



Pepperdine University School of Law Office of Financial Assistance

January 15, 2010

Dear Students,

On the behalf of the Office of the Provost, I want to share important information with you regarding Pepperdine University's participation in the Federal Direct Loan Program (FDLP) that will begin with the fall 2010 semester.

Pepperdine has historically participated in the Federal Family Education Loan Program (FFELP) where students and/or parents received Federal Stafford and Federal PLUS/Graduate PLUS loan funds from banks and other lending institutions. These federal loans were guaranteed by a government organization, typically the federal government or a regional guarantee agency. The FFELP has experienced dramatic changes over the past three years, as the federal government has substantially reduced subsidies paid to banks that originated student loans. Additionally, the ongoing credit crisis has negatively affected the ability of lenders to continue participating in the FFELP.

In response to these challenges, Pepperdine seeks to protect the interests of students and their families by utilizing the Federal Direct Student Loan Program, managed through the U.S. Department of Education, as our funding source for federally guaranteed student loans. This change will begin in fall 2010. You should understand that this only changes the way federal loans are processed and funded; it does not change federal loan limits or eligibility requirements.

As a participant in the Federal Direct Loan Program, Pepperdine will provide students a simplified and secure process for obtaining federal student loans. The University, rather than a bank or other lending institution, will ensure timely disbursement of federal loan funds each semester. The Department of Education secures the funding directly from the U.S. Treasury, so any future instability in financial markets should not directly affect this source of funding for federal student loans.

Other benefits of the FDLP include the following.

- Students will no longer have to comparison shop for a lender to find the "best deal" on their student loans, or worry that the lender they chose may not be in the program in future years.
- Families will experience a simpler application process as all guaranteed loans use the same application procedure.
- Loan fees and interest rates in the Direct Loan program are lower, providing interest savings and reduced monthly payments.

Pepperdine students receiving federal student loans will join their peers at many other universities who have been receiving their loans through the Federal Direct Loan Program for over a decade. The Department of Education is so confident in the benefits of direct lending that it has proposed that all schools convert to this program. It is likely that all schools will be strongly encouraged (possibly required) to move to this form of student loan processing in the near future.

The financial aid teams at Pepperdine have begun the necessary steps to ensure a smooth transition for students and their families. You should expect further communications regarding the transition to the FDLP from your financial aid office by the end of February. In the meantime, I encourage you to discuss any questions you may have with your financial aid office.

Timothy M. Chester
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Pepperdine University