February 6, 2008 Volume13, Issue 3

Student Lending

An Independent Newsletter on Education Lending Policy and Practice

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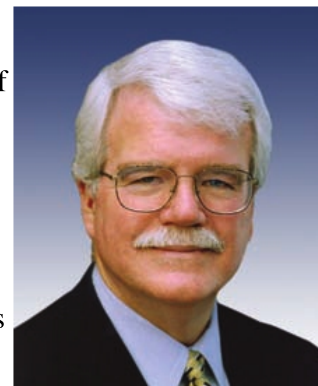
HEA REAUTHORIZATION TO HIT HOUSE FLOOR TOMORROW

By Maria Koklanaris



A decade after the last renewal of the most significant piece of legislation for American higher education, another reauthorization of the Higher Education Act of 1965 is finally poised to become a reality.

The Senate completed its reauthorization of the HEA (S. 1642) in July 2007, and now the House version, H.R. 4137, is expected to come tomorrow to the House floor. The House Rules Committee is expected to clear the way this evening as it acts on a series of amendments House members have submitted to the bill.

Members of the House Committee on Education and Labor are appealing to their colleagues today to support the bill. Once the House votes, it will have to reconcile its version with the Senate version through conferencing and then the final bill can go to President Bush.

Like the Senate bill and recently enacted Department of Education rules, the House bill calls for tight restrictions on the relationship between student lenders and schools. The House bill also seeks to admonish colleges for high tuition costs.

"The bill reflects a wide range of bipartisan priorities to improve our nation's higher education system, but the centerpiece of the legislation is clearly its plan to hold down the rising cost of a college education," said a letter to all House members from the ranking Republicans on the Education and Labor committee.

"For too many years, colleges and universities have increased the cost of higher education at an alarming rate, far faster than inflation or increases in families' ability to pay. The federal government has continued to increase funding for Pell Grants and other financial aid programs, but we will never truly solve the college cost crisis until we address the cost side of the equation as well," said the letter from Reps. Howard "Buck" McKeon of California, Ric Keller of Florida and Michael N. Castle of Delaware.

"That's why H.R. 4137 includes strong provisions to lift the veil on rampant tuition increases and hold colleges and universities accountable for their role in keeping higher education affordable. The bill gives consumers access to quality information about college costs that can be sorted, searched, and compared. It identifies schools that cost the most, schools that cost the least, and schools with the greatest cost increases over time. For schools with the largest percentage increases, it calls for additional disclosure and concrete steps to identify inefficiencies and correct them. Finally, the bill calls on states to do their part in funding higher education," the congressmen wrote.

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Like much HEA legislation for the last five years (the law was extended several times since 2003 as lawmakers struggled and failed to reach consensus on a reauthorization), H.R. 4137 has not been without its share of controversy. One seemingly arcane issue that became the focus of much attention was an amendment by Rep. Raul Grijalva (D-Ariz.) and Rep. Tim Bishop (D-N.Y.) to extend from two to three years the calculation for schools' cohort default rates. Higher education associations such as the American Council on Education supported the idea, but once it became clear that the calculation would push schools serving high-risk students to default rates of more than 25 percent, advocates for those students fired back hard.

The result was that Rep. George Miller (D-Calif.), chairman of the House Committee on Education and Labor, included in his manager's amendment a provision that would allow schools to have higher default rates than previously before being subjected to losing Title IV funding and other sanctions.

Miller's action was hailed by the Career College Association and other advocates for high-risk students who fought to defeat Grijalva-Bishop. Under Miller's plan, the calculation time for default rates would still be three years. But instead of having a school face Title IV sanctions for a three-year default rate at 25 percent, Miller would allow a default rate of 30 percent before sanctions kicked in. The percentage of default used to restrict fund disbursements would also go from 10 percent to 15 percent. Miller's plan would also lengthen the time period for imposing the new cohort default rate to 2012 and institute an earlier appeals process for mitigating circumstances.

"I think we made some substantial progress on an incredibly important issue," Harris N. Miller, president of the CCA, said in an interview with HEWI. "We got the word out… It (the previous default rate amendment) needed to be fixed," said Miller, who is not related to Chairman Miller. Harris Miller said the Grijalva-Bishop plan was submitted as a "non-controversial amendment," but it "really was controversial … it clubbed our sector over the head," he said.

Chairman Miller's manager's amendment also specifically promotes federal student aid over private loans. The amendment includes provisions to "ensure that students are aware of lower-cost federal student options before turning to more expensive private loans and a means to help students avoid potentially compromising federal aid eligibility by inadvertently relying on private student loans or borrowing excess amounts of private student loans."

McKeon, the ranking Republican on Education and Labor also submitted a student lending-related amendment directing the Secretary of Education to "monitor the availability of student loans in light of the situation with the financial markets."

