

The Master Promissory Note

When applying for federal Direct Subsidized, Unsubsidized or PLUS loans, you must sign a Master Promissory Note (MPN) before you receive your first check.

The MPN is a legally binding contract in which you (and your cosigner, if applicable) agree to repay the loan money borrowed.

The Master Promissory Note describes borrower rights and responsibilities, including the terms and conditions of the loan, repayment schedule, interest rate, and the deferment/cancellation policies. Even though much of the “prom note” is legalese, it’s extremely important to be familiar with the terms of your Master Promissory Note. By signing it, you not only agree to repay the money you borrow, but you also agree to all terms and conditions included. If you have any uncertainty or questions about any of the terms or conditions, you can visit studentloans.gov for more information about the promissory note. The federal government now is the only source for federal education loans (Direct Subsidized, Unsubsidized and PLUS), not private lenders.

Once you sign your Master Promissory Note, a new one is not required for any new loans.

After signing your Master Promissory Note, you should direct all loan questions to the loan servicer, not your financial aid office. The servicer will provide a customer service phone number and website address.

Borrower Rights

If you were to review your Master Promissory Note, you would see that you have a number of borrower rights. While these rights will vary for non-governmental loans, federal loan borrowers are entitled to the following rights:

- The right to prepay any loan (including Direct Subsidized, Direct Unsubsidized, Perkins, Direct PLUS or consolidation loans) without penalty. At any time, including while attending school, borrowers are able to either make payments towards the loans or pay more than what is required.
- The right to request a copy of the MPN.
- The right to request that the repayment plan be changed.

- The right to request that payment be reduced or postponed through deferment or forbearance. Additionally, without requesting, that you be eligible for any grace and interest subsidy that may apply on appropriate loans.

If there are any questions about these rights, contact your loan servicer.

Borrower Responsibilities

The Master Promissory Note details borrower rights as well as responsibilities, and to sum it up – a borrower’s primary responsibility is to pay loans back and pay them back on time.

Payments are required whether you receive a statement or not – so be sure to notify your servicer(s) when your address changes. There are no excuses for missed payments, and missed payments may harm your credit and possibly lead to higher interest rates on some loans.

Payment is still required:

- Whether or not you complete your program or complete it in the expected amount of time
- Whether or not you feel satisfied with your education experience
- Whether or not you are satisfied with the school’s programs and services
- Whether or not you received the purchased program or services
- Whether or not you are able to obtain employment after graduation

Unlike credit card debt or home mortgage debt, student loans typically *cannot* be discharged through bankruptcy.

Stated simply – your student loans must be repaid.