

# University of Tennessee at Chattanooga Transitions to Direct Lending Beginning with the 2010-2011 Academic Year

Beginning with the 2010-11 academic year, all students at the University of Tennessee at Chattanooga will borrow loans through the William D. Ford Federal Direct Student Loan Program. Because of recent federal legislation, students will no longer be able to borrow loans through private lenders (called the Federal Family Education Loan or FFEL Program) for Stafford, PLUS or GradPLUS loans beginning with the Fall 2010 term. Students who are new borrowers at UTC for the Summer 2010 term will borrow loans through the Direct Loan program.

In the William D. Ford Federal Direct Loan program, loan proceeds are provided directly from the federal government to the university on behalf of the borrower. As a result of this transition all borrowers will need to sign a new Master Promissory Note (MPN) with the Direct Loan Program and complete a new loan entrance interview.

## How Does the Direct Loan Transition Impact Student Loan Borrowers?

- Students who accepted FFEL loans for the Fall 2010 term will see that their FFEL loan has been cancelled. Students must go to their MocsNet account to accept the amount of Direct Loan they wish to receive to replace the original FFEL Loan offer.
- **Stafford Loan borrowers** must follow these three steps in order to receive Stafford Loan funding for the 2010-2011 academic year:
  - 1) On your MocsNet account, accept the Direct Subsidized and/or Unsubsidized Stafford Loan amount you wish to receive (loans will not be offered until a 2010-2011 FAFSA is received and application review is complete).
  - 2) Complete Direct Loan Entrance counseling on-line at [www.studentloans.gov](http://www.studentloans.gov) and learn about Direct Loan repayment options.
  - 3) Complete a new Master Promissory Note (MPN) in the Direct Loan program. Direct Stafford Loan MPNs must be completed online at [www.studentloans.gov](http://www.studentloans.gov) prior to receiving loan funds for 2010-11. The same PIN used to complete the Free Application for Student Aid (FAFSA) is used to electronically sign the MPN. PINs can be obtained at: [www.pin.ed.gov](http://www.pin.ed.gov).
- **Parent Loan (PLUS) and Grad PLUS borrowers** will also borrow through the William D. Ford Federal Direct Loan program. Details will be posted on the UTC website in the near future.
- Continuing Stafford and PLUS borrowers will have loans through both FFELP and Direct Loan programs. Different servicers will be associated with the federal FFELP loans you received prior to the 2010-11 academic year and your Direct Loan. You should receive correspondence and payment information from both the Department of Education and your prior lender(s) or servicer(s) before you enter repayment. You may wish to consider [consolidating your loans](#) so that you only have one loan payment to make each month when you enter repayment.
- Terms and conditions of Direct Loans, in-school deferments and grace periods, are very similar to the FFEL program. [Visit the Direct Loan website for detailed information about repayment terms for Direct Loans.](#)

## Direct Loan FAQs

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**1. What is the difference between the Direct Loan Program and the Federal Family Education Loan Program (FFELP)?**

The most important difference between Direct Lending and the FFELP program is the source of loan funding. Direct loans are funded through the U.S. Department of Education using funds obtained from the U.S. Treasury. In the FFEL program, funds came from private lenders. There are also some differences in interest rate, fees and repayment options between the two programs.

**2. Will I still be able to continue borrow from the same lender as last year?**

No. If you borrow a Federal Stafford, Federal Parent PLUS or Federal Grad PLUS loan for the 2010-2011 academic year, you will be required to borrow through the Direct Loan program. This change will require you to complete a new Master Promissory Note (MPN).

**3. If I borrowed a Federal Stafford, PLUS, Grad PLUS last year, will I have to repay two different lenders now?**

Yes. You will likely be repaying your federal loans to different servicers. One or more servicers will be associated with the federal FFELP loans you received prior to the 2010-11 academic year and your Direct Loan will have a servicer as well. You will receive correspondence and payment information from both the Department of Education and your prior lender or servicer.

After graduation you have a choice to make individual payments to your previous lender(s) and to the U.S. Department of Education for your Direct Loans, or you can consolidate your loans into one payment with the U.S. Department of Education. For more information regarding Loan Consolidation please visit the U.S. Department of Education's website at <http://loanconsolidation.ed.gov>.

**4. Where can I find information about where I will repay my loans?**

Information on your federal loan debt can be accessed via the National Student Loan Data System (NSLDS) at [www.nsls.ed.gov](http://www.nsls.ed.gov). Note that any private (alternative) loans you have borrowed will not appear in this database.

