

FOR IMMEDIATE RELEASE
July 31, 2008

CONTACT: Anthony Coley/ Melissa Wagoner
(202) 224-2633

KENNEDY ASSURES THE SECURITY OF THE FEDERAL GRANT AND LOAN PROGRAMS

WASHINGTON, DC— Melissa Wagoner, spokeswoman for Senator Edward M. Kennedy (D-MA), Chairman of the Senate Committee on Health, Education, Labor and Pensions, released the following statement by the Senator today on a letter he sent to Massachusetts students and families suggesting options for federal funding that may be available to students in light of the recent announcement from the Massachusetts Education Financing Authority that it would not be making any private student loans for the upcoming school year.

“As uncertainties in the loan market continue, more and more students are worried that MEFA’s announcement will undermine their ability to pay for college. I want to assure Massachusetts students and their families that the federal grant and loan programs are secure. In fact, these programs were recently improved under legislation that increased federal loan limits for students and expanded eligibility for federal loans to parents. I’m optimistic that once the credit markets stabilize, MEFA will be able to re-enter the student loan programs and offer additional financing options for students and families in the Commonwealth.”

The text of the letter appears below.

July 31, 2008

Dear Massachusetts students and families:

Today’s economy makes a college degree more important than ever – it’s the door to so many of the jobs of the future. As college becomes more important, however, the cost of obtaining a degree has been rising rapidly. The crisis in our financial markets continues to affect the availability of student loans. Most recently, the Massachusetts Education Financing Authority indicated that it will not be making federal Stafford loans or private student loans for the coming school year. It’s unfortunate news, since the Authority is a significant source of loans for Massachusetts students and families. I know many of you are increasingly concerned that your ability to finance a college education may be at risk.

I’ve been working to ensure that all students are able to finance their education. We succeeded last year in Congress in increasing grant aid to low-income students and improving the terms of student loans, making the largest investment in college access since the G.I. Bill. This week we’ll pass legislation that tackles rising college costs and ensures that students and families are not the victims of predatory lending practices.

These initiatives will be irrelevant for many families, however, if they can’t obtain the loans they need to attend college. That’s why we’ve acted to ensure that despite the problems in

the credit markets, students and families will have access to the federal Stafford and PLUS loans they need to pay for college, by increasing access to these loans and ensuring their ongoing availability.

The Ensuring Continued Access to Student Loans Act, passed in May of this year, is designed to alleviate the need for families to obtain high-cost private loans by expanding student and parent eligibility for low-cost federal loans. The legislation increased the amount in federally-subsidized Stafford loans students can borrow by \$2,000 a year, while also making it easier for parents to borrow through the federally-guaranteed PLUS program. The PLUS program enables parents to obtain federally loans up to their child's cost of attendance, and is an important option for students and families whose costs exceed their grant and Stafford loan eligibility. The legislation improved the terms of PLUS loans by allowing parents to defer payments on these loans until their student has graduated, and helped parents affected by the mortgage crisis or struggling with ongoing medical bills obtain these loans. In addition, if families are ineligible for PLUS loans for other reasons, their children can borrow additional Stafford loans. Due to the fact that these loans have federal guarantees and subsidies, these federal loans will continue to have favorable interest rates.

Beyond improving access to federal loans, the Act also takes steps to ensure that these federal loans will continue to be available to students even if private lenders drop out of the program. The legislation strengthened the "lender-of-last-resort" program already in place for any student who is having trouble obtaining a federal loan. The federal government also stands ready to act as a lender for any colleges struggling to find lenders willing to offer loans to their students. Such colleges can switch to the Direct Loan Program, which uses government funds to provide students and families with the loans that they need. These loans are guaranteed by the government and have the same terms and conditions as Stafford loans disbursed through private lenders. Over 40 Massachusetts colleges and universities already successfully participate in the Direct Loan Program, and others have signed up in recent months. The Department of Education has been working to make this transition as easy as possible.

I urge you to contact your financial aid advisor to ensure that you are receiving all of the federal aid to which you are entitled. Throughout this process, your financial aid advisor will be an important resource about the funding options available to you and I encourage you to keep in close contact with them. In addition, there are a number of websites that provide information about the scholarships options that may be available to you. You should look carefully at these options as an additional means of funding educational opportunities. A link to these sites may be found on my website (kennedy.senate.gov) or available directly at:

- <http://studentaid.ed.gov> (Federal Loans, including PLUS)
- www.finaid.org/scholarships (Scholarships)
- www.fastweb.com (Scholarships)
- <http://www.collegeboard.com/student/pay/index.html> (Scholarships)
- www.scholarships.com (Scholarships)

The economic turbulence we're facing as a nation is affecting more and more of us in more and more ways. But working together and with colleges and universities, we can make sure it does not undermine students' ability to pay for college. Please don't hesitate to contact

me, or call Sean Malone or Julie Ryder on my staff, at 617-565-3170, if you have difficulty obtaining a student loan or if you have any other concerns.

Sincerely,

Edward M. Kennedy

###