Support H.R. 5715, the "Ensuring Continued Access to Student Loans Act of 2008"

May 1, 2008

Dear Member of Congress,

On behalf of more than a million college students across the country we want to urge you to support H. 5715 as amended by the Senate. This legislation enhances the student loan programs so as to avoid potential disruptions due to instability in the credit market. Students appreciate Congress's concern for stability in the student loan market place

The bill clarifies the law around the Lender-of-Last-Resort (LLR) program. LLR was initially developed to serve as recourse for students unable to receive loans through the FFEL program. The bill is based on House Bill 5715 but includes several critical additions: it sunsets the authority for school-wide lender of last resort, sets standard terms for LLR loans as equivalent to FFEL loans and clarifies inducement provisions. Solidifying the program is a responsible step in light of recent concerns about FFEL availability.

Since the creation of the LLR program several decades ago, student lending has evolved, providing Congress and the Secretary of Education with alternative, and potentially superior, loan origination options in the event of potential unavailability of FFEL loans. One obvious alternative is the Direct Loan program. Schools should be encouraged to take advantage of this other, working loan program before experimenting with loans originated by Guaranty Agencies, which have no existing infrastructure, no capital, and little expertise for the task of loan origination.

Other potential solutions could include authorizing the Secretary of Education to make and guaranty loans under Part B of the student loan program, authorizing the Secretary to contract with existing FFEL originators to make loans, authorizing the Secretary to fund loans through contracting with ELM, or to allow schools to act as Eligible Lender Trustees to make loans on behalf of the Department of Education. These alternatives would better utilize existing student lending participants and mechanisms than the LLR provisions of the law, which date back several decades.

H. 5715 also allows parents to delay repayment until after their child graduates from college. Making PLUS loans more consumer friendly, by allowing families to delay repayment, and by simplifying the application process for parents, would help families utilize the program to finance their children's education. Finally the bill allows the Secretary to buy FFEL loans to create liquidity in the market and increases loan limits by $2,000 a year for undergraduates.

This current episode in student lending reveals the limitations and problems of our current FFEL program. Setting subsidy rates by statute has yielded windfall profits for lenders in recent years and now, in light of rising costs of capital, unattractive margins for some lenders. While a short-term priority should be ensuring loans remain available this fall, we hope that Congress will revisit the structure of the loan programs in the coming years.

Sincerely,

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