A. PARTIES:

The words “we,” “our,” and “us” mean Discover Bank. The words “Borrower,” “you,” and “your” refer to the Student and any Cosigner. The “Student” is the student whose education the loan is underwritten to finance. If you are a Cosigner, you are another party, other than the Student, who agrees to be bound by all of the terms and conditions of this Note. When the loan is made, both the Student and any Cosigner will be liable, individually and together, for the full amount of the loan, plus interest and other charges. The Borrower and the Cosigner agree to be bound by any communication or disclosure we have with either party and any modification we agree to with either party will bind both.

B. OTHER DEFINITIONS:

“Principal” is the amount disbursed to you or on your behalf as disclosed on the Final Disclosure plus the amount of any interest that is Capitalized at any time during the life of the loan(s) made under this Note.

“Capitalization” is the addition of accrued and unpaid interest to the outstanding Principal balance of a loan made under this Note. After we Capitalize interest, interest will accrue on the new Principal balance, including the Capitalized interest.

“Deferment Period” is the period of a loan made under this Note during which you are required to make full payments of Principal and interest. The Repayment Period will be for 180 monthly payments for undergraduate loans or 240 monthly payments for graduate loans. The Repayment Period may be shortened through prepayment as described in Section K (REPAYMENT TERMS AND CAPITALIZATION OF INTEREST) below.

If you have more than one loan with us you may elect to extend the Repayment Period for any of your loans to expire at the end of the longest Repayment Period for any of your loans.

You agree to uphold your obligations in this Note, even if you stop attending the School your payments will remain due and payable as described in this Note. After we Capitalize interest, interest will accrue on the new Principal balance, including the Capitalized interest.

You authorize us (and our affiliates, agents, and contractors) to collect and disclose information about you and the Cosigner, with respect to all products you have with Discover, and at any number 1) you have provided to us 2) from which you called us, or 3) which we obtained and believe we can reach you at. You must notify us if any number you provided to us, or at which we contact you with your consent or authorization, changes or is no longer in use. We may contact you in any way, such as calling, texting, or e-mail. We may contact you using an automated dialer or using pre-recorded messages. We may contact you on a mobile, wireless, or similar device, even if you are charged for it by your service provider. We may request relevant information about you from the School, and you authorize the School to release that information to us. You agree that we may share personal and financial information about you to the School in connection with this loan.

You also agree that we may share any personal and financial information about you with the Cosigner and any personal and financial information about the Cosigner with the Student.

F. HOW YOU AGREE TO THE TERMS OF THIS LOAN(s):

With respect to each disbursement of loan proceeds, you agree to all the terms in this Note and the Final Disclosure(s) when you consummate the loan(s) by either: 1) signing the Application and Promissory Note, including any applications for additional loan(s) and any related documentation relating to the Student, or 2) instructing the School and any person to use any of the proceeds on your behalf. You are not bound to the repayment terms in this Note until the loan proceeds are disbursed.

G. DISBURSEMENT OF LOAN PROCEEDS:

We will decide how to disburse the loan proceeds. We can disburse loan proceeds by: 1) making one or more checks payable jointly to you and to the School; 2) making one or more checks payable only to the School; or 3) electronically transmitting funds to the School as permitted by the terms of this Note. You consent to the School deducting from your student account at the School and to return to us as a partial prepayment of a loan made under this Note any portion of the proceeds that exceed the necessary cost to pay your cost of attendance, less other financial aid, as calculated by the School.

We may send you a single statement with a single minimum payment amount that will fully amortize your loans. We may send you a statement for each loan(s) that is Capitalized at any time during the life of the loan(s) made under this Note.

H. YOUR PROMISE TO PAY:

You promise to pay us the Principal loan amount (including Capitalized interest), interest accrued on the Principal, and all other amounts that may become due under this Note. You also agree to pay all reasonable costs of collection, as permitted by law, including attorney fees, court costs, and the costs of outside collection agencies. If you default, you also agree that we may share any personal and financial information about the Student with the Cosigner and any personal and financial information about the Cosigner with the Student.

I. INTEREST:

You agree to pay interest on the Principal loan amount from the time we disburse the proceeds until the Principal balance is paid in full.

1) Interest Calculated Daily: We will calculate interest on a daily basis on the outstanding Principal balance until the loan balance is paid in full. The daily interest rate is equal to the annual interest rate in effect on that day divided by the number of days in that calendar year. Because we calculate interest daily, the amount of interest you pay will vary based on the number of days between your previous payment and your current payment.

