

## President Obama's Federal Student Loan Proposal

On October 25, 2011, President Obama announced new initiatives pertaining to federal education loans issued by the U.S Department of Education (Direct Loans or Federal Family Education Loans): a new Special Direct Consolidation Loan program and changes to the current Income Based Repayment Plan.

It is important to recognize both programs have specific participation requirements. To obtain information about the programs, their eligibility requirements, and how they may affect individual circumstances, ACPE recommends borrowers visit the following websites:

- For the [Fact Sheet](#) issued by The White House Office of the Press Secretary, outlining the President's proposals, click [here](#).
- For information on the [Special Direct Consolidation Loan](#) program, click [here](#).
- For information on the current [Income Based Repayment Plan](#), click [here](#).
- For more information call 1-800-4-FED-AID (1-800-433-3243).

Borrowers should carefully weigh the costs and benefits before pursuing either program.

Here are some important items to consider:

- For the Special Direct Consolidation Loan program –
  - The program will not extend the term of a borrower's federal loan(s);
  - There is currently no information indicating the Special Direct Consolidation Loan program will permit borrowers to retain benefits afforded to them by their current lender;
  - Borrowers do not need to take action to initiate a Special Direct Consolidation Loan; they will be contacted by a U.S. Department of Education servicer if they are eligible to participate. NOTE: The Department of Education indicates it is critical that borrowers do NOT start the traditional Direct Consolidation Loan process or they will not be eligible to participate in the Special Direct Consolidation Loan program.

- Federal rules do not permit borrowers to include state or private education loans
- For the Income Based Repayment Plan, borrowers should be aware:
  - Interest will continue to accrue;
  - They must consider whether or not they may qualify for forgiveness after 20 or 25 years;
  - Borrowers who default will not be eligible for forgiveness;
  - Loans will no longer be serviced in Alaska;
  - Borrowers who choose this plan will forego borrower benefits provided by a current lender; and
  - No availability date has been announced for application for this Plan but it appears that it is expected to begin sometime in 2012.

Information will be updated as additional details about these programs are released by the U.S. Department of Education. Please visit the links provided for information updates.