

## ***Update on Direct Lending (DL)***

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**Wayne State Board of Governors**

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## ***Brief Review of Events***

- **Sept. 2007**
  - Congress cuts the subsidies to lenders in the Federal Family Educational Loan (FFEL) in half
- **Nov. 2007**
  - Lenders reduce services and loan benefits – e.g. Nelnet stopped providing a phone call answering service to WSU
- **Jan-Mar 2008**
  - Lenders have difficulty obtaining funds to loan to students, partially due to the sub-prime mortgage issues
  - Lenders reduce loan benefits and service to schools – e.g. Nelnet violates a contract we have with them and stops purchasing our school as lender loans (estimated cost to WSU \$1.5M)
  - Lenders drop out of the FFEL program and restrict loans to only certain schools (e.g. Comerica, Chase Bank)

## ***Brief Review of Events***

- ***April 2008***
  - Office of Student Financial Aid evaluates the student loan market and recommends a move to Direct Loans
  - Board of Governors approves the move to the Direct Loan Program
  - U.S. Dept. of Education approves Wayne State to participate in the Direct Loan program
  - Michigan State University announces their move to Direct Lending
- ***May 2008***
  - 288 schools have moved to Direct Lending since January 1, 2008
  - Wayne State begins implementation immediately

## ***Implementation Update***

- ***How are we notifying students and parents?***
  - Emails and text messages sent to students to explain the reasons for the move to Direct Lending and what the students need to do (e.g. sign new master promissory notes)
  - Email and letters sent to parents to explain the move to Direct Lending and instructing them on what they need to do to obtain funds for fall semester
  - Workshops set up for students and parents to assist them in signing new master promissory notes and answer questions
  - Follow-up email messages to students to remind them to complete their master promissory notes

## *How are we getting this done?*

### *Timeline*

#### ***May***

- Make technical changes
- Contact students/parents on what to do

#### ***June***

- Assist students/parents in signing new master promissory notes

#### ***July***

- Identify and resolve problems

#### ***August***

- Set up disbursement, disburse and notify students/parents

## *How are we getting this done?*

### *Technical Issues*

#### • ***Technological changes***

- Changes to Banner and data exchanges with the U.S. Department of Education completed in May

#### • ***Website updates***

- Information on the Direct Loan program added to website in May

#### • ***Reconciliation process***

- OSFA and the Finance Office have established the procedure for reconciling the funds on a monthly basis

#### • ***Training***

- OSFA Staff fully trained on the DL regulations and processes.
- Town Hall meetings held for other counselors/staff on campus.

## ***How will the change to DL impact students?***

- ***What students have to do***
  - Complete the FAFSA to apply for aid
  - Accept or decline Direct Loans that are offered to them
  - Complete Master Promissory note
  - Complete entrance loan counseling
- ***How will DL benefit students?***
  - simpler, easier to understand process
  - no confusion in lender selection process
  - faster delivery of funds



## **Student/Parent Reaction**

- Most students are taking the change in stride, they are following the instructions on our website and in the emails we have sent
- Some are annoyed with having to sign a new master promissory note, but this is a one time need that has many other benefits
- Some are asking questions, but with no major concerns. They still haven't fully comprehended the benefits of Direct Lending



## ***How will we improve service?***

### ***We will be more efficient because...***

- Simpler, easier to explain process
- Fewer questions/complaints from students
- No third parties to deal with
- Faster delivery of funds to the school (and hence improved disbursement)
- Fewer interruptions from lender representatives



## ***Questions?***