Rep. Thomas Petri (R-Wisc.) submitted an amendment requiring that the Federal Family Education Loan program be subject to "new audit and reporting requirements applied only to the Direct Loan program."

Petri, author of a student loan auction plan that was taken out of the College Cost Reduction and Access Act in favor of a Senate-authored auction plan, also submitted an amendment asking that a study group from the Departments of Education and the Department of the Treasury recommend to Congress "an alternative market-based reform to the Federal Family Education Loan Program in addition to the enacted PLUS Loan Auction," contained in the CCRAA.

For a full list of amendments submitted to the House version of the Higher Education Act, called the College Opportunity and Affordability Act of 2007, (H.R. 4137) click here: http://www.rules.house.gov/

Student Lending's Interview With . . .

Interview with MaryLyn Hammer, president and chief executive officer of Champion College Solutions.

MaryLyn Hammer is an expert in default rate prevention. For the last two decades, before and during the founding of her Arizona company, she has assisted hundreds of schools and their students in bringing down their default rates. She has served as a negotiated rulemaker for the Department of Education and was instrumental in drafting language on default management. She has also worked closely with members of Congress and key staff on the issues of default rates and access to education. She serves on the board of the Career College Association. Recently she spoke with HEWI about her company and her views on the current political and business climates for default rates and student lending.

Let's start with some background. How did you begin your business in default prevention operations?

The first five years that we were in business, I sold software to the schools (she is author of software packages and online courses aimed at default prevention) and I would go to the schools and train the school staff. Our reputation was dependent upon what they put into it. Some of them wouldn't take it out of the box. Other people did everything – we still have people using our software and they're very successful at it, but it's because they did everything they could to prevent students defaulting.

There's not one miracle for default prevention. There are a lot of different things – I have an e-course and it's for teaching borrower education at the school level. The name of it is "Default Prevention – A State of Mind." It's a mindset. It's like with kids, if you don't instill those ethics and behaviors at a young age, it's not going to happen when they get older. So if you don't start saying that paying back your loan is important, the minute they walk through the door, it's going to affect them down the line. You can't jump in at the back end, and say, time to pay off your loan.

So when I was training at the school level, we would bring in all the different departments. We brought in admissions, we brought in the teachers, we brought in everybody to work as a team so that they understood. But, as I said before, our reputation was based on what they put into it. Then in 1994, some of the schools started saying, "Why don't you do this for us?" and that's when we started the full servicing.

We still do staff training at the schools for the borrower education part and trying to get students in good habits of filling out in-school deferments when they come to school. In the old days, the loans piggy-backed, they went from school A to school B, and school B assumed responsibility for all of the prior loans that weren't from their school. But now they're all separate, and in financial aid it's really important that students get all their information because if they default on one, they're going to default on all of them. So it's really just working with them. And the difference between a high default rate and a low default rate is the people who need the extra help. There's a certain percentage that's going to pay no matter what, and there's a certain percentage that are not going to pay no matter what, but it's the people in the middle that make the difference.

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So, what do you do for the people in the middle?

We educate them. The wildest question that I've ever been asked is, "what's an area code?" It's life skills a lot of times that we are teaching. "You need to open a checking account, this is how you do it." A lot of them have never had checking accounts, so they are late on their payments because they physically have to go down to the bank and get a money order. They're not bad people, they just don't know any better. So we help them through all of that. I have instilled in my staff that they are client service representatives. The student is our client. We get paid by the schools; we're working with about 170 schools right now. But the student is our client.

We do have a call center, but part of our success is that we've kept some of the process manual. All of the other players in the loan process, the lenders, the servicers, the guaranty agencies, if it gets to a collection agency, they use predictive (automated) dialers -- that's what's used because of the volume of calls.

We hand dial and we have live people on the phone. There's no clicking, none of that automation. Automation in the student loan industry is what's causing a lot of the default rate problems. You've got electronic signatures, you've got master promissory notes that they see one time, then they don't see it again until they graduate. It's taking all the ownership out. Then they graduate and they've got eight loans, and they're like, wow, how did that happen? The money's deposited automatically for them and it's electronic funds, and there's literally no ownership. The student feels no ownership.

That's important, especially for our students, because a lot of them are welfare recipients. They are used to getting free things. You have to change that whole mindset. So instead of filling out electronically the attendance that you have to send in to NSLDS (the National Student Loan Data System), I have them physically walk in and fill it out. Or we mail a deferment to the student, saying "this is your in-school deferment, your graduation date just got extended by one month, and you need to sign it. This is how you fill out the form, sign it here and we'll process it."

Every time something changes, and they have to physically sign something, or do something, they get it, that it's their responsibility. Plus, an in-school deferment, it's got this tiny writing, and all this legal stuff, it's intimidating. So if they've seen this while they're in school, they know what it is. Then when they get out of school, and something goes wrong, they don't get this form and go, "I don't know how to do this." They get it and go, "All I have to do is sign it."

