What is changing for the 2010-2011 academic year?

Muhlenberg College currently processes Federal Stafford Loans and Federal PLUS Loans through the Federal Family Education Loan program, in which students and parents borrow from private lenders and banks. Beginning on July 1, 2010, the Muhlenberg College will only be participating in the William D. Ford Federal Direct Loan program, in which borrowers obtain loan funds directly from the U.S. Department of Education (all lenders and guarantors have been removed from the process).

Why is Muhlenberg College changing its loan process?

On March 25, 2010, the U.S. House of Representatives and the U.S. Senate passed the The Health Care and Education Affordability Reconciliation Act of 2010 ("HCEARA"-H.R. 4872). This bill makes major changes in several federal student aid programs AND mandates that, effective July 1, 2010, all federal student loans (Stafford, PLUS, and Grad PLUS) will be originated through the Federal Direct Loan Program. The Family Federal Education Loan Program, which permitted private lenders to originate these loans, is eliminated effective June 30, 2010.

President Obama signed the bill into law on March 30, 2010.

- Student Loan Bill Scorecard - Inside Higher Ed (March 24, 2010)

Does this change impact me?

If you are a new or continuing student borrower who plans to borrow federal loans in the 2010-2011 aid year, this change will impact you. As the 2010 fall semester, all Federal Stafford and PLUS loans will be processed through the Federal Direct Loan program.

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

- Federal Student and PLUS Direct loans are currently a stable, guaranteed source of funding. (students will not have to worry about whether their lender will pull out of the program mid year).
- More repayment options. For example, 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.
- The interest rate for Direct PLUS Loans is 7.9% as compared to 8.5% in the FFEL program.
- For 2010-11, all Federal Direct Subsidized or Unsubsidized loans disbursed after July 1, 2010 will be charged a fee of 1.0% with a .5% up front interest rebate. The
total fees are reduced to 1/2% due to the up front interest rebates. To retain all up front rebates, when a student starts to repay their loans, they must make their first 12 consecutive payments on time. This fee helps reduce the cost of making these low-interest loans. The fee and rebate will be applied before any loan funds are disbursed.

- For 2010-11, all Federal Direct PLUS Loans will be charged a 4% fee of the principal amount charged for each Direct PLUS Loan that you borrow. The total fee is reduced to 2.5% due to an up front interest rebate equal to 1.5% of the loan amount. To retain this up front rebate, when a parent starts to repay their loan, they must make their first 12 consecutive payments on time. The fee and rebate will be applied before you receive any loan money.

How Does the Direct Loan Transition Impact Student Loan Borrowers?

- Students will no longer select a third-party lender/bank for their Federal Student Loans.
- All Federal Student Loan borrowers must complete a new Master Promissory Note (MPN) in the Direct Loan program. (MPNs signed prior to July 1, 2010 in the FFEL program (lender based federal loan program) are not valid within the Direct Loan program.) Direct Stafford Loan MPNs can be completed online at http://www.dlenote.ed.gov prior to receiving your financial aid award for the 2010-11 Academic Year. 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.
- All Stafford loan borrowers should complete a new entrance interview for the Direct Loan program to assure that you understand your rights and responsibilities in using federal loans. The Direct Student Loan entrance interview may be found at https://www.dlssonline.com/borrower/EntrCounselingPage.do?cmd=doStart.
- Parent Loan (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. The first step in the process is to complete a Federal Direct PLUS Loan Request Form (an internal document for the Office of Financial Aid found http://www.muhlenberg.edu/pdf/main/aboutus/finaid/direct_plus_loan_request_form_09.pdf) which will let us know how much you wish to borrow. The new MPN for the Federal Direct PLUS loan may be found at http://www.dlenote.ed.gov and it may be electronically signed with the same PIN used for completing the FAFSA. You may retrieve or obtain a PIN by going to http://www.pin.ed.gov.
- Continuing Stafford and PLUS borrowers will have split loan programs (FFELP and Direct Loan). Direct Loans will be serviced by the Department of Education and the current holder of any FFEL loans will service loans previously borrowed. Loan consolidation with the Department of Education allows for one single payment. Information on the Federal Loan Consolidation Program may be found at https://loanconsolidation.ed.gov/AppEntry/apply-online/appindex.jsp.
• Terms and conditions of Direct Loans, in-school deferments and grace periods, mirror the FFEL program.

What happens to the Stafford loans I borrowed in previous years? Will they still be deferred now that Muhlenberg College is changing its loan process?

Your Federal Stafford loans from previous years should remain in deferment as long as you are enrolled at least half time for your program. You are responsible for notifying your lender if your enrollment status changes.

