

Direct Loan Questions and Answers

What are the differences between the Federal Direct Loan Program and the Federal Family Education Loan Program (FFELP)?

The Federal Direct Loan Program allows students to borrow directly from one provider of funds--the U.S. Department of Education. All loan funds are received electronically from one source--the U.S. Department of Education. There is one electronic application process at the U.S. Department of Education Web site. The program offers students one single source of contact because these federal loans are made, guaranteed and serviced by the U.S. Department of Education.

The Federal Family Education Loan Program (FFELP) provided funding to students from private lenders. Private lenders received government subsidies for their voluntary participation in the federal loan program. In FFELP there were multiple guarantors and servicers that were involved with the loan process. With the signing of the Health Care and Education Affordability Reconciliation Act of 2010, the Federal Family Education Loan Program will no longer exist to make new loans after June 30.

What are the benefits of borrowing through the Federal Direct Loan Program?

Secure source of funding during a time of instability in the capital markets.

- The interest rate for the Federal PLUS Loan is 7.9% in the Federal Direct Loan Program as compared to 8.5% in the FFELP, which leads to significant savings over the life of a Parent Plus loan.
- Lower origination fees—more money up front when you need the funds.
- All funds are received electronically—no paper checks, no delays in disbursement of funds.
- Easy process—there are three players involved in the Federal Direct Loan Program: you, CVTC, and the Department of Education. In the FFELP there are many players: you, CVTC, your lender, your guaranty agency, your loan servicer, your secondary market and the U.S. Department of Education.
- Consolidation program exists in the Federal Direct Loan Program. Many lenders in the FFELP have discontinued doing loan consolidation.

I am a continuing student and have already borrowed federal loans at Chippewa Valley Technical College prior to the 2010 summer semester. How do I apply for a Federal Direct Loan?

If you have been awarded loans, complete the following to accept the loans:

1. Complete a Master Promissory Note (MPN) and Loan Entrance Counseling at <https://studentloans.gov>
2. Accept or decline your loans by logging on the Student Information System, under the Financial Aid Tab click, My Award Information, Award For Aid Year, select 2010-2011 from the drop down box, click submit and then click the Accept Award Offer tab.

What if I don't want to change lenders?

All students will be required to borrow their federal funds through the Direct Loan Program for the 2010-2011 academic year. With the signing of the Health Care and Education Affordability Reconciliation Act of 2010, the Federal Family Education Loan Program will no longer exist to make new loans after June 30.

Can I combine my federal loans if I have multiple lenders?

Yes, you can consolidate all your federal loans through the Federal Direct Loan Consolidation program. Information is available at <https://studentloans.gov>. Most private lenders have discontinued their loan consolidation program but please feel free to contact your lender to verify their participation.