



Washington, DC Update Springing Into Spring!!

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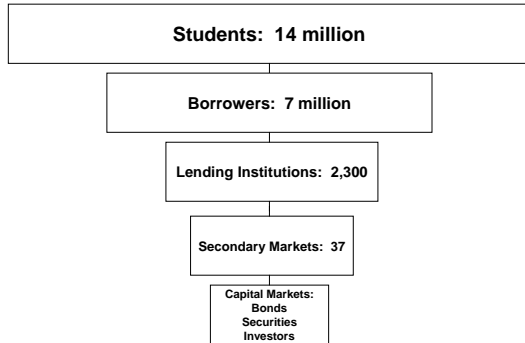
What's Goin' On?

- **Student Loan Financing Issues**
 - The song that has no melody
- **Reauthorization**
 - The song that never ends!
- **Negotiated Rulemaking**
 - The other song that never ends!
- **Student Aid Funding**
 - The song remains the same

Funding Student Loans

- **FFELP is a Public-Private Partnership**
 - Federal subsidies spur the creation of private capital
 - Loans are funded with private capital
- **Over 40 years, FFELP has Grown Rapidly**
 - \$1 billion in 1971
 - \$20 billion in 1998
 - \$60 billion in 2008-09
- **Capital Markets Develop to Meet Demand for Capital**
 - Auction Rate Securities become bond of choice
 - Match variable rate return with variable rate interest costs
 - Securities are liquid (can be traded) and safe (backed by student loans)
 - Failed auctions mean there is no "market"
 - Relied upon by for-profit & non-profit providers
- **Banks Depend on Secondary Markets**
 - Allows them to "recycle" funds used to make new loans

Student Loan Financing



Reauthorization

- Process Began in Late 2002
- Senate: Higher Education Access Act of 2007
 - Passed Unanimously on 7/24/07
- House: College Opportunity and Affordability Act of 2008
 - Passed on 2/2/08 by 354-58
- Currently Holding “Pre-Conference” Staff Meetings
- Higher Education Act Extended through April 30, 2008
 - Will they meet that deadline?

Major Reauthorization Conference Issues

- College Cost Provisions – Reporting vs. “Watch List”
- State Maintenance of Effort Requirement
- Year-Round Pell Grants
- Sunshine Act and Preferred Lender Lists
- FAFSA Simplification
- Changes to Cohort Default Rate Calculation

Negotiated Rulemaking

- Loans Committee Extended Into “Extra Innings”
 - Next and final(?) session set for mid-April
 - Key Issues:
 - Income-Based Repayment Program
 - Public Service Loan Forgiveness
 - Definition of a “non-profit” lender
- Teach Grant Committee Wraps Up
- Will Reauthorization Require Another Neg-Reg?

Appropriations

- 2008-09 Maximum Pell Grant = \$4,731
 - No new funds appropriated
 - CCRAA set-aside was source of increase
- ~~President’s 2008 Budget Request~~
- Congress May Not Act on Appropriations Until 2009
 - Can you guess why??