**5. Do I have to complete another Master Promissory Note?**

Yes. You must sign a new Direct Loan Master Promissory Note (MPN) because you will be borrowing from a new lender, the U.S. Department of Education. Sign the Direct Loan Promissory Note on-line at [www.studentloans.gov](http://www.studentloans.gov). You will need to have your Federal PIN number that was used to complete your FAFSA in order to electronically sign the MPN.

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

The MPN can be completed at [www.studentloans.gov](http://www.studentloans.gov). If you are going to borrow a PLUS loan, please wait until you have received your financial aid offer to complete this process. The award letter will be necessary to help you determine the amount you need to request. The PLUS loan requires a credit approval and the approval is only valid for 90 days, therefore families should not apply until mid-June.

**7. What is the interest rate and fees charged in Direct Loans for the 2010-2011 year?**

Direct Loan Program	Interest	Fees*
Subsidized Federal Direct Loan (for undergraduates only)	4.5%	0.5%
Subsidized Federal Direct Loan (for all other students)	6.8%	0.5%
Unsubsidized Federal Direct Loan	6.8%	0.5%
Federal Direct PLUS or Graduate PLUS Loan	7.9%	2.5%

*\*Direct Loan Fee Rebate:* The Subsidized and Unsubsidized Federal Direct Loans have a 1.0% origination fee and also offer a .5% rebate on the origination fee - resulting in a net fee of .5%, which will be deducted from the gross amount of the loan borrowed. Once you enter repayment, if you make your first 12 monthly payments on time, the rebate becomes permanent. If you fail to make 12 on-time monthly payments; however, a charge for the initial rebate will be added to the outstanding balance of the loan.

The Federal Direct PLUS Loan has a 4% origination fee and also offers a 1.5% rebate on the origination fee - resulting in a net fee of 2.5%, which will be deducted from the gross amount of the loan borrowed. The 12 on-time payment rule also applies to the PLUS loan in order to keep the rebate.

**8. Will the Stafford Loans I borrowed through my bank or lender in prior years still be deferred?**

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 regular basis.

**9. How do I apply for a Parent PLUS loan?**

Under the Federal Direct PLUS loan program parents may borrow up to the full cost of their student's education minus other financial aid received. Credit checks are required. PLUS loan application instructions for the 2010-11 academic year will be posted on our website in the near future. Families should not apply for a PLUS Loan earlier than mid-June since the PLUS loan requires a credit approval which is only valid for 90 days.

**10. How do the Direct Loan repayment options differ from FFELP?**

All repayment options offered to FFELP borrowers are also available for Direct Loan Borrowers, with the exception of Income Contingent Repayment, which is only available in Direct Loans. There are five repayment options available for Direct Loans:

- Standard
- Extended
- Graduated
- Income Contingent Repayment
- Income-Based Repayment

**11. Does Direct Loans offer in-school deferment for graduate/professional student Direct Grad PLUS Loan borrowers?**

Yes. Graduate and professional students who have Direct Grad PLUS Loans are placed into an in-school deferment status based on the information reported by schools through the Enrollment Reporting process.

**12. Does Direct Loans offer an extended repayment plan?**

Yes. In addition, there are other repayment plans available to borrowers. Detailed information about repayment plans is available on the [Direct Loan Servicing web site](#).

**13. Does Direct Loans allow borrowers to defer payment? If yes, for what time period?**

Yes. The Direct Loan Program offers the same deferments that are available to borrowers in the Federal Family Education Loan (FFEL) Program. The maximum period for which a borrower may receive a deferment is determined in accordance with the Direct Loan Program regulations, and depends on the deferment type. Information about deferments is available on the [Direct Loan Servicing Web site](#).

**14. How does Direct Loan Servicing capitalize interest?**

Direct Loan Servicing capitalizes all unpaid interest:

- Upon entering repayment
- Upon expiration of a deferment period
- Upon expiration of a forbearance period
- Annually for any borrowers repaying under the Income Contingent Repayment (ICR) who have payments that do not cover monthly interest accrual.

**15. How do I contact Direct Loan Customer Service?**

Applicant Services (PLUS borrowers): Open 8:00 AM to 8:00 PM ET, Monday through Friday. The phone number is 800-557-7394.

Direct Loan Servicing Center: Open 8:00 AM to 8:00 PM ET, Monday through Friday. The phone number is 800-848-0979.

The [Direct Loan Servicing Online Web site](#) offers personalized online services from start (during counseling) to finish (repayment).