Then we have them send the deferment forms back to us and we send them to the lenders. And if there's something missing, we either call the student and get the information that's missing or have them send more information, and then we send it to the lenders. We make sure it is properly applied to all the different accounts, and then we send the originals back to the school to go in the student's file. In comparison, other servicers may get a deferment back and if it's not filled out right, they don't send the same deferment back, like we do, with a sticky note saying what's missing. They trash it, and they send out a new form. So the student just makes the same mistake again on the new form. And that's why you have up to a 30 percent rate of technical defaults. The default never needed to happen, it was a technicality. And that's one way we make a difference.

You're opposed to an amendment, scheduled to go before the full House on Thursday, that would extend the calculation of cohort default rates. Why?

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When laws are written to fit a budget, instead of being written to hit a goal of a good education for all of our people, there's going to be bad decisions made. This is one of those instances. The high default rate schools are not bad schools, they just happen to be catering to high-risk students. They just have life circumstances that make it hard for them to manage things. To make good policy on default rates, Congress would have to take a really good look at the whole program and all of the different factors in it. If they really want to look at the life of the loan default rate, then look at some of the issues along the way, like the graduated payment, to see what is contributing to defaults.

There is widespread concern now that high-risk students may not be able to get student loans. Have you been fearful of this?

I've been writing magazine articles for the last two years saying that lender profit cut is going to cause an access issue. And remember the days of lender of last resort? We don't have that in place right now. And, I think this whole lender bidding idea is really scary.

You're talking about the auction plan contained in the College Cost Reduction and Access Act. Why is the plan "really scary?"

There's no incentive for the private lenders anymore. That's why they're pulling out. Great, you've got an auction idea, who's going to apply for it? Who's going to apply for Louisiana? Are they going to apply for Minnesota? Sure, they'll all be up there! But who's going to take the hard cases? Default rates are very much tied into geographical areas. New Orleans is bad, Jacksonville, Fla. is 7 to 8 percent higher than the rest of the state… Pittsburgh is bad. You're taking a cookie cutter and you're making it try to fit every single city in this country and every single city is not the same. The car industry goes down and Detroit's default rates go up, the hurricane (Katrina) hits, and actually default rates went down, but that's only because they got special forbearance. That's actually one of the factors that have artificially deflated the default rate that's out right now, but it's going to go back up.

Can you elaborate a bit about how forbearances in general can affect default rates?

This is another reason I'm worried about the lender cuts right now. Forbearances are granted at the lenders' discretion. So with these high-risk students, you're (as a lender) looking at a portfolio, you're taking losses, are you going to grant forbearances? I've been telling this to the congressional members, this is going to cause access issues, they (the lenders) are going to pull out. Everybody thinks they're (the lenders) blowing smoke. "Oh yeah, that's what they said before," because they got a big cut the year before as well. But that wasn't anywhere near the size of this one, it didn't have the same kind of ripple effect, so Congress did it again. And I'm going, would you people wake up? Why would you (as a lender) stay in business that you're going to lose money on? The same thing is going to happen with forbearances. They are not going to be able to afford to grant these forbearances, because they can't afford to stay in business if they do it. It's not because they hate the high-risk students, it's because they can't make money. So default rates are going to go up anyway.

What about Direct Lending? Could the government be "the lender of last resort?"

A: No. No company has the ability to grow that fast. You could have all the good intentions in the world. You can't hire and train people. Nobody can handle it. Nobody can take on that volume. They (Congress) better stop bashing private industry, because there's an access issue and private industry is going to have to bail them out.

Interview by Maria Koklanaris

BUDGET PROPOSES SCALING BACK PUBLIC SERVICE LOAN FORGIVENESS

Two new borrower benefits enacted only last October are scaled back in the President's FY 2009 budget, including the politically popular program providing loan forgiveness to certain public service employees beginning in 2009. The proposals would save nearly $2 billion over five years but are not seen as likely to be enacted this year.

The first major change is a modification of loan forgiveness program for public sector employees. Under the program, which begins July 1, 2009, qualifying borrowers who have worked for 10 years while making payments on their student loan will have any remaining loan balance forgiven. Under the College Cost Reduction and Access Act, loan forgiveness for public-sector employees was made available for all borrowers regardless of when they took out their loans. The budget proposes to limit eligibility to new loans originated on or after July 1, 2009. This proposal saves $1.464 billion over five years.

This public service loan forgiveness program is only available in the Direct Loan program. FFEL borrowers may access the benefit by taking out a Direct Consolidation Loan.

The budget also proposes to eliminate the interest subsidy under the income-based repayment plan that was enacted as part of the College Cost Reduction and Access Act. The Act created a new partial economic hardship deferment that allows qualifying student loan borrowers in both FFEL and Direct Loans to choose an income-based repayment plan under which Stafford Loan interest payments are paid by the Federal Government for up to three years and outstanding balances are forgiven after 25 years of repayment. The budget would eliminate the interest subsidy under the income-based plan and produce five year savings of $457 million.

