

COMPARATIVE ANALYSIS

PHEAA Federal Family Education Loan Program (FFELP) and Federal Direct Lending Program (FDLP)

At first glance, it appears that the PHEAA-FFELP and the Federal Direct Lending Program (FDLP) are not all that different. Both programs have the same general terms, conditions, interest rates and loan amounts.

But it is important to note that PHEAA-FFELP provides a wide range of customer, public service and school-focused programs that the FDLP does not offer. The chart below outlines why PHEAA-FFELP continues to be the right choice for Pennsylvania schools, students and families.

	PHEAA - FFELP	DIRECT LENDING
Freedom of Choice	<ul style="list-style-type: none"> ➔ More than 98% of Pennsylvania postsecondary schools participate in FFELP because it offers the best loans and services to their students. The FFELP has succeeded so well for decades because of a public-private partnership joining private-sector capital, efficiencies and innovation with the public-sector's mission of providing affordable access to higher education. ➔ Nationally, 80% (5,381) of schools selected FFELP in 2006-2007. ➔ Competition among lenders breeds efficiency and lowers costs for consumers. Competition has always provided consumers with the best products, services and choices. 	<ul style="list-style-type: none"> • Students & families are not given any choice; rather, they are forced to use the Federal Government. • Nationally, only 20% (1,075) of schools selected FDLP in 2006-2007.
Cost and Convenience of KeystoneBEST SM vs. FDLP	<ul style="list-style-type: none"> ➔ Some KeystoneBEST Loan Program participating lenders offer a fee-free loan for academic year 2008-09. These are guaranteed, up-front benefits. ➔ KeystoneBEST borrowers enjoy a single point of customer service for the life of their loan(s). ➔ The federal subsidy for loans in FFELP will be 1.72% for 2008. FDLP will be 4.26%. In other words, FFELP would now be about 2.5 times more cost effective to operate than FDLP. ➔ All FFELP funds are issued by private sector lenders, which do not have any impact on the national debt. ➔ PHEAA, in collaboration with our various lending partners, has developed a seamless school channel alternative loan process that mimics the FFELP KeystoneBEST Master Promissory Note (MPN) complete with e-signature capabilities for the 2008-09 academic year. 	<ul style="list-style-type: none"> • The FDLP is more expensive for students because they must pay an up-front charge of at least .5% of the loan amount with a conditional charge of up to 2%. • The FDLP is also more expensive for taxpayers. Studies advanced by DLP supporters often omit key administrative and other costs, which when taken into account show that the FFELP is more cost effective. • Each loan in FDLP is issued by the Federal Treasury, becoming part of our national debt. With a typical student loan repayment term of ten years, the amount added to the national debt will grow significantly over time. • FDLP does not provide or service alternative loans. Students/parents with both direct and alternative loans will be serviced in multiple locations or by multiple parties.
FAO/School Support	<ul style="list-style-type: none"> ➔ As a trusted advisor and colleague, PHEAA reaches out to postsecondary schools and establishes lasting relationships. Throughout the year, PHEAA staff visit schools and respond to their unique needs, providing customized support. ➔ PHEAA supplies a wide array of informative student aid resources to the higher education community, including free guides, newsletters, online updates and convenient school products. Each month, PHEAA also produces Loan Notes, a publication that covers announcements, industry trends, and policy changes in the student aid industry. ➔ Additionally, PHEAA provides a number of free educational workshops and training seminars to assist the student aid community. 	<p>FDLP does NOT provide any personal or individualized school support. Because the Federal Government could not staff, school support has been outsourced to a private contract based on the lowest bidder.</p>

COMPARATIVE ANALYSIS (PHEAA - FFELP and FDLP)

	PHEAA - FFELP	DIRECT LENDING
Customer Service	<ul style="list-style-type: none"> ➔ PHEAA offers a comprehensive student aid service, which means that we're there for students all the way. Starting from the time they apply for a loan, we deliver the funds, stay with them through all of their academic years, and guide them through successful repayment. ➔ PHEAA's customer service professionals are Pennsylvania-based, not outsourced overseas or to other states. 	<p>Because the Federal Government could not staff, customer service has been outsourced to a private contract based on the lowest bidder.</p>
Training & Support	<ul style="list-style-type: none"> ➔ PHEAA regularly visits postsecondary schools to provide training and assistance in financial aid matters. 	<p>FDLP does NOT provide any customized visits to secondary schools.</p>
Commitment to Pennsylvania	<ul style="list-style-type: none"> ➔ PHEAA is committed to the Commonwealth of Pennsylvania and the availability of higher education assistance. We're located in the heart of the Capitol region, and employ more than 2500 Pennsylvania residents. We have strategically-placed regional offices across the state with dedicated staff to answer questions and provide hands-on direction to students, families, schools and colleges. ➔ Over the past ten years, PHEAA has provided nearly \$1 billion in public service initiatives to the students, families and taxpayers of Pennsylvania. 	<p>FDLP does NOT have staff specifically-dedicated to Pennsylvania.</p>
Community Involvement	<ul style="list-style-type: none"> ➔ Each year, PHEAA offers more than 300 free financial aid events to guide students and families through the financial aid process. We partner with many community and government organizations, such as libraries, churches, civic organizations, YMCAs, state-government offices/agencies, and children & youth services to provide workshops, college fairs, informational events and training sessions. 	<p>FDLP does NOT offer community information events.</p>
Default Prevention	<ul style="list-style-type: none"> ➔ PHEAA's debt management site, YouCanDealWithIt.com, provides students with information, tools, techniques, and practical advice on how to approach common financial situations they might face. The site offers information and advice to help students better understand their student loan commitment, financial budgeting, and the benefits and dangers of credit cards. ➔ PHEAA helps schools take a proactive approach to promoting financial literacy during the in-school period by offering the Financial Wellness Curriculum and Entrance and Exit Counseling DVD. We also developed two interactive personal finance tools, Money Matters and Common Cents to help college students and recent graduates better understand and take control of their finances. In addition, school officials can request free resources such as student folders, posters, and brochures to promote financial responsibility. ➔ PHEAA's latest cohort default rate of 2.9% is well below the national average of 4.6%. Our focus on default prevention and maintaining a low cohort default rate in turn, helps schools manage their cohort default rate by preventing their students from defaulting on their student loans. ➔ In addition, PHEAA created the Delinquent Borrower Counseling Guide, the Preclaim Assistance Roster, and the customizable 3-Step Default Prevention Letters. 	<p>The Department of Education does NOT publish the Direct Lending cohort default rate.</p>
Rebate Programs	<ul style="list-style-type: none"> ➔ PHEAA offers StudentLoanRebates, a unique student loan rebate program that benefits borrowers as they repay their student loans. PHEAA has teamed with some of the best rewards programs around, including Upromise, to help student loan borrowers earn rebates while shopping. These rebates are then applied to the borrower's AES-serviced student loan balance, allowing them to repay their loan faster. To date, StudentLoanRebates has saved borrowers \$5.8 million. 	<p>FDLP does not allow rebate dollars to be applied to repayment of loans.</p>