Session 24 - Overview of the William D. Ford Direct Loan Program and the Federal Family Education Loan Program

By the end of this session, you will be able to:

- ***identify similarities and differences between the two loan programs,***
- ***calculate loan eligibility for subsidized, unsubsidized, and PLUS Loans, and***
- ***determine when loan proration is required.***

RESOURCES

The 1997-98 Federal Student Financial Aid Handbook, Chapters 10 and 11

SESSION CONTENTS

1. Need to Know

   - Chart — Loan Limits - Direct and FFEL
   - Chart — Loan Proration: Direct Loan and FFEL Programs
   - Chart — Direct Loan Program and FFEL Program Interest Rate Provisions
   - Chart — Grace Periods for Direct Loan Program and FFEL Program Loans

SESSION CONTENTS (cont'd)

- Chart — Cancellation and Loan Forgiveness
- Chart — Entrance/Exit Loan Counseling for Direct Loans and FFEL Program Loans

2. Practice
   - Case Study — Base, Additional, and PLUS loan Amounts
   - Proration Exercises
   - Review Quiz — Loan Counseling
   - Review Quiz — True or False
3. Back at the Office
4. Answer Key

NEED TO KNOW

Chart - Loan Limits...

Chart - "Loan Proration: Direct Loan and FFEL Programs

Chart - "Direct Loan Program and FFEL Program Interest Rate Provisions"

Chart - "Grace Periods for Direct Loan Program and FFEL Program Loans"

Chart - "Cancellation and Loan Forgiveness"

Chart - "Entrance / Exit Loan Counseling for Direct Loans and FFEL Program Loans"

PRACTICE

Case Study — Base, Additional, and PLUS Loan Amounts

Student:	Tonya (2nd-year student; dependent)
Cost of Attendance:	$5,000
Expected Family Contribution:	$1,750
Pell Grant:	$ 720

Base Amount — Subsidized

	_____	COA
-	_____	EFC
-	_____	EFA
=	_____	Base subsidized loan amount

Base Amount — Unsubsidized

	_____	COA
-	_____	EFA (including subsidized amount)
=	_____	Initial base unsubsidized amount
	_____	Base subsidized loan amount (loan limit minus subsidized base amount)

Case Study — Base, Additional, and PLUS Loan Amounts (cont'd)

Additional Amount — Unsubsidized

	_____	COA
-	_____	EFA (including base amount)
=	_____	Additional unsubsidized loan amount

PLUS Loan Amount (If Tonya's parents were eligible for a PLUS Loan, and they didn't want her to take out any loans)

	_____	COA
-	_____	EFA
=	_____	PLUS Loan Amount

PRACTICE (cont'd)

Proration Exercises

Exercise 1: Michael is enrolled in a computer training program that is 600 clock hours and 15 weeks long. The academic year is 900 clock hours and 30 weeks.

Is proration required here for Michael? Why or why not?

_____

_____

_____

Exercise 2: Charlene is beginning her second year. Her school's academic year contains two semesters. Each semester is 15 weeks long. Because of summer enrollment, she only has 18 credits left to take, which she will take during the fall semester to complete her program in December.

Is proration required for Charlene? Why or why not?

_____

_____

_____

Exercise 3: Charlene's plans change, and she will take 6 credits in the fall semester and 12 credits in the spring semester, graduating in May.

Is proration still required for Charlene? Why or why not?

_____

_____

_____

PRACTICE (cont'd)

Review Quiz - Loan Counseling

1. A first-time FFEL borrower at your school says he has no time to come in for entrance counseling. He asks if you can mail him some information. What should you tell him?

   _____

   _____

   _____

2. When should you initiate a discussion of the consequences of not repaying a student loan, during entrance or exit counseling?

