

New! Federal Direct Loans Coming to PLU in 2010-11

1. Why is PLU switching from the Federal Stafford Loan program to the Federal Direct Loan Program?

Based on the instability in the Federal Family Education Loan Program (FFELP), PLU came to the conclusion that it is in the best interest of our students to switch to the William D. Ford Federal Direct Loan program. PLU announced the switch to the Federal Direct Loan program in an email broadcast on February 11 to all financial aid recipients who we anticipated would return in the 2010-11 academic year. Our Financial Aid Office website was also updated on the same date to reflect this change in loan programs. On March 26, Congress and President Obama officially ended the Federal Family Education Loan program that provided authorization for lenders to make the Federal Stafford and PLUS Loans. Beginning July 1, 2010, the lender based Federal Stafford and PLUS loan programs will be replaced by the Federal Direct Loan program at every participating college and university.

2. What happens if I borrowed a Stafford Loan previously, but now must borrow a Direct Loan?

Everyone borrowing the Federal Direct Loan for the first time will have to sign a new promissory note on the U.S. Department of Education's website, as well as a new Entrance Interview. You will have to complete these steps only once. Once completed, your loan will disburse onto your student account in a more-stream-line manner than your loans did in previous years under the Stafford Loan program.

3. Are the terms and condition of the Direct Loans the same as the Federal Stafford and PLUS Loans?

The grace period, deferments, repayment periods, and alternate repayment plans are identical with FFELP loans. While the interest rate on the Stafford Loan and Direct Loan are identical, the interest rate on the Federal Direct PLUS loan is 7.9% compared to the 8.5% fixed rate on the FFELP PLUS loan. The Direct Loan also offers you a rebate, which reduces the fee deducted from the loan from 1% in the Stafford Loan program, to .5% in Direct Loan program. Note that this rebate is added back to your loan principal if you fail to make your first 12 monthly payments on time when you enter repayment.

4. If I have both the Federal Stafford and Direct Loans, will I have to make two payments when I enter repayment?

You have the option (and are generally encouraged) to consolidate your Federal Stafford and Direct Loans into a Federal Direct Consolidation loan. The option to consolidate your Federal Stafford Loan and Federal Direct loan into a consolidation loan while you are still in school was reinstated when the budget reconciliation bill was signed. If you choose not to consolidate your loans, you would have two payments, just as you would if you borrowed a Stafford Loan from two different lenders. Since most lenders have been selling their Stafford loans to the U.S. Department of Education, it is likely that your loan will be serviced by the same company servicing Direct Loans, potentially resulting in a single payment anyway. You will, however,

have to pay to minimum monthly payment on each loan if you do not combine them into a single consolidation loan.

5. Do I have the option to stay with my current lender and borrow a Federal Stafford Loan?

No. Now that the program has been discontinued by the federal government, your lender cannot offer you a Federal Stafford. Commercial lenders are now limited to offering only private, credit-based, market-driven loan.

6. Who would I talk to if I have questions or problems with my Direct Loan?

Your first contact would remain with the PLU Financial Aid Office and Student Services Center. We should be able to resolve most "in-house" issues. Once you go into repayment, most of your communication will be with the loan servicing company assigned to your loan by the U.S. Department of Education. You can track your loans on the National Student Loan Data System at www.nslds.ed.gov. For help in resolving loan issues, contact the federal student loan ombudsman at <http://ombudsman.ed.gov/>