

Student Loan Changes for 2009-2010

St. Cloud State University (SCSU) is changing its process for obtaining federal student loan funds for the 2009-2010 academic year. SCSU currently participates in the Federal Family Education Loan (FFEL) Program, in which students and parents borrow Stafford and Parent (PLUS) loans from banks and lenders. Beginning in Fall 2009, the University will participate exclusively in the William D. Ford Federal Direct Loan Program, in which borrowers obtain these loan funds directly from the U.S. Department of Education. We believe that the Direct Loan program will ensure that SCSU students and parents have access to a secure, dependable, and cost-effective source of funding while providing a more streamlined and predictable borrowing experience.

What is the difference between the Direct Loan Program and the Federal Family Education Loan Program (FFELP)?

The most important difference between the two programs is the source of loan funding. Direct loans come through the U.S. Department of Education using funds obtained from the U.S. Treasury. This program offers students and parents one point of contact because the loans are made, backed, and serviced by the U.S. Department of Education. In the FFEL program, funds come from banks and lenders. In addition to the lender, a student or parent may need to contact the guarantor and/or servicer of their loan – which may be different agencies. Having multiple points of contact can be confusing for the student and can complicate the repayment process. There are also some differences in interest rate, fees and repayment options which make the Direct Loan Program advantageous for borrowers (see additional details below).

Why is SCSU changing to the Direct Loan Program?

Federal Direct lending provides the most stable source of student loan funding available because the funds are provided by the U.S. Treasury. Volatility in the credit markets and reductions in lender subsidies have caused many lenders to stop making federal student loans or to stop offering borrower benefits and other services. The Direct Loan Program is not impacted by changes in the economy and provides a more stable loan process.

What do I need to do to receive a Federal Loan for 2009-2010?

All borrowers, regardless of whether you have borrowed a Federal Stafford Loan at SCSU in a previous year, must complete these steps to receive a Federal Direct Student Loan:

1. [Apply for financial aid for 2009-2010](#) (if you have not already done so).
2. After receiving your award letter, request/accept your Direct Loan through [eServices](#).
3. Complete the [Direct Loan Master Promissory note \(MPN\)](#).
 - a) If you are a first-time borrower at SCSU you will also need to complete the [Online Entrance Counseling for Direct Loan Borrowers](#).

Will I still be able to continue borrowing through the same lender as last year?

No. If you borrow a federal loan in 2009-2010, you will be required to borrow through the Direct Loan program. While this change will require you to complete a new Master Promissory Note (MPN), we are confident that the streamlined process will benefit all SCSU borrowers.

What will happen to the existing loans that I have borrowed from other lenders?

Any loans you borrowed prior to Fall 2009 will be maintained by the lender/servicer you selected upon signing your original MPN with the FFEL Program.

After graduation you have a choice. You may either make individual payments to your previous lender(s) and to the Department of Education for your Direct Loans, or you can consolidate your

loans into one payment. You may consolidate all your loans with your previous lender or with the Department of Education. However, many private lenders have discontinued their consolidation services at this time.

Do I have to complete another Master Promissory Note?

Yes, you must sign a new Direct Loan Master Promissory Note (MPN) because you will be borrowing from a new lender, the Department of Education. This will be the last Federal Direct MPN you will have to sign as long as you continue to attend SCSU. The Direct Loan MPN process is completed online. You will need to have your Federal PIN (used to complete the FAFSA) in order to electronically sign the MPN.

How and when do I complete a Direct Loan Master Promissory Note?

If you have borrowed a loan in the past and plan to use a Federal Direct Loan during 2009-2010, you will need to complete a new MPN for Direct Loans. You can choose to complete the MPN at any time – whether or not you have received your financial aid award letter. The MPN can be completed at <https://dlenote.ed.gov/empn/index.jsp>.