   _____

   _____

   _____

PRACTICE (cont'd)

Review Quiz - True Or False

1. An undergraduate student's loan must be prorated if her final period of study is one academic year or greater in length. ____

2. ED will cover the interest during any period of deferment or forbearance for a subsidized loan. ____

3. For the unsubsidized portion of a student's base amount, EFC is not considered. ____

4. To compensate for interest fees, a borrower's Direct Loan will actually be set at 4% higher than the amount for which the borrower is eligible. ____

5. Both Direct Loans and FFELs require an additional application besides the FAFSA. ____

6. All FFEL entrance counseling must be held in person (with exceptions for correspondence and study-abroad students). ____

7. PLUS loans can only be calculated after the student's base amount has been determined. ____

8. All independent students are eligible for the additional unsubsidized loan amount as long as their COA has not been met. ____

9. The Direct Loan grace period is a few months longer than the FFEL grace period. ____

10. Both base and additional loan amounts may consist of a combination of subsidized and unsubsidized loans. ____

BACK AT THE OFFICE

Back at the office, you should:

- _____
- _____
- _____

ANSWER KEY

Case Study — Base, Additional, and PLUS Loan Amounts

Student:	Tonya (2nd-year student; dependent)
Cost of Attendance:	$5,000
Expected Family Contribution:	$1,750
Pell Grant:	$ 720

Base Amount — Subsidized

	$5,000	COA
-	$1,750	EFC
-	$ 720	EFA
=	$2,530	Base subsidized loan amount

Base Amount — Unsubsidized

	$5,000	COA
-	$3,250	EFA (including subsidized amount)
=	$1,750	Initial base unsubsidized amount
	$ 970	Base subsidized loan amount (loan limit minus subsidized base amount)

Case Study — Base, Additional, and PLUS Loan Amounts (cont'd)

Additional Amount — Unsubsidized

	$5,000	COA
-	$4,220	EFA (including base amount)
=	$ 780	Additional unsubsidized loan amount

PLUS Loan Amount (If Tonya's parents were eligible for a PLUS Loan, and they didn't want her to take out any loans)

	$5,000	COA
-	$ 720	EFA
=	$4,280	PLUS Loan Amount

ANSWER KEY (cont'd)

Proration Exercises

Exercise 1: Michael is enrolled in a computer training program that is 600 clock hours and 15 weeks long. The academic year is 900 clock hours and 30 weeks.

Is proration required here for Michael? Why or why not?

Yes. His program is less then one academic year in length.

Exercise 2: Charlene is beginning her second year. Her school's academic year contains two semesters. Each semester is 15 weeks long. Because of summer enrollment, she only has 18 credits left to take, which she will take during the fall semester to complete her program in December.

Is proration required for Charlene? Why or why not?

Yes. Her final period of enrollment is only one term, which is shorter than her school's two-term academic year.

Exercise 3: Charlene's plans change, and she will take 6 credits in the fall semester and 12 credits in the spring semester, graduating in May.

Is proration still required for Charlene? Why or why not?

No, because her final period of enrollment is a full academic year; she is attending both semesters in the school's academic year.

ANSWER KEY (cont'd)

Review Quiz — Loan Counseling

1. A first-time FFEL borrower at your school says he has no time to come in for entrance counseling. He asks if you can mail him some information. What should you tell him?

   You must attend the counseling in person. Until this is completed, you will not receive your loan.

2. When should you initiate a discussion of the consequences of not repaying a student loan, during entrance or exit counseling?

   During both entrance and exit counseling.

ANSWER KEY (cont'd)

Review Quiz — True or False

Directions: Place a "T" or "F" after each statement.

1. An undergraduate student's loan must be prorated if her final period of study is one academic year or greater in length. **F**

2. ED will cover the interest during any period of deferment or forbearance for a subsidized loan. **F**

3. For the unsubsidized portion of a student's base amount, EFC is not considered. **T**

4. To compensate for interest fees, a borrower's Direct Loan will actually be set at 4% higher than the amount for which the borrower is eligible. **F**

5. Both Direct Loans and FFELs require an additional application besides the FAFSA. **F**

6. All FFEL entrance counseling must be held in person (with exceptions for correspondence and study-abroad students). **T**

7. PLUS loans can only be calculated after the student's base amount has been determined. **F**

8. All independent students are eligible for the additional unsubsidized loan amount as long as their COA has not been met. **T**

9. The Direct Loan grace period is a few months longer than the FFEL grace period. **F**

10. Both base and additional loan amounts may consist of a combination of subsidized and unsubsidized loans. **F**