

Bush to Sign Conference Agreement

By Amit Agarwal

Democratic conferees in the House and Senate reached an agreement on the College Cost Reduction and Access Act of 2007. Democratic leaders said that President Bush will sign the conference agreement that cuts about \$21 billion from lenders and guarantors who participate in the Federal Family Education Loan (FFEL) program.

According to the agreement, for-profit lenders will see a 0.55% subsidy cut, while non-profits will suffer a 0.40% hit. Guaranty agencies will be allowed to keep 16% of the funds they collect instead of 23%. The “exceptional performer program” that provides lenders with a 99% loan guarantee will no longer benefit them. Fees charged for loan consolidation will double from 0.5% to 1%.

Democrats have touted the agreement as a modern-day GI Bill. Rep. George Miller said, “I am delighted that the president will join us in helping make this historic bill a reality for millions of students and their families.” He went on to say, “Elections can make a difference.”

Lenders have a different view. Joe Belew, president of the Consumer Bankers Association, said the cuts might lead to a reduction in borrower benefits and the bill the being seen as “irresponsible legislation that undermined, rather than expanded, college opportunity.”

The agreement includes a pilot auction of PLUS loans—with the exception of Stafford and Grad PLUS loans—that will begin in 2009. Two lenders in each state will be chosen to provide PLUS loans for which other lenders will have to bid. However, the plan for an auction has received significant criticism, especially from those who support the theory behind loan auctions.

On the Net

Bush will sign conference agreement that cuts FFEL subsidies by nearly \$21 billion; calls for pilot auction of plus loans

www.hewi.net/news/news.asp?Type=Headline

Help on the horizon for college students

www.columbusdispatch.com/live/content/local_news/stories/2007/09/08/loaner.ART_ART_09-08-07_A1_GK7RG27.html?sid=101