



## **April Federal Relations**

### **Congress**

#### **Reauthorization of the Higher Education Act**

It is expected that a 12<sup>th</sup> extension of the Higher Education Act will be needed to carry through May 31. The internal staff deadline for finalization of reauthorization is May 19, however, if no measure is passed by Memorial Day, the Presidential election campaigns will command the attention and time of members, and a one-year extension will be necessary.

#### **Student Loans Act Passed**

On April 17, the House passed H.R. 5715, the Ensuring Continued Access to Student Loans Act of 2008 providing additional protections to those in current law addressing access to education loans. The measure would:

- Increase the annual loan limits on federal loans by \$2,000 for all students and increase the aggregate loan limits to \$31,000 for dependent undergraduates and \$57,500 for independent undergraduates;
- Provide parents more time to begin paying off their federal PLUS loans by providing them with the option to defer repayment up to six months after their children leave school;
- Ensure short-term delinquencies in mortgage payments and medical bills do not prohibit otherwise eligible parents from being able to borrow PLUS loans, by temporarily classifying as “extenuating circumstances” delinquencies on home mortgages and medical bills of up to 180 days;
- Affirm that existing law gives the Secretary of Education the authority to advance federal funds to guaranty agencies, in the event that they do not have sufficient capital to originate new loans, and allow guaranty agencies to implement the functions of “lender of last resort” on a school-wide basis; and,
- Grant the Federal Secretary temporary authority to purchase loans from lenders in the federal guaranteed loan program, to make sure lenders continue to have access to capital to originate new loans -- albeit only if doing so would not result in a net cost for the federal government.



The Administration supports most of the provisions. To review the Statement of Administration Policy, go to <http://www.whitehouse.gov/omb/legislative/sap/110-2/saphr5715-h.pdf>.

S. 2815, by Senator Kennedy, contains similar provisions but focuses on encouraging schools to enter the Direct Loan program rather than the House focus on the FFEL lenders. The measure has yet to pass out of committee.

The ground has shifted a bit since the beginning of the year, with more than 50 lenders having left the federal government's student loan program (for listing, go to <http://www.finaid.org/loans/lenderlayoffs.phtml>) and Citibank and Chase announcing they would limit loan access to colleges. Loans to two-year students are less lucrative to banks because they are generally smaller than those for students attending four-year institutions and higher national default rates among two-year colleges are troublesome to the industry. To date, no student or college has been denied loan access, and financial aid experts express confidence that almost all students who need loans will be able to do so for the 2008-09 school year though there might need to be more due diligence in obtaining a lender or discounts.

### **CCC System Office Response**

Lender access and relief from current federal regulations were addressed during a system wide conference call to student financial aid officers in the CCC on April 25. Information provided by the Student Services staff is posted on the CCCCCO website for your review. Go to the following link in the main section of the page titled: *Loan Access Webinar Presentation 4-25-08 (PPT)* or <http://www.cccco.edu/SystemOffice/Divisions/StudentServices/StudentFinancialAssistancePrograms/tabid/615/Default.aspx>.

### **Federal Department of Education Response**

In March, Secretary Spellings informed the House Education and Labor Committee that she is in ongoing consultation with Treasury Secretary Paulson and assured the committee the Department has immediate capacity in the Direct Loan program and is preparing the Lender of Last Resort (LLR) program for large-scale implementation. The Secretary met with the guaranty agency community in April to discuss LLR. The 35 guaranty agencies are maintaining contact with the Department to provide assistance and advice in build-out of LLR and report there will be ample leeway for Federal preemption of obstacles in current regulations. The financial aid field reports that access to the Direct Lender Services Center at the Department has provided needed assistance.



## **Congressional Response to the Banking Industry**

The Senate Banking Committee held a hearing to examine the issues as related to the banking industry contribution to the status of loan access in education. Committee Chairman Chris Dodd (D-CT) joined panel members in comparing the early signs of a failing mortgage industry to the education loan field and noted that while the situation has not yet reached crisis levels, “we are on the cusp.” The panel viewed the solution to the education dilemma, as resting with federal involvement in the credit industry, prompting the Chair to later forward a letter to Treasury Secretary Paulson urging Paulson to use authorities and options under his purview to inject liquidity into the student loan capital markets.

## **Federal Department of Education**

### **Negotiated Rulemaking**

The Department of Education and negotiators reached consensus on a proposed set of rules for the loan programs related to the College Cost Reduction and Access Act. The new provisions provide the regulatory framework for the new Income-Based Repayment program, economic hardship deferments, public service loan forgiveness, HEROS waivers/military deferments, and the definition of not-for-profit holder. The Department will now develop a Notice of Proposed Rulemaking using the agreed-upon language which will be followed by a an opportunity for public comment leading to the publication of a Final Rules package in November.

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