How will repayment work if I have FFEL and Direct loans?

Many FFEL lenders have been selling their loan portfolios to the Department for Education for servicing during the past two academic years (AY 08/09 and AY 09/10). You will have the option of making separate payments to each agency/loan servicing company OR you can also opt to consolidate all loans into one Federal Direct Consolidation Loan.

Consolidating All Prior Loans

Under provisions of the Ensuring Continued Access to Student Loans Act ("ECASLA"), lenders have the option to "PUT" (sell) loans to the U.S. Department of Education (DOE). Lenders must notify borrowers if their loans have been sold to the Department of Education. We have been notified by all major lenders historically used by our families that they intend to sell or have already sold their loan portfolios to the Department of Education.

• Currently enrolled students with Federal Stafford Loans should pay particular attention to the option to consolidate all of their prior federal loans into a Federal Direct Consolidation Loan between July 1, 2010 and June 30, 2011. We will be posting more information about this option as we receive it.

A Consolidation Loan allows you to combine all the federal student loans you received to finance your college education into a single loan. Borrowers will be able to consolidate all of their prior Stafford, Direct Loans and Perkins Loans through the Federal Direct Consolidation Program.

How can I find out where all my loans are, if they have been sold, what my current outstanding balance is, and who is servicing them?

You can find information about the servicers of your other federal loans at www.nslds.ed.gov. You will need your pin number from the FAFSA to access this site. This site contains all of your federal Title IV aid history. When a change (like your loans being sold) takes place, it can take up to two weeks for this federal web site to be
updated. The Federal Student Aid Ombudsman of the Department of Education helps resolve disputes and solve other problems with federal student loans.

**Will I still be able to borrow private loans through an outside lender?**

Yes, if you meet the qualifications you will still be able to borrow private loans through an outside lender.

**What loans are offered through the Federal Direct Lending program and how much can I borrow?**

A **subsidized** Federal Direct loan is awarded on the basis of financial need. Interest is not charged until you begin repayment or during deferment periods. The interest rate for loans disbursed after July 1, 2010 will be 4.5%.

An **unsubsidized** Federal Direct loan is not awarded on the basis of need. You will be charged interest (6.8%) from the time the loan is disbursed until it is paid in full. If you allow the interest to accrue (accumulate) while you’re in school, or during other periods of non-payment, it will be capitalized. This means the interest will be added to the principal amount of your loan, and additional interest will be based on that higher amount.

If your class level changes during the year, you may be eligible for an increase in your Federal Direct Loan. If you wish to request an increase in your loan amount, please contact us via email or stop by our office to present the request in writing. For example, a second year student might begin the fall semester with 6 Units and have a Federal Direct Loan of $3,500. During the fall semester, the student earns 4 Units for a total of 10 Units by the beginning of the spring semester. The spring loan award could then be increased from $1,750 to $2,250 upon request.

A Federal Direct PLUS loan still has an in-school deferment which will delay payments on the PLUS loan until six months after the dependent student on whose behalf the parent borrowed ceases to be enrolled at least half-time. Otherwise, repayment on the PLUS loan begins 60 days after the loan is fully disbursed for an academic year. To request an in-school deferment, AFTER the initial PLUS loan disbursement, please contact Direct Loan Borrower Services at 1-800-848-0979. Deferment needs to be requested on an ANNUAL basis, and may be requested 14 days after the loan has been disbursed to the student's account. **Interest will continue to accrue on this loan during the deferment period.** Therefore, we recommend that you make your interest payments during this deferment period if at all possible.

**How can I calculate what my monthly loan payments will be?**

Not sure how much your monthly payments will be? Use one of our repayment calculators to help you plan - [http://www.finaid.org/calculators/loanpayments.phtml](http://www.finaid.org/calculators/loanpayments.phtml) or [http://www2.ed.gov/offices/OSFAP/DirectLoan(calc.html](http://www2.ed.gov/offices/OSFAP/DirectLoan(calc.html)
Note: The longer your loan is in repayment, the more interest you will pay. Calculations are estimates. Values may not reflect the actual amount computed by the Direct Loan Servicing Center.

Where can I find more information on the Income Based Repayment Plan and Public Service Cancelations?

In addition to the federal government’s student loan website, you can also find more detailed information at http://www.IBRinfo.org for more detailed information about this new repayment plan.

More detailed information about the Federal Direct Student Loan and Federal Direct PLUS Loan may be found on our website at http://www.muhlenberg.edu/main/aboutus/finaid/loans/new_borrowers.html