

News Release

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IU Bloomington campus switching to federal direct loans for 2008-09

**FOR IMMEDIATE RELEASE
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BLOOMINGTON, Ind. -- Indiana University announced today (April 15) that beginning in the fall of 2008, its Bloomington campus will return to using the federal Direct Loan Program as its source for federally backed student loans.

The decision was announced by Roger Thompson, vice provost for enrollment management, who said the campus wants to ensure students will have a predictable and reliable source of funds during the 2008-09 academic year.

"We are continuing to see signs that some major private lenders may be forced to cut back on the amount of funding available for lending in the upcoming months," Thompson said. "We want to be sure that our students are protected from this situation."

Thompson said the Direct Loan Program, which is administered by the U.S. Department of Education, is not expected to be affected by turmoil in financial markets because it obtains funds to loan directly from the federal treasury.

About 39 percent of the Bloomington campus' 30,394 undergraduate students this year received federally subsidized loans through private funding sources.

The decision to change was made by Neil Theobald, vice president and chief financial officer.

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"Our goal is to continue making an IU Bloomington education as affordable and accessible as possible for our students," Theobald said. "Recent changes in the student loan market make Direct Lending the lower cost alternative for Bloomington students and their parents. Direct Lending also provides our students and their parents with a secure source of funding as they plan for next year."

Since the fall of 2004, all IU campuses have been using Sallie Mae as its preferred servicer of student loans under the Federal Family Education Loan Program (FFELP). Sallie Mae placed federally guaranteed loans to IU students by drawing funds from private markets. Sallie Mae was chosen from among eight prospective companies on the basis of best overall package of borrower benefits for students.

Thompson said one of the major benefits enjoyed by IU students was that Sallie Mae charged them no processing fees. However, Sallie Mae has announced that it will begin charging processing fees again. The federal Direct Loan Program charges a half percent origination fee.

"Competition among lenders in the private sector served our students well for several years," Thompson said. "However, at the present time there is just too much uncertainty and turmoil in that market to make the risk worth taking. We will continue to closely monitor developments there, and should it again develop a competitive edge over the federal program, we will consider returning to private lenders."

Both the federal Direct Loan and the privately funded FFELP programs are overseen by the U.S. Department of Education. Both provide what are generally known as Stafford Loans for students and PLUS loans for parents. Eligibility rules and loan amounts are identical under both programs, but repayment plans and loan fees differ somewhat.

Decisions on whether to change programs have not been made yet at the six other campuses

administered by IU, but officials on each campus
are in the process of reviewing the market situation.

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