



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

APR 19 2010

GEN-10-06

Subject: Support for Schools Transitioning to Direct Loans

Summary: This letter provides information to schools that may need the Department's assistance to transition from the FFEL Program to the Direct Loan Program.

Dear Colleague:

Background:

The Health Care and Education Reconciliation Act of 2010 (HCERA), Pub.L. 111-152, provides that no new loans may be made under the Federal Family Education Loan (FFEL) Program after June 30, 2010. Therefore, schools that currently participate in only the FFEL Program will need to transition to the William D. Ford Federal Direct Loan (Direct Loan) Program. To assist institutions in this transition, the HCERA directed the Department to "provide institutions of higher education participating, or seeking to participate, in the loan programs under this part [Part D – Direct Loans] with technical assistance in establishing and administering such programs." The HCERA defines "assistance" as "the provision of technical support, training, materials, technical assistance and financial assistance."

Many financial aid officers have asked how the Department will use funds appropriated by the HCERA and, in particular, whether any of the funds will be provided as direct payments to schools that need transition assistance. After reviewing the legislation and information provided by financial aid officers and other financial aid experts, the Department believes the most timely, efficient, and equitable way to ensure all institutions are ready to fully participate in the Direct Loan Program for the award year beginning on July 1, 2010, is to provide technical assistance based on an assessment of individual institutional situations and requirements. Accordingly, rather than make direct grants of funds to institutions, we will enhance the "on-boarding" process that has already successfully supported schools in their transition from FFEL to Direct Loans.

Over the past several months, Department staff has helped hundreds of schools smoothly transition from the FFEL Program to the Direct Loan Program. As needed, the Department's transition support process has been expanded through the addition of more staff and other resources. We will use the additional funding provided in the HCERA to continue this expansion and provide timely, targeted assistance tied to each institution's needs. In making this decision, we recognized that developing a policy and procedures for making direct grants to institutions would take too long given the July 1, 2010, transition date. Before any awards could be made, such a process would require

the development of specific eligibility criteria, the clearance of an application form, and the establishment of a review panel, as well as extensive monitoring and auditing procedures around the use and reporting of taxpayer funds.

Requests for Assistance:

As part of the existing transition process, each school that submits an "Intent to Participate in Direct Loans" through the Department's Common Origination and Disbursement system is assigned a Point of Contact (POC). The POC will work with the institutions to ensure a successful transition. Based on recent experience, in many instances the POC can provide the needed assistance in just one or two phone calls. If more extensive help is needed, the POC will work with the institution to develop and implement an assistance plan. Additional assistance could be provided by Department staff or other experts through a series of calls with the relevant parties at the institution or, if necessary, through on-site visits.

To augment Department staff resources, we have contracted with a private vendor to assist institutions during the transition period with technical and/or consulting support. The contractor has developed a pool of resources that can be deployed quickly to provide support to the institution. This resource pool includes retired and current financial aid and other campus administrators with experience in the Direct Loan Program (including recent transition experience) and other financial aid experts.

Summary:

As we have stated repeatedly, most recently in an April 6 Dear Colleague letter from Federal Student Aid's Chief Operating Officer Bill Taggart, the Department is absolutely committed to ensuring that all institutions, and more importantly, all students and families, have continued and uninterrupted access to Federal student loans. We encourage all schools to work with their POC to resolve transition issues as they arise.

If you have any questions on the information provided in this letter please do not hesitate to contact your POC, the School Relations Team at 1-800-848-0978, or e-mail us at DLEnrollment_FSA@ed.gov.

Sincerely,



Daniel T. Madzelan
Delegated the Authority to Perform
the Functions and Duties of the
Assistant Secretary for
Postsecondary Education