



## **Federal Direct Stafford Loan**

## **FAQ's**

The University of Sioux Falls is changing the way we process Federal Student Loans beginning with the 2010-11 academic year. We will no longer be awarding Federal Subsidized/Unsubsidized or Parent PLUS Loans through the Federal Family Educational Loan Program (FFELP). USF will be processing all Federal Stafford subsidized/Unsubsidized and Parent PLUS loans through the Federal Direct Loan Program.

### **Q: Why the change?**

**A:** Economic issues, including the recent subprime lending crisis, coupled with regulatory changes to the student loan industry, contributed to the decision to exit FFELP. After careful consideration of these issues and events, the University concluded that changing to the Federal Direct Loan program would be more beneficial to students.

### **Q: How does this affect me?**

**A:** If you are or were a borrower of a FFELP Stafford or Parent PLUS Loan, these loans were borrowed from a bank or credit union. These loans will now be borrowed directly from the federal government through the Federal Direct Loan Program.

### **Q: How will that affect my borrowing opportunities?**

**A:** There will be no affect on your borrowing opportunities. To apply for a Federal Direct Stafford loan, you will still need to complete the Free Application for Federal Student Aid (FAFSA). The only difference is the source of the funding, which will now come directly from the federal government instead of a private lender. Annual borrowing limits by grade level remain the same.

### **Q: What are the benefits of the Direct Loan Program?**

**A:** - Consistent access to loan funds directly from the U.S. Department of Education  
- Competitive rates and repayment options available to all borrowers  
- A simple application process

### **Q: How do I apply for Federal Direct Loans?**

**A:** File the 2010-11 Free Application for Federal Student Aid (FAFSA.) Complete any subsequent requests for information or documents. You will be offered the annual maximum in Federal Direct Subsidized and Unsubsidized Loans as part of your 2010-11 official financial aid award package.

### **Q: Do I have to complete another Master Promissory Note?**

**A:** Yes, if you have previously borrowed a federal Stafford loan, you must sign a new Direct Loan Master Promissory Note because you will now be borrowing from a new lender.

### **Q: Will I have to complete entrance loan counseling again?**

**A:** No. If you have previously borrowed a federal Stafford loan at USF and completed the counseling at that time, you will not need to complete additional loan counseling. First-time loan borrowers at USF must complete Federal Direct Loan Entrance Counseling.

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

**A:** If you plan to borrow a federal Direct Stafford loan, you should complete a Direct Loan Master Promissory Note as soon as possible, but before July 15<sup>th</sup>.

Complete the MPN at: <https://dlenote.ed.gov/empn/index.jsp> .

**Q. How and when to I complete Direct Loan Entrance Counseling?**

**A.** If you are a first-time loan borrower at USF and plan to borrow a federal Direct Stafford loan, you should complete the Direct Loan Entrance Counseling online as soon as possible, but before July 15<sup>th</sup>.

Complete the counseling at:

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

**Q: If I have already completed a Direct Loan Master Promissory Note for another school, do I have to complete another one for USF?**

**A:** As long as you have been continuously enrolled at least half time you will not have to complete a new Direct Lending note. However, if you have had a break in your enrollment for more than one term, please contact our office to determine if you will need to complete a new note.

**Q: Will private/alternative loans still be available?**

**A:** Yes. Because Federal Loans generally have better interest rates and terms, they should be maximized before private/alternative loans.

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

**A.** Previous federal student loans borrowed from one or more lenders are either still with that/those lender(s) or those loans have been sent to the federal government. If the lender(s) still has your previous loan(s), you will make payments directly to that/those lender(s) after you are no longer enrolled at least half-time. If any of your previous loans have been sent to the federal government, you will make payments directly to the government once you are no longer enrolled at least half-time. This may mean you will make payments to multiple lenders. You may want to choose to consolidate your loans in order to have the ability to make one simple payment.

**Q: I'm done with school. I don't need a new loan, but am still paying back some variable-rate loans and would like to consolidate. Do these changes affect me?**

**A:** Fewer lenders are willing or able to consolidate your variable rate loans to a fixed-rate loan. However, you can always consolidate through the federal direct lending program even if you've never borrowed a direct loan in the past. It is recommended to wait until July, when the interest rate will almost certainly drop.

**Q: Where can I go to consolidate my loans?**

**A:** You have a couple of different options for consolidation. You may explore your options, as discussed above, with either private lenders or with the Federal Direct Loan program. You can access information on the Federal Direct Loan consolidation options at:

<http://loanconsolidation.ed.gov/>

**Q: If I change loan programs will my other loans go into repayment?**

**A:** No, your other loans will not go into repayment as long as you remain enrolled at least half time.