

Federal Direct Loan Program Q&A

Wayne State University School of Medicine is changing the way we process Federal Student Loans beginning with the 2009-10 academic year. (This change occurred for all other WSU students effective for 2008-09.) We will no longer be awarding Federal Subsidized/Unsubsidized or Graduate PLUS Loans through the Federal Family Educational Loan Program (FFELP.) As a full participant, we will now be certifying all Federal Stafford Subsidized/Unsubsidized and Graduate PLUS loans through the Federal Direct Loan Program.

Q: Why the change?

A: Economic issues including the recent subprime lending crisis, coupled with regulatory changes to the student loan industry, contributed to the decision to exit FFELP. After careful consideration of these issues and events, the University concluded that changing to the Federal Direct Loan program would be more beneficial to students.

Q: How does this affect me?

A: If you are or were a borrower of a FFELP Stafford or Graduate PLUS Loan, these loans were borrowed from a bank or credit union. These loans will now be borrowed directly from the federal government through the Federal Direct Loan Program.

Q: What are the benefits of the Direct Loan Program?

A:

- Consistent access to loan funds directly from the U.S. Department of Education
- Competitive rates and repayment options available to all borrowers
- A simple application process

Q: Are the annual/aggregate loan limits in the FFELP and Federal Direct Loan Programs the same?

A: Yes. The aggregate (life-time) maximum for Health Professions students was recently raised to 224,000 for Stafford Subsidized/Unsubsidized Loans. Of this, \$65,500 may be Subsidized. These totals include undergraduate and graduate loan amounts. There is currently no aggregate maximum for Graduate PLUS Loans.

Q: How do I apply for Federal Direct Loans?

A: File the 2009-10 Free Application for Federal Student Aid (FAFSA.) Complete any subsequent requests for information or documents. You will be offered the annual maximum in Federal Direct Subsidized and Unsubsidized Loans as part of your 2009-10 financial aid award.

Q: Will I have to sign a new Federal Direct Loan Master Promissory Note (MPN) if I previously signed a FFELP MPN?

A: Yes. A Master Promissory Note (MPN) is lender-specific and must be signed prior to disbursement. You must complete one Direct Loan MPN for Subsidized /Unsubsidized Loans and a separate MPN for Graduate PLUS Loans. These can be completed online at:

<https://dlenote.ed.gov>

Q: Will I have to complete Federal Direct Loan Entrance Counseling if I previously completed FFELP Entrance Counseling?

A: Separate Entrance Counseling is required for Subsidized /Unsubsidized and Graduate PLUS Loans. First-time loan borrowers at the WSU School of Medicine must complete Federal Direct Loan Entrance Counseling for each loan type. Current students do not need to repeat Entrance Counseling if previously completed. Federal Direct Loan Entrance Counseling is available online at:

<https://www.dl.ed.gov/borrower/EntrCounselingStartdo>

Q: Will private/alternative loans still be available?

A: Yes. Because Federal Loans generally have better interest rates and terms, they should be maximized before private/alternative loans. Residency/Relocation Loans for Year IV students will continue to be available.