2) Variable Rate: If the fixed or variable interest rate will be identified on the Final Disclosure for your loan(s). If you are eligible and approved under the Multi-Year Option, you will receive a new Final Disclosure for each additional loan; the type and amount of interest may be different for your initial and additional loan(s). If your loan has a fixed interest rate, it will not change as long as you are on time with all your payments. If your loan has a variable interest rate, it can change as long as you are on time with all your payments. If you stop making your required interest-only payments prior to the Repayment Period, your interest rate will go up. (See Section K.9 for more details). If your loan has a variable interest rate, we may determine the interest rate during the Deferment Period and the Repayment Period by taking the applicable Variable Index as described below, rounded up to the nearest one-eighth of one percent (0.125% or 0.00125), and by adding a “Margin” percentage (which is a fixed amount usually between 1% and 4%).

3) Variable Index: The applicable Variable Index is currently the 3-month London Interbank Offered Rate (LIBOR) Index, which is variable and may change quarterly on each January 1, April 1,
K. REPAYMENT TERMS AND CAPITALIZATION OF INTEREST:

1) Deferral Period: Interest will accrue but you are not required to make payments during a Deferral Period, unless you elected to make In-School Payments. If you fail to provide, at our request, accurate verification of your school calendar month in which it becomes 120 days past due, during the Repayment Period; 2) if you do not make any monthly payments to increase or decrease. We will inform you in writing of any change in your name, address, or other contact information. We can also extend or defer the time allowed for making payments at any time without notice to you or right to cure, except where required by law. If you are in default and we file suit or take other action to collect this loan, you agree to pay the costs of the suit and the costs of collection (including the costs of outside collection agencies and reasonable attorneys’ fees). Your agreement to pay these costs and fees is not prohibited by applicable law. You may be liable to us for the costs of any legal action if we operate under the Military Lending Act. Before agreeing to this Note, to hear important section applies to you, please contact us at 1-844-DFS-4MIL or if you are a member of the Armed Forces or a dependent of such a member. If you would like more information about whether you are covered by the Military Lending Act, in connection with the delivery, acceptance, performance, default, or enforcement of this Note. We can accept late payments, partial payments, or checks and money orders marked “payment in full” or with any other restrictive endorsement without losing any of your rights under this Note.

S. ASSIGNMENT:

U. NOTICES AND ADDRESSES:

1) Government guidelines require us to maintain current information about you. You agree to notify us promptly after any change in your name, address, or other contact information. We also may periodically request that you update or confirm your information, and you agree to do so promptly. 2) Any notice or communication with us required or permitted under the Federal Bankruptcy Code must be in writing, must include your loan account number, and must be sent to Discover Student Loans, PO Box 30947, Salt Lake City, UT 84130-0947 or to the customer service address that we provide to you on a letter or statement. 3) You will send any other type of notice to the address that we have most recently provided to you for that purpose. 4) Except as otherwise provided by applicable law, any notice that we are required to give you will be effective when mailed by USPS First-Class Mail to your address as shown in our records.

V. ARBITRATION OF DISPUTES:

As of October 3, 2016, this section, Arbitration of Disputes, does not apply if, on the date you submit your application or on the date we seek to invoke our arbitration provision, you are covered by the federal Military Lending Act as a member of the Armed Forces or a dependent of a member of the Armed Forces. If you are a member of the Armed Forces or a dependent of a member of the Armed Forces and you are covered by the Military Lending Act, in connection with the delivery, acceptance, performance, default, or enforcement of the Note, we will seek to invoke our arbitration provision if we are entitled to do so. If you are not covered by the Military Lending Act, in connection with the delivery, acceptance, performance, default, or enforcement of this Note, we will not seek to invoke our arbitration provision, and you are covered by the federal Arbitration Act. Before agreeing to this Note, to hear important section applies to you, please contact us at 1-844-DFS-4MIL or if you are calling from outside the US at +1-801-451-3730.

Repayment Assistance Options:

We may re-amortize your loan, restructure your loan, or reapply for in-school payment following the start of the Repayment Period will not be less than 50%, unless otherwise required by law. 5) Changes in Payment Amount: We may re-amortize your loan at any time prior to the end of the current interest rate period in equal monthly installments by the end of the Repayment Period. This may cause scheduled payments to increase or decrease. We will inform you in advance of any change in the scheduled monthly payment.

