

BROWARD COLLEGE
Direct Loan
Frequently Asked Questions

Why is Broward College changing to the William D. Ford Federal Direct Loan Program?

On March 25, 2010, the U.S. House of Representatives and the U.S. Senate passed the Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA-H.R. 4872). This legislation made major changes to the federal student aid programs, most significantly in the student loan area.

Effective July 1, 2010, all federal Stafford loans (subsidized, unsubsidized, and PLUS) will be originated through the Federal Direct Loan Program. The Federal Family Education Loan Program which allowed lenders to previously originate the loans has been terminated. This means that one will get student loans directly from the Department of Education and not a bank.

What are the benefits of the Direct Loan Program?

- The process is more consistent with the other federal funded programs (i.e. Pell grant)
- A simplified application process
- Lower loan fees
- Single point of contact for students, families and schools

Can I still use my bank if I wish?

No, The Department of Education is the only lender in the Direct Loan Program.

What are the steps to ensure I receive a loan this academic year?

- Complete the FAFSA (Free Application for Federal Student Aid) on line at www.fafsa.gov.
- Provide any other necessary documents to the financial aid office. One can find out what is missing for completing a financial aid file by logging into “MyBC” and resolving any issues that show a red flag.
- If you are a first time borrower, complete an “Entrance Interview” at: www.studentloans.gov. If one has previously received a student loan you can skip this step.
- Complete a new Master Promissory Note (MPN) at www.studentloans.gov. All students (whether they are new borrowers or not) will have to complete an MPN for the new Direct Loan Program
- By July 2010, there will be an electronic Broward College loan application for one to indicate the actual amount they wish to borrow. All the information needed to apply can be found at: www.studentloans.gov.
- The following students are required to attend a Debt Management workshop.
 - 1) First time borrowers
 - 2) Students who have borrowed excessively (over 20,000)
 - 3) Students who have failed academic progress.
 - 4) Students who have previously defaulted on a student loan.

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Please visit www.studentloans.gov or www.broward.edu for any additional questions or information.

How much can an individual borrow?

The maximum “Annual and Lifetime Aggregate Limits” chart involving “Subsidized” and “Unsubsidized” Direct and FFEL Stafford Loans is shown below:

College Year - <i>Cannot exceed Sophomore Levels at Broward College</i>	Dependent Students	Independent Students and Dependent Students whose Parents are denied PLUS Loans
Freshman - Annual Limits	\$5500 - No more than \$3500 can be in Subsidized Loans	\$9500 - No more than \$3500 can be in Subsidized Loans
Sophomore - Annual Limits	\$6500 - No more than \$4500 can be in Subsidized Loans	\$10,500 - No more than \$4500 can be in Subsidized Loans
Junior/Senior - Annual Limits	\$7500 - No more than \$5500 can be in Subsidized Loans	\$12,500 - No more than \$5500 can be in Subsidized Loans
Maximum Lifetime Limits	\$31,000 - No more than \$23,000 can be in Subsidized Loans	\$57,500 - No more than \$23,000 can be in Subsidized Loans

- You must have earned 25 college level credit hours, which count toward your current degree program, to be eligible for Sophomore-level loans.
- The amounts in the chart, above, are the maximum amounts that one may borrow for an academic year. An individual may receive less than the maximum if other financial aid is received that's used to cover a portion of the cost of attendance.
- Borrow responsibly as the “aggregate limits” apply to the entire undergraduate career (up to a bachelor's degree).

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What are the differences between Federal Direct Loans and FFELP?

The following is a “side-by-side” chart comparison of the two programs based upon 2010-2011 academic year information:

Broward College	Direct Loans	FFELP (Stafford)
Lender	Federal government	Various lending institutions
Servicer	Federal government or its servicers	Lending institution or its servicers
Interest rates – Undergraduate	4.5% Subsidized 6.8% Unsubsidized	4.5% Subsidized 6.8% Unsubsidized
Fees	1% Origination Fee	1% Origination Fee
Borrower Benefits	.25% interest rate reduction for automatic electronic payment Up front .5% rebate of gross amount borrowed providing a larger net disbursement to student. Extended repayment and graduated repayment options available.	.25% interest rate reduction for automatic electronic payment Extended repayment and graduated repayment options available.

As one can see from the above chart, the most significant changes would be the source of funding and that Direct Loans provide an additional borrower benefit that FFELP does not provide.

What if one has two loans after attending Broward – a FFELP loan and a Direct Loan?

Because these are two separate loan programs (with different conditions/terms, etc.) there will be two different loan programs to repay after the affected individual is no longer attending school. One way to avoid this happening is to participate in “loan consolidation” - where all federal loans (Direct and Stafford) are combined into only one loan for repayment purposes. The advantage would be that the monthly payment would be less than if one were paying off two loans (at the same time) and the repayment period can be extended to a maximum of 15 rather than 10 years. A disadvantage is that one forfeits any special borrower benefits that a lender provided under FFELP and the new interest rate is determined by the “weighted average” of all loans being consolidating. When one is no longer attending Broward College (or is “less than half time”), two exit interviews are required to be completed. One is for the FFELP loan(s) and the other interview is for the Direct Loan(s). During these exit interviews, one will learn more about the loan consolidation benefits and procedures in order to participate in loan consolidation.