



REPAYMENT OF FEDERAL DIRECT STUDENT LOANS (DUE TO ENROLLMENT OF LESS THAN HALF TIME)

When do I begin repayment?

Repayment of your federal student loan(s) begins after you graduate, leave school **or drop below half time enrollment**. You have six months before your first payment is due (grace period). If you enroll at least half time before the end of the six-month grace period, you may postpone repayment. It is your responsibility to contact the Direct Loan Servicing Center at 1-800-848-0979 (or <http://www.dlsonline.com>) to let them know the status of your enrollment.

What happens to my loans during an internship, co-op program or other periods of enrollment of less than half time (such as working on a dissertation or thesis)?

If you are enrolled less than half time for a semester and/or session (i.e. participating in an internship, a co-op program which is paid or unpaid, working on a dissertation or thesis, or just enrolled less than half time), you will begin repayment of your loans six months after the end of your last semester of half time enrollment. For undergraduate students, half time enrollment is 6-8 credit hours for fall/winter and 3-5 credit hours for spring/summer. For graduate students, half time enrollment is 3-5 credit hours for fall/winter and 2 credit hours for spring/summer.

For example, if you are an undergraduate student enrolled at least half time during winter term and will be enrolled in a 3 credit hour internship or co-op program in the fall, you will be considered **less than half time in the fall**. Even though your department considers the internship and/or co-op program full time, for financial aid purposes, your enrollment is considered less than half

time. Therefore, your six-month grace period will begin at the end of winter (your last semester of half time enrollment). On approximately October 30th, your grace period will end and you will be considered in repayment.

What is a *deferment* and/or *forbearance* and how can I apply?

A *deferment* (see next page for details) allows you to temporarily postpone the payment on your loan. During deferment of subsidized loans the interest is not charged. However, for unsubsidized loans, the interest will continue being charged. You may pay the interest on a monthly basis or you may choose to have it capitalized (added to the principal balance of the loan).

Forbearance (see next page for details) is a temporary postponement or reduction in loan payments for a specified time period. During forbearance, interest continues being charged on your subsidized and unsubsidized loans.

To apply for a deferment or forbearance, contact the Federal Direct Loan Service Center at the phone number and/or web site indicated above. The application should be made as soon as possible while you are still in your grace period.

Can I prepay my loans?

Yes—you may prepay any or all of your loans at any time without penalty. For details, contact the Direct Loan Servicing Center.

Deferment

A deferment temporarily postpones payment on your loans. During deferment of Direct Subsidized Loans, principal payments are postponed, and interest is not charged. In the case of Direct Unsubsidized Loans, principal payments are postponed, but interest is charged during the deferment period. The interest may be paid monthly or it may be capitalized (added to the principal balance of your loan).

Deferments may be available to you if you are:

- pursuing at least half-time study at an eligible school;
- in a graduate fellowship program approved by the U.S. Department of Education;
- in a rehabilitation training program, for individuals with disabilities, approved by the U.S. Department of Education;
- conscientiously seeking but unable to find full-time employment (for up to three years); or
- experiencing economic hardship (for up to three years).

To receive a deferment for a Federal Direct Loan, you must apply for one through the Direct Loan Servicing Center. There is a deferment form to fill out to request each type of deferment; the Servicing Center will send you the one that is appropriate for your situation.

Deferments for other types of loans received through a bank or credit union may also be available. Contact the lender or the Michigan Guarantee Agency at 800-642-5626 (e-mail: mga@state.mi.us).

Forbearance

Forbearance is a temporary postponement or reduction of loan payments for a limited and specified period or an extension of the time you have to make your loan repayments. You may receive forbearance if you request it and provide documentation to support the request. You may qualify for forbearance if you are:

- unable to make loan payments (due to poor health or other acceptable reasons) and you do not meet a deferment condition;
- serving in a medical or dental internship or residency;
- serving in a position under the National and Community Service Trust Act of 1993; or
- obligated to make payments on federal student loans that are equal to or greater than 20 percent of your total monthly gross income (for up to three years).

In a period of forbearance, interest will be charged and, unless it is paid, will be added to the principal balance of your loans (capitalized). This will increase the amount you owe.

To receive forbearance for a Federal Direct Loan, you must apply through the Direct Loan Servicing Center.

Forbearance for other types of loans received through a bank or credit union may also be available. Contact the lender or the Michigan Guarantee Agency at 800-642-5626 (e-mail: mga@state.mi.us).