

Direct Loans

William D. Ford Federal Direct Loan Program

Form 1098-E Is Coming!

Direct Loan Borrowers Can Take Student Loan Interest Deductions For The First Time Ever In 1998!

Here Are Some Advance Facts About Form 1098-E

1. What is the Internal Revenue Service (IRS) Form 1098-E, *Student Loan Interest Statement*?

The IRS Form 1098-E is used to report to borrowers the amount of interest borrowers have paid on their Direct Loan(s) during a calendar year. The Direct Loan Program will mail Form 1098-E to borrowers who paid interest on their Direct Loan(s) during the tax year, excluding any months of that year in which borrowers are in an in-school or grace status. Note that this is not an Annual Statement of borrowers' Direct Loan account(s).

2. When will borrowers receive the Form 1098-E?

Tax Year 1998 is the first year that Higher Education Loan Interest can be deducted on tax returns. For the first year, we will mail Form 1098-E at the end of January 1999. Borrowers who may have reportable interest will receive a Form 1098-E no later than the first few weeks in February. Each subsequent year, we will mail IRS Form 1098-E in January to report to borrowers the amount of interest they paid on their Direct Loan(s) during the previous calendar year.

3. Which Direct Loans may be eligible for the Student Loan Interest Deduction?

Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans are potentially eligible for the interest deduction.

4. If I receive an IRS Form 1098-E, can I deduct all the interest reported on Form 1098-E?

The interest reported on a Form 1098-E statement could be different from the interest amount that can be deducted.

While interest paid on Higher Education Loans *may* be deductible if paid during the first 60 months of a borrower's repayment period, there are specific IRS eligibility criteria that must be met.

For additional information regarding eligibility criteria and whether you qualify for the deduction, you may:

- Refer to *Internal Revenue Service IRS Publication 970, Tax Benefits for Higher Education*.

- Visit the IRS world wide website at:

<http://www.irs.ustreas.gov>

- Call the IRS toll-free at one of these telephone numbers:

1-800-TAX-1040

1-800-TAX-FORM

- If you still need help, you may want to contact a tax adviser.