William D. Ford Federal Direct Loan Program

Chatham University will begin participation in the William D. Ford Federal Direct Loan Program for the 2010-2011 school year.

Historically, Chatham has participated in the Federal Family Education Loan Program (FFELP), so you may have questions about the switch from FFELP to the Federal Direct Loan Program and how this change affects you and your ability to borrow Stafford and PLUS loans. To assist you through this process, we have provided some commonly asked questions and their answers below.

1) Why is Chatham University making a change to the Direct Loan Program?
2) What is the difference between the Direct Loan Program and the Federal Family Education Loan Program (FFELP)?
3) Will I still be able to continue borrowing through the same lender as last year?
4) I borrowed FFELP loans previously. Will I have to repay two different lenders?
5) Where can I find information about who services my other federal loans?
6) I borrowed from a lender through FFELP previously. Do I have to complete another Master Promissory Note?
7) How do I complete a Direct Stafford Loan Master Promissory Note?
8) How do I, or my parent, complete a Direct PLUS Loan Master Promissory Note?
9) When do I, or my parent, complete a Direct Stafford Loan or Direct PLUS Loan Master Promissory Note?
10) I completed entrance counseling under FFELP, do I have to complete Direct Loan entrance counseling?
11) What is the interest rate and fees charged in Direct Loans compared to FFELP?
12) Will the FFELP Stafford Loans I borrowed through my bank or lender in prior years still be deferred now that the Chatham University is participating in the Direct Stafford Loan Program?
13) How do the Direct Loan repayment options differ from FFELP?
14) How do I contact the Department of Education’s Direct Loan Customer Service?

1) **Question:** Why is Chatham University making a change to the Federal Direct Loan Program?
1) **Answer:** On March 25, 2010 Congressed passed a bill called the Student Aid and Fiscal Responsibility Act (SAFRA) that will eliminate the Family Education Loan Program (FFELP). Due to the elimination of FFELP, the switch to the Federal Direct Loan Program (FDLP) is mandatory. With the change to Direct Loans, Chatham University can ensure continuity of federal loan service for our students. In the Direct Loan program funding for the loans comes directly from the Department of Education, which in turn gets the funds from the US Treasury. The US Treasury is a stable source of funding, as this program is not impacted by changes in the economy. Additionally, the transition from FFELP to FDLP will save estimated tens of billions of dollars, which will be reinvested in education. Uses for these funds will include:

- Annual increases the maximum Pell Grant to the rate of inflation
- $255 million annually to help Historically Black Colleges and Universities
- $750 million over five years for College Access Challenge Grants to encourage low-income students to enroll and succeed in college
- $2 billion over four years to assist two-year institutions with job training programs
- $1.5 billion to support modifications in the income-based repayment of federal subsidized student loans, which apply to new borrowers who obtain loans made beginning 2014
- A decrease in the upfront Stafford and PLUS loan origination fees
2) **Question:** What is the difference between the Direct Loan Program and the Federal Family Education Loan Program (FFELP)?

2) **Answer:** The most important difference between Direct Lending and the FFELP program is the source of loan funding. Direct loans are funded through the US Department of Education using funds obtained from the US Treasury. This program offers students and parents one point of contact - the Department of Education. With FFELP loans, funds come from banks and lenders and can result in multiple points of contact for students. There are also some differences in the interest rate, fees, and repayment options.

3) **Question:** Will I still be able to borrow through the same lender as last year?

3) **Answer:** No, if you borrow a Federal Stafford for the 2010-2011 academic year, you will be required to borrow through the Direct Loan program. If you, or your parent, borrows a Federal PLUS loan in 2010-2011, this loan also must be through the Direct Loan program. This change will require you to complete a new Master Promissory Note (MPN) for the Federal Stafford and Federal PLUS loans.

4) **Question:** I borrowed loans through Federal Family Education Loan Program (FFELP). Will I have to repay two different lenders?

4) **Answer:** Yes. Any loans you borrowed previously from other lenders will be serviced by the lender/servicer you selected when you signed your original MPN. However, many loans were sold to the Department of Education so you may end up repaying a different lender/servicer then the one from which you originally borrowed. After graduation you may choose to 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 payment with the Department of Education. Please visit the Department of Education's website for more information about loan consolidation at loanconsolidation.ed.gov.

5) **Question:** Where can I find information about who services my other federal loans?

5) **Answer:** Information on your servicers for your federal loan debt can be accessed through the National Student Loan Data System (NSLDS) at nslds.ed.gov. Note that any private (alternative) loans you have borrowed will not appear in the NSLDS.

6) **Question:** I borrowed previously from a lender through Federal Family Education Loan Program (FFELP). Do I have to complete another Master Promissory Note?

6) **Answer:** Yes. You must sign a new Direct Loan Master Promissory Note (MPN) because you will be borrowing from a new lender, the Department of Education.

7) **Question:** How do I complete a Direct Stafford Loan Master Promissory Note (MPN)?

