

Questions and Answers for Graduate Students regarding the Federal Direct Student Loan Program

What is the Federal Direct Student Loan Program and how is it different from what Bryn Mawr College did in the past?

There are two ways in which the Stafford/PLUS loan program is administered. One is through the Federal Family Educational Loan Program (FFEL) and the other is the Federal Direct Student Loan Program. Bryn Mawr College has participated in the FFEL Program whereby funds were obtained from banks and lenders after a guarantee agency approved the loan certification from the school. With the recent turmoil in the U.S. financial markets, many lenders have backed out of the FFEL Program or decided to limit their lending practices to certain higher education institutions. More lenders may soon follow.

The Federal Direct Student Loan model eliminates risk by assuring that federal loan funds are available to students who need to borrow. In the Direct Student Loan model, students complete the Free Application for Federal Student Aid (FAFSA), Bryn Mawr College determines student eligibility, and the U.S. Department of Education obtains funds directly from the U.S. Treasury. This process involves fewer participants and provides a single point of contact for the school and students.

Why did Bryn Mawr College decide to enter the Federal Direct Student Loan Program?

The abrupt changes in lender participation in the Stafford/PLUS loan program proved to create an unacceptable disruption in the service we provide to students. Although we made strides to lessen the impact, further disruptions are anticipated as the state of the economy remains unstable. Bryn Mawr College administrators decided to eliminate risk by moving to the Federal Direct Student Loan Program. The Program is the most stable source of Stafford/PLUS Loan funding available because funds are provided directly from the U.S. Treasury. Internally, the processes used to deliver Stafford/PLUS loan funds from Direct Lending mirror those already in use to deliver Pell grants and other federal funds. While the transition will require our solicitation of constructive criticism from Bryn Mawr students, we are confident that the benefits of the change will be seen by all.

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

- 1. Federal Direct Loans are a guaranteed source of funding for student Stafford and Grad PLUS loans.*
- 2. The option of an income-contingent or an income-based repayment plan when a student enters repayment. This means a student has the option of ensuring that the loan repayment amount will always be affordable based on what the borrower's income will allow.*
- 3. The PLUS loan for graduate students through the Direct Student Loan Program uses a more liberal credit assessment. More students may qualify for a Graduate PLUS Loan under the Direct Loan Program than in the FFEL Program.*
- 4. The interest rate for Graduate PLUS Loans is 7.9 percent in the Direct Student Loan Program compared to 8.5 percent in the FFEL Program.*

5. *Most lenders offer benefits during repayment after a student makes payments for two to four years. Very few students end up receiving those benefits. In the Direct Student Loan Program, students earn benefits after only one year.*
6. *Should a student make payments late under the Direct Student Loan Program, the late fees charged are less than the late fees charged by the lenders in the FFEL Program.*

[I have borrowed Stafford Loans in the past. How will this change affect me?](#)

You will still apply for federal Stafford Loans by completing the FAFSA. The financial aid office will continue to determine your eligibility. The difference is that once you accept a federal Stafford Loan offer, your lender will be the Federal Government. Processing of the loan is simplified because you do not need to decide on a lender. All you need to do is sign a new Master Promissory Note to obtain a Federal Stafford Loan. You will receive further instructions to guide you through this process via e-mail and via this website.

[I have borrowed a Grad PLUS loan in the past. How will this change affect me?](#)

You will still apply for a Federal Grad PLUS Loan by completing the loan information sheet that is provided along with your financial aid award or by contacting the Office of Financial Aid via phone or e-mail. The financial aid office will continue to determine Grad PLUS Loan eligibility. The difference is that once you apply for a Federal Grad PLUS Loan, your lender will be the Federal Government. Processing of the loan is simplified because you do not need to decide on a lender. You must sign a new Master Promissory Note. Further instructions will soon be available to guide you through the process via e-mail, post and this website.

[How will this change affect my future loan repayment?](#)

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 Student Loans, or you can consolidate your loans into one simple payment. You may either consolidate all of your loans with your previous lender, or with the Department of Education.

[Benefits of the Federal Direct Student Loan Program: A comparison chart](#)

	Direct Lending	FFELP
Loan Consolidation	<ul style="list-style-type: none"> Once in grace period or in repayment can consolidate loans If consolidate Perkins with DL, will not lose Perkins grace period Because DL loans are not sold, promised benefits are guaranteed If consolidate Direct Loans in the DL Consolidation, will not lose the 1.5% origination fee reduction received at disbursement DL Consolidation repayment option includes income contingent repayment with any remaining balance forgiven after 25 years 	<ul style="list-style-type: none"> Once in grace period or in repayment can consolidate loans If consolidate Perkins with FFELP, will lose Perkins grace period When loans are sold, as they often are, promised benefits are typically lost Few lenders continue to offer consolidation loans No income contingent repayment option in FFELP consolidation
Repayment Incentives	<ul style="list-style-type: none"> 0.25% Interest rate reduction for EFT payments 12 on-time payments needed to keep up-front rebate of 1.5% Because loans are not sold, promised benefits are never lost Interest is capitalized when borrower changes status 	<ul style="list-style-type: none"> Some lenders offer 0.25% Interest rate reduction for EFT payments Incentives for on-time payments typically require 36 to 48 months of on-time payments. Recent reports state that as few as 1% of borrowers ultimately qualify When loans are sold, as they often are, promised benefits are typically lost. Interest is typically capitalized as frequently as allowed under law and regulations
Repayment Plans	<ul style="list-style-type: none"> Standard, Graduated, Extended, Income-Based and Income-contingent repayment plans Income-contingent plan confirmed with IRS and has a 25-year maximum w/balance forgiven – better than IBR for some borrowers May change repayment plans at any time without penalty 	<ul style="list-style-type: none"> Standard, Graduated, Extended, and Income-Based Repayment options Not applicable Ability to change repayment plans may be restricted to annually or student may lose benefits
Return of Funds	<ul style="list-style-type: none"> Common Origination and Disbursement System managed by ED for Pell, ACG, SMART and Direct Loans allows easy return of funds Ineligible funds for a student may be used to pay other students 	<ul style="list-style-type: none"> Written correspondence explaining return of funds for each student to each lender. Lenders will have different procedures. Ineligible funds or return of Title IV funds due to withdrawal for a student must be returned to various lenders using a variety of methods and not reused to pay other students
Loan Fees	<ul style="list-style-type: none"> 1% net origination fee after 1.5% up-front rebate No guarantee fee 	<ul style="list-style-type: none"> 0-1% origination fee – depending on lender 0-1% for guarantee fee
Interest Rates	<ul style="list-style-type: none"> 7.9% interest on G-PLUS and PLUS 	<ul style="list-style-type: none"> 8.5% interest on G-PLUS and PLUS
American Taxpayers	<ul style="list-style-type: none"> \$.77 per \$100 borrowed* <p><i>*per President's FY 2009 budget</i></p>	<ul style="list-style-type: none"> \$5.25 per \$100 borrowed* <p><i>*per President's FY 2009 budget</i></p>