The budget notes that the interest subsidy is already available through economic hardship and unemployment deferments.

FFEL LOANS CHEAPER THAN DIRECT LOANS?

As predicted by some, the President's Fiscal Year 2009 budget suggests FFEL loans now cost taxpayers less than Direct Loans. The change results from last year's budget cuts to the Federal Family Education Loan program. The budget suggests that for FY 2009 the federal subsidy rate for the FFEL program, including administrative and program costs for new Stafford, Unsubsidized Stafford and Consolidation Loans, will be 2.58 percent. For the Direct Loan program, that number is 2.64 percent.

The budget suggests that one reason Direct Loans are shown as costing more than FFEL loans is the inclusion of defaulted loans in Direct Consolidation Loans, The budget notes, "For Consolidation Loans, Direct Loan costs are substantially higher than those in FFEL, largely because roughly half of Direct Loan consolidation volume is from underlying defaulted loans. In comparison, consolidations from default represent less than 2 percent of FFEL consolidation volume.

The New America Foundation's Higher Ed Watch blog, anticipating that the new budget estimates would suggest that Direct Loans may cost taxpayers more, pushed a warning on Friday to policymakers advising them "Don't get spun." The blog produced a detailed review of the budget numbers suggesting that despite OMB's numbers, Direct Loans remain less costly to policymakers.

http://www.newamerica.net/programs/education_policy/higher_ed_watch/blog

The President's budget is now online at: http://www.whitehouse.gov/omb/budget/fy2009. The detailed budget analysis of the relative cost of the FFEL and Direct Lon programs may be found at: http://www.whitehouse.gov/omb/budget/fy2009/pdf/appendix/edu.pdf.

KEY STATISTICS FOR THE FEDERAL STUDENT LOAN PROGRAMS

Total Loan Volume in Millions

Federal Family Education Loan Program	Direct Loan Program
FY 2008 90,182	FY 2008 18,220
FY 2009 98,170	FY 2009 19,292

Subsidy Rates as Percentages

Federal Family Education Loan Program	Direct Loan Program
FY 2008 1.44	FY 2008 2.26
FY 2009 2.58	FY 2009 2.64

Default Rates as Percentages

Federal Family Education Loan Program	Direct Loan Program
FY 2008 11.61	FY 2008 13.92
FY 2009 11.62	FY 2009 14.04

Note: all figures represent estimations in the FY 2009 budget.

Source: Budget Appendix, the President's FY 2009 budget, pages 363 to 365.

http://www.whitehouse.gov/omb/budget/fy2009/pdf/appendix/edu.pdf

STATEMENT OF SENATOR EDWARD M. KENNEDY ON CONGRESSIONAL BUDGET OFFICE COST ESTIMATES OF THE FEDERAL STUDENT LOAN PROGRAMS

Senator Edward M. Kennedy, Chairman of the Senate Committee on Health, Education, Labor, and Pensions, released new data this week from the Congressional Budget Office reaffirming that the Federal Direct Loan Program costs less to taxpayers than the Federal Family Education Loan Program, the program that subsidizes banks to make federal student loans. According to CBO's analysis, the FFEL program currently costs taxpayers $14.55 more per $100 loaned than the Direct Loan program. CBO's analysis takes into account changes to FFEL program subsidy rates enacted in the College Cost Reduction and Access Act (CCRAA), which was signed into law in September 2007, and is based on the updated budget baseline released by CBO in January.

"This analysis proves once again that Direct Loans are more efficient and less costly than the government-subsidized program funded by the private lenders," said Senator Kennedy. "These figures not only validate the subsidy reductions Congress passed in last year's college aid bill, but clearly indicate that there's even more room to cut lender subsidies further and give those funds to students, where they belong." Last year, the CCRAA reduced lender subsidies in the FFEL program by one-half of one percentage point for for-profit lenders, and just over one-third of one percentage point for non-profit lenders, and used the funds to increase student aid by more than $20 billion – the largest increase in student aid since the G.I. Bill.

CBO's analysis was released the same day as the Administration's FY 2009 budget proposal, which also estimates that for all types of loans except for consolidation loans, the FFEL program costs taxpayers significantly more than the Direct Loan program. When consolidation loans are included, the Administration estimates that the Direct Loan program costs $2.26 per $100 loaned, and the FFEL program costs $1.44 per $100 loaned for FY08. As the President's budget proposal explains, however, the estimate of higher overall costs in the Direct Loan program is largely due to the fact that roughly half of Direct Loan consolidation loan volume comes from consolidations of defaulted loans, mostly from the FFEL program. Many FFEL lenders use the Direct Loan program as a "dumping ground" for defaulted loans, which artificially drives up OMB estimates of Direct Loan program costs.

