



NEWSLETTER

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NO COMPREHENSIVE ANALYSIS OF CUTS TO FFELP PROGRAM, SECRETARY SAYS

- CARINA ZARAGOZA

Secretary of Education Margaret Spellings asserted that she has not seen any strong evidence that the cuts to the Federal Family Education Loan Program (FFELP) have had negative impacts on students or lenders. Her remarks came after a speech made at the National Press Club on January 9, 2008. Spellings fielded questions centered on the No Child Left Behind Act, among other topics, including the state of the student lending industry.

The College Cost Reduction and Access Act of 2007, enacted on September 27, 2007, cut about \$21 billion in federal subsidies to FFELP lenders. Some of these funds were reallocated to the Federal Pell Grant Program, increasing the number of awards and the amount of awards granted. Increasing Federal Pell Grant funds effectively allows more students to have access to higher education by assisting with the cost of attendance.

However, because funds were taken away from FFELP lenders, some observers foresaw a decline in services provided by FFELP lenders. Financial and business analysts anticipated rollbacks of borrower benefits, programs that allowed borrowers to lower the interest rates on their loans. Indeed, many lenders have already eliminated these programs, directly affecting the finances of borrowers. Origination and repayment fees were also anticipated to be introduced on federal loans, making the cost of borrowing money for college more expensive.

Prior to the passing of the College Cost Reduction and Access Act last year, FFELP lenders wrote to Congress asking that they reconsider the amount of the cuts in an effort to prevent programs being eliminated. Lenders lobbied against the bill, anticipating that it would drive some lenders out of business, all to no avail.

Various resources, from economists, financial analyzers, and newspapers to lenders themselves, have reported negative fallout as a result of the Act. Nonetheless, Spellings contended that intermittent reports provide no conclusive, industry-wide analysis of the effects of the cuts. She insisted that she will draw no conclusions from isolated newspaper accounts, though she acknowledged that others will.

It remains to be seen what, if any, effect the Act has on students and lenders, as the provisions of the Act went into effect only a little more than 3 months ago, and many of the provisions will begin in the 2008 to 2009 academic year. However, October 1, 2007, witnessed a broad elimination of borrower benefits from the Federal Student Loan Consolidation Programs offered by FFELP lenders.

Sources

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NEWSLETTER

YALE EXPANDS AID TO STUDENTS

- CARINA ZARAGOZA

Yale University announced an expansion of its financial aid program on January 14, 2008. The new plan aims to provide more assistance to those students who demonstrate the most need. The university's announcement comes a month after fellow Ivy League institution Harvard announced its new financial aid program, which redefined "middle income."

The new policy will be effective for the fall semester of the 2008-2009 academic year. Both incoming freshman and returning students will be eligible for aid under the new program. Overall, the new program will reduce the cost of attending the university by more than 50% for families with financial need.

A major component of the expanded financial aid plan is the assistance the new plan will provide to lower income families. Students from families earning under \$60,000 will effectively pay nothing to attend the university. Conversely, families earning more than \$200,000 will virtually see no aid as the need for these families has been determined to be minimal.

These changes in aid policy will increase Yale's financial aid budget by more than \$80 million annually. This new budget represents the largest amount allocated to the financial aid program in the university's history. The changes include a cap on the increase of tuition, room, and board costs for the 2008-2009 academic year based on the expected level of inflation, 2.2%.

In addition, Yale is increasing the number of students who can qualify for aid. Grants will also be increased, lessening the amount of loans students need to borrow. Students will also see the amount they pay out of pocket decrease, from an average of \$4,400 annually to about \$2,500 per year.

This allows students to concentrate on classes rather than having to work excessive hours.

While Harvard's and Yale's expanded financial aid programs are pioneering, the Project on Student Debt has continually made efforts to encourage institutions to reduce or eliminate altogether aid for students from families who earn six figures. The Project on Student Debt works to educate the public about an increasing trend of borrowing to pay for higher education and seeks to identify cost-effective solutions to attend college. The Project has kept a list of institutions, both public and private, that have pledged to reduce the amount of loans their students need to borrow. Yale University is among these institutions.

Yale University believes students should be able to earn a higher education without worrying about the costs, and hopes the expanded financial aid program will help students in this regard.

Sources

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Project on Student Debt
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NEWSLETTER

NEWS IN BRIEF

ONE-YEAR CHALLENGE FROM LAW SCHOOL ALUMNUS

Alumnus of Capital University Law School Thomas R. Baruch has come up with a \$200,000 challenge to support the school's Professor Emeritus John E. Sullivan professorship. The matching challenge will end on December 31, 2008. When it is a success, it will reach the minimum \$500,000 needed to create the Sullivan professorship. Those who wish to donate funds in response to the challenge must be J.D. graduates of Capital University Law School.

LARGEST LAW SCHOOL CREATES NEW CAMPUS

The Thomas M. Cooley Law School in Lansing, Michigan, has opened up a new campus in nearby Auburn Hills. More than 600 students will study at the new campus, which is on a 67-acre area and includes

green building sections. The school will also add 2,000 square feet to the campus within the next 12 months.

NEW HOUSING AND LAW SCHOOL BUILDINGS TO APPEAR AT STANFORD

Recently, the Stanford University Board of Trustees was allowed to start preliminary plans for building a variety of homes for faculty members. Entry-level homes will be built for junior faculty members, "townhouse-style rental homes [will be built] for coaches," and the law school's legal clinics program and faculty offices will get a new building. The program is known as the Stanford Avenue Faculty Homes Project, and it will cost around \$33 million. Thirty-seven homes are expected to be built in total.

