

Schreiner University Transitions Student Loan Program to Direct Lending Beginning with the 2010-2011 Academic Year

Beginning with the 2010-11 academic year, Schreiner University is joining thousands of other U.S. colleges and universities in the William D. Ford Federal Direct Student Loan Program. We will no longer use private lenders (through the Federal Family Education Loan program) for Stafford, PLUS or Grad PLUS loans. We are making this move to ensure continuity of service for you and other federal student loan recipients in light of Congressional moves to change the federal student loan program as well as ongoing changes in the student loan industry.

Currently, Schreiner's Federal Stafford, PLUS and Grad PLUS loans are available under the Federal Family Education Loan (FFEL) program. In the FFEL program, funds are provided from private lenders. As you may know, recent economic difficulties created considerable challenges for lenders in the FFEL program, with many lenders reducing borrower benefits or exiting the program altogether.

In the William D. Ford Federal Direct Loan program, loan proceeds are provided directly from the federal government to the university on behalf of the borrower. No third party is involved. In fact, more than half of the colleges and universities in the United States already participate in Direct Lending. Schreiner decided to participate in Direct Lending for 2010-11 in order to eliminate any possible risks to our students and parents that might be associated with either federal regulatory changes or market fluctuations affecting the FFEL program.

As a result of this transition you will need to sign a new Master Promissory Note (MPN) with the Direct Loan Program. ***Information regarding the completion of a Direct Loan Master Promissory Note (MPN) will be available on your financial aid award letter and our website.***

What are the benefits of switching to the Federal Direct Loan Program?

- Federal Stafford and PLUS/Grad PLUS loans are currently a stable, guaranteed source of funding in the Direct Loan Program.
- The option of an income-contingent or income-based repayment plan is offered with Direct Lending.
- Students in the Direct Loan program who enter into public service jobs may qualify for loan forgiveness.
- The PLUS loan credit approval process in Direct Lending uses a more liberal credit assessment than most FFEL program lenders.
- The interest rate for Direct PLUS Loans is 7.9%.

How Does the Direct Loan Transition Impact Student Loan Borrowers?

- Students will no longer select a third-party lender for their Stafford Loans.
- All Stafford Loan borrowers must complete a new Master Promissory Note (MPN) in the Direct Loan program. MPNs signed prior to 2010 in the FFEL program are not valid within the Direct Loan program. Direct Stafford Loan MPNs can be completed online at <https://dlenote.ed.gov> prior to receiving an award for 2010-11. The same PIN used for completing the Free Application for Student Aid (FAFSA) is used to electronically sign the MPN. PINs can be obtained at <http://www.pin.ed.gov>
- Although the Office of Financial Aid will continue to certify PLUS loan eligibility, Parent Loan (PLUS) and Grad PLUS borrowers will no longer apply with private lenders. Do not complete a PLUS Loan pre-approval with a private lender for loan periods of August 2010 or later. Information on how to apply for a 2010-11 Parent PLUS Loan will be provided in the early spring.
- Continuing Stafford and PLUS borrowers will have loans through FFELP and Direct Loans. Different servicers will be associated with the federal FFELP loans you received prior to the 2010-11 academic year and your Direct Loan. You should receive correspondence and payment information from both the Department of Education and your prior lender(s) or servicer(s) before you enter repayment.
- Terms and conditions of Direct Loans, in-school deferments and grace periods, mirror the FFEL program.

Direct Loan FAQs for Schreiner Undergraduates

1. 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.

2. 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). <https://dlenote.ed.gov>

3. 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 to different servicers. One or more servicers will be associated with the federal FFELP loans you received at SU 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>

4. Where can I find information regarding the repayment of all my federal loans?

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

5. 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 - <https://dlenote.ed.gov>. You will need to have your Federal PIN number that was used to complete your FAFSA in order to electronically sign the MPN.

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

The MPN can be completed at <https://www.dl.ed.gov>. Additional instructions on how to complete a Direct Loan Master Promissory Note (MPN) will be available on your financial aid award letter. If you plan to borrow a Student Loan next year, we encourage you to complete your MPN when you complete your other 2010-11 renewal application materials. If you are going to borrow a PLUS loan, please wait until you have received your financial aid offer to complete this process. The award letter will be necessary to help you determine the amount you need to request. The PLUS loan requires a credit approval and the approval is only valid for 90 days, therefore families who apply before mid-June will have a second credit check done automatically by the SU Financial Aid office in July. If there are any changes, the SU Financial Aid office will contact you immediately.

7. What is the interest rate and origination fees charged in Direct Loans?

Interest rates and fees for 2010-2011 are:

Direct Loan Program	Interest	Origination Fees*
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%

***Direct Loan Origination 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.

8. 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.

9. How do I apply for a Parent PLUS loan?

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

PLUS loan application instructions for the 2010-11 academic year will be provided on our website in the early spring. If you are planning to borrow a PLUS loan for 2010-11, please wait until you have received your financial aid offer to complete this process. The award letter will be necessary to help you determine the amount you need to request. Families who apply for a PLUS Loan earlier than mid-June, since the PLUS loan requires a credit approval which is only valid for 90 days, will have a second credit check done by the SU Financial Aid office in July. Any changes will be reported immediately to the parents by the Financial Aid office.

10. 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

11. 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.

12. 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.

13. 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.

14. 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.

15. 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](#) offers personalized online services from start (during counseling) to finish (repayment).