



**Notice To All Student and Parent Borrowers:**  
**Participation in the Direct Loan Program Begins (*July 1, 2010*)**

Southern University and A&M College currently processes Federal Stafford, PLUS, and Grad Plus loans through the Federal Family Education Loan (FFEL) Program, in which students and parents borrow from private lenders and banks. Beginning Fall 2010, we will participate in the William D. Ford Federal Direct Loan Program *exclusively* (alternative loans will not change). Students and parents who previously received loans through the Federal Family Education Loan (FFEL) Program will now borrow directly from the U.S. Department of Education through the Direct Loan Program.

The Direct Loan Program offers the same types of loans as the FFEL Program and Direct Loans generally have the same terms and conditions as FFEL Program loans. There are some differences in the names of the loans. The FFEL Program's Federal Stafford Loans (subsidized and unsubsidized) are called Direct Subsidized Loans and Direct Unsubsidized Loans in the Direct Loan Program. Federal PLUS and Grad PLUS Loans are called Direct PLUS and Direct Grad PLUS Loans.

**Why is the University Changing its Loan Process?**

The Health Care and Education Reconciliation Act of 2010 (HCERA), Pub.L. 111-152, provides that no new loans may be made under the Federal Family Education Loan (FFEL) Program after June 30, 2010. Therefore, schools that currently participate in only the FFEL Program will need to transition to the William D. Ford Federal Direct Loan Program.

**Benefits of the Direct Loan Program**

Direct Loans and FFEL Program loans have the same annual and aggregate loan limits, the same deferment and cancellation provisions, and most of the same repayment plans (Standard, Graduated, Extended, and Income-Based). The interest rates for FFEL Program Stafford Loans and Direct Subsidized and Unsubsidized Loans are also the same. Direct Loans also have some benefits that are available only in the Direct Loan Program:

- Lower interest rate on Direct PLUS Loans (7.9% vs. 8.5% for Federal PLUS Loans)
- Up-Front Interest Rebate
- Income Contingent Repayment Plan (in addition to the Income-Based Repayment Plan)
- Public Service Loan Forgiveness Program
- No interest charged (for up to 60 months) during qualifying periods of active duty military service (for loans first disbursed on or after October 1, 2008)

**First-Time Direct Loan Borrowers Must Complete a Direct Loan MPN**

If you have not previously received a Direct Loan and you plan to borrow a loan for the 2010-2011 school year and beyond, you must complete a Direct Loan Master Promissory Note (MPN). Although you may have previously signed an MPN to receive FFEL Program loans, a FFEL MPN cannot be used to make Direct Loans.

The MPN is the legal document through which you promise to repay your Direct Loans and any accrued interest and fees to the Department. It also explains the terms and conditions of your loans. A Direct

Loan MPN can be used to make loans for up to ten (10) years. You may complete a Direct Loan MPN electronically via the StudentLoans.gov Web site at <https://studentloans.gov>. You also have the option of completing a paper Direct Loan MPN.

### **Can I complete the new MPN now to get a head start?**

Yes! You can complete your Direct Loan MPN online at <https://studentloans.gov>. To complete a Direct Loan MPN electronically, you must have a Federal Student Aid PIN. The Federal Student Aid PIN is the same PIN used to complete the Free Application for Federal Student Aid (FAFSA). To apply for a PIN if you do not already have one, or for customer service regarding a previously assigned PIN, visit [www.PIN.ed.gov](http://www.PIN.ed.gov).

### **First-Time Student Loan Borrowers Must Complete Direct Loan Entrance Counseling**

In some cases, you may need to complete Direct Loan Entrance Counseling.

- If you are an undergraduate or graduate/professional student and have not previously received a FFEL or Direct Loan program loan, you must complete Direct Loan Entrance Counseling before you can receive a Direct Loan.
- If you are a graduate/professional student and have not previously received a PLUS loan through the FFEL or Direct Loan programs, you must complete Direct Loan Entrance Counseling before you can receive a Direct PLUS Loan.

You may complete Direct Loan Entrance Counseling electronically via the StudentLoans.gov Web site at <https://studentloans.gov>. A Federal Student Aid PIN is required to complete online Direct Loan Entrance Counseling.

### **What do I have to do to get my loan funds for next year?**

As in prior years, you must complete the FAFSA (Free Application for Federal Student Aid) online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov), provide any documents requested by our office, and accept or decline your federal student loans via the Student Self Service. You will then have to complete a new MPN for the Direct Loan program before your funds will disburse or show as estimated/anticipated aid on your fee bill. If you are a first-year, first-time borrower, you must also complete Direct Loan Entrance Counseling.

### **Consolidating FFEL Program Loans into the Direct Loan Program**

If you already have FFEL Program loans and will now be receiving Direct Loans, consolidating your FFEL and Direct Loan program loans together into a Direct Consolidation loan may make loan repayment easier. If you consolidate, you will have just a single monthly payment. Consolidating your FFEL Program loans into a Direct Consolidation Loan may also allow you to take advantage of certain benefits that are offered only in the Direct Loan Program, such as Public Service Loan Forgiveness and the Income Contingent Repayment Plan.

To learn more about when you may consolidate, the pros and cons of doing so, and the application process, visit [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov) or call 800/557-7392 (TDD/TTY: 800/557-7395).

### **Additional Information**

Southern University and A&M College looks forward to participating in the Direct Loan Program and offering the benefits of Direct Loans to our students. For additional information about Direct Loans, visit [www.direct.ed.gov/student.html](http://www.direct.ed.gov/student.html) or the Financial Aid office for more information.