

# Loans

## William D. Ford Federal Direct Loan Application Process

Lee College participates in the William D. Ford Federal Direct Loan program, in which borrowers obtain loan funds directly from the U.S. Department of Education. We believe that the Federal Direct Loan program offers our students and parents a stable, streamlined, and predictable borrowing experience.

All new borrowers should consider the Federal Direct Loan Program.

### What should I do?

- New and returning student borrowers are required to eSign a Federal Direct Loan Master Promissory Note.  
<https://studentaid.gov/myDirectLoan/index.action>
- All new and returning borrowers are required to complete Federal Direct Loan Entrance Counseling.  
<https://studentaid.gov/myDirectLoan/index.action>

### What are the benefits in the Federal Direct Loan Program?

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.

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 FFELP, students who borrowed in that program can consolidate their loans into the Direct Loan Program in order to take advantage of this forgiveness.)

The interest rate for the parent PLUS loan and for the graduate student PLUS loan is 7.9 percent in the Direct Loan Program, compared to 8.5 percent in the FFELP.

Effective July 1, 2009, the government pays 1 percent of your origination fee at disbursement, commonly called the loan rebate benefit. You are eligible to keep this benefit as long as you make the first 12 monthly payments of your student loan on time. The net disbursement of your loan will be 99.5 percent of the principal. There is a 0.25 percent interest rate reduction for automatically debiting your payment from your checking account when you begin repayment.

### How does this affect my parent's Parent PLUS Loan?

Parents who wish to borrow a Federal Direct Parent PLUS Loan will need to complete the Federal Direct Loan Promissory Note for PLUS Loans and return it to our office by the published deadline dates.

# Frequently Asked Questions

## **Why did the College choose to move into the Federal Direct Loan Program?**

Volatility in the credit markets and reductions in lender subsidies have caused many lenders to stop offering borrower benefits and other services. The Direct Loan program is not affected by changes in the economy and provides a more stable loan process.

## **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.

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

Yes, you must sign a new Federal Direct Loan Master Promissory Note. This will be the last promissory note you will have to sign as long as you continue to attend LEE COLLEGE. Your Federal PIN is required in order to eSign.

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

You should complete a Federal Direct Loan Master Promissory Note as soon as possible if you plan to borrow a Subsidized or Unsubsidized Loan.

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

Yes, you will be required to complete Federal Direct Loan Entrance Counseling even if you have already completed Entrance Counseling under the FFELP. New borrowers will be required to complete Direct Loan Entrance Counseling.

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

You may explore your options, as discussed above, with either private lenders or with the Federal Direct Loan Consolidation Program.

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

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

## **Are there any differences in interest rates and fees between the FFELP and the Federal Direct Loan?**

There are some differences. The interest rate for Federal PLUS loans is 7.9 percent in the Direct Loan program (compared to 8.5 percent in the FFELP). Interest rates for Federal Stafford Loans are the same in both programs. See the following chart for differences in fees between the two programs:

<b>Loan Type</b>	<b>Gross Fee</b>	<b>Minus Rebate*</b>	<b>Equals Net Fee Charged for 2009/2010</b>
Direct Loan – Federal Stafford	1.5%	1%*	.5%
FFEL – Federal Stafford	.5% to 1.5% (varies by lender)	N/A	.5% to 1.5% (varies by lender)

Direct Loan – PLUS	4%	1.5%*	2.5%
FFEL – PLUS	3% to 4% (varies by lender)	N/A	3% to 4% (varies by lender)

\*The up-front rebate reduces the fee you pay at origination. If you don't make your first 12 monthly payments on time, the rebate amount will be added to your principal balance.

### **Federal Direct Subsidized Stafford Loan**

A Federal Direct Subsidized Loan is awarded to meet financial need after other resources are subtracted or to the annual maximum loan limit, whichever is lower. It is the U.S. Department of Education's major form of self-help aid and is available through the William D. Ford Federal Direct Loan Program. For undergraduate students, Federal Direct Subsidized Loans disbursed between July 1, 2009 and June 30, 2010 will have a fixed interest rate of 5.6 percent. For graduate students, Federal Direct Subsidized loans have a fixed interest rate of 6.8 percent. The federal government pays interest on the loan until you begin repayment.

### **Apply for a Federal Direct Subsidized Loan**

To apply for a Federal Direct Subsidized Loan, you must complete the FAFSA. To be eligible, you must be enrolled for at least six hours per semester. If you are eligible for a Federal Direct Subsidized Loan, it will be included on your Financial Aid Award Letter.

### **Accept/Reduce/Decline a Federal Direct Subsidized Loan**

You can accept or decline a Federal Direct Subsidized Loan on your electronic Award Letter by selecting "Accept" or "Decline" in the dropdown box on the Award Letter Accept/Decline Awards page. You can reduce your loan by selecting "Accept" in the dropdown box and entering a lower award amount in the "Partial Accept" field. If you wish to request loan changes, you should use the "Request Changes" on the Award Letter Information Request page of your electronic Award Letter.

A Master Promissory Note (MPN) and Entrance Counseling are required for Federal Direct Loans before the loan funds will be disbursed. In most cases, you will only be required to complete one MPN and complete one entrance counseling session during your college career.

