

Program Analysis



A Comparison of The Federal Family Education Loan Program &
The William D. Ford Federal Direct Loan Program

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NyFF
NAVIGATING YOUR
FINANCIAL FUTURE

Loan Program Analysis

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Florida Department of Education Office of Student Financial Assistance

Federal Family Education Loan Program

Program Creation

In 1965, President Lyndon Johnson signed the Higher Education Act, which created the federal student loan program. For more than 40 years, this unique public-private partnership of institutions, students, loan providers, and the government has made the dream of college a reality for more than 50 million students and their families. OSFA has participated as a guaranty agency in the Federal Family Education Loan Program (FFELP), previously known as the Guaranteed Student Loan Program, since 1978.

National Program Participation

During FY 2006, 80% of institutions on a national level chose to guarantee 11,947,813 loans totaling \$54,492,730,296 through the Federal Family Education Loan Program.

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The government-run William D. Ford Federal Direct Loan Program was created in 1993 with the promise that it would save taxpayers billions.

During FY 2006, 20% of institutions on a national level chose to guarantee 2,855,205 loans totaling \$13,245,115,015 through the Federal Direct Loan Program. The proportion of federal loans guaranteed through the Federal Direct Loan Program declined from 34% in 1997-98 to 20% in 2007-08.

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Florida Program Participation

During FY 2006, 90% of Florida institutions chose to guarantee 699,058 loans totaling \$2,919,335,346 through the Federal Family Education Loan Program.

Borrower Choice

Borrowers have the freedom to select a lender based on cost, flexibility, and customer service.

Code of Ethics

As a public agency, OSFA staff must adhere to the Code of Ethics for Public Officers and Employees as set forth in Florida Statute - Chapter 112.

For more information, visit: www.leg.state.fl.us.

U.S. Department of Education

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During FY 2006, 10% of Florida institutions chose to guarantee 76,472 loans totaling \$324,922,017 through the Federal Direct Loan Program.

Borrowers do not have the freedom to select a lender. They are required to borrow from the Federal Government.

No information available.

Cohort Default Rates

Because guarantors vary widely in their scope of services and the mix of postsecondary institution types, comparing ‘guarantor to guarantor’ cohort default rates can be misleading. For example, many private guarantors choose who they guarantee loans for and with, and often avoid high-risk institutions. Public guarantors, such as OSFA, have an obligation to work with any and all institutions that are eligible to participate in FFELP. We take pride in working with all FFELP participants throughout the State of Florida. A more accurate analysis of OSFA’s default prevention success is to measure your current OSFA-based cohort default rate to previous years.

In comparing the FY 2006 Cohort Default Rates between the Federal Family Education Loan Program and the Federal Direct Loan Program, the rates remain relatively consistent:

- **Proprietary:** FFEL - 9.4%, Direct - 9.7%
- **Associates:** FFEL - 8.4%, Direct - 8.2%
- **Bachelors/Masters/PhD:** FFEL - 3.0%, Direct - 3.1%
- **ALL:** FFEL - 5.3%, Direct - 4.5%

While the overall FY 2006 Cohort Default Rate for the Federal Direct Loan Program is lower than the Federal Family Education Loan Program, it can be directly attributed to the composition of loans that the Direct Loan Program has in repayment:

- **Proprietary:** FFEL - 24%, Direct - 12%
- **Associates:** FFEL - 15%, Direct - 12%
- **Bachelors/Masters/PhD:** FFEL - 61%, Direct - 76%

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Common Line

We currently support Common Line 4 and 5 and our own proprietary format. We have also started the development of Common Record Common Line (XML).

Competition

Competition between lenders fosters an environment that is conducive to offering borrowers the best products and services available to access higher education.

Compliance Assistance

OSFA has a dedicated team of Review staff that are available to provide guidance for state and federal compliance. OSFA also offers our institutional partners a proactive option of requesting a Technical Assistance Review. This option gives institutions the opportunity to identify issues that we can work on together to provide solutions.