OMB and CBO are both required to follow federal Budget Act requirements in scoring the loan programs. However, OMB does not conform to these rules, and treats consolidation loans differently, inappropriately adding the cost of defaulted FFEL loans to the Direct Loan program.

COLLEGE LOAN CORPORATION EXITS FFELP BUSINESS

The College Loan Corporation (CLC), the 8th largest FFELP lender, has decided to exit the FFELP business, effective March 1, 2008.

In a statement to HEWI from Cary Katz, the company's CEO, Katz states that "recent Congressional action has decimated the Federal Family Education Loan Program, essentially making it impossible for midsized companies like College Loan Corporation to participate in the federal loan marketplace. In addition, continuing disruptions in the credit markets have compounded the impact of the legislation. After careful consideration, College Loan Corporation will cease making new FFELP Loans on March 1, 2008. We will honor all second and third disbursements to our customers and continue to manage our existing loan portfolio."

CLC will turn its attention to the private student loan marketplace. Their entire statement to HEWI is below:

"Since 1999, College Loan Corporation has helped more than 800,000 borrowers achieve their higher education goals at colleges and universities across the country. Regrettably, recent Congressional action has decimated the Federal Family Education Loan Program, essentially making it impossible for midsized companies like College Loan Corporation to participate in the federal loan marketplace. In addition, continuing disruptions in the credit markets have compounded the impact of the legislation. After careful consideration, College Loan Corporation will cease making new FFELP Loans on March 1, 2008. We will honor all second and third disbursements to our customers and continue to manage our existing loan portfolio.

"Going forward, CLC will focus exclusively on the private student loan marketplace. We remain steadfastly committed to our mission of helping students and families finance their education. As always, we will advise families to exhaust less expensive funding options such as grants, scholarships, work study, and federal financing options before using private loan products."

CONGRESSIONAL STAFF PANEL DISCUSSES PERKINS LOANS AT COHEAO

As part of the program for the annual Coalition of Higher Education Assistance Organizations (COHEAO), a congressional staff panel was held Monday Jan. 28 to discuss current issues surrounding the Perkins Loan Program. The speakers were J.D. LaRock (pictured right) from the Senate HELP Committee and Ellen Murray from the Senate Labor-HHS-Education Appropriations subcommittee.

With dwindling hope for funding allocated by President Bush's budget for 2009, Perkins Loan advocates have been exploring ways to prevent the ever-shrinking federal funding for the program. As borrowers pay off loans, the money goes into a general fund and not back to schools or the Perkins Loan Program. Without additional federal funding or an adjustment in the revolving funds process, students and colleges will continue to see the Perkins Loan Program shrink.

A bill backed by COHEAO, H.R. 4137, asks Congress to allow collections to return to the revolving fund of the campuses borrowers attended after the Department of Education costs are taken out.

“In my opinion, disturbingly what we've seen is the department with a budget focus and less focus on what's good for students and schools,” said LaRock.

Others voiced similar concerns that lawmakers are missing the point when it comes to funding Perkins loans.

“We have argued that these investments in education are like capital investments in the country,” said Murray. “If we don't educate this group of people coming up, many of whom come from disadvantaged backgrounds compared to the past, we're going to see serious economic problems in this country.”

According to documents produced by COHEAO, 700,000 borrowers, many of whom come from low-income households, benefit from the low-interest loans. More than $28 billion has been granted in approximately 26 million aid awards in the history of the Perkins Loan Program.

At one point in the discussion members were asked their opinions on whether decreasing Perkins Loan funds have led students to withdraw from quality education. One member shared that students are beginning to go to school less than full-time to accommodate work for funding education. She added that some students also attend community colleges with intentions to transfer as money is saved. Nods of agreement followed the comment that students are working too much, sometimes forfeiting their grades.

Criticism of the program has come in the form of an assessment put out by the Office of Management and Budget called the Program Assessment Rating Tool (PART). The assessment has given lawmakers reason to question the credibility of Perkins loans based on the low scores on the examination's 27 questions. COHEAO issued a document at the conference pointing out that the complaints are focused on the management level, and have little-to-nothing to do with students or institutions.

"It seems that mostly what they are studying is how the departments manage programs- which would beg the question that maybe they should get the departments to manage these programs better rather than use this as an excuse not to fund the programs," Murray said.

Making the application process easier and more accessible to students was also addressed as a key problem with Perkins Loans. Private loan companies have made applying relatively easy for students compared with the process laid out by Perkins, but some members of COHEAO defended Perkins as an essential asset for struggling students. One comment from the back of the hall drew applause. "Perkins fills a need that no other program does. We need to advocate for it," said the COHEAO member.

COHEAO: ADMINISTRATION MAKES BAD CHOICE ON PERKINS LOANS

The Perkins Loan Program is celebrating 50 years of service to students, but the Bush Administration wants to keep it from reaching 51. That would be a terrible blow to students who need Perkins Loans to help finance their college education, said Coalition of Higher Education Assistance Organizations President Alisa Abadinsky.

