

FEDERAL STUDENT LOAN ORIGINATION -- SERVICES LOST UNDER DIRECT LOANS

	Federal Family Education Loan Program	Federal Direct Loan Program
Borrower Eligibility Determination	The FFELP loan delivery process helps ensure borrowers' eligibility for the requested federal loan amounts and provides an automated check-and-balance system can prevent over-awards.	Under the FDLP, schools are responsible for establishing borrowers' eligibility for Stafford and PLUS loans and the requested loan amounts. For schools, determining loan amount eligibility often requires a manual review of NSLDS records, on an individual borrower basis.
Master Promissory Note	In FFELP, the lender or guarantor partners with the school to ensure that a complete and accurate electronic or paper Master Promissory Note is collected.	Schools are responsible and liable for managing the Master Promissory Note process and ensuring that all students complete and sign a new note.
PLUS Loan Endorsement	Online PLUS endorser process: many FFELP lenders allow Graduate and Parent PLUS Loan endorsers to apply online.	FDLP offers only a paper process for Graduate and Parent PLUS Loan endorsers, which can result in delays of up to six weeks.
PLUS Loan Credit Check	FFELP lenders and servicers complete PLUS credit checks when authorized by borrower.	FDLP schools must initiate the credit check , which includes obtaining signed forms from parent and graduate student borrowers.
Loan Delivery Platform	The FFELP community developed the CommonLine protocol for student loan processing . CommonLine allows for extensive customization options, enabling schools to establish loan delivery processes tailored to meet the individual needs of schools.	FDLP offers a one-size-fits-all delivery model with limited customization options.
Training for Financial Aid Professionals	FFELP providers offer customized training and support to schools, in areas such as technical implementation, loan processing best practices, and default management and prevention.	FDLP's support is generally limited to non-customized training sessions at financial aid conferences, webinars, etc.
Borrower Counseling	FFELP lenders, servicers and guarantors actively provide student loan counseling and financial literacy outreach services, including integrated, online entrance and exit counseling, to ensure borrowers are aware of their rights and responsibilities regarding their student loans.	FDLP offers online entrance counseling; however, schools bear the responsibility for educating borrowers about their rights and responsibilities. Counseling materials are generic, one-size-fits-all.
Loan Reconciliation	The FFELP funding process ensures that the borrower-specific loan proceeds are properly allocated at the point of disbursement , eliminating the need for back-end reconciliation. Therefore, loan dollars are properly accounted for and loan records are accurate.	Under FDLP, schools are responsible for reconciling loan records and funds monthly , along with completing a year-end closeout.
Financial Literacy Education	FFELP lenders, servicers and guarantors provide a wide array of financial literacy and consumer education materials to borrowers during application and origination process to help borrowers minimize borrowing, maintain good budget and credit habits, and avoid unnecessary loan expenses. These upfront activities are designed to help borrowers avoid delinquency and default later. Many of these materials are customized to meet the need of specific borrower populations (e.g., undergraduates, vocational school students, graduate students).	Financial education is not an integral component of the FDLP . Schools would bear the responsibility for providing this information in a Direct Loan-only environment, although financial aid offices generally lack the expertise, training, and resources to meet this critical information need.