

Officials say direct lending has aided UNL

By JESSICA FARGEN
Staff writer

The business of making student loans is a lucrative and sought-after business across the country.

Until 1995, UNL's loaning was done through the Federal Family Education Loan Program, involving banks and groups such as the Nebraska Higher Education Loan Program.

The University Nebraska-Lincoln switched over to direct lending in 1995-96, when then-chancellor Graham Spanier approved the change, said James Griesen, vice chancellor for student affairs.

Griesen said direct lending saved students money by bringing competition to the student loan market and simplifying the process.

"It's made our financial aid office work far more smoothly than in the past," Griesen said.

But representatives from the Federal Family Education Loan Program disagree and say they want UNL back.

Tom Melecki, vice president of policy, research and planning of the Nebraska Student Loan Program, remembers when UNL switched.

"It was a sad day for us," he said. "UNL was the flagship institution. It has a great student body that takes loan obligations real seriously."

"We lost a real highly valued group of customers."

Since the changeover, the FFELP program has started to offer students a chance to shave 1 percent off of their interest rate if they make prompt payments for 10 months; 2 percent for 24 months, Melecki said.

Federal legislation in the recent Higher Education bill also may offer a rate-saver plan for direct-lending students, but it was not certain yet, Munier said.

Melecki also pointed out that 45 Nebraska banks have formed an alliance that since May has served as one large source of lenders, instead of hundreds of individual banks.

But Munier said the alliance does not involve

Cut the rate

Under the federal 1998 Higher Education Act, the interest rate for student loans was reduced. In order to receive that lower rate, students and those with college debts must consolidate by Jan. 31, which will allow them to get the new rate.

Who is eligible?

Only students who have direct loans can consolidate and get the lower rate. Students who currently have a mixture of loans such as Perkins loans or FFELP loans cannot consolidate and get the new rate. People no longer in college with student loans of any type or mixture can consolidate under one direct loan and get the lower rate.

How is it done?

In order to consolidate, therefore getting a lower interest rate, students and people with loans must arrange to do so in one of three ways:

- **in person**, by meeting with their lenders.
- **online**, by visiting <http://www.ed.gov/directloan>
- **phone**, by calling the U.S. Department of Education at (800) 557-7392.

JON FRANK/DN

all the banks in Nebraska that contract student loans, thus requiring students and the university to still deal with several other lenders.

Tom Butts, associate vice president for governmental relations for the University of Michigan, was a part of a lobbying effort in Congress that produced the 1993 bill authorizing direct lending.

"It came about out of, really, decades of frustration with the guaranteed student loan program (FFELP), which could hardly be characterized as a student-friendly or institution-friendly program."

Butts said the FFELP program involved too many parts, and extra costs were incurred by students.

Overall direct lending makes up one-third of the loan market and is used at 1,300 universities, Butts said. One-half of those are four-year public universities.

Loan plan provides lower interest rates

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UNL students, or 45 percent, who has student loans.

In the five years Janssen has been at UNL, she has worked 40 hours per week at jobs including waitressing, instructing aerobics and tutoring.

"If it wasn't for loans and me working my butt off, there's no way I'd be in school," she said.

But Janssen is luckier than many students, because her \$20,000 in loan debt will be paid through a graduate program she plans on entering after graduation.

Shannon Magnuson, a sophomore computer science major, is not as fortunate.

He took out a loan in the fall of 1996, then had to drop out because he could not pay it. Now, he is back in school and considering a loan again.

"It's really the only option I have now, short of relatives, but I feel kind of bad about that," he said.

Magnuson works about 30 hours per week in the computer center at the 501 Building on

campus, but that is not enough.

"Lately, nowadays you have to have a loan to go to college," he said. "And college is necessary to get a good job."

Munier agreed and called borrowing to pay for an education "investing in yourself," but said borrowing for expendable items such as cable television should be kept to a minimum.

Students such as Magnuson may not realize they can save money on their investments through the new interest rate.

UNL's financial aid office did not notify students that they had to consolidate their loans. But Munier said he did forward the information to the UNL Alumni Association to put in its magazine.

Munier said the interest rate change is a new option in student lending that he has never encountered, but he welcomed the change and the benefits it held for students.

Students and others with college loan debt can consolidate their loans online at <http://www.ed.gov/directloan> or by calling the U.S. Department of Education at (800) 557-7392.

The clash between banks and universities is a national political issue, Butts said, and many financial aid administrators are under pressure to switch back.

But Munier said he wanted to stick with direct lending at UNL.

"Students and families continue to report for us how much simpler the direct loan program is for them to understand," Munier said.

Michael Watkins, who graduated from UNL in May, said direct lending made sense for him.

"Direct lending is a lot more beneficial to students because of the convenience it provides, and because you have people there who are present and can help you with your services," Watkins

said. He is a 23-year-old who now is a first-year pharmacy major at the University of Nebraska Medical Center.

Watkins took out a direct loan at UNL his senior year, but most other schools in the state do not use direct lending.

Having used direct loans, and now indirect loans, Watkins now can appreciate UNL's direct process. He said most UNMC students don't know what alternatives could be available to them.

"When I applied for loans at the medical center, it was a hassle," he said. "At the medical center, I think people overall have the feeling and have the point of 'Deal with it. There's no point in complaining about it.'"

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ASUN Watch

And the score is ...

- The following is a list of goals ASUN has set and the progress it has made.
1. **Continue commitment to diversity through sponsored events and increased communication with the campus community.**
— ASUN President Sara Russell and Andy Schuerman, Human Rights Committee chairman, are working with a universitywide committee to coordinate activities for Martin Luther King Jr. Day on Jan. 19.
 2. **Maintain regular campuswide community service projects.**
— Senate members completed their second community service project Tuesday by working on the UNL Habitat for Humanity "NU House." Ryan Anderson, chairman of the Campus Life Committee, said ASUN's next service project will be with Day Watch, a homeless shelter.
 3. **Enhance technological services to students.**
— The ASUN Communication Committee is working with Maggie Doyle, public relations liaison, to update student government information on the World Wide Web. Russell said ASUN would like student input on what should be included on the ASUN Web page.
 4. **Research the options to make student evaluations more effective.**
— Kara Slaughter, Academic Committee chairwoman, said the committee has accomplished its goals regarding student evaluations. Slaughter said next semester the committee will send out an all-faculty e-mail message that includes several midsemester feedback form options.
 5. **Address campus parking concerns.**
— In light of new parking structure construction, Russell said she is looking into legislation dealing with potential parking fee increases.
 6. **Continue efforts to unite City and East campuses.**
— Tony White, Environmental Issues Subcommittee chairman, said the committee is promoting mass transit services on Star Tran bus No. 24 and night shuttle service between City and East campuses. White said he wants more UNL students, faculty members and staff to use the buses to ride between campuses.
 7. **Create a larger representation of students through outreach initiatives.**
— Russell said ASUN will continue to hold town hall meetings and open forums to enhance discussion among students. Topics for future town hall meetings will include parking concerns and discussions about a new constitutional amendment creating a new student body assembly.
 8. **Lobby for student input and concern regarding the ASUN government party system.**
— Last week the senate voted to send back the Electoral Commission's proposed 1999 election rules and procedures. The commission will present revisions and additional changes to the proposal today for a senate vote.
 9. **Work to promote alcohol awareness and education campuswide.**
— ASUN members are researching processes and methods on how to award the Laura Cookson Memorial Scholarship. Russell said a scholarship will be awarded this year to a UNL student who actively promotes and brings awareness to the adverse affects of alcohol.


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