

FAQs for Federal Direct Loan

1) Why did IIT choose to move to the Federal Direct Loan Program?

- ✓ The Federal Direct Loan Program provides a stable source of student loan funding because the U.S. Department of Treasury provides the funds.
- ✓ The Federal Direct Loan Program provides a single point of contact for managing student loans.
- ✓ Loans under the Federal Direct Loan Program are never sold. Loans through the previously used loan program, Federal Family Educational Loan Program (FFELP), can be sold multiple times which can be confusing for the borrower upon repayment.

2) 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 of fall 2010 all Federal Stafford and Federal Graduate PLUS loans will be processed through the Federal Direct Loan Program.

3) How will this affect my 2009-2010 aid year federal loans?

This change will NOT affect your 2009-2010 aid year federal loans or any federal loans that you took before 2009-2010.

4) How will this affect my summer 2010 federal loans?

The summer 2010 semester is a part of the 2009-2010 academic year. The Office of Financial Aid will process all summer loans with the lender that you used during the fall 2009 and spring 2010 semesters. This change will NOT affect your summer loans unless your lender is no longer participating in the FFELP. If this happens, you will be required to select another lender and complete a Master Promissory Note for the summer term with the lender of your choice.

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

Any previous loans you borrowed from another lender will be serviced by the lender/servicer you selected pursuant to your MPN. However, many of these loans were sold to the Department of Education. Therefore, be sure to pay close attention to any letters and mailings you receive from banks/lenders.

Your previous loans will be on an in-school deferment as long as you remain enrolled at least part-time. We encourage you to contact your lender/s to verify your in-school deferment status just to be sure that their records are in order.

To find your current loan holder go to www.nslds.ed.gov. You will need your PIN (Personal Identification Number) from the FAFSA to access this information.

6) Will I still be able to continue borrowing through the same lender as last year?

NO. Starting fall 2010 all Federal Stafford and Federal Graduate PLUS loans will be processed exclusively through the Federal Direct Loan Program and your loans will come directly from the government. In order to receive loan funds for the 2010-2011 academic year, you will be required to complete a Federal Direct Loan Master Promissory Note (MPN) for each loan type that you wish to receive (Stafford and Graduate PLUS).

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

The most important difference between Federal Direct Loan Program and the FFELP is the source of loan funding. Federal Direct loans are funded through the U.S. Department of Education using funds obtained from the U.S. Department of Treasury. This program offers students and parents one point of contact because the loans are made, backed, and serviced by the U.S. Department of Education. In the FFELP, funds come from banks and lenders creating multiple points of contact for students.

There are also some differences in interest rate, fees and repayment options which make the Federal Direct Loan Program more beneficial for borrowers as shown below:

<u>Federal Direct Loan Program</u>	<u>Interest</u>	<u>Fees*</u>
Subsidized Federal Direct Loan	6.8%	0.5%
Unsubsidized Federal Direct Loan	6.8%	0.5%
Graduate PLUS Loan	7.9%	2.5%

<u>Federal Family Education Loan Program</u>	<u>Interest</u>	<u>Fees</u>
Subsidized Stafford Loan	6.8%	0.5 - 1.5%
Unsubsidized Stafford Loan	6.8%	0.5 - 1.5%
Graduate PLUS Loan	8.5%	3.0 - 4.0%

**Federal Direct Loan Fee Rebate: The U.S. Department of Education charges a loan origination fee of 1% of the principal amount of each Federal Stafford Loan. Borrowers receive an upfront 0.5% rebate on the origination fee. As a result, the net upfront fee is 0.5%. This fee is deducted upon disbursement of the loan.*

The U.S. Department of Education charges a loan origination fee of 4% of the principal amount of each Federal Graduate PLUS Loan. Borrowers receive an upfront 1.5% rebate on the origination fee. As a result, the net upfront fee is 2.5%. This fee is deducted upon disbursement of the loan.

Please be aware that once you enter repayment, if you make your first 12 monthly payments on-time, the rebate becomes permanent. However, 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.

8) How can I receive Federal Direct Loans?

The Federal Direct Loans application process is the same as the FFELP application process which is as follows:

- ✓ US citizens or permanent residents can apply for Federal Direct Loans by completing the FAFSA.
- ✓ The financial aid office will process your application and send you notification when your financial aid is ready to be viewed and accepted on the myIIT portal.
- ✓ Once you have accepted your awards, you will complete a new Federal Direct Loan MPN.
- ✓ You will also be required to complete the Federal Direct Loan Entrance Counseling session which is available on-line.
- ✓ Your loans will then be disburse to your student account.

We encourage you to periodically check the myIIT Portal for information about your financial aid packaging status as well as read and respond to, when applicable, any emails and letters you receive from the Office of Financial Aid for loan status updates.

9) Will there be any additional requirements for me to receive my aid from the Federal Direct Loan Program?

As noted above, besides the FAFSA, all students will need to complete the Federal Direct Loan Master Promissory Note (MPN) and complete the Federal Direct Loan Entrance Counseling session.

10) How will repayment work if I have FFELP and Federal Direct Loans?

After graduation you have a choice to make individual payments to your previous lender/s and to the Department of Education for your Federal 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 Federal Direct Loan Consolidation. However, it should be noted that you cannot consolidate your loans while you are in school.

11) How do the Federal Direct Loan repayment options differ from FFELP?

With one exception all repayment options offered to FFELP borrowers are also available for Federal Direct Loan borrowers. The only difference in the repayment plans is that Income Contingent Repayment (ICR) is available to borrowers with Direct Loans and Income-Sensitive Repayment is available to borrowers with FFELP Loans.

There are five repayment options available for Federal Direct Loans:

- ✓ Standard Repayment
- ✓ Extended Repayment
- ✓ Graduated Repayment
- ✓ Income-Contingent Repayment
- ✓ Income-Based Repayment

Please visit the Department of Education's website for more information about the repayment plan options that are available to borrowers.

12) What is Public Loan Forgiveness?

There is a new loan forgiveness program for borrowers that become public service employees. Generally under this program the amount forgiven is the remaining outstanding balance of principal and accrued interest on an eligible Federal Direct Loan. However, the borrower cannot be in default. Please go to: [Public Service Loan Forgiveness Program Questions & Answers](#) for more information about Public Loan eligibility and forgiveness.

13) 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. However, we do not recommend that you do this until you have exhausted your federal loan eligibility or if you were not eligible to receive federal loans.

14)How do I contact the Federal Direct Loan Program?

The U. S. Department of Education Federal Direct Loan Program Customer Service phone number is 1-800-848-0979.

❖ Federal Direct Loan Resource Links:

General Federal Direct Student Loan Information:

<http://www.direct.ed.gov/student.html>

General Federal Direct PLUS Loan Information:

<http://studentaid.ed.gov/PORTALSWebApp/students/english/parentloans.jsp>

Federal Direct Graduate PLUS Loan Q & A:

<http://www.ifap.ed.gov/eannouncements/attachments/0623HERAOPGradPLUSAttachDGradPLUSQA.doc>

Federal Direct Loan Master Promissory Notes, Stafford and Graduate PLUS:

<https://dlenote.ed.gov/emprn/StudentLoanSelector.jsp>

Federal Direct Loan Entrance Counseling:

<https://www.dl.ed.gov/borrower/EntrCounselingStart.do?cmd=initializeContext>

Federal Direct Loan Exit Counseling:

<https://www.dl.ed.gov/borrower/BorrowerLogin.jsp>