



FFELP/Direct Loan Issues

CCCSFAAA Conference

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Brad Hardison, Santa Barbara City College

Nancy Davis, San Bernardino Valley College

Agenda

- Packaging Policies
- FFELP/Direct Loan Comparison
- New Lending Environment
 - Legislation
 - Preferred Lender Lists
 - Reduced services
 - Reduction in number of lenders
 - Lender of Last Resort

FFELP/Direct Loan Comparison

FFELP	Direct Loan
Funds provided by private lenders	Funds provided by the Dept. of Education
Separate Master Prom Note per lender	One Master Prom Note
Free customized default mgmt, prevention and financial literacy programs	

FFELP/Direct Loan Comparison

FFELP	Direct Loan
No reconciliation	Reconciliation required through COD website
Discounts for on time payments and auto withdrawal	Discounts for auto withdrawal only
Defaulted loans cannot be included in consolidation	Defaulted loans can be included in consolidation

FFELP/Direct Loan Comparison

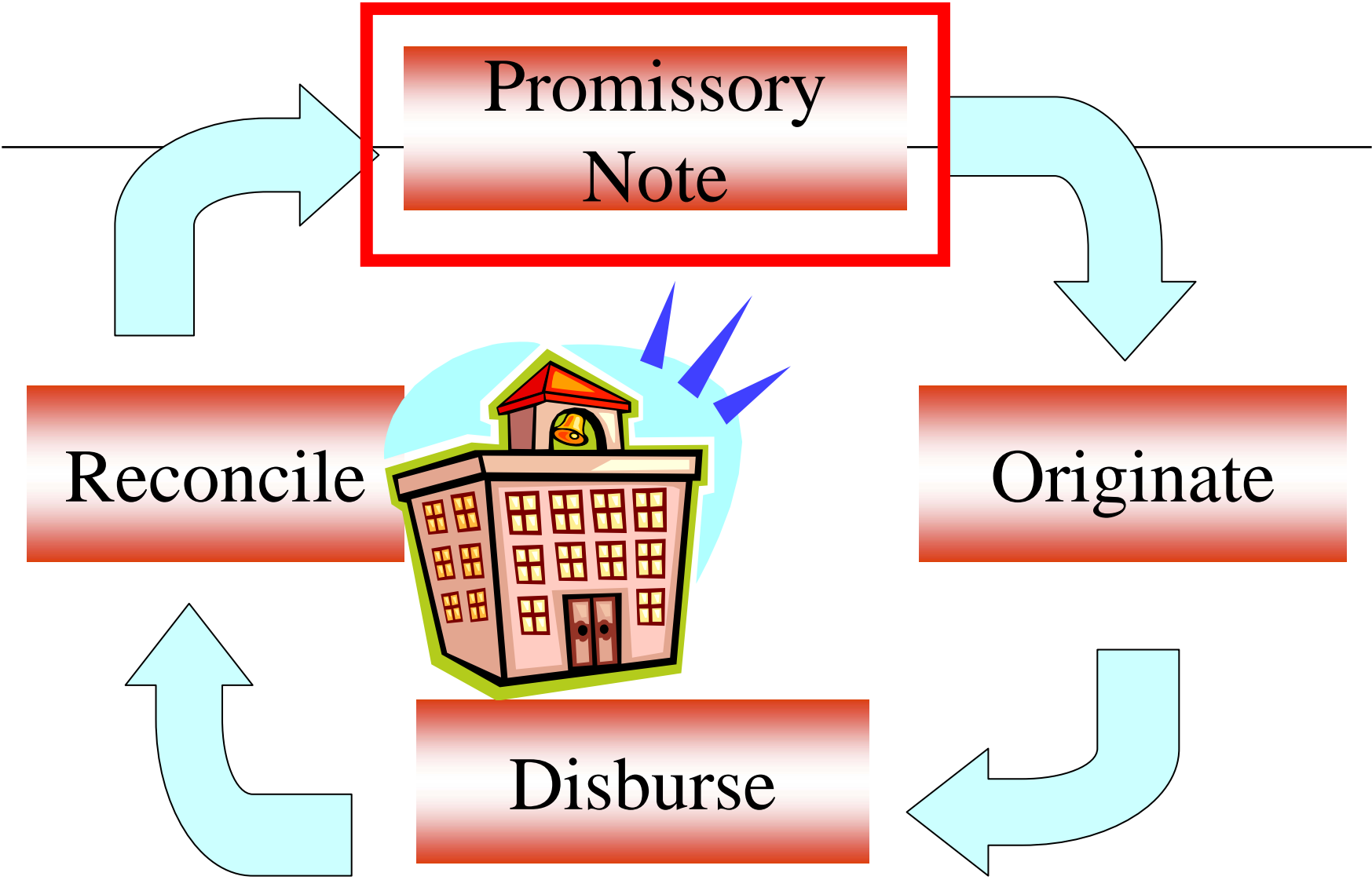
FFELP	Direct Loan
Choice of servicing capabilities based on school's need	One servicing process
Guarantor insures loans for lenders	N/A
Secondary market agencies purchase loans from lenders in order to replenish their funds	Loans are not sold

FFELP/Direct Loan Comparison

FFELP	Direct Loan
In loan consolidation, will lose Perkins grace period if consolidate Perkins with FFELP	In loan consolidation, will not lose Perkins grace period if consolidate Perkins with Direct Loan
When loans are sold, promised benefits are typically lost	Because Direct Loans are not sold, promised benefits are not lost
No Income Contingent Payment Options	Income Contingent Payment Options Available

