IMPORTANT TERMS TO KNOW AND UNDERSTAND

<b>Borrower</b>	The borrower for Federal Direct Loans is the student.
<b>Disbursement</b>	Funds will be received by electronic funds transfer for the loan disbursement to the school. Disbursements are scheduled for distribution on the basis of the loan period.
<b>Entrance counseling</b>	Entrance counseling is an online tutorial that teaches students about their Federal Direct Loans. This requirement may be met online at <a href="https://studentaid.gov">https://studentaid.gov</a>
<b>Grace</b>	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 end of the grace period. Full interest and principal repayment begins at the end of the six-month grace period.
<b>Annual Student Loan Acknowledgement</b>	A confirmation process verifying how much a borrower currently owes in federal student loans. This must be completed each award year prior to loan disbursement. This requirement may be met online at <a href="https://studentaid.gov">https://studentaid.gov</a> .
<b>Interest</b>	Interest is the charge you will pay for the privilege of borrowing student loans. Federal Direct Subsidized and Unsubsidized Loan interest rates are set annually by the federal government. The interest rate for Subsidized and Unsubsidized Loans is 2.75% fixed. *
<b>Master Promissory Note</b>	The standard promissory note for Federal Direct Loans, is referred to as an MPN. The Federal Direct Loan Master Promissory Note may be completed online at <a href="https://studentaid.gov">https://studentaid.gov</a>
<b>Origination fee</b>	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 Direct Loans at the time of publication.
<b>Servicer</b>	Lenders will often work with another organization to service student loans or may sell the loan to a servicer. The servicer may disburse the loan, collect the loan in repayment, provide interest billing to the borrower and provide deferment forms.
<b>Subsidized loans</b>	While student is enrolled at least half-time, the federal government pays the interest on Federal Direct Subsidized Loans. Interest accrual begins when student enters repayment.
<b>Unsubsidized loans</b>	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

2.75% fixed interest rate		
Balance at repayment	Number of payments	Estimated payment amount
\$1,000	21	\$50
\$5,500	120	\$52
\$10,000	120	\$95
\$15,000	120	\$143
\$20,000	120	\$191
\$25,000	120	\$239
\$30,000	120	\$286

The interest rate for Federal Direct Subsidized Loans and Unsubsidized Loans is 2.75% fixed. \* The minimum monthly payment amount is \$50 under the 10-year Standard Repayment Plan but may be more depending on amount borrowed. On average, undergraduate students at Simpson College borrow \$24,027 in Federal Direct Loans with an estimated \$249 monthly payment. The chart above provides estimated monthly payment amounts based on levels of Federal Direct Loan indebtedness at a 2.75% 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.