Abadinsky responded to a proposal made in the Administration's Department of Education budget to kill the Perkins Loan Program, stopping the issuance of any more of these lowest-cost loans to students. Perkins Loans will help over half a million students pay for college this year. The nation's first federally supported student loan program, Perkins Loans are designed to help the lowest-income families pay for college. With a fixed interest rate of only 5 percent, Perkins Loans provide an important alternative to more-expensive private loans for low-income students, many of whom cannot meet the credit requirements to get a private loan at all.

Perkins Loans have made college possible for millions of Americans since they were created by the National Defense Education Act of 1958. "The program costs the government very little per loan, since federal contributions are matched by colleges and student repayments are re-lent to students at that school, making college possible for future students," Abadinsky said. "This is precisely the wrong time to cut off these funds for students. The Administration should work with Perkins Loan schools to improve and fund Perkins Loans rather than calling for their elimination. They should do it for the millions of students who need these low-cost loans this year and in the future. I call on Congress to reject this short-sighted proposal and act to reauthorize the Perkins Loan program and to fully fund it," Abadinsky said.

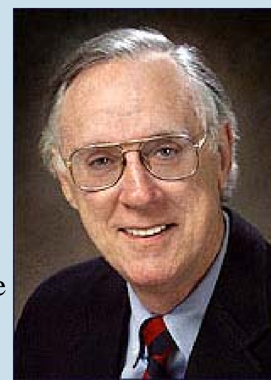
Bills that have passed the Senate and are expected to pass the House of Representatives this week would authorize the continuation of the Perkins Loan Program and make a number of important improvements that will benefit students in the future. The bills are S. 1642 and H.R. 4137.

CONFERENCE ON INTERNATIONAL STUDENT LOANS WILL LOOK FOR LESSONS FOR THE USA

Friday, April 11th @ Hilton Crystal City Reagan National Airport
2399 Jefferson Davis Highway
Arlington, Virginia 22202

(703) 418-6800 (Special Room Rate Password: HEWI)
Register Here: http://www.hewi.net/2008Conf/Registration.asp

WASHINGTON– February 4, 2008 – A leading higher education news organization will offer a rare opportunity to learn about how other countries operate student loan programs in a conference set for April 11 in the Washington area. The conference will feature leading international higher education experts as well as presenters from the World Bank and from countries involved in student lending.



The day-long International Student Lending Conference will take place on Friday, April 11 at the Hilton Crystal City Reagan National Airport. It is sponsored by Higher Education Washington, Inc. (HEWI). Registration and other information is available at http://www.hewi.net/2008Conf

The conference will look at student loan programs in Canada, the United Kingdom, Germany and Australia and will look for lessons from those programs that are of interest to the American student loan system.

The conference's opening keynote speaker is Dr. Bruce Johnstone (pictured right), a Distinguished Service Professor of Higher and Comparative Education Emeritus at the State University of New York at Buffalo. He is a specialist in higher education finance, governance, and policy formation, and in international comparative higher education.

Panels of experts will provide overviews of the Canadian, British, German and Australian student loan systems. Confirmed speakers include Micheline Nehmé, the Director of Portfolio Management and Accountability for the Canadian Student Loan Program, and Rolf Zipf from CareerConcept AG (Germany).

The luncheon keynote speaker will be the World Bank's Andreas Blom, who has worked with student loan programs in Latin America and the Caribbean, plus assisted Bank teams in the Middle-East and South Asia.

Additional experts include Dwight Peterson, the CEO of International Education Finance Corporation (IEFC), a leading lender to American students abroad; Mark Kantrowitz (pictured right) publisher of the student loan information website Finaid.org; Paul Sheldon, managing director of student loan capital strategies; and John Dean, a principal with Washington Partners, LLC and an expert on the U.S. student loan programs.

For more information, as well as information on sponsoring or attending the event, contact Todd Bradley at 202-842-4989 or tbradley@hewi.net, or go to http://www.hewi.net.

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NEWS IN BRIEF

CHASE TO CUT RATES AND FEES ON U.S. STUDENT LOANS

Chase announced Monday that it will cut rates and fees on some student loans. Specifically, it said that the origination fee on Stafford loans and the 1 percent default fee on Stafford, Parent PLUS and Grad PLUS would be waived. Chase will also reduce the interest rate on all three loans by one-tenth of a percentage point if it makes, services and retains the loans. Chase also said borrowers who obtain school-certified Chase Select private loans can receive below-prime rates and will pay no origination and repayment fees for applications approved between June 1, 2008, and June 1, 2009.

