



## MEMORANDUM

TO: ALL JSRCC Students

FROM: Office of Financial Aid

DATE: June 2009

RE: Conversion of Federal Student Aid Loan Program

Effective July 1, 2009, J. Sargeant Reynolds Community College will no longer participate in the Federal Family Educational Loans Program (FFELP), and will provide federal student loans through the Federal Direct Loan Program. This decision affects students who are interested in borrowing Federal Stafford Loans, and Federal Parent Loans for Undergraduate Students (PLUS).

In an effort to better serve our students during this economic downturn and beyond, we have reexamined our method of providing federal loans, and determined that the Federal Direct Loan program is the better method and source for providing loans to our students than our previous FFELP process. A review of the loan programs has revealed the following:

- Unlike the FFELP loan program, which has a few thousand participating lenders, the Federal Government is the single source of funds for Direct Loans which reduces the confusion and complications for students and parent borrowers.
- Direct Loans are never sold by the federal government. So student borrowers always know who owns their loans and the terms of their loan agreement. FFELP loans are frequently sold after the student has borrowed the loan, which often times result in promised benefits not being honored by the new loan holder(s).
- Students and schools who participate in the Federal Direct Loan program are not subjected to constant marketing campaigns by lenders who tout benefits that are contingent upon some action on the part of the borrower and are not in the promissory note.
- Borrowers are free to consolidate their loans with any lender they choose (who is willing to make a consolidation loan) once they graduate, thus protecting consumer choice.
- Loans are able to be processed more quickly because there is only one lender involved, which will result in a smoother process for receiving funds.
- Only Federal Direct Loans offer a true, income contingent loan repayment option with loan forgiveness after 25 years of repayment. Borrowers with a desire to work in relatively low-paying, community service jobs can do so while minimizing the fear of defaulting on the repayment of their student loans.

- Direct Lending has the new Public Service Loan Forgiveness program that will forgive remaining debt after 10 years of eligible employment and qualifying loan payments for people working in key public service professions such as teaching, government, social work, law enforcement, and non-profit 501(c)(3) organizations.
- Under the Direct Loan Program the Parent PLUS Interest Rate is 7.9%. Under FFELP the Parent PLUS Interest Rate is 8.5%.

In addition to the many benefits listed, the recent volatility in the credit market and subsequent changes in federal law has resulted in a significant (and in some cases, sudden) decrease in the number of private lenders who participated in FFELP. Our goal is to ensure that your interests are protected when it comes to financing your education through educational loans.

Conversion to the Federal Direct Loan Program is **REQUIRED** for **ALL STUDENTS**, including students who previously participated in FFELP. All students who wish to receive *any federal* student loans for the 2009 - 2010 academic year will need to apply through the Federal Direct Loan Program. Students may still borrow private loans from any lender they choose. Below are the steps in securing federal loans through the Federal Direct Loan process.

1. Complete the [FAFSA](#)
2. Complete any other necessary documents the Office of Financial Aid may require. (Verification, etc.)
3. Complete and return the Federal Direct Stafford Loan Request form and/or the Federal Direct PLUS Loan Request form.
4. Complete appropriate [Master Promissory Notes](#) (First-time Direct Loan Borrowers Only)
5. Complete appropriate [Federal Direct Loan Entrance Counseling](#) (First-time Direct Loan Borrowers Only)

If you have any questions or concerns regarding the loan process, please contact one of our financial aid specialists in the Student Success Center.