

Direct Loan FAQs

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

The most important difference between Direct Lending and the FFELP program is the source of loan funding. Direct loans are funded 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 creating multiple points of contact for students. There are also some differences in interest rate, fees and repayment options which make the Direct Loan Program more beneficial for borrowers.

Will I still be able to continue to borrow from the same lender as last year?

No, if you borrow a Federal Stafford, Federal Parent PLUS or Federal Grad PLUS loan for the 2010-2011 academic year, you will be required to borrow through the Direct Loan program. This change will require you to complete a new Master Promissory Note (MPN).

If I borrowed a federal Stafford, PLUS, Grad PLUS last year, will I have to repay two different lenders now?

Yes. You will likely be repaying your federal loans multiple servicers. One or more servicers will be associated with the federal FFELP loans you received at NU prior to the 2010-11 academic year and your Direct Loan will have a servicer as well. You will receive correspondence and payment information from both the Department of Education and your prior lender or servicer.

After graduation you have a choice to make individual payments to your previous lender(s) and to the U.S. Department of Education for your Direct Loans, or you can consolidate your loans into one payment with the U.S. Department of Education. For more information regarding Loan Consolidation please visit the U.S. Department of Education's website at <http://loanconsolidation.ed.gov>.

Where can I find information about who services my other federal loans?

Information on your federal loan debt can be accessed via the National Student Loan Data System (NSLDS) at <http://www.nslds.ed.gov>. Note that any private (alternative) loans you have borrowed will not appear in the NSLDS.

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 U.S. Department of Education. You will need to have your Federal PIN number that was used to complete your FAFSA in order to electronically sign the MPN.

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

The MPN can be completed at <https://dlenote.ed.gov>. You will be sent instructions about how to complete the MPN for the Stafford and GradPLUS loans.

If you are going to borrow a GradPLUS loan, please note that the GradPLUS loan requires a credit approval, and the approval is only valid for 90 days. Please do not complete the GradPLUS loan application until you have received your offer of financial aid for the 2010-11 year to allow enough time to certify your GradPLUS loan prior to your credit approval expiring.

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

Interest rates and fees for 2010-2011 are:

<u>Direct Loan Program</u>	<u>Interest</u>	<u>Fees*</u>
Subsidized Federal Direct Loan (for undergraduates only)	4.5%	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%

<u>FFEL Loan Program</u>	<u>Interest</u>	<u>Fees</u>
Subsidized Stafford Loan (for undergraduates only)	4.5%	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 1.0% origination fee and also offer a .5% rebate on the origination fee – resulting in a net fee of .5%, which will be deducted from the gross amount of the loan borrowed. 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.

Will the Stafford Loans I borrowed through my bank or lender in prior years still be deferred?

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.

How do I apply for a Grad PLUS loan?

Under the Federal Direct PLUS loan program students may borrow up to the full cost of their education minus other financial aid received. Credit checks are required however the Direct Lending Program uses a more lenient credit assessment when compared to some FFELP lenders.

You should not apply through any lender other than the U.S. Department of Education. Applying through multiple lenders will cause unnecessary hits on your credit report and delay processing of your loan. PLUS loan application instructions for the 2010-11 academic year will be provided on our website in the early spring.

How do the Direct Loan repayment options differ from FFELP?

All repayment options offered to FFELP borrowers are also available for Direct Loan Borrowers, with the exception of Income Contingent Repayment, which is only available in Direct Loans. There are five repayment options available for Direct Loans:

- Standard
- Extended
- Graduated
- Income Contingent Repayment
- Income-Based Repayment

<http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlindex2.html>

Does Direct Loans offer in-school deferment for graduate/professional student Direct Grad PLUS Loan borrowers?

Yes. Graduate and professional students who have Direct Grad PLUS Loans are placed into an in-school deferment status based on the information reported by schools through the Enrollment Reporting process.

Does Direct Loans offer an extended repayment plan?

Yes. In addition, there are other repayment plans available to borrowers. Detailed information about repayment plans is available on the Direct Loan Servicing Online Web site.

<http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlindex2.html>

Does Direct Loans allow borrowers to defer payment? If yes, for what time period?

Yes. The Direct Loan Program offers the same deferments that are available to borrowers in the Federal Family Education Loan (FFEL) Program. The maximum period for which a borrower may receive a deferment is determined in accordance with the Direct Loan Program regulations, and depends on the deferment type. Information about deferments is available on the Direct Loan Servicing Online Web site.

How does Direct Loan Servicing capitalize interest?

Direct Loan Servicing capitalizes all unpaid interest:

- Upon entering repayment
- Upon expiration of a deferment period
- Upon expiration of a forbearance period
- Annually for any borrowers repaying under the Income Contingent Repayment (ICR) who have payments that do not cover monthly interest accrual.

How do I contact Direct Loan Customer Service?

- Applicant Services (PLUS borrowers): Open 8:00 AM to 8:00 PM ET, Monday through Friday. The phone number is 800/557-7394.
- Direct Loan Servicing Center: Open 8:00 AM to 8:00 PM ET, Monday through Friday. The phone number is 800/848-0979.
- The Direct Loan Servicing Online Web site (<https://www.dl.ed.gov/borrower/BorrowerWelcomePage.jsp>) offers personalized online services from start (during counseling) to finish (repayment and payoff).