ASA EARNS TOP INTERNATIONAL HONORS FOR MULTIMEDIA COMMUNICATIONS

American Student Assistance®, the nation's first student loan guarantor, has earned international honors for its multimedia communications. The company's 13-member marketing team recently won two Ava Awards and a MarCom award for its innovative tradeshow audio-visual display and audio CD corporate holiday card. ASA's booth at the 2007 National Association of Student Financial Aid Administrators conference was recognized with one platinum and one gold Ava, the highest and second-highest honors, respectively, awarded by the Association of Marketing and Communication Professionals. The AMCP presents Avas annually to professionals involved in the concept, writing, direction, shooting, and editing of audio-visual materials and programs. In 2007, nearly 1,700 entries were submitted for consideration from around the world.

LOUISIANA TO PAY FEDERAL DEFAULT FEE

For the 2008-09 school year, the State of Louisiana will again pay the mandatory federal default fee of 1 percent that is charged to students borrowing under the federal guaranteed student loan program when the loan is guaranteed by the Louisiana Office of Student Financial Assistance (LOSFA). A provision in the federal Higher Education Reconciliation Act (HERA) of 2005 requires all guarantors of federal student loans to collect a 1 percent federal default fee from the borrower's loan proceeds, unless the fee is paid using non-federal funds. In 2006, and again in 2007, the Louisiana Legislature appropriated funds for the payment of this fee for all students borrowing under the Federal Family Education Loan Program (FFELP), including Stafford, PLUS and Grad PLUS loans that are guaranteed by LOSFA.

NSLP OFFERS GUIDE FOR DEVELOPING CAMPUS FINANCIAL LITERACY

Seventy-six percent of college students wish they had more help preparing for their financial futures, according to a recent study by *The Hartford*, and less than half say their parents make a conscientious effort to teach them about personal finances. With such a demand for help and little support from home, where will college students go to learn how to manage their money? Many college financial aid offices are taking on this responsibility, and student loan guarantors like National Student Loan Program (NSLP) are already providing financial literacy services for college students. "We believe that students who are financially capable are more apt to stay in school, graduate, and successfully repay their student loans," says Randy Heesacker, NSLP President and CEO. More information can be found through the following link: http://www.nslp.org/

ELM RESOURCES ENDS YEAR WITH OVER 400 NEW SCHOOLS

ELM Resources, a provider of technology products and services to the higher education financial aid industry, announced this month that it successfully implemented 426 schools on ELMNet, its industry leading lender-neutral data exchange, in 2007. It is the largest number of schools ELM has ever added in a single year since it was founded 14 years ago. The addition of the 426 schools represents a 40 percent increase in new schools over 2006, raising the total number of implemented schools to over 2,100. Additionally, ELM added over 400 new schools to ELM NDN, ELM's student loan disbursement product, and disbursed more than $18 billion in loan funds which represents a greater than 24 percent share of all disbursements.

USA FUNDS ISSUES ANNUAL REPORT

USA Funds® has issued its annual report, "Getting Results for Students," which highlights the services it delivers to students and former students of colleges, universities and private career colleges. The report focuses on six current and former students and how they have benefited from the following services that USA Funds supports. More information can be found through the following link: http://www.usafunds.org/

PHEAA ANNOUNCES 2008 KEYSTONEBEST LOAN PROGRAM BENEFITS

PHEAA announced Tuesday, January 28, that it will continue to subsidize the federal government's mandatory 1 percent default fee for Pennsylvania students and parents on Stafford, PLUS for Parents, and PLUS for Graduate Students in the KeystoneBEST Loan Program whose loan applications have terms beginning on or after July 1, 2008. Subsidizing the 1- percent default fee will generate immediate up-front savings for Pennsylvania residents, no matter where they attend school, or out-of-state students who attend a Pennsylvania postsecondary educational institution and borrow through PHEAA's KeystoneBEST Loan Program for 2008. PHEAA began waiving the default fee, which was formerly known as the federal guaranty fee or insurance premium, in 1996 when it initiated its industry-leading Zero Guaranty Fee. To date, this feature has saved student loan borrowers across the nation almost $245 million in up-front costs.

SALLE MAE ANNOUNCES NEW FINANCING AGREEMENT

SLM Corporation announced Monday that it had received commitments for $31 billion of 364-day financing from a consortium of banks led by Bank of America, JPMorgan Chase, Barclays Capital, Deutsche Bank, Credit Suisse, and The Royal Bank of Scotland, and from UBS. This financing will replace the $30 billion interim financing put in place by Bank of America and JPMorgan Chase as part of the proposed merger transaction. Funding under the commitments is subject to various conditions. As part of this new financing arrangement, the lawsuit filed by Sallie Mae related to the proposed merger of the company, as well as all counterclaims, will be dismissed and the merger agreement has been terminated.