Once you've completed your MPN, your loan will not be processed until after you have been awarded a loan and accepted it online through your award letter. We expect to begin emailing financial aid award notices to students in June. You will have an opportunity to specify the precise amount of your loan when you accept it.

What is the interest rate and fees charged in Direct Loans compared to FFELP?

Interest rates and fees for 2009-2010 are as follows:

Direct Loan Program

	<u>Interest</u>	<u>Fees*</u>
Subsidized Federal Direct Loan (for undergraduates only)	5.6%	0.5%
Subsidized Federal Direct Loan (for all other students)	6.8%	0.5%
Unsubsidized Federal Direct Loan	6.8%	0.5%
Federal Direct PLUS or Graduate PLUS Loan	7.9%	2.5%

FFEL Loan Program

	<u>Interest</u>	<u>Fees</u>
Subsidized Stafford Loan (for undergraduates only)	5.6%	0.5 - 1.5%
Subsidized Stafford Loan (for all other students)	6.8%	0.5 - 1.5%
Unsubsidized Stafford Loan	6.8%	0.5 - 1.5%
Parent or Graduate PLUS Loan	8.5%	3.0 - 4.0%

*Direct Loan Fee Rebate: The Subsidized and Unsubsidized Federal Direct Loans have a 1.5% origination fee and also offer a 1.0% rebate on the origination fee – resulting in a net fee of .5%, which will be deducted from the gross amount of the loan borrowed (if you borrow \$3,500 you will actually receive \$3,482.50 or \$17.50 less). Once you enter repayment, if you make your first 12 monthly payments on time, the rebate becomes permanent. If you fail to make 12 on-time monthly payments; however, a charge for the initial rebate will be added to the outstanding balance of the loan.

The Federal Direct PLUS Loan has a 4% origination fee and also offers a 1.5% rebate on the origination fee – resulting in a net fee of 2.5%, which will be deducted from the gross amount of the loan borrowed. The 12 on-time payment rule also applies to the PLUS loan in order to keep the rebate.

I have previously completed entrance counseling under the FFELP Program, do I have to complete Direct Loan entrance counseling?

No, you will not be required to complete entrance counseling if you have previously completed it for the Federal Stafford Loan program. Only new borrowers will be required to complete entrance counseling.

Will the Stafford Loans I borrowed through my bank or lender in prior years still be deferred now that SCSU is participating in the Direct Loan Program?

As long as you are enrolled in school on at least a half-time basis, your prior year federal loans will continue to be deferred. Enrollment information is reported to lenders by the school on a regular basis.

I am a parent. I plan to borrow a PLUS Loan for my student in 2009-2010. I usually get pre-approved through my lender. What should I do this year?

You should not apply through any lender other than the Department of Education. Application instructions will be provided on your student's financial aid award letter to apply for a PLUS loan. After you apply for the PLUS loan St. Cloud State will submit your information to the Department of Education for a credit check so there is no need to be preapproved through another lender.

Does this affect my Federal Perkins loan or my private (alternative loans)?

No, this change only affects federal student and parent loans (Stafford, PLUS, and Grad PLUS).

Does this change affect my current year federal loans? Also, what if I attend school in the summer?

All 2008-2009 academic year and Summer Session 2009 loans will be processed through the FFEL process. Your first Direct Loans will be for the Fall 2009 semester.

How do I contact the Direct Loan Program?

The U. S. Department of Education Direct Loan Program Customer Service phone number is 800-848-0979.

Direct Loan Program Websites:

General Direct Student Loan Information:
<http://www.direct.ed.gov/student.html>

Entrance Counseling:
<https://www.dl.ed.gov/borrower/EntrCounselingStart.do?cmd=initializeContext>

Master Promissory Note:
<https://dlenote.ed.gov/emprn/index.jsp>

General Direct PLUS Loan Information:
<http://studentaid.ed.gov/PORTALSWebApp/students/english/parentloans.jsp>

Account Information:
<https://www.dl.ed.gov/borrower/BorrowerWelcomePage.jsp>