UMKC Will Change to the Federal Direct Lending Program for 2009-10

UMKC will be processing Federal Stafford Loans through the Direct Lending program beginning with the 2009-10 academic year. The University will no longer use the Federal Family Education Loan Program (FFELP) to process Stafford, Parent PLUS and Graduate PLUS Loans. Under the Direct Loan program, the funds for your federal loans will come directly from the federal government. In the FFELP program, funds come from a bank, credit union, or other lender that participates in the program. Eligibility rules and loan amounts are identical under both the FFELP and the DL programs.

Why UMKC is Changing to the Direct Loan Program

Security- Due to changes in laws which govern federal student loans, as well as the tightening credit markets and the effect on private lenders, Direct Loans offer the most secure and efficient manner of obtaining federal loans for our students. Last year, many private lenders stopped making loans to students; others altered their processes mid-year. The DL program will minimize the impact of the current student loan crunch for students and families.

Simplification- Students should find that Direct Loans offers a more streamlined process for obtaining loans. Direct Loans does not sell loans to other companies, therefore students can avoid the confusion of signing paperwork with different lenders, locating loan holder information or losing a lender altogether.

How this Change Might Affect You

Direct Loan eligibility, basic loan terms and loan amounts will remain the same as the FFEL program. There are a few changes you can anticipate:

1) If you have current FFELP/Stafford Loans, you will not be able to continue using a private lender to fund your federal loans. UMKC will only be processing loans through the Direct Loan program beginning 2009-10. If you have never borrowed a federal Stafford Loan, you will not be impacted.

2) All students, in 2009-10, will be required to complete loan Entrance Counseling and a new Master Promissory Note (MPN) before receiving loan funds. After 2009-10, continuing borrowers will not need to do Entrance Counseling or a new MPN.

3) After you graduate (or drop below half-time enrollment), you may choose to consolidate all of your federal loans (including your FFELP Loans) through the Direct Loan program so that you will not have to make payments to multiple lenders.

4) Parent borrowers using Federal Parent PLUS Loans will obtain loans through the federal Direct Loan program. UMKC will not be processing Parent PLUS Loans through private lenders. Parents are able to consolidate previously borrowed PLUS Loans from the FFEL program into the Direct Loan program.

5) Graduate PLUS Loans will be processed through the Federal Direct Loan Program. UMKC will not be processing Graduate PLUS Loans through private lenders. Students are able to consolidate previously borrowed PLUS Loans from the FFEL program into the Direct Loan program.

The Direct Loan program should provide you with the benefits of having a secure source of funding, clear communications, and a more streamlined process of obtaining federal loans. If you have any question about this change please contact the Financial Aid & Scholarships Office at 816-235-1154.