### **Federal Direct Unsubsidized Stafford Loans**

A Federal Direct Unsubsidized Loan is not based on your financial need. It is available to you through the William D. Ford Federal Direct Loan Program, if your Estimated Cost of Attendance (COA) is greater than your financial aid and you have not reached your annual maximum loan limit through the Federal Direct Subsidized Loan. The interest rate for Federal Direct Unsubsidized loans disbursed on or after July 1, 2006 is fixed at 6.8 percent. You are charged interest on this loan from the time the loan is disbursed until it is paid in full. If the interest is allowed to accumulate, the interest will be added to the principal amount of the loan and increase the amount to be repaid.

### **Apply for a Federal Direct Unsubsidized Loan**

To apply for a Federal Direct Unsubsidized Loan, you must complete the FAFSA. To be eligible, you must be enrolled for at least six hours per semester. If you are eligible for a Federal Direct Unsubsidized Loan, it will be included on your Financial Aid Award Letter.

## **Accept/Reduce/Decline a Federal Direct Unsubsidized Loan**

You can accept or decline a Federal Direct Unsubsidized Loan on your electronic Award Letter by selecting “Accept” or “Decline” in the dropdown box on the Award Letter Accept/Decline Awards page. You can reduce your loan by selecting “Accept” in the dropdown box and entering a lower award amount in the “Partial Accept” field. If you wish to request loan changes, you should use the “Request Changes” on the Award Letter Information Request page of your electronic Award Letter.

A Master Promissory Note (MPN) and Entrance Counseling are required for Federal Direct Loans before the loan funds will be disbursed. In most cases, you will only be required to complete one MPN and complete one entrance counseling session during your college career.

## **Federal Direct Parent PLUS Loans**

Parent Loans for Undergraduate Students (Federal Direct Parent PLUS) are federal loans that parents with good credit histories may borrow to help pay the educational expenses of an undergraduate student enrolled in at least 6 credit hours per semester.

A parent may borrow up to the total of the Estimated Cost of Attendance less resources and all other financial aid received by the student. The interest rate is a fixed interest rate of 7.9 percent and is charged on the loan from the time the loan funds are disbursed until it is paid in full.

## **Apply: Complete a Federal Direct Parent PLUS Loan Request Form**

If a Federal Direct Parent PLUS loan is the only financial aid you desire, then filing a FAFSA is not required. Complete the Federal Direct Parent PLUS Loan Request Form and return it to THE FINANCIAL AID OFFICE by the deadline dates listed on the form. If the parent borrower does not have an active Master Promissory Note (MPN) on file, he/she must complete one online.

## **Parent Eligibility**

Parents must submit to a credit check by the United States Department of Education to be eligible for a Federal Direct Parent PLUS Loan. You authorize the credit check when you sign the Federal Direct Parent PLUS Loan Request Form.

## **Federal Direct Parent PLUS Loan Processing / Receipt of Funds**

The Direct Loan Processor will notify the parent borrower and the LEE COLLEGE Office of Financial Assistance of the result of the credit check. The borrower cannot be 90 days or more delinquent on the repayment of any debt or the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment or write-off of a Title IV debt during the last five years. If credit is approved, loan funds will be disbursed. The funds will be applied to tuition, fees, and other College charges.

## **Refunds**

If the Federal Direct Parent PLUS disbursement generates a refund after College charges are paid, the refunded amount will go to the parent.

## **Federal Direct Grad PLUS Loans**

Grad PLUS Loans are federal loans that graduate and professional students with good credit history may borrow to help pay educational expenses if you are enrolled in at least 6 credit hours per semester.

A student may borrow up to the total of the Estimated Cost of Attendance less resources and other financial aid. The interest rate is a fixed interest rate of 7.9 percent and is charged on the loan from the time the loan funds are disbursed until it is paid in full.

### Apply for a Grad PLUS Loan

To apply for a Grad PLUS loan you must complete the FAFSA. Additionally you will be required to sign a Grad PLUS Master Promissory Note (MPN) and complete Entrance Counseling. The Entrance Counseling requirement for a Grad PLUS Loan is different from that of a Direct Stafford Loan (subsidized/unsubsidized) but may be completed at the same time by completing the Combination – Stafford and PLUS loan option. In addition, to be eligible for a Grad PLUS Loan, you must be enrolled at least six hours per semester.

### Eligibility

To be eligible for a Grad PLUS Loan, you must submit to a credit check by the U.S. Department of Education. You authorize the credit check when you agree to the Award Letter Financial Aid Terms and Conditions.

### Grad PLUS Loan Processing/Receipt of Funds

The Direct Loan Processor will notify you and LEE COLLEGE Financial Aid Office of the result of the credit check. You cannot be 90 days or more delinquent on the repayment of any debt or the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a Title IV debt during the last five years. If credit is approved, loan funds will be disbursed. The funds will be applied to tuition, fees, and other College charges.

### Refunds

If a Grad PLUS disbursement generates a refund, the refunded amount will be deposited into your bank account. Authorizing direct deposit of refunds gives you the quickest access to your funds.

### How do I contact the Direct Loan Program?

- Direct Loan Program: 800.848.0979
- PIN Website: A Federal PIN is required in order to eSign your Direct Loan MPN.
- Master Promissory Note: A Federal Direct Loan MPN is required of all new and current borrowers effective summer 2009.
- Entrance Counseling: Federal Direct Loan Entrance Counseling is required for all new and returning borrowers.
- Direct Loan Account Information: Online account and billing information.
- Loan Consolidation: Consolidate your FFELP loans with your Direct Loans when you graduate if desired.

### FSA Student Loan Ombudsman Group

- **Phone:** 877.557.2575
- **Fax:** 606.396.4821
- **Mail:** FSA Ombudsman Group, P.O. Box 1843, Monticello, KY 42633

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