



FFEL Lenders Send Letter to Congress Regarding New Bills

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Two new bills could result in budget cuts for FFEL program.

PR9.NET August 31, 2007 - Washington, DC — This week, a letter was sent by four agencies representing the Federal Family Education Loan (FFEL) Program to Congressional education leaders, asking that they reconsider the size of the budget cuts that would result from the passage of two new bills: the College Cost Reduction Act of 2007 and the Higher Education Access Act of 2007.

Written by the Consumer Bankers Association, Education Finance Council, National Council of Higher Education Loan Programs, and Student Loan Servicing Alliance, the letter was addressed to members of the Health, Education, Labor and Pensions Committee and the House Committee on Education and Labor.

According to the FFEL organizations, the two new bills will cut more than \$17 billion in subsidies to lenders and guarantors participating in the FFEL program, which will be redirected to Pell Grants and other forms of aid.

"The bills make substantial cuts to the FFELP by reducing special allowance payments, increasing lender-paid origination fees, and reducing loan insurance. A preliminary assessment of these cuts suggests that the program will be changed permanently," the letter explains. "Borrowers will likely lose many, and in some cases all, of the borrower benefits currently offered by lenders."

Serving 80% of federal student loan borrowers and Title IV schools, the Federal Family Education Loan (FFEL) Program is the nation's largest source for student financial aid.

The letter continues, "We believe the budget cuts will make paying for college more expensive for some students—especially middle-income students who might not qualify for the expanded Pell Grant assistance. They would reduce the government's projected support for the FFELP over the next five years by around 70%."

According to Higher Education Washington, Inc.'s NewsLine, the bills have already received enough votes to pass through the House and Senate and are currently in the conference stage.

Anticipating that the bills will be approved in the final stage, some lenders have begun to inform their borrowers that their time to receive borrower benefits is limited or are considering dropping out of the program altogether.

The letter states, "The timing of the cuts being contemplated could not possibly be worse in terms of program stability."

"We hope that Congressional leaders will consider the value that FFEL programs offer to loan borrowers," said EdFed loan counselor Jodie Corzano. "Currently, with the borrower benefits that EdFed offers, we can reduce our borrowers' interest rates by up to 1.25%! This can potentially save thousands of dollars over the life of the loan for our borrowers."

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About edfed

As a leader in the student loan industry, EdFed is dedicated to helping students and graduates realize all of their educational goals and meet their student loan and consolidation needs.

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