7) **Answer:** The Direct Loan Master Promissory Note (MPN) may be completed online at studentloans.gov. If you are a first time borrower, you will also be required to complete Direct Loan Entrance Counseling, an online counseling sessions that ensures that you understand your rights and obligations as a borrower. To sign your MPN electronically, you will need a Department of Education issued PIN. This may be obtained at pin.ed.gov. This is the same PIN that is used to sign the FAFSA.

- On the studentloans.gov website, you must click on the “Sign In” button in the “Manage My Direct Loan” box. To sign in, you will need to provide your Social Security number, first two characters of your last name, date of birth, and PIN.

8) **Question:** How do I, or my parent, complete a Direct PLUS Loan Master Promissory Note?

8) **Answer:** The Direct PLUS Loan Master Promissory Note (MPN) may be completed online at studentloans.gov. To sign your MPN electronically, you will need a Department of Education issued PIN. This may be obtained at pin.ed.gov. This is the same PIN that is used to sign the FAFSA. PLUS loan borrowers may borrow up to the full cost of attendance minus other financial aid received, including Federal Direct Stafford Loans. First-time Graduate PLUS borrowers must complete loan counseling prior to disbursement. This can be done online at studentloans.gov.

- On the studentloans.gov website, you must click on the “Sign In” button in the “Manage My Direct Loan” box. To sign in, you will need to provide your Social Security number, first two characters of your last name, date of birth, and PIN.

- You must also complete a “Federal Direct PLUS Loan Request Form” or a “Federal Direct Parent PLUS Loan Request Form,” which is available on Chatham.edu and my.Chatham. You will use this form to request a
specific dollar amount for the loan, and also to authorize the Direct Loan Servicer to obtain a copy of your credit report for the purpose of determining your loan eligibility. The request form is submitted to the Financial Aid Office at Chatham University. Please note that this is a new step in the PLUS loan application process.

9) **Question:** When do I, or my parent, complete a Direct Stafford Loan or Direct PLUS Loan Master Promissory Note?  
9) **Answer:** The Master Promissory Note (MPN) is available now at studentloans.gov. All Stafford and PLUS loan borrowers for the 2010-2011 academic year are encouraged to complete an MPN as early as possible. We ask that the Stafford MPN be completed prior to July 15, 2010.

10) **Question:** I completed entrance counseling under the FFEL program, do I have to complete Direct Loan entrance counseling?  
10) **Answer:** No. You will not be required to complete entrance counseling if you have previously completed it for a similar Federal loan under the FFEL program. Only new borrowers will be required to complete entrance counseling.

11) **Question:** What are the interest rates and fees charged in the Federal Direct Loan programs compared to those charged in the FFEL program?  
11) **Answer:**

<table>
<thead>
<tr>
<th>Federal Direct Loan Programs</th>
<th>2010-2011 Interest</th>
<th>2010-2011 Fees*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Direct Subsidized Stafford Loan</td>
<td>4.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Federal Direct Unsubsidized Stafford Loan</td>
<td>6.8%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Federal Direct PLUS Loan</td>
<td>7.9%</td>
<td>2.5%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FFEL Loan Programs</th>
<th>Interest</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidized Stafford Loan</td>
<td>4.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Unsubsidized Stafford Loan</td>
<td>6.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Parent PLUS Loan</td>
<td>8.5%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

*Direct Loan Fee Rebate: The Subsidized and Unsubsidized Federal Direct Stafford Loans have a 1.0% origination fee and a 0.5% up-front interest rebate (for 2010-2011 academic year loans) 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; 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 a 1.5% up-front interest rebate (for 2010-2011 academic year loans) on the origination fee – resulting in a net fee of 2.5%, which will be deducted from the gross amount of the loan borrowed. Once in repayment, if the parent borrower makes the first 12 monthly payments on time, the rebate becomes permanent. If a parent borrower fails to make 12 on-time monthly payments; a charge for the initial rebate will be added to the outstanding balance of the loan.

12) **Question:** Will the Stafford Loans I borrowed through my bank or lender in prior years still be deferred now that Chatham University is participating in the Direct Loan Program?  
12) **Answer:** As long as you are enrolled in school on at least a halftime basis, your prior year(s) federal loans will continue to be deferred. Enrollment information is reported to lenders by the University on a regular basis through the National Student Clearinghouse.

13) **Question:** How do the Direct Loan repayment options differ from repayment options through FFELP?  
13) **Answer:** All repayment options offered to FFELP borrowers are available for Direct Loan Borrowers, with the exception of Income Contingent Repayment, which is available only in Direct Loans. There are five repayment options available for Direct Loans (Standard, Extended, Graduated, Income Contingent, and Income-Based). More information is available online at direct.ed.gov/RepayCalc/dlindex2.html.

14) **Question:** How do I contact the Department of Education’s Direct Loan Customer Service?  
14) **Answer:** The U. S. Department of Education Direct Loan Program Customer Service phone number is 1-800-848-0979 and their office hours are 8:00 AM to 8:00 PM Eastern Standard Time, Monday through Friday.