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Federal Direct Loan Program supports Common Record Common Line (XML).

Borrowers will not benefit from an environment that does not offer a competitive angle.

The Federal Direct Loan Program does not offer state compliance assistance nor does it offer Technical Assistance Reviews.

**Customer
Service**

At OSFA, customer service is priority number one. We provide specialists in every aspect of our administration to help you resolve issues that may arise. Our Customer Service staff are available via a toll-free number and are trained to help institutions, students, and parents determine their loan or scholarship status and discuss all of their available options. Our dedicated Outreach Representatives are located in every region to better assist you with all financial aid programs. OSFA management wants to hear any suggestions or concerns our clients may have. As the designated Florida guarantor, it is our responsibility to work with you in order to provide the financial assistance your students deserve.

While customer service staff is available via a toll-free number through the Federal Direct Loan Program, representatives are not located within the state of Florida.

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Default Aversion

OSFA's Default Aversion Team assists lenders with locating and counseling delinquent borrowers. Once borrowers are located, a Default Aversion Team member counsels borrowers on possible student loan repayment options based on their circumstances and informs them of the potential impact of default. This counseling takes place through telephone calls, letters, and home visits. The Default Aversion Team Representatives also assist borrowers with contacting their lender/servicer to help them bring their account into good standing through deferment, forbearance, or other means.

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Federal Direct Loan Program's aversion process is centered around the use of Web-based delinquency reports and assists the Direct Loan Servicing Center in finding and counseling students that are in late-stage delinquency.

Default Fee

OSFA began paying the mandatory one percent Federal Default Fee on all Federal Stafford and PLUS Loans guaranteed on or after March 1, 2008. Paying the Federal Default Fee will result in a \$6 to \$7 million savings to borrowers and their families who use OSFA as the guarantor of their student loans.

The Direct Loan Program does not charge a Federal Default Fee.

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Navigating Your Financial Future (NyFF) provides comprehensive debt management tools to identify key solutions that contribute to the effective management of student loan repayment. This program is composed of multiple resources dedicated to promoting a positive credit profile, fostering a deeper understanding of budgeting skills and enhancing career development opportunities. The Default Prevention Team Representatives are available to assist institutions with on-campus activities promoting default prevention awareness.

The Default Prevention Team Representatives can also conduct visitations to support the development and implementation of a Default Management Plan specific to the institution.

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Federal Direct Loan Program does not offer a customized default prevention program that includes printed materials, on-site assistance, and customized reports.

Default Prevention

**Disbursing
Options**

We work with the disbursing agent (ELM/NDN, Nelnet, SallieMae, or individual lenders) of the institution's choice. We do not disburse, but are able to exchange electronic records with any industry-standard, institution-based software.

**High School
Initiative**

As a public agency, OSFA is committed to providing financial aid literacy in Florida high schools. Through our High School Initiative, we are targeting Florida's high school population through their Guidance Counselors. Our efforts include printed materials, an interactive Web site, and in-person and online workshops.

Institutions are required to disburse through the Common Origination and Disbursement (COD) system. If an institution processes Stafford loans through the Federal Direct Loan Program, only the PLUS or Alternative Loans can be processed through ELM.

The Federal Direct Loan Program offers materials to institutions to conduct their own workshops; however, it does not offer any type of on-site support.

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ISIR Data

While other guarantors may not have this option available, OSFA does have the capability to import ISIR data. This import allows OSFA the ability to effectively monitor aggregate loan limits and prevent students from potential over awards.

Industry Updates

The OSFA Outreach Team provides weekly industry updates to our institutional partners. If necessary, updates are sent more frequently. Also, the Outreach Team distributes industry updates through the “News to Know” on a monthly basis. The “News to Know” is distributed via E-mail and is available online.

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Federal Direct Loan Program has the capability to import ISIR data, monitor aggregate loan limits, and prevent students from potential over awards.