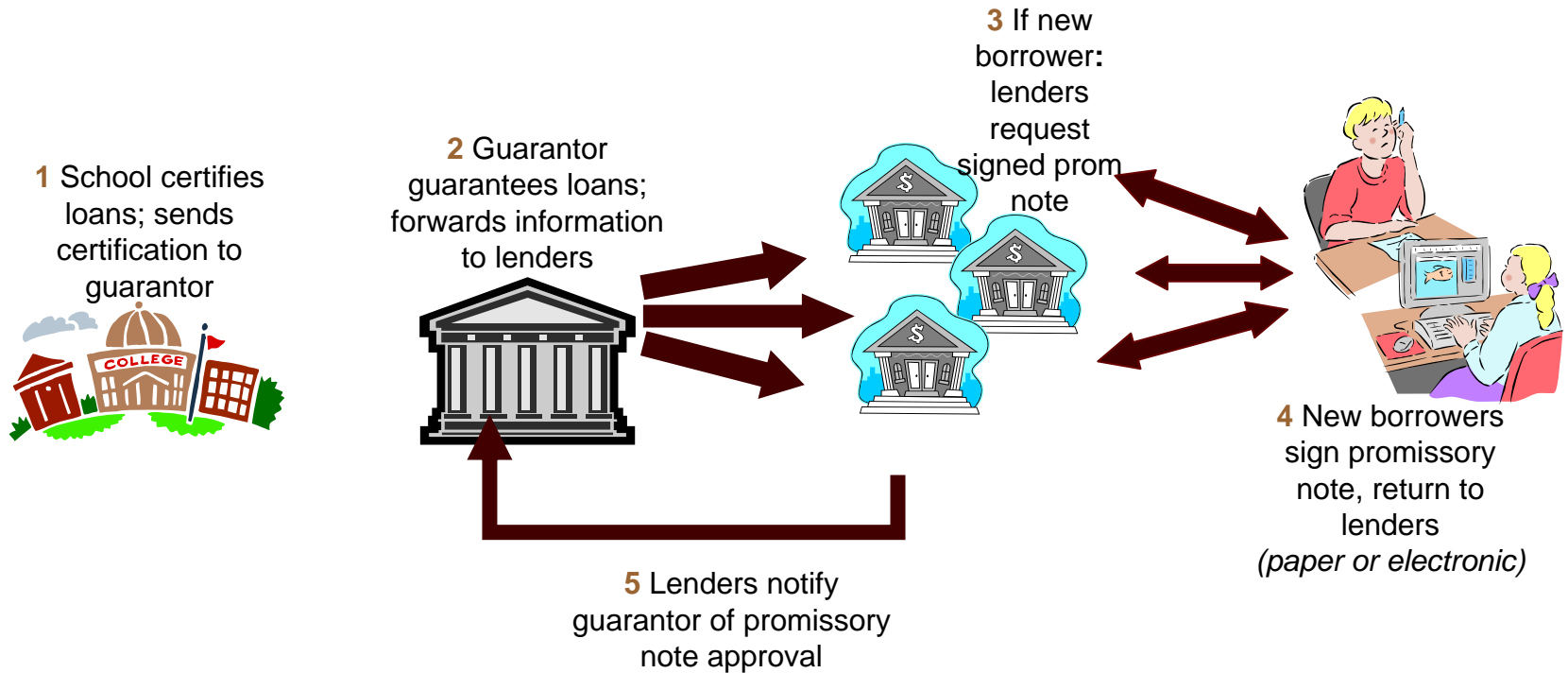
FFELP/Direct Loan Comparison

FFELP	Direct Loan
Ability to change payment plans may be restricted	May change repayment plans at any time without penalty
0-1% origination fee – depending on lender 0-1% for guarantee fee - determined by guarantee agency	Net 1/2% up front origination fee assessed upon disbursement* No guarantee fee



Direct Loan Processing Cycle

School Initiated Guarantor Flow



New Environment/Regulations

- Preferred lender lists prohibited/restricted
 - Must have at least three unaffiliated lenders
 - Dept. suggests noting where affiliations exist with other lenders on list
- Lenders and guarantors must now restrict some services to schools
 - Guarantors may now provide exit counseling, but both lenders and guarantors may not provide entrance counseling
- Many lenders have gone out of business – choices limited



Current Environment

- Activity in DC continues to focus on implementing ECASLA (Ensuring Access to Student Loans)
- Law Allows:
 - Secretary to purchase loans from FFEL lenders until September 2010
 - Guarantors to provide LLR loans if needed on a school-wide basis until 2010



Lender Lists

- ❑ Based on history of lending at your institution
- ❑ Based on RFI/RFP data
- ❑ Sample list of approved lenders
- ❑ [Link to entire list of approved lenders](#)



Lender of Last Resort

- ❑ Guarantor or lender may serve as lender of last resort (LRR) for eligible borrower who cannot otherwise obtain a loan
- ❑ Must serve all eligible students at any eligible school in the state
- ❑ May not impose additional eligibility requirements
- ❑ Timeline for issuing: no longer than 60 days after borrower submits application



Helpful Links

- www.ifap.ed.gov
- www.edfund.org
- www.usafunds.org
- www.DirectStudentLoanCoalition.org
- www.salliemae.com
- www.finaid.org
- www.nasfaa.org

QUESTIONS AND COMMENTS

