

Federal Direct Loan Questions and Answers

Frequently Asked Questions

Q. What are Direct Loans (DL)?

Direct Loans are Stafford and PLUS loans, plain and simple. They are called “Direct” because the student and/or parent are borrowing directly from the U.S. Department of Education.

Q. Why is Pepperdine switching to Direct Loans?

For the 2009–10 academic year and prior, Pepperdine participated in what is known as the Federal Family Education Loan Program (FFELP), a public-private partnership in which private, nonprofit lending institutions made federally guaranteed loans to students and parents. Due to recent changes made by Congress to the FFEL Program, coupled with the current economic downturn, a significant number of lenders have exited the program, limiting options and decreasing the number of benefits for borrowers. DL currently provides the most stable source of loan funding available because the funds are provided directly by the U.S. Treasury.

Q. Can I borrow a federal loan through both DL and FFELP? No, because Pepperdine has made the decision to participate in DL. All federal loans borrowed for fall 2010 and forward, will be through DL.

Q. Are the eligibility requirements the same as FFELP? Yes, to be eligible for Direct Loans, you must be enrolled in school at least half time and meet general eligibility requirements for the Federal Student Aid (FSA) programs.

Q. Are the loan types and loan limits the same as FFELP? Yes, for more information refer to <http://www.ed.gov/offices/OSFAP/DirectLoan/applying.html> .

Q. What are the interest rates for Direct Loans?

Stafford loans disbursed on or after July 1, 2006 have a fixed interest rate of 6.8%, with the exception that subsidized loans disbursed on or after July 1, 2010 to undergraduate student will have an interest rate of 4.5%. Direct PLUS Loans have a fixed rate of 7.9% this rate is less than the FFELP PLUS program.

Q. What will happen to the existing loans that I have borrowed from other lenders?

After graduation you have a choice. You may either make individual payments to your previous lender(s) and to the Department of Education for your Direct Loans, or you may consolidate your loans into one payment. You may consolidate all your loans with your previous lender, or with the Department of Education. However, many Federal Family Education Loan Program (FFEL) lenders have discontinued their consolidation services at this time. For more information regarding DL consolidation refer to this website <http://loanconsolidation.ed.gov/index.html>.

Q. Will my existing loans begin repayment when I switch to DL? No, not as long as you continue to be enrolled in school at least half time your current loans (FFELP)

will remain eligible for in school deferment.

Q. Do I have to complete another Master Promissory Note (MPN)?

Yes, you must sign a new Direct Loan Master Promissory Note because you will now have a new lender, the federal government. The Federal Direct Loan Master Promissory Note (MPN) process is completed on-line. You will be required to use your U.S. Department of Education issued PIN to complete an electronic MPN. If you are a graduate or professional student who borrows from both the Stafford and Graduate PLUS loan programs, you will need to sign two MPN's, one for the Stafford Loan and one for the Graduate PLUS.

Q. When should I complete a Direct Loan Master Promissory Note?

Complete the Direct Loan Master Promissory Note before the end of the spring 2010 term. More information regarding this process will follow shortly.

Q. Where can I find more information regarding DL? The DL home page for the US Dept of Education at

<http://www.ed.gov/offices/OSFAP/DirectLoan/index.html>

The Office of Financial Assistance is here to answer any other questions you may have regarding Federal Direct Loans or how this impacts you. You may contact us at lawfinaid@pepperdine.edu or 310.506.4633.