

Why is Cal Poly switching from the Federal Family Educational Loan (FFEL) program to Direct Lending (DL)?

- One lender – The US Department of Education – who will provide a stable source of student and parent loan funds.
- Easy processing of loans for both students and parents – one site for MPN, one site for entrance counseling, one site for exit counseling
- Ease of processing money to Cal Poly and then to the students/parents from the lender, as opposed to many different processes with the FFEL program; the Financial Aid Office deals with the Department of Education for transactions related to other financial aid awards such as Pell Grants so there is no change in electronic transmissions.
- A single point of contact and positive customer service and processing for students, parents and for the Cal Poly Financial Aid Office.

How do Direct Loans work?

- Students apply for the direct loan by completing the FAFSA.
- The Cal Poly Financial Aid Office will determine how much loan you are able to borrow and provide that notification via your student portal on the “Money Matters” tab. Check your Cal Poly email for award notices and award change notices.
- After you are awarded a loan, you must accept the loan. After July 1, you will be notified to sign a loan note. You must also complete loan counseling if you have never borrowed before.
- Provide any additional documents requested on your “To Do” list.

I already signed a Master Promissory Note when I borrowed my first loan at Cal Poly, why do I have to sign another one?

Each time you change lenders, a new promissory note must be signed. The Department of Education which is the lender for Direct Loans is a different lender from any of the FFEL participating lenders.

Is there a charge for this loan?

Yes. In addition to interest (paid for you while in school on a subsidized loan; paid by you while in school on an unsubsidized loan), you pay a loan fee of 1.5% (in 2009-10) of the principal amount of each direct subsidized or unsubsidized Stafford loan that you borrow. There is a **1%** REBATE of the loan fee prior to disbursement. If you fail to repay your loan, the rebate will be added back into your total loan borrowed. The net result is that in 2009-10 you will only be charged a .5%. The loan fee for PLUS loans is 4%. This fee helps reduce the cost of making these low-interest loans. We deduct the fee before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay.

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I am getting ready to graduate; can I continue to borrow with my current lender?

No. Cal Poly is moving completely to DL and will not process any loans through the FFEL program (or FFEL lenders).

Do my parents have to borrow the PLUS through the DL program even if they applied previously through an FFEL lender?

Yes. Cal Poly is moving completely to DL and will not process any loans through the FFEL program (or FFEL lenders).

My parents already signed a Master Promissory Note when they borrowed a PLUS; why do they have to sign another one?

A new loan note must be signed each time a loan is taken with a different lender; a PLUS through DL is with a lender different from the one used while Cal Poly participated in the FFEL program.

How do my parents apply for a PLUS through Direct Lending?

Completing the FAFSA is the first step; once an award is made to you (the student) you must accept the PLUS if one is offered. After accepting the PLUS, one of your parents must complete the Parent Loan application form and submit it to the Cal Poly Financial Aid Office (this form gives Cal Poly permission to request a credit check for the loan). Your parent will be notified to sign the loan master promissory note if the credit check is approved. If the credit check is denied, your parent will be notified.

Where can I see the history of all my loans including the loans I borrow in the Direct Lending program?

The National Student Loan Data System (NSLDS) has information about all federal student loans you have borrowed (FFEL, DL and Perkins). Contact them at: http://www.nsls.ed.gov/nsls_SA/

I am interested in an Alternative (private) loan and Direct Lending does not offer this type of loan; how do I find out what lenders are participating in this program?

Before applying for a private/alternative loan, be certain to take full advantage of the DL subsidized/unsubsidized loans programs! With alternative/ private education

loans you must apply directly to the lender who will send Cal Poly a request for loan certification. If you have borrowed a private loan previously you may wish to continue to use that lender. We will work with any alternative loan provider but it is up to you to select the lender and follow the application process.

Will I be able to consolidate my Federal Family Educational Loans with my Direct Lending loans?

Yes. A Direct Consolidation Loan Program is available that allows you to consolidate (combine) one or more your eligible federal education loans into one loan. Consolidation allows you to extend the period of time that you have to repay your loans, and to combine several loan debts into a single monthly payment. Contact the Direct Lending Servicing center at <https://loanconsolidation.ed.gov/appentry/appindex.html>

Are there repayment incentive programs available? Yes. Under a repayment incentive program, the interest rate charged on your loan may be reduced. Some repayment incentive programs require you to make a certain number of payments on time to keep the reduced interest rate. For more information see the direct loan questions page and look for repayment plans and repayment incentive at <https://www.dl.ed.gov/borrower/QctrHelpIndex.do?SectionId=FAQ&APageID=QctrFaqA019>

How can Direct Loans help me go to Cal Poly?

Direct Loans are low-interest loans for students and parents to help pay for the cost of your education after high school. The lender is the U.S. Department of Education (the Department) rather than a bank or other financial institution. Direct Loans are:

- **Simple** - You borrow directly from the federal government and have a single contact-the Direct Loan Servicing Center-for everything related to the repayment of your loans, even if you receive Direct Loans at different schools.
- **Convenient** - You'll have online access to your Direct Loan account information 24 hours a day, 7 days a week.
- **Flexible** - You can choose from several repayment plans that are designed to meet the needs of almost any borrower, and you can switch repayment plans if your needs change.

Why is the "Rights and Responsibilities" document still on my "To Do List"?

This is an informational piece and we leave it there for you to locate easily.