

Babson College Shifts to Federal Direct Loans for its Students

Starting with the 2009-10 academic year, Babson College will offer its students federal loans through “Direct Lending,” where the federal government makes the loans in place of commercial lenders. There are three loan programs involved which total over \$15 million per year at Babson -- Federal Stafford Loan, Federal Parent Loan for Undergraduate Students (PLUS), and Federal Graduate PLUS Loan.

Students will benefit from a simpler process of loan origination and better guidance as they enter repayment after graduation. Parents and graduate students will have the advantage of superior interest rates in the Federal Direct PLUS and Grad PLUS programs respectively.

Melissa Shaak, Director of Student Financial Services at Babson, says of Babson’s move to Direct Lending, “In these uncertain financial times it is important to provide the assurance that federal education loans will be available to every qualified student, and that the loans will come with highly competitive rates, ease of processing, and excellent customer service. Direct Lending gives us the best way to do that.”

All Babson students and parents who borrow a Federal Stafford, PLUS, or Grad PLUS loan in 2009-2010 will need to e-sign a Direct Lending Master Promissory Note which will cover future years at Babson. Returning students and parents who had federal education loans in prior years will be advised to consolidate these loans at graduation to make repayment easier and more convenient.

For more information please contact Student Financial Services at 781.239.4219 or sfs@babson.edu.

**Frequently Asked Questions
About Federal Direct Loans at Babson**

Q. What will be my interest rate and fees for my Direct Loan?

A. For loans first disbursed on or after July 1, 2009 and through July 1, 2010, the interest rate and fees are:

Loan Type	Fixed Interest Rate	Origination Fee	Rebate on Fee*
Direct Subsidized Stafford for Undergraduates	5.6%	1.5%	1.0%
Direct Subsidized Stafford for Graduate Students	6.8%	1.5%	1.0%
Direct Unsubsidized Stafford	6.8%	1.5%	1.0%
Direct PLUS and Grad PLUS	7.9%	4.0%	1.5%

*The borrower must make the first 12 payments on time to retain the rebate.

Q. I am graduating in May 2009. Will this move to Direct Lending affect me?

A. No. Babson's move to Direct Lending will only affect students who borrow in the 2009-10 academic year and beyond.

Q. I am a current student and I borrowed my Federal Stafford Loan through a private lender (Citizens Bank as an example) this past year. Will I be able to continue getting my federal student loan through that same lender in 2009-10?

A. No. All federal loans at Babson will be made through the Direct Loan program starting in 2009-10. You will need to complete a Master Promissory Note and an entrance interview for your Direct Loan.

Q. I am a current student. Will I have to repay both my Federal Stafford Loan that I borrowed through a private lender last year (Citizens Bank as an example) and my Federal Direct Stafford Loan at the same time?

A. Yes, unless you choose to consolidate the loans. We would recommend that you consider the benefits of consolidating your Stafford Loans when you graduate – those through a private lender (Citizens Bank as an example) with your Direct Stafford Loans – in order to make repayment easier and more convenient. Most of the repayment terms of the two loans are the same.

Q. I am the parent of a Babson student and I borrowed a Federal Parent Loan for Undergraduate Students (PLUS) through a private lender (Citizens Bank as an example) this past year. Will I be able to continue getting my Federal PLUS loan through that same lender in 2009-10?

A. No. All federal loans at Babson, including the Federal PLUS loan for parents, will be made through the Direct Loan program starting in 2009-10. Parents can consolidate their Federal PLUS Loans in order to make payment easier and more convenient.

Q. What does "subsidized" mean for the Federal Stafford Loan?

A. Subsidized means that the federal government is paying the interest for you while you are in school and during your grace period after you leave school. Students qualify for a Subsidized Stafford Loan based on financial need. The portion of your Federal Direct Stafford which is subsidized will be specified on your Financial Aid Award letter and online at View of Financial Aid in the Student Financial Services section of Portal.

Q. When do I have to start repaying my loan?

Students must begin paying their federal loans six months after they leave school. For parents borrowing a Federal Direct PLUS Loan, repayment begins shortly after the loan is disbursed, unless you elect to defer repayments until after the student graduates.

Q. Is it better to pay the interest as I go (for the Federal Direct Unsubsidized Stafford, and the Federal PLUS and Grad PLUS Loans)?

A. Yes, if you can afford to make the interest payments while in school and for the six months after you leave school before repayment starts, you will reduce substantially the total cost of borrowing.

Q. Do I automatically receive the rebate on the fee?

A. Yes. But to retain the rebate you must make the first 12 payments on time.

Q. Are there any other borrower benefits I can qualify for during repayment?

A. Yes. If you chose the electronic debit option in repayment, you will receive a .25% interest rate reduction. This can be set up easily through your Direct Loan account.

Q. How do I apply?

A. Here are the steps to apply for the:

Federal Direct Stafford Loan

- All eligible financial aid applicants will automatically have the Federal Direct Stafford Loan included as part of their 2009-10 financial aid packages. As a reminder, students must apply for financial aid each year. For information on financial aid application procedures please go to www.babson.edu/offices/sfs.
- Complete the electronic Master Promissory Note once you receive the email containing the link.
- First-time Federal Stafford Loan borrowers at Babson will also need to complete an online Entrance Interview.

Federal Direct Parent Loan for Undergraduate Students (PLUS)

- Start by completing Babson's Federal Direct PLUS Application, available to download at www.babson.edu/offices/sfs. Please mail the completed form to Student Financial Services at Babson College, or fax to SFS at 781.239.5510.
- Borrowers approved by the U.S. Department of Education will be sent an email containing a link to the electronic Master Promissory Note (MPN). Borrowers who are denied because of credit history will be encouraged to add a credit worthy endorser.

Federal Direct Grad PLUS Loan

- Grad PLUS borrowers must complete the Free Application for Federal Student Aid at www.fafsa.ed.gov.
- Complete Babson's Federal Direct Grad PLUS Application, available to download at www.babson.edu/offices/sfs. Please mail the completed form to Student Financial Services at Babson College, or fax to SFS at 781.239.5510.
- Borrowers approved by the U.S. Department of Education will be sent an email containing a link to the electronic Master Promissory Note (MPN). Borrowers who are denied because of credit history will be encouraged to add a credit worthy endorser.

Q. I need to sign my Master Promissory Note but can't remember my PIN for the Federal Student Aid programs. What do I do?

A. Go to www.pin.ed.gov and select "Request a Duplicate PIN."

Q. Where can I get more information?

A. From Student Financial Services at Babson. Call 781.239.4219 or email sfs@babson.edu.