

MHESLA Discontinues Loan Program

By Carina Zaragoza

The Michigan Higher Education Student Loan Authority (MHESLA) has announced the discontinuation of a loan program that was made available only to students attending Michigan colleges and universities. The loan program has been put on hiatus and has not been terminated completely.

The MHESLA indicated the loan program would be discontinued at the close of business on Friday, February 15, 2008. Applications were no longer accepted after close of business on Wednesday, February 13, 2008. Any loan applications received prior to this date, if approved, will be honored and disbursed as outlined in the program.

The MHESLA cited “current and unprecedented capital markets disruption” as the impetus for discontinuing the loan program. The MHESLA does not have any capital to continue making loans. It has assured students and parents that the program will be reinstated once funds become available.

Recent weeks have seen several lenders withdraw both their federal and private student loan programs. Several career colleges were hit hard, as reported by Law School Loans on January 30, 2008. Three major lenders, Sallie Mae, College Loan Corp., and Student Loan Xpress, pulled many of their loan programs from career colleges across the country. A key root of the problem is investors’ avoidance of student-loan-backed securities auctions. Many auctions have failed, prompting more concern over the state of student loans in the current credit markets.

First Marblehead Corp. reported a failed February 7 auction. In its quarterly filing the company outlined potential negative ramifications of its failed auction. Among the forecasts were higher interest rates and rating downgrades. First Marblehead is not the only company to have experienced unsuccessful auctions. Goldman Sachs Group Inc., JPMorgan Chase & Co., and Citigroup Inc. were unsuccessful in attracting investors, resulting in about \$13 billion in untouched securities.

The Michigan Alternative Student Loan (MI-LOAN[®]) Program was available exclusively to students attending Michigan colleges and universities. Both students and parents were eligible to apply for its credit-based loans, and borrowers had the option of choosing a variable-rate loan or a fixed-rate loan. The maximum amount of each loan was the cost of attendance, allowing students and parents to borrow as much as was needed to pay for school. More than 100 schools within the state of Michigan offered the MI-LOAN[®] Program.

On the Net

[Higher Education Washington Inc.](#)

[Student Loan Programs Scaled Back, Some Terminated](#)