

Loss of eligibility for additional Direct Subsidized Loans and becoming responsible for paying interest on Direct Subsidized Loans

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans. However, you may continue to receive Direct Unsubsidized Loans.

In addition, if you continue to be enrolled in any undergraduate program after you have received Direct Subsidized Loans for your maximum eligibility period, we will no longer (with certain exceptions) pay the interest that accrues on your Direct Subsidized Loans for periods when we would normally have done so. After you lose eligibility, whether you become responsible for the interest that accrues on your Direct Subsidized Loan depends only on your enrollment, not applying for, requesting, or receiving federal financial aid. The chart below provides examples of these circumstances.

| Do I become responsible for paying the interest that accrues on my Direct Subsidized Loans because . . . | Yes | No |
|--|------------|-----------|
| I am no longer eligible for Direct Subsidized Loans because I met the 150% limit and I stay enrolled in my current program? | X | |
| I am no longer eligible for Direct Subsidized Loans because I met the 150% limit, did not graduate from my prior program, and am enrolled in an undergraduate program that is the same length or shorter than my prior program? | X | |
| I transferred into the shorter program and lost eligibility for Direct Subsidized Loans because I have received Direct Subsidized loans for a period that equals or exceeds my new, lower maximum eligibility period, which is based on the length of the new program? | X | |
| I was no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is longer than my prior program? | | X |
| I lose eligibility for Direct Subsidized Loans and immediately withdraw from my program? | | X |
| I graduated from my prior program prior to or upon meeting the 150% limit, and enroll in an undergraduate program that is the same length or shorter than my prior program? | | X |
| I enroll in a graduate or professional program? | | X |
| I enroll in preparatory coursework that I am required to complete to enroll in a graduate or professional program? | | X |
| I enroll in a teacher certification program (where my school does not award an academic credential)? | | X |

Remember, your maximum eligibility period can change if you enroll in a different program. So, if you received Direct Subsidized Loans for your maximum eligibility period for one program and then enroll in a longer program, you will not become responsible for interest that accrues on your Direct Subsidized Loans.

Below is a chart that summarizes the periods when we normally pay the interest on your Direct Subsidized Loans, and an explanation of what happens after you become responsible for the interest.

If you meet any of the "yes" conditions above, you will become responsible for the interest that accrues on your Direct Subsidized Loans on and after the date of your enrollment, during periods when we would have normally paid the interest for you.

Example: If you are enrolled in a four- year undergraduate program and receive Direct Subsidized Loans for six years, you are no longer eligible to receive Direct Subsidized Loans.

Whether you become responsible for interest on your Direct Subsidized Loans depends on what you do next:

1. If you complete the program in 6 years and do not enroll for a 7th year, the Federal government will continue to pay the interest that accrues on your Direct Subsidized Loans as described in the chart below. Even if you eventually enroll in another program, because you completed the program before enrolling for a 7th year, the Federal government will continue to pay your interest as described in the chart below.
2. If you continue to be enrolled in the program for a 7th year, then on the date you enroll for the 7th year you will become responsible for paying all interest that accrues on your Direct Subsidized Loans from that point forward.
3. If you do not complete the program, but transfer to another undergraduate program that is four year or less (that has a maximum eligibility period of 6 years or less), then you will become responsible for interest, starting with the interest that accrues on the date that you enroll in the other program.

Interest Repayment Criteria

| During what period am I responsible for paying the interest on my Direct Subsidized Loans . . . | Before meeting the 150% limit? | After meeting the 150% limit? |
|--|---------------------------------------|--------------------------------------|
| While enrolled in school at least half-time | No | Yes |
| During my grace period on loans first disbursed (paid out) July 1, 2013 through June 30, 2014 | Yes | Yes |
| During my grace period on loans first disbursed (paid out) July 1, 2014 or after | No | Yes |
| During deferment periods | No | Yes |
| During certain periods of repayment under the Income-Based Repayment or Pay As You Earn Plan | No | Yes |
| During forbearance periods | Yes | Yes |
| During all other periods of repayment | Yes | Yes |

If you become responsible for the interest that accrues on your Direct Subsidized Loans, any interest that you do not pay will be capitalized (added to your loan principal balance) at the end of the grace, deferment, or other periods. Capitalized interest increases your loan principal, increases your monthly payment amount under most Direct Loan repayment plans, and causes you to pay more interest over the life of your loan. Your federal loan servicer will notify you if you become responsible for paying the interest on your Direct Subsidized Loans.