

Federal Direct Loan Program Frequently Asked Questions for Borrowers

1. What are the changes taking place within the federal student loan program and why?

With the recently enacted Health Care and Education Affordability Reconciliation Act of 2010 (H.R. 4872) signed by President Obama on March 30, 2010, all Federal Stafford, PLUS and Consolidation loans with a first disbursement date on or after July 1, 2010 will be processed through the William D. Ford Direct Loan program. As a result of this new law, private lenders, such as credit unions or banks, will no longer have a role in originating or funding these loans as they did in the Federal Family Education Loan (FFEL) program. Going forward, borrowers interested in applying for Federal Direct Loans will work directly with their school rather than their lending institution.

2. What is the difference between the Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program?

The most important difference between the Federal Direct Loan program and the FFEL Program is the source of funding. Direct loans are funded through the U.S. Department of Education using funds obtained from the U.S. Treasury. In the FFEL program, funds come from credit unions and banks.

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

No. If you borrow a Federal Stafford, Parent PLUS or Grad PLUS loan for the 2010-11 academic year, you will be required to borrow through the Direct Loan program.

4. How do I apply?

The initial steps of the application process remain unchanged. You will complete the Free Application for Federal Student Aid (FAFSA) each academic year that you would like to be considered for financial aid. Your school will notify you of the loan amounts being offered, usually in an award letter. If it is determined that you are eligible for federal loans, you will need to work with the financial aid office to complete the Federal Direct Loan Master Promissory Note, rather than your lender.

5. Do I have to complete another Master Promissory Note?

If you had not taken a Federal Direct Loan last academic year, yes, you must complete a Federal Direct Loan Master Promissory Note (MPN) for the new loan for the 2010-11 academic year because you will be borrowing from a new lender, the Department of Education. Contact the financial aid office at your school to access and complete the Direct Loan MPN.

6. What will happen to the existing loans that I have borrowed from my credit union?

Any previous loans you borrowed from your credit union will be serviced by the chosen servicer, Great Lakes. As long as you are enrolled in school on at least a half-time basis, your prior year federal loan(s) will continue to be deferred.

7. Where can I access information about an existing loan funded by my credit union?

You can access your existing loan account information through the loan servicer, Great Lakes at 1-800-236-4300, or at www.mygreatlakes.org.

8. Am I able to consolidate my loans in the FFEL Program prior to conversion to the William D. Ford Direct Loan Program effective July 1, 2010?

If you are in grace or repayment period of your federal loans, you can consolidate with your credit union within the Federal Consolidation Loan Program. The first disbursement date must occur prior to July 1, 2010. To allow adequate time for processing the loan application, Great Lakes has established the following dates for accepting and processing consolidation applications:

- Cutoff date is June, 7, 2010, if loans intended for consolidation are with multiple servicers (other than Great Lakes).

- Cutoff date is June 20, 2010, if loans intended for consolidation are all serviced by Great Lakes.

9. How do I know where my loans are being serviced?

You are able to access your loan history by accessing the [National Student Loan Data System](#) (NSLDS) at [www.nsls.ed.gov](#). This is the Department of Education's central database that houses your loan information.

10. What should I do if I am not able to submit my consolidation application by the deadline dates established by Great Lakes?

You have the option to consolidate your loans into the [Federal Direct Consolidation Loan Program](#) ([www.loanconsolidation.ed.gov](#)) with the U.S. Department of Education as the lender. There are no deadline dates for this option.

11. Am I able to consolidate my loans if they are in an in-school status?

If you have concerns regarding having new loans with Direct Lending and past loans with other lenders/servicers, the Department of Education has established a temporary loan consolidation authority which allows consolidation for loans in an in-school status. You can apply for such a loan if the application is received between July 1, 2010 and July 1, 2011. The following eligibility conditions apply:

1. You must have loans in at least two of the following categories:
 - Federal Direct Loans
 - FFELP loans owned by a lender, and
 - FFELP loans owned by the Department of Education ("PUT" loans). AND
2. You must have at least one eligible loan in the above categories that has not yet entered repayment.

12. What is the interest rate for temporary in-school consolidation?

The interest rate is calculated the same as the Repayment Consolidation loan with the weighted average of the interest rates of the loans included in the consolidation loan. The exception with the temporary in-school consolidation loan is that it does **not** include rounding the final rate upward to the nearest 1/8th of one percent as regular consolidation allows.

13. Will I lose the grace period by consolidating through the temporary in-school consolidation option?

Yes. The legislation does not allow borrowers who consolidate while in-school to keep their six month grace period once they leave school.

14. Are parent PLUS and Grad PLUS borrowers eligible to consolidate under the temporary in-school consolidation option?

If a parent PLUS or Grad PLUS borrower has a Stafford loan that is still in an in-school or grace status, (s)he may include the PLUS loan in the consolidation.

Parent PLUS borrowers who are deferring payment while the student for whom they borrowed the PLUS loan is in-school should keep in mind that the deferment is only available on PLUS loans, not on Consolidation loans.

15. Under what circumstances would I benefit from using the temporary in-school consolidation option rather than the regular federal consolidation loan?

You should weigh the benefits of (1) consolidating in-school to obtain a single servicer (as opposed to consolidation during your grace period prior to repayment) and (2) an interest rate that is not rounded up to the nearest 1/8th of one percent versus (1) loss of grace period on Stafford loans and (2) loss of PLUS deferment options.