



Northeastern University

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Northeastern to provide 'safe harbor' for student loans



President Joseph Aoun announced that, beginning with the 2008-2009 academic year, Northeastern will participate in the William D. Ford Federal Direct Loan Program, which receives funding directly from the Department of Education.

Lauding Northeastern, Kennedy draws attention to aid

Hailing Northeastern as "one of our great educational resources, not only in Massachusetts but nationwide," Sen. Edward Kennedy held a hearing at Northeastern's Raytheon Amphitheater to call attention to the issue of student aid in a tightening economy.



The hearing was introduced by Northeastern President Joseph Aoun, who earlier in the day had announced that Northeastern will begin participating in the Federal Direct Loan Program.

Aoun said Northeastern took the step in part because of Kennedy's "inspiration, your leadership, your values."

Media coverage of the Northeastern loan decision:

- [The Boston Globe](#)
- [The Chronicle of Higher Education](#)

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Beginning with the 2008-2009 academic year, Northeastern will participate in the William D. Ford Federal Direct Loan Program, which receives funding directly from the Department of Education.



President Joseph Aoun / CRAIG BAILEY

Participation in the Direct Loan Program will ensure that Northeastern students and families will continue to have access to federal low-cost educational loans. It will also mitigate the potential impact of the current credit issues affecting third-party private providers of federal educational loans.

The university's announcement coincided with a Senate field hearing that Sen. Edward M. Kennedy, chairman of the Senate Committee on Health, Education, Labor and Pensions, hosted at Northeastern to discuss how to ensure access to college in a turbulent economy.

"We need to be certain we're doing everything we can to give students the strongest possible options for college loans, especially in today's troubled economy," said Kennedy. "The ability of young Americans to pay the high cost of college should not be determined by the quarterly earnings of the banks. Today's move by Northeastern will help protect students, as the Direct Loan Program is insulated from disruptions in the private credit markets.

"The secretary of education must take all necessary steps to ensure the programs that exist to shield students from volatile private markets — like the Direct Loan Program — are ready in case they need to take up the slack. We must be prepared to act to ensure students continue to have access to the assistance they need to afford a college degree," he said."

"Northeastern students will continue to achieve their educational goals due to Senator Kennedy's outstanding leadership in providing direct lending as a resource for financing their education," said Northeastern President Joseph Aoun.

As many private lenders are reassessing their loan terms and overall participation in the educational marketplace, which could result in higher costs and longer processing times for loan decisions, Northeastern has determined that it is in the best interest of its students and parents that it participate in the Direct Loan Program. With this move, students at Northeastern will not have to negotiate through the potentially confusing and overwhelming process of deciding among more than 3,000 lenders to seek the reliable funding they need to pursue their studies.

"It is our responsibility to ensure that every student and parent has a

sure and clear path to obtain educational loans, particularly at this important time of year when students are making decisions on college options" said Philomena Mantella, senior vice president for enrollment management and student affairs.

The Direct Loan Program funding comes from a single source, the Department of Education, and the loans can not be sold to other financial institutions, thus ensuring that promised benefits are not lost. The program offers several repayment methods and allows borrowers to switch repayment methods if needed.

"We understand the financial challenges students and their families face and are confident that our participation in the Direct Loan Program will provide further stability and security for our students and their families as they seek federal student loans as a part of their financing plans," added Mantella.

When a student requires a loan for his or her Northeastern education, Mantella explained, the university will point the student to the Direct Loan Program, rather than to private lenders, and will certify the student's eligibility.

Roughly 65 percent of Northeastern students use federal education loans, she said.

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Aoun said Northeastern took the step in part because of Kennedy's "inspiration, your leadership, your values."

Noting that two-thirds of Massachusetts college students use loans to finance their education, Kennedy, who chairs the Senate Committee on Health, Education, Labor and Pensions, spoke briefly and questioned a variety of witnesses in front of a room packed with students and university officials from around the region.

Recent years have seen "a flattening of the salaries of hard-working people," he said, even as mortgage, fuel and health-care costs have risen dramatically. He said tuition at Massachusetts public colleges climbed 59 percent between 2001 and 2006, while median family income rose only 20 percent.

Massachusetts, he said, is more susceptible than average to any pressures on higher education. The state "has no natural resources ... We're dependent on the minds, the intelligence, the creativity, the brilliance of our citizens in order to be leaders" economically, he said.

In opening testimony, Sara Martinez Tucker, the U.S. undersecretary of education for post-secondary education and student aid, said she wants to "reassure students and families that federal aid will be there for them in this coming school year."

Federal aid has increased 300 percent in recent years, mostly in the form of federally guaranteed student loans, she said.

The Education Department, said Tucker, is taking a three-pronged approach to turbulence in financial markets that might affect student loans: it's monitoring the market to keep an eye on the health of lending institutions; it's doing more outreach to universities and to students about their options for aid; and it's creating "backstops" to ensure that aid will be delivered even if private lenders drop out of the market.



Sen. Edward Kennedy discusses the importance of federal loans to university students during a hearing Monday in Raytheon Amphitheater. / CRAIG BAILEY

Kennedy said the Senate-passed Higher Education Bill last year raised the amount of federal Pell Grants for college and set limits for repayment terms, and required private lenders to advise potential borrowers of lower-cost alternatives for student loans.

Kennedy also heard from student-loan advisers and from a student at Salem State College who has to work several jobs to pay tuition.

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