The Federal Direct Loan Program issues bulletins, as needed. However, the bulletins are limited to its program and are not related to industry-wide events.

Interest Rates

The interest rate is fixed at 6.8% for all Stafford loans disbursed on or after 7/1/2006 except for:

Subsidized Stafford loans for undergraduate students which are fixed at:

- 6.0% - loans disbursed on or after 7/1/2008
- 5.6% - loans disbursed on or after 7/1/2009
- 4.8% - loans disbursed on or after 7/1/2010
- 3.4% - loans disbursed on or after 7/1/2011
- 6.8% - loans disbursed on or after 7/1/2012

The interest rate is fixed at 8.5% for PLUS loans disbursed on or after 7/1/2006.

All borrowers covered under the Servicemembers Civil Relief Act (section 207) may be eligible for a lower interest rate not to exceed 6.0% for loans obtained prior to military service during the borrower's period of military service. This reduction may also be applied to defaulted loans.

See Repayment Incentives section for information on the Department's up-front interest-rate rebate.

Federal Direct Loan Program funds are not provided by lenders; therefore, there are no interest-rate benefits.

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Loan Originators

OSFA distributes a directory of OSFA lender partners on a monthly basis. This monthly publication is sent via U.S. mail and E-mail and is available online.

Loan Repayment

The Federal Family Education Loan Program offers the following repayment options:

- Standard Repayment
- Graduated Repayment
- Extended Repayment
- Income-Sensitive Repayment
- Income-Based Repayment

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Federal Direct Loan Program only offers one option to borrowers.

The Direct Loan Program offers the following repayment options:

- Standard Repayment
- Graduated Repayment
- Extended Repayment
- Income Contingent Repayment
- Income-Based Repayment
- Alternative Repayment
- Combining Loans for Married Couples

Mapping Your Future

OSFA is a sponsor of Mapping Your Future (www.mappingyourfuture.org). Through this national collaborative, public service project of the financial aid industry, we are able to bring together the expertise of the industry to provide free college, career, financial aid, and financial literacy services for students, families, and institutions.

The Federal Direct Loan Program does not partner with Mapping Your Future.

Market Position

OSFA's focus is on Florida students attending Florida institutions. Based on total dollars guaranteed, OSFA ranks 20th out of 35 in the nation.

The Federal Direct Loan Program has not reported on its market position since 2001.

Mission Statement

The Florida Department of Education, Office of Student Financial Assistance (OSFA) serves as a guarantor for the Federal Family Education Loan Program (FFELP) and the administrator of Florida's scholarship and grant programs. The OSFA mission is to facilitate higher education access and services by providing exemplary customer attention, comprehensive financial aid information, and convenient and efficient products.

No information available.

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Federal Family Education Loan Program

OSFA is pleased to participate in NT4CM, a new initiative that provides free training, information, resources, and tools regarding federal, state, and local financial aid programs for counselors and mentors working with students and their families. OSFA conducts multiple free workshops throughout the state of Florida on an annual basis.

Through NWRDC, a Financial Aid Administrator can view a borrower's OSFA loan history. Borrower accounts can be viewed in summarized and detailed formats. Detailed history notes on each account record all loan details, transactions, and communication.

**National
Training for
Counselors
and Mentors
(NT4CM)**

**Online Account
Access**

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Federal Direct Loan Program participated in the development of the NT4CM materials; however, it does not have the manpower necessary to provide in-person training.

Through the Common Origination and Disbursement (COD) Web site, a Financial Aid Administrator can view a borrower's Direct Loan history.

Online Reports

OSFA offers online reports that are customized to institutions' needs. Sample reports include: Guarantee Reports, Disbursement Reports, Default Prevention/Aversion Reports, Grace Period Reports, Defaulted Borrower Reports, Cohort Default Rate Reports, Lender Reports, Entrance and Exit Counseling Reports, and NyFF Online Counseling Reports.

