Congress Urges Secretary of Education to Take FFELP Loan Action

By Carina Zaragoza

Senator Edward M. Kennedy (D-MA) and Representative George Miller (D-CA) wrote to Secretary of Education Margaret Spellings urging her to take action to ensure the availability of loans for students. They also stressed the importance of students' receiving their funds in a timely manner and thus expressed their concern over the uncertainty in the student loan industry.

In the letter, dated February 28, Kennedy, chairman of the Senate Committee on Health, Education, Labor, and Pensions, and Miller, chairman of the House Committee on Education and Labor, cited "recent activity in the credit markets" as potentially having a negative impact on "students' ability to access federal student loans." The lawmakers specifically referred to the Federal Family Education Loan Program (FFELP) and the possibility that lenders will pull out of the program, making scarce the availability of loans to students this fall.

Miller and Kennedy have asked Spellings to take two steps. The first would be to set up a "lender of last resort program," essentially making guarantors lenders and the U.S. Department of Education a funding arm. Second, the Direct Loan Program, the U.S. Department of Education's own federal loan program, should be ready in the event a surge in requests is made to the agency due to the unavailability of FFELP lenders.

Recent months have seen many lenders exit the FFELP business. College Loan Corporation, at one time among the largest FFELP lenders in the country, has stopped offering federal Stafford Loans.

This was the second letter from members of Congress to Secretary Spellings in the month of February. On February 15, in a letter addressed to Secretary of the Treasury Henry M. Paulson Jr. as well as Secretary Spellings, 21 members of Congress expressed their concern over the availability of student loans under the FFEL Program.

The letter pointed out that an estimated $60 billion in new FFELP loans will be needed for the 2008-2009 academic year, and roughly 6.7 million students will be in need of these loans in order to pay for college expenses. Any disruption to the availability of student loans, as well as any interruption of disbursement schedules, will drastically affect a large percentage of students and their ability to pay for college. The main concern for Congress is that access to higher education for many students may be limited.

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These appeals from Congress anticipating possible shortages of FFEL Program loans come just one month after Secretary Spellings announced she has not seen any strong evidence that last year's cuts to the FFEL Program by the College Cost Reduction and Access Act will have any negative impact on students or lenders.

The full text of both letters can be found on the Higher Education Washington Inc. website.

On the Net

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