

## **Borrowing through the Federal Family Education Loan Program (FFELP)**

A major source of funding for students attending Goodwin College is the subsidized Stafford, unsubsidized Stafford, and Parental Loan programs. Without these programs, many students would not be able to attend college due to the out of pocket expenses they would incur.

Currently, there are over 3,100 lenders and credit unions that participate in the FFELP programs. Being a federal program, the interest rate, grace periods, and loan maximums are fixed and the individual lenders cannot deviate from the terms as set by the Government. There are, however, other fees and benefits lenders can offer to entice the student to borrow through their entity. As an example, the Government allows lenders to retain up to 2.5% of the loan amount for origination and default fees. A lender may choose to waive the fees, thereby giving the student 100% of their loan proceeds for their educational expenses. Another example is a lender offering a .25% interest rate reduction once the student is in repayment and has signed up for auto-debit payments. Other lenders may reduce the principal balance of the loan by 2% once 24 consecutive, on-time payments have been made.

The financial aid professionals at Goodwin meet with lender representatives periodically to discuss their benefits. With the student in mind, Goodwin will attempt to do business with those lenders that provide the student the best loan options. Ultimately, a student may elect to borrow funds through the FFELP program through any participating lender. We feel it unreasonable to expect a student or parent to research the 3,100 lenders across the country and determine what their benefits may be. That is where the research done by the Goodwin College financial aid staff may be of some assistance to you, the student.

Below, we will identify the criteria and processes used to select lenders which we feel will benefit our students.

### **Criteria**

Goodwin College uses the following criteria to select potential lenders (again, the student may use any participating lender for their FFELP loan):

#### **\*\* zero origination and default fee**

For a \$3,500 subsidized Stafford loan for a freshman, the student potentially could only receive \$3,395 if the lender elects to retain the 1.5% origination and 1% default fees. In this case, the student is still liable for the \$3,500 upon repayment even though they only received \$3,395 for their educational costs. A primary criteria in lender selection is choosing lenders that will waive these up-front fees so our students will have less out of pocket expenses.

### **\*\*”back-end benefits”**

Lenders are under no obligation to provide any benefits to the borrower once they are in repayment. That is, once in repayment, the lender could simply send the student their repayment booklet and collect the monthly payment until the loan is satisfied. In selecting lenders, Goodwin will look for lenders that offer benefits to the student to reduce their loan obligation. Principal reductions, interest rate reductions, auto-debit benefits, etc. are helpful to the student to minimize their total repayment.

### **\*\* loan servicing**

The Goodwin College financial aid personnel are veteran aid administrators who have experienced different levels of servicing from the beginning of the loan process, through the disbursement process, and into the repayment process.

The initial processing of the loan is important to insure the funds are disbursed on the student’s behalf in a timely fashion. Delays in the disbursing of the funds can create balances on the student’s account which in turn lead to discussions with the accounting personnel and time out of class, away from family, or out of work. We are sensitive to our students’ time and value a smooth processing flow.

Once in repayment, the student will be dealing with their loan servicer until the loan is repaid. It is important to Goodwin that our students have their loans serviced by a reputable, flexible entity that will work with the student in the event they need assistance in applying for deferments, etc.

### **Process**

The process of lender selection involves meeting with lender representatives who outline the lender’s current benefit package. Most lenders will bring printed information detailing their benefits which make the comparison process easier for the Goodwin College personnel.

The financial aid personnel at Goodwin College attend many professional financial aid meetings and conferences throughout the year. At most of these events, lenders have available brochures which outline the benefits offered to the student if they borrow through their entity. These pamphlets are for the aid professionals to take back to the office and compare with other benefits as offered by other lenders. If interested, an appointment can be made to discuss, face to face, the benefits that the student can take advantage of by borrowing through the bank.