Origination Fees

FFELP Stafford loans (subsidized and unsubsidized) origination fees are fixed at:

- 1.0% - loans disbursed on or after 7/1/2008
- 0.5% - loans disbursed on or after 7/1/2009
- 0.0% - loans disbursed on or after 7/1/2010

Contact your FFEL lender for information on any interest-rate or origination fee discounts that may be available.

The Federal Direct Loan Program only offers standard, online reports, such as, Origination Reports, Disbursement Reports, Reconciliation Reports, MPN Reports, Delinquent Borrower Reports, and Entrance and Exit Counseling Reports.

Direct Stafford loans (subsidized and unsubsidized) origination fees are fixed at:

- 2.0% - loans disbursed on or after 7/1/2008
- 1.5% - loans disbursed on or after 7/1/2009
- 1.0% - loans disbursed on or after 7/1/2010

The Direct Loan Program is required by law to have a higher origination fee.

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Outreach Representative

Each institution is assigned an Outreach Team Representative who serves as the primary point of contact for OSFA-related matters. All representatives are experienced financial aid professionals who can assist with training needs, respond to policy and procedure questions, and work with your staff on Financial Aid Awareness activities and on-campus support. The Outreach Team is located in the field and is backed by fully-trained staff in Tallahassee that are available via a toll-free number.

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Federal Direct Loan Program provides one primary Customer Service Representative per institution via a toll-free number only.

Philosophy

As a public agency, OSFA has the ability to offer its partners and customers something few guarantors can: the ability to shape OSFA programs and services based on their specific concerns. Earnings generated from OSFA's loan programs are used to provide financial aid workshops, publications, and better services for our participants, and help fund scholarship and grant programs. When schools and students choose to use the OSFA guarantee for student loans, they are actually helping countless other needy and deserving students by investing in education programs. So, if a participant has a problem or suggestion, OSFA management listens and does whatever it takes to implement a solution that meets their needs. Public dollars deserve that kind of accountability in education finance.

No information available.

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Repayment Incentives

The Federal Family Education Loan Program repayment incentives (interest rate or origination fee reductions) vary by lender and are based on business practices. For specifics, please contact your FFEL lender for more information.

Sample repayment incentives include:

- 0.25% interest rate reduction for payments made via EFT.
- Lenders may offer unlimited discretionary forbearance and no late fees on FFEL loan types.

Servicing Operations

OSEFA is committed to maintaining operations within the United States.

U.S. Department of Education

William D. Ford Federal Direct Loan Program

The Direct Loan Program has the authority to make interest rate or origination fee reductions in an effort to promote on-time payments as long as such reductions are cost neutral and in the Federal Government's best interest.

Repayment incentives currently include:

- 0.25% interest rate reduction for payments made via EFT.
- 1.25% upfront interest rate rebate for all Stafford and PLUS loans based upon the principal amount borrowed.
- Unlimited discretionary forbearance and no late fees are available for Consolidation loan borrowers.

The Federal Direct Loan Program uses servicing companies that utilize off-shore employees.

State Programs

Fiscal Year 2008-2009 Appropriations are \$696,735,415.

The Federal Direct Loan Program does not contribute to Florida-based State Grants and Scholarships.

Training

With over 30 years of combined training/presentation and facilitation experience, the Training and Development section within the Office of Student Financial Assistance provides training on a variety of financial aid and professional development topics. Individual classes or entire curriculums can be customized to fit the needs of your organization or staff. We provide both online and on-site training to suit your needs and schedule.

The Federal Direct Loan Program does not offer on-site training specific to an institution's needs. Training is available online or in regional or national locations at the institution's expense.

Loan Program Analysis

THIS PROGRAM COMPARISON PROVIDED TO YOU BY:

FLORIDA DEPARTMENT OF EDUCATION
OFFICE OF STUDENT FINANCIAL ASSISTANCE
(OSFA)



Florida Department of Education

Visit our Web site at:
www.floridastudentfinancialaid.org