

# The College of New Jersey Moves to Federal Direct Lending

Effective Fall 2009, The College of New Jersey will begin participation in the Federal Direct Loan Program.

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# The College of New Jersey Moves to Federal Direct Lending

- TCNJ recently researched and compared the two federal student loan programs, the Federal Family Educational Loan Program (FFELP) and the Federal Direct Student Loan program.
- TCNJ currently participates in the FFELP program for both Stafford and PLUS loans.
- During our research it became evident that the Federal Direct Loan program was the better loan program for our students and parents for a number of reasons.



# There are several benefits in the Direct Loan Program:

- Provides a guaranteed source of funding for student loans.
- The option of an income-contingent repayment plan 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.



# There are several benefits in the Direct Loan Program:

- Students in the Direct Loan Program who enter into public service jobs can have any remaining balance on the loans forgiven after 10 years of repayment while in public service work.
  - While this option does not exist in the FFEL Program, students who borrowed in that program can consolidate their loans into the Direct Loan Program in order to take advantage of this forgiveness.
- The PLUS loan for parents and/or graduate and professional students through Direct Loan uses a more liberal credit assessment.
  - More parents and graduate students may qualify for these programs under the Direct Loan Program than in the FFEL Program.



# There are several benefits in the Direct Loan Program:

- The interest rate for the parent PLUS loan and the graduate PLUS loan is lower in the Direct Loan Program than in the FFELP.
  - 7.9% in DL compared to 8.5% in FFELP
  - Stafford interest rates are the same in both programs (5.6% for undergraduate subsidized and 6.8% for undergraduate unsubsidized and all graduate Stafford loans).
- 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 Loan Program students earn benefits after only one year.



# There are several benefits in the Direct Loan Program:

- There is a .25% interest rate reduction for automatically debiting the payment from your checking account, once you enter repayment.
- If a student makes late payments under the Direct Loan Program, the late fees charged are less than the late fees charged by lenders in the FFELP.



# How does this change affect me?

- New and returning student borrowers will be required to eSign a Direct Loan Master Promissory Note.
- New borrowers will be required to complete Direct Loan Entrance Counseling.
  - Previous borrowers who have already completed Entrance Counseling will not be required to repeat Entrance Counseling with Direct Loans.



# Frequently Asked Questions:

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

- The most important difference between the two programs is the source of loan funding.
  - Direct loans come through the U.S. Department of Education and are obtained from the U.S. Treasury.
  - This program offers student one point of contact because the loans are made, backed and serviced by the U.S. Department of Education.
- FFELP funds come from independent lenders (banks).
  - The guarantor and servicer may be other agencies.
  - Very often the student's loan is "sold" to another lender or servicer.
  - This can be confusing for the student and can complicate the repayment process.



# Frequently Asked Questions:

*What will happen to the existing loans that I have borrowed from other lenders?*

- 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 Loans, or you can consolidate your loans into one simple payment.
  - You may either consolidate all your loans with your previous lender, or with the Department of Education.
  - However, many private lenders have discontinued their consolidation services.



# Frequently Asked Questions:

*If I have previously borrowed under the FFELP Program, do I have to complete another Master Promissory Note (MPN)?*

- Yes, you must sign a new Direct Loan Master Promissory Note.
- This will be the last promissory note you will have to sign as long as you continue to attend TCNJ.
- Your Federal PIN (the same used on the FAFSA) is required in order to eSign.



# Frequently Asked Questions:

*If I have previously completed Entrance Counseling under the FFELP Program, do I have to complete Direct Loan Entrance Counseling?*

- No, you will not be required to complete Entrance Counseling again if you have already completed Entrance Counseling under the FFELP Program.
- New borrowers will be required to complete Direct Loan Entrance Counseling.



# Frequently Asked Questions:

*Will the change in loan programs cause my prior loans to go into repayment?*

- No, your prior Stafford loans will not go into repayment as long as you remain enrolled at least half time.



# Frequently Asked Questions:

*Are there any fees associated with using the Federal Direct Loan Program?*

- Yes, for the Stafford the effective up front fee is 0.5% of the loan and for the PLUS the effective up front fee is 2.5% of the loan, these fees will be subtracted from the gross amount of your disbursement.



# Frequently Asked Questions:

## *Where can I go to consolidate my loans?*

- You may explore your options, as discussed prior, with either private lenders or with the Federal Direct Loan Consolidation Program .
- ([www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov))

