

Federal Direct Loan Program

Frequently Asked Questions (FAQ)

Beginning with the 2009-2010 academic year, Washington University will participate in the William D. Ford Federal Direct Loan Program. This means that students will now receive Stafford and GradPLUS student loan funds directly from the U.S. Department of Education, rather than through lenders participating in the Federal Family Education Loan Program (FFELP).

Why is Washington University entering the Federal Direct Loan Program?

At all times, the University does its best to keep student borrowers updated as to what is happening in the student loan market and inform borrowers of the steps necessary to take advantage of the best educational funding options.

The University's Student Financial Services office has been monitoring recent changes to the student loan borrowing industry and the impact on student borrowing. We have carefully researched and evaluated both the Direct Loan and FFELP programs, and ultimately, Federal Direct Loans are less expensive for our students. In addition, the program provides our students with a single point of contact for managing the repayment of their loans, in addition to more flexible repayment options.

What is the difference between the William D. Ford Federal Direct Loan Program and FFELP?

Under both programs the University certifies that the student is eligible for the Stafford and/or PLUS loan and applies the proceeds to the student's account.

In the Federal Direct Loan Program, the entire loan process – from borrowing to completing repayment – is more centralized. The U.S. Department of Education is the lender and servicer (the borrower's point of contact for loan management and repayment). With FFELP, the borrower must choose the bank or other private lender from whom their loan will be borrowed. Each private lender may offer very different terms and incentives. Some lenders provide servicing for the loan, while others contract the servicing to another agency or sell the loans to a servicing agency.

Under the FFEL program, a Stafford loan carries an origination fee of .5% and a default fee of 1% on loans first disbursed on or after July 1, 2009. Some guarantee agencies will pay the 1% default fee on behalf of the students. Some lenders provide a .25% interest rate reduction for automatically debiting your payment from a checking account.

Under the Federal Direct Loan Program, a Stafford loan disbursed on or after July 1, 2009 carries an origination fee of 1.5%. The government provides an up-front rebate of 1% resulting in a net disbursement of 99.5% of the gross loan amount. The borrower must make the first 12 payments on time to keep the rebate. In addition, there is a .25% interest rate reduction for automatically debiting your payment from your checking account.

What will happen to the existing loans that I have borrowed from FFELP lenders? Will they go into repayment immediately?

No, your existing loans will not go into repayment as long as you remain enrolled at least half-time. However, when you are preparing to begin repayment, we would encourage you to consider your options. Depending on the terms of your individual loans, it may be beneficial to make separate payments to your previous lender(s) and the Department of Education (Direct Loans). Or, you may want to consolidate your loans into one payment. Each lender must be contacted separately to complete the request or set up repayment options.

You can learn more about the Department of Education Loan Consolidation Program at <http://www.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlindex2.html>. Although many private lenders have discontinued their consolidation programs, you should contact your FFELP servicer(s) to inquire about any loan consolidation options that may be available.

How do I contact the Federal Direct Loan Program?

At <http://www.ed.gov/offices/OSFAP/DirectLoan/index.html> or call toll-free (800) 848-0979.