

Direct Loan Information and Frequently Asked Questions

Kennebec Valley Community College is changing its process of obtaining Federal Stafford and Federal PLUS loans for the 2009/2010 academic year. KVCC currently participates in the FFEL (Federal Family Education Loan) program, in which students and parents borrow from private banks and lenders. Beginning with new students in January 2009, KVCC will participate exclusively in the William D. Ford Federal Direct Loan program, in which borrowers obtain loan funds directly from the US Department of Education. We believe that the Direct Loan program will offer our students and parents a more stable, streamlined, and predictable borrowing experience.

Does this change impact me? If you are a new or a continuing student or parent borrower who plans to borrow a federal loan in 2009/2010, this change will affect you. For the 2009/2010 academic year, ALL Federal Stafford and Federal PLUS loans will be processed through the Direct Loan program.

What are the benefits in the Direct Loan Program? There are several benefits in the Direct Loan Program, including:

- A guaranteed source of funding for student loans.
- The option of an income-contingent repayment plan or an income-based repayment plan when a student enters repayment. This means a student has the option of ensuring that the loan repayment amount will always be affordable based on what the borrower's income will allow.
- Students in the Direct Loan Program who enter into public service jobs can have any remaining balance on the loans forgiven after 10 years of repayment while in public service work. (While this option does not exist in the FFEL Program, students who borrowed in that program can consolidate their loans into the Direct Loan Program in order to take advantage of this forgiveness.)
- The interest rate for the parent PLUS loan and for the graduate student PLUS loan is 7.9 percent in the Direct Loan Program compared to 8.5 percent in the FFEL Program.
- Should a student make payments late under the Direct Loan Program, the late fees charged are less than the late fees charged by lenders in the FFEL Program.

Why did KVCC choose to move into the Direct Loan program? Volatility in the credit markets and reductions in lender subsidies have caused many lenders to stop offering borrower benefits and other services. The Direct Loan program is not impacted by changes in the economy and provides a more stable loan process.

Will I still be able to continue borrowing through the same lender as last year? If you borrowed through a FFEL lender, no. If you borrow a federal loan in 2009/2010, you will be required to borrow through the Direct Loan program. While this change will require you to complete a new Master Promissory Note (MPN), we are confident that the streamlined process will benefit all KVCC borrowers.

I'm a parent. I plan to borrow a PLUS Loan for my student in 2009/2010. I usually get pre-approved through my lender. What should I do this year? To avoid multiple hits on your credit, do not get pre-approved or apply through any lender other than the Department of Education. Completing KVCC's PLUS Loan Request Form (available online at <http://www.kvcc.me.edu/Website/Frames/Departments/FinancialAid/FALoans.aspx>, click on "PLUS Loan Request") will initiate the PLUS Loan process. Once we receive that form, we will submit your information to the Department of Education for a credit check.

What do I have to do to get my loan funds for 2009/2010? As in prior years, you will have to complete a FAFSA for Stafford and/or PLUS eligibility and accept or decline your federal student loans by filling out, signing, and returning your Financial Aid Award Letter, which the Financial Aid Office will send to you. Parents who wish to apply for a PLUS Loan will complete KVCC’s PLUS Loan Request Form to initiate that process. The 2009/2010 version of this form is available on the KVCC website (see address, above). Parents can fill out a PLUS Master Promissory Note by going to <http://www.kvcc.me.edu/Website/Frames/Departments/FinancialAid/FALoans.aspx>, and clicking on “Completing Stafford MPNs for Federal Direct Loans Online.”

Can I complete my new Master Promissory Note now? Yes! If you know you will borrow from the Federal Direct Stafford Loan Program in 2009/2010, you can complete your new MPN now. Go to <http://www.kvcc.me.edu/Website/Frames/Departments/FinancialAid/FALoans.aspx>, and click on “Completing Stafford MPNs for Federal Direct Loans Online.” You will need your federal PIN to electronically sign the MPN. This is the same PIN you use to sign the FAFSA. If you need another copy of your PIN, go to www.pin.ed.gov.

Are there any differences in interest rates and fees between the two programs? There are some differences. The interest rate for Federal PLUS loans is 7.9% in the Direct Loan program (compared to 8.5% in the FFEL program). Interest rates for Federal Stafford Loans are the same in both programs. See the following chart for differences in fees between the two programs:

<i>Loan Type</i>	<i>Gross Fee</i>	<i>Minus Rebate*</i>	<i>Equals Net Fee Charged for 2009/2010</i>
Direct Loan - Federal Stafford	1.5%	1%*	.5%
FFEL - Federal Stafford	.5% to 1.5% (varies by lender)	N/A	.5% to 1.5% (varies by lender)
Direct Loan - PLUS	4%	1.5%*	2.5%
FFEL - PLUS	3% to 4% (varies by lender)	N/A	3% to 4% (varies by lender)

*The upfront rebate reduces the fee you pay at origination. If you don’t make your first 12 monthly payments on-time, the rebate amount will be added to your principal balance.

If I borrowed through a private bank last year, will I have to repay two different lenders now? Your Direct Loan will be serviced by the Department of Education, so you will receive correspondence and payment information from both the Department of Education and your prior lender or servicer. You have the option of consolidating all of your federal loans with the Direct Loan program (or any other lender that offers federal consolidation loans) after you graduate to combine the loans. If you consolidate, your previous federal loans would be paid in full and all of your payments would be made to the Direct Loan program.

What happens to the Stafford loans I borrowed via my bank or lender in prior years? Will they still be deferred now that KVCC is changing its loan processing? As long as you are enrolled in school on at least a half time basis, your prior year federal loans will continue to be deferred. Enrollment information is reported to lenders by the school on a scheduled basis.

Does this affect my private (alternative) loans? No, this change only affects federal student and parent loans (Stafford, PLUS).

Does this change affect my current year federal loans? For continuing students with FFEL loans in 2008-2009, all current year loans will be processed through the current FFEL process. Your first Direct Loans will be for the fall 2009 semester.