

May 13, 2010

**Hello RETURNING DCAD Students and Parents,
Please be advised that all Federal Student Loans (i.e. Stafford and PLUS Loans) will now be processed DIRECT from the federal government per federal legislation passed a few weeks ago. As banks have become so fragile during this recession, the Federal Government stepped in to handle Federal Stafford and PLUS student loans effective with the 2010-2011 school year to ensure student loan stability and availability.**

This means:

- Returning Students can now apply for their 2010-11 Direct Stafford Loans and complete mandatory Stafford Loan Entrance Counseling at www.studentloans.gov. Stafford loans will not be released without student applying and completing their Stafford Loan Entrance Counseling.
- Parents must submit a DIRECT Plus Pre-Approval Form to DCAD Financial Aid Office (FAO) and be approved to apply. (The PLUS Pre-Approval Form will be available at www.dcad.edu after May 30 or call DCAD FAO for hard copy.)
 - After receiving PLUS Pre-Approval Notice from DCAD FAO, parents can then apply for their 2010-11 Direct PLUS Loans at: www.studentloans.gov. Please note, parents have the option of completing DIRECT PLUS Loan Entrance Counseling at www.studentloans.gov for better Plus Loan clarification when completing their PLUS Loan Application.

In order to receive student loans for 2010-11, returning students and/or parents must apply at www.studentloans.gov, even if they acquired Federal Student Loans in prior years from other private lenders.

Federal DIRECT Student Loan Advantages:

- Federal DIRECT Student Loan interest rates are fixed, so payments won't rise and fall if rates rise. interest rates for Stafford loans made during these loan periods are as follows:

First disbursement of a Federal DIRECT Stafford loan:		Interest rate on the unpaid balance
Made on or after	And made before	
July 1, 2009	July 1, 2010	5.6 percent
July 1, 2010	July 1, 2011	4.5 percent
July 1, 2011	July 1, 2012	3.4 percent

- The government provides free insurance, so your loans are canceled if you are killed or disabled.
- The government allows you to defer making payments while student is enrolled in college at least part-time (with at least 6 credit hours) and during a six month grace period after student finishes college, to give students a chance to "get on their feet."
- Student loan repayments have various repayment options including "Income-Based Repayment" where repayments are set reasonably with student income when student starts repaying.
- Unlike some private lenders, the Federal Government does not charge you anything extra for repaying your student loans early.

Federal DIRECT Stafford Loan Eligibility:

DCAD and Federal Policies	Dependent Undergraduate Student	Independent Undergraduate Students or if PLUS Loan denied
1st Year Student-less than 24 completed credit hours	\$5,500- No more than \$3,500 of this amount may be in subsidized loans.	\$9,500 - No more than \$3,500 of this amount may be in subsidized loans.
2nd Year Student-24 or more completed credit hours	\$6,500- No more than \$4,500 of this amount may be in subsidized loans.	\$10,500 - No more than \$4,500 of this amount may be in subsidized loans

Federal DIRECT PLUS Loan:

- 2010-11 Federal PLUS Loan Interest Rates are fixed at 7.9% with up front 1.5% fee reduction rebate which reduces fees from 4 to 2.5%.
Previous private PLUS Loan interest rates were 8.5%.
- Direct PLUS Loan Deferment Request Process: after 30 days from when parent’s first DIRECT PLUS Loan is disbursed to student’s DCAD account, parent borrowers may complete an *Education Related Deferment Request Form* (form available at www.dcad.edu) and return to DCAD Financial Aid Office to verify student’s enrollment each year. The Financial Aid Office will then forward completed/verified *Education Related Deferment Request Form* to U.S. Department of Education Direct Loan Servicing Center, P.O. Box 5609, Greenville, TX 75403. to have PLUS Loan repayments deferred while student is enrolled in college.
- Call the Direct Loan Servicing Center (DLSC) at 800/848-0979 with any other deferment questions.
- If a parent Direct PLUS Loan borrower does not request a deferment, the first payment on the loan will be due within 60 days after the loan is fully disbursed. See Example below when Parent borrows \$5,000 DIRECT PLUS with 2.5% loan origination fee resulting in \$4875 PLUS Loan funds to be credited to student’s account for the academic year as follows:

	PLUS Amount after 2.5% Loan Origination Fee	PLUS Loan Disbursement Schedule	PLUS Loan Deferment Procedures	PLUS Loan Repayment Outcomes
Fall Semester	\$2437.50	PLUS Loan Disbursed August 30 th (First Disbursement to student’s DCAD Student Account.)	Parent Submits PLUS Deferment Request after September 30th	Repayments deferred (i.e. not required) while student enrolled in college and during the 6 month grace period.
Spring Semester	\$2437.50	PLUS Loan Disbursed January 4 th (Second Disbursement to student’s DCAD Student Account.) PLUS Loan is fully disbursed.	If No PLUS Loan Deferment Request	The payments on the PLUS loan will become due commencing within 60 days after the loan is fully disbursed. (i.e. by March 4 th)
Total Annual PLUS Disbursement	\$4875			

Students may still receive private loan funds through private banks and lenders, (ex. Sallie Mae, PNC, Local Credit Unions, etc.) to help pay for 2010-11 college expenses, however, keep in mind the following:

- Student applies for Private Student Loan Usually needs a co-signer since most students have not established credit history. Co-signers are responsible for repaying the loan should the student fail to make repayments.

- Some private lenders now offer a co-signer's release clause where when student enters repayment and makes 12-24 consistent payments, co-signor can be released from the contract.
- Recommend you use private loans sparingly only if additional funds needed to fund college after all other financial aid has been gathered.
- You can defer starting private loan payments while student is enrolled in college.
- Some private lenders require interest be paid on private loan while student is enrolled in college to prevent substantial interest accrual.
- Private loan interest rates tend to be much higher than Federal DIRECT Student Loan interest rates; i.e. private loan interest rates range from 4.23%-10.98% contingent upon borrower's and co-signer's credit history.

The DCAD FAO recommends you hold off in applying for your student loans until you receive your 2010-11 Financial Aid Award Package and Sample Budget. These items will help you decide how much you really need to borrow and from where.

You are also encouraged to contact Torey Turner, DCAD Bursar, at tturner@dcad.edu to confirm balance due after financial aid and to explore DCAD Payment Option.

Federal Student Loan Consolidation Option

Since some of your previous student loans may have been acquired through other lenders, you may want to consider consolidating all loans as DIRECT after you graduate, leave school, or drop below half time enrollment. See www.studentloans.gov for Direct Loan Consolidation details.

The benefits of a Direct Consolidation Loan include:

- Having one lender and one monthly payment. With only one lender and one monthly bill, it is easier than ever for borrowers to manage their debt. Borrowers have only one lender, the U.S. Department of Education, for all loans included in a Direct Consolidation Loan.
- lower interest rate.

Other resources

- Use the National Student Loan Data System (NSLDS) to keep track of all your student loans and to help you determine repayment strategies. NSLDS is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data at any time.
- See aessuccess.org Student Loan Repayment Calculator to estimate your future monthly payments based upon your Stafford Loan amount, interest rate and anticipated number monthly payments and Student Loan Consolidation Counseling.
- The DCAD FAO can always be reached by phone at 302.622.8867 ext 105 or 122 or by email at financialaid@dcad.edu.