MOHELA FORGIVES LOAN BALANCES FOR FIRST-YEAR TEACHERS

The Missouri Higher Education Loan Authority (MOHELA) has announced loan forgiveness awards of up to $3,200 for 510 public school teachers in Missouri. Designed to encourage the retention of quality educators, the awards went to all certified first-year teachers with Stafford student loans owned and serviced by MOHELA, as well as provisionally certified math, science and special education teachers. This award brings the total higher education loan balance and fee reduction granted by MOHELA to more than $42 million since 2000. In addition, MOHELA has pledged $335 million to help universities across Missouri improve facilities and provided $15 million to encourage research, development and commercialization of new technologies through the Missouri Technology Corporation.

ACCESS GROUP OFFERS NEW FEDERAL STUDENT LOAN REPAYMENT BENEFIT

Access Group introduced a new extended student loan repayment benefit that will save borrowers money over the life of their loans. Under the new Extended Repayment Release, Access Group will waive up to the last 12-monthly payments on federal education loans being repaid using the Extended Repayment Plan. This benefit is received after the borrower has been in active repayment for 288 months on the loan. Students who choose Access Group's Extended Repayment Plan are automatically enrolled for the Extended Repayment Release, have no on-time payment requirements for eligibility, and retain their other benefits, such as an interest rate reduction for auto debit payments.

ELM RESOURCES ROLLS OUT ELMSELECT TO 500 SCHOOLS

ELM Resources announced Tuesday, January 29, that it has officially launched ELMSelect, its new lender selection website that provides schools with a custom page to display their recommended lender lists and their students with the ability to compare and select the loan that best fits their needs. ELMSelect's intuitive interface allows students to select and view lenders side-by-side for a simple and clear comparison of loan benefits with a few clicks. Additional links enable the borrower to calculate the cost of the loan as well as view additional lenders beyond the school's lender list. Upon selecting a lender, students have the option of starting the loan application process through ELMSelect.

HEWI Newsline

Your twice-a-week source for higher education news.

When it comes to higher education, HEWI is your source for concise, timely, information on what is happening on the Hill!

SALLIE MAE PARTNERS WITH EDU

In an effort to increase college access for underserved student populations, Sallie Mae has entered into a three-year partnership with EDU, Inc. to provide educational materials and scholarships to African-American young people. EDU, Inc. administers the Common Black College Application, which allows students to fill out a single application to apply to 34 of the nation's historically black colleges and universities. To date, more than 60,000 students have used the Common Black College Application to apply for college. Recent studies show that the access gap for African-Americans persists. According to Department of Education statistics, for people age 25 and over in March 2005, blacks were about half as likely as whites to hold a bachelor's degree or higher (17.7 percent, compared to 30.5 percent).

NORTHWESTERN WILL EXPAND FINANCIAL AID

Northwestern University in Evanston, Ill. plans to expand its financial aid program by $3 million next fall to give debt-free grants to 450 loan-burdened students. The scholarships are worth more than $125,000 over four years, the Chicago Tribune reported Friday. Tuition, housing and fees at the Big Ten school costs $45,840 a year. The boost in financial aid will be offered to the neediest students, 80 percent of whom come from families with incomes less than $55,000 a year. In deciding who receives the grants, the university said it would also consider family medical expenses and how many family members are attending college at the same time.

PEOPLE

HAKL JOINS GREAT LAKES

Great Lakes Higher Education Corporation and Affiliates (Great Lakes) announced the hiring of Edgar Hakl as Senior Marketing Associate for Illinois and Kentucky. The addition of Hakl, a lifetime Illinois resident with more than a decade of experience in the student loan industry, will bolster support for school partners in both states, Great Lakes said.

EDUCATION AND LABOR COMMITTEE ANNOUNCES STAFF CHANGES

U.S. House Education and Labor Committee Senior Republican Howard P. "Buck" McKeon (R-Calif.) Tuesday announced the departure of Vic Klatt, the panel's top Republican staffer, and named Sally Stroup as Klatt's successor. "There is no better candidate to take the reins of the Education and Labor Committee Republican staff than Sally, and I appreciate her willingness to accept this new appointment," said McKeon. Before being tapped as Deputy Staff Director in 2006, Stroup served as Assistant Secretary for the Office of Postsecondary Education at the U.S. Department of Education since March 2002.

FIRST MARBLEHEAD NAMES CORNELL TO BOARD OF DIRECTORS

The First Marblehead Corporation announced Wednesday, January 30, that it has increased the number of Directors serving on its Board to 10 and elected Henry Cornell a Director, effective immediately. Cornell is a Managing Director of Goldman Sachs and is the Chief Operating Officer of the Principal Investment Area of Goldman Sachs. He also serves as a member of the global Merchant Banking Investment Committee for the firm's investment activities. GS Capital Partners (GSCP) made a strategic investment in First Marblehead in December.

Published bi-weekly by **Higher Education Washington, Inc.** (ISSN 1091-8272), P.O. Box 34371, Washington, D.C. 20005. HEWI Web site, www.hewi.net. Phone 202-842-4989. Fax 202-842-2647. E-mail: hewi@hewi.net.

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Annual Subscription Rate $819; Single Issue Rate $45.

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