

COMPARATIVE ANALYSIS

PHEAA's 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 92% of Pennsylvania postsecondary schools participate in FFELP because it offers the best loans and services to their students. 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. ➔ In 2007-2008, FFELP served more than 6.4 million students and parents at 5,000 postsecondary institutions, lending a total of \$55.3 billion (or 78% of all new federal student loans). ➔ Competition among hundreds of 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. • FDLP lends approximately 22% of all new federal student loans. • There is no incentive to compete.
Cost and Convenience of KeystoneBEST SM vs. FDLP	<ul style="list-style-type: none"> ➔ KeystoneBEST Loan Program participating lenders have the option to provide discounted up-front loan fees, as well as repayment incentives. ➔ KeystoneBEST borrowers enjoy a single point of customer service for the life of their loan(s). ➔ 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. 	<ul style="list-style-type: none"> • FDLP students must pay an up-front charge of .5% of the loan amount with a conditional charge of up to an additional 1.5%. • FDLP loans are funded from capital originating with the U.S. Treasury. FDLP loan distribution begins with the U.S. Treasury Department and passes through the U.S. Department of Education then to the school and student. • The FDLP is also more expensive for taxpayers. Studies advanced by FDLP supporters often omit key administrative and other costs, which when taken into account show that the FFELP is more cost effective.
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. 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. ➔ As a guarantor, PHEAA provides a dedicated Compliance team which offers guidance and support on statutes and regulations. 	<p>FDLP does NOT provide the level of personal or individualized school support that is offered by PHEAA.</p>

COMPARATIVE ANALYSIS (PHEAA - FFELP and FDLP)

	PHEAA - FFELP	DIRECT LENDING
Student Services	<p>➔ PHEAA offers a comprehensive student aid service, which means that we're there for students all the way. With our early awareness initiatives and EducationPlanner.org, we help to guide students through the process of higher education by assisting them with completing entrance exams, making career choices, selecting a college and submitting for admission. Once they have made those crucial decisions, through aesSuccess.org and Account Access, we help them to complete the FAFSA, assess their eligibility for Pennsylvania State Grants, and fill out their MPN. Our commitment to them does not end at disbursement. We stand by our borrowers to ensure that they are able to successfully repay their loans through a variety of tools and services.</p> <p>➔ PHEAA's customer service professionals are Pennsylvania-based.</p> <p>➔ PHEAA offers Account Access, a secure, web-based service for students to review their Pennsylvania State Grant information, FFELP loan records, and any alternative loans which are AES-serviced. Student accounts are based on an assigned account number, not Social Security Number.</p>	<p>FDLP loan information is accessed by the student's Social Security Number.</p>
Training & Support	<p>➔ At PHEAA, we are continually working to improve upon our processes. Our suite of products and services is constantly growing as we strive to better serve our school partners. We do not take this task lightly. We are always asking for feedback and have established advisory committees to ensure that we hear from those who use our systems regularly.</p> <p>➔ PHEAA regularly visits postsecondary schools to provide training in financial aid matters.</p>	<p>FDLP does NOT provide any customized visits to postsecondary schools.</p>
Commitment to Pennsylvania	<p>➔ 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 approximately 2,100 Pennsylvania residents. We have strategically-placed regional offices across the state with dedicated staff to answer questions and provide hands-on guidance to students, families, schools and colleges.</p> <p>➔ Over the past ten years, PHEAA has provided nearly \$1 billion in public service initiatives to the students, families and taxpayers of Pennsylvania.</p>	<p>FDLP does NOT have staff specifically-dedicated to Pennsylvania.</p>
Community	<p>➔ 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 to provide workshops, college fairs, informational events and training sessions.</p>	<p>FDLP does NOT offer community information events.</p>
Default Prevention	<p>➔ 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.</p> <p>➔ 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 to promote financial responsibility.</p> <p>➔ PHEAA's latest cohort default rate of 3.4% is well below the national average of 5.2%. 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.</p> <p>➔ In addition, PHEAA created the Delinquent Borrower Counseling Guide, the Preclaim Assistance Roster, and the customizable 3-Step Default Prevention Letters.</p>	<ul style="list-style-type: none"> • The Department of Education does NOT publish the Direct Lending cohort default rate. • FDLP offers three monthly, online Delinquency Reports, to assist with default management activities regarding delinquent and defaulted borrower. School Support Services provides assistance to schools with delinquent management. • Schools can receive Late Stage Delinquency Assistance for Stafford loan borrowers who are delinquent by more than 240 days and are considered in late stage delinquency. Schools work with the FDLP to contact and counsel the borrowers. • A sortable web-based tool is available to help schools identify borrowers who will affect the next cohort default rate.