Q. DEFAULT – WHOLE LOAN DUE:

If you are in default on a loan made under this Note, the entire outstanding balance on the loan will be due immediately at our option, except as prohibited by law. This will happen without any prior notice to you or right to cure, except where required by law. If you are in default and we file suit or take other action to collect this loan, you agree to pay the costs of the suit and the costs of collection (including the costs of outside collection agencies and reasonable attorneys’ fees). Your agreement to pay these costs and fees is not prohibited by applicable law. You may be liable to us for the costs of any legal action if we operate under the Military Lending Act. Before agreeing to this Note, to hear important section applies to you, please contact us at 1-844-DFS-4MIL or if you are calling from outside the US at +1-801-451-3730.
1) Agreement to Arbitrate: If a controversy, dispute, disagreement, lawsuit or claim now or hereafter existing arise between you and us ("Claim"), either party may choose to resolve the Claim by binding arbitration, as described below, instead of in court. Any Claim (except for a Claim challenging the validity or enforceability of this arbitration provision, including the Class Action Waiver) may be resolved by binding arbitration with each party paying its own costs. This includes Claims relating to any other loan or agreement you have or had with us. This MEANS IF EITHER YOU OR WE CHOOSE ARBITRATION, NEITHER PARTY WILL HAVE THE RIGHT TO LITIGATE THE CLAIM IN COURT OR TO HAVE A JURY TRIAL. Instead, disputes will be resolved by an independent arbitrator appointed by AAA. OTHER IMPORTANT TERMS: We elect Subtitle 10, Credit Grantor Closing Credit Provision to Title 12 of the Commercial Law Article of the Annotated Code of Maryland, to govern this Note, only to the extent not inconsistent with 12 U.S.C. 1861d and related regulations and opinions.

2) Survival of this Arbitration Provision: This arbitration provision shall survive termination of your loan as well as voluntary payment in full by you, any legal proceedings by us to collect a debt owed by you, any bankruptcy by you, and any sale by us of your loan.

3) You May Have the Right to Reject Arbitration: You may reject this Section [ARBITRATION OF DISPUTES] but only if we receive from you, within 30 days of our notice of this arbitration provision, a signed statement (which may be given [waive] your common law rights by [actually paid by you]) that you reject arbitration. This includes Claims relating to any other loan or agreement you have or had with us. This MEANS IF EITHER YOU OR WE CHOOSE ARBITRATION, NEITHER PARTY WILL HAVE THE RIGHT TO LITIGATE THE CLAIM IN COURT OR TO HAVE A JURY TRIAL. Instead, disputes will be resolved by an independent arbitrator appointed by AAA. OTHER IMPORTANT TERMS: We elect Subtitle 10, Credit Grantor Closing Credit Provision to Title 12 of the Commercial Law Article of the Annotated Code of Maryland, to govern this Note, only to the extent not inconsistent with 12 U.S.C. 1861d and related regulations and opinions.

4) Governing Law and Rules: Your loan involves interstate commerce and is governed by federal law, except when contradicted by the FAA. However, if more state law, except when contradicted by the FAA. However, if more


6) Meals and Costs: If you wish to bring an arbitration against us but you cannot afford to pay the organization’s or arbitrator’s costs, we will pay those costs if you ask us in writing. Any request like this shall be sent to: Discover Student Loans, PO Box 30421, Salt Lake City, UT 84130-0421. If you lose the arbitration, the arbitrator will decide whether you must reimburse us for money we advanced for you for the arbitration. If you win the arbitration, we will not ask for reimbursement of money we advanced. Additionally, if you win the arbitration, the arbitrator may decide that you are entitled to be reimbursed your reasonable attorneys’ fees and costs (if actually paid by you).

7) Hearings and Decisions: Arbitration hearings will take place in the federal judicial district where you live. A single arbitrator will be appointed. The arbitrator must follow all applicable substantive laws, except as the FAA provides. The arbitrator may order reimbursement to you of all reasonable attorneys’ and experts’ fees. Any arbitration award may be enforced [such as through a judgment] in any court with jurisdiction.

8) Other Beneficiaries of this Arbitration Provision: Our rights and obligations under this arbitration provision shall inure to the benefit of and be binding upon our parent corporations, subsidiaries, affiliates (including, without limitation, Discover Financial Services, Discover Products, Inc., and The Student Loan Corporation), predecessors, successors, assigns, as well as the officers, directors, and employees of each of these entities, and will also inure to the benefit of any third party named as a co-debtor with us or with any of the foregoing in a Claim that is subject to this arbitration provision. Your rights and obligations under this arbitration provision shall inure to the benefit of and be binding upon all persons contractually liable under this agreement.

9) Certification: In addition to any certification you make in the application, you certify that all of the loan proceeds evidenced by this Note will be used solely to pay for Qualified Higher Education Expenses. Qualified Higher Education Expenses are the costs of attending an eligible education institution, including graduate school, on at least a half-time basis. Generally, these costs include tuition and certain related expenses. See Internal Revenue Service (IRS) Publication 970 and related guidance for more information.

The IRS does not require your consent to any provision of the Application and Promissory Note other than this certification. Signing the Application and Promissory Note will be your consent for IRS purposes.