



NEWSLETTER

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HIGHER EDUCATION ACT RENEWED

- CARINA ZARAGOZA

The Higher Education Act of 1965 was overwhelmingly approved on Thursday, February 7, 2008. The House of Representatives voted 354-58 to approve the reauthorization of the bill (H.R. 4137).

The key legislation, known as the College Opportunity and Affordability Act, would toughen the regulation of the student loan industry as well as simplify the financial aid award process. The legislation also puts pressure on colleges and universities to contain the rising cost of attendance.

While the House approved the HEA by a wide margin, the Bush administration issued a statement in which it announced it found fault with nearly every major provision of the bill. Among the criticisms, the administration believes the bill creates four new "costly and duplicative federal programs" and restricts the Department of Education's authority to regulate higher education accreditation, allowing more freedom for colleges to measure student learning outcomes. Education Secretary Margaret Spellings opposes this provision as well. However, the administration stopped short of stating it would veto the bill.

Prior to the reauthorization, an attempt was made by Representative Danny Davis (D-IL) to amend the bankruptcy code to allow the discharge of private education loans. Davis and other advocates for students argued that because private education loans have become a major source of funding due to lack of alternative options (federal and otherwise) and because of the high cost of borrowing private education loans, this type of debt should be considered consumer debt. The amendment appeared to have passed in a

voice vote, but later it was discovered that it was defeated by a 236-179 vote (19 members did not vote). Had the amendment passed, students would have been able to discharge their private education loans after five years in bankruptcy.

Last renewed in 1998, the Higher Education Act bill addresses many issues:

- The Department of Education will have more authority to regulate private education loans. This provision comes out of the investigations into lenders' practices of drawing business by enticing schools.
- Students will be allowed to receive the Pell Grant year-round rather than only during the traditional school year.
- Changes will be made to the Academic Competitiveness Grant Program that will make the grants available to part-time students as well as students earning certificates rather than degrees. The program benefits low-income students but until now has not been effective in assisting students with funding their education.
- The Department of Education will develop a list of accredited institutions and a list of accrediting schools. The purpose of the lists is to crack down on diploma mills.

On the Net

Higher Education Washington Inc.
www.hewi.net

Inside Higher Ed
www.insidehighered.com



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CONTINUING TROUBLE FOR STUDENT LENDERS

- CARINA ZARAGOZA

The student loan industry is undergoing more turmoil as another lender ends its student loan program. Key lenders are also taking hits.

In recent weeks key lenders in the student loan industry have exited the Federal Family Education Loan (FFEL) Program or significantly reduced their business within the program. As reported by Law School Loans last week, College Loan Corporation will completely withdraw from the FFEL Program on March 1, 2008. In January Nelnet announced it will no longer issue new federal consolidation loans. Plus, many lenders have eliminated loan programs for several career colleges.

This problematic trend within the student loan industry shows no signs of abating as lenders continue to endure further blows.

The Independent Bankers Bank (TIB) has succumbed to the widespread uncertainty in the student loan industry. TIB announced last week that it will be exiting the student loan business. TIB explained that "final funding of new loan disbursements will be February 15, 2008." TIB's current portfolio will be sold to Sallie Mae and Nelnet, who will provide service to borrowers.

Based in Texas, TIB has been in business for 25 years. In addition to student loans, TIB also provides credit, mortgage, and investment products. There is no indication that these services will be eliminated.

Sallie Mae, which recently reduced staff and is among the lenders that discontinued new loans for students attending

career colleges, took another hit last week. Standard & Poor's has downgraded the credit rating of the largest FFELP lender to one step above junk bond status. The credit rating company lowered Sallie Mae from BBB+ to BBB-.

Standard & Poor's cited a "high degree of financial risk" as the key reason behind the new, lower rating. "Increased funding pressures, reduced profitability, and the impact of a weakening economy" were all factors in the decision to downgrade Sallie Mae's rating.

Sallie Mae responded by saying it was "disappointed" by its new rating. However, the lender reaffirmed its commitment to "strengthen and improve" its investment rating. Part of the plan is raising more than \$3 billion in equity capital.

And the Pennsylvania Higher Education Assistance Agency (PHEAA) continues to take hits in court. Judge Doris Smith-Ribner of the Pennsylvania Commonwealth Court has ordered PHEAA to pay \$48,000 in legal fees incurred by three news organizations that attempted to obtain records from PHEAA. Judge Smith-Ribner determined the records to be public and found PHEAA had acted in disregard of the Pennsylvania "Right to Know" statute in its refusal to relinquish said records.

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NEWSLETTER

NEWS IN BRIEF

UCLA LAW WILL RECEIVE \$1.5 MILLION

The Shapiro Family Foundation has made a commitment to the UCLA School of Law of \$1.5 million. The money will go toward the Pete Kameron Endowed Chair in Law, which honors music industry legend and philanthropist Pete Kameron. Kameron, who has come to be known as a legend at the law school, is close friends with Ralph Shapiro, and together they have established the Pete Kameron Fund and the Pete Kameron Scholarship Fund at the school so far. The funds provide encouragement and support for students who are dedicated to music, entertainment, and media law.

TOURO LAW SCHOOL TO BE PURCHASED?

It's reported that Stony Brook University is allegedly interested in buying Touro Law School. Touro, located in Central Islip in New York, is a smaller law school but one that has been making a name for itself. The state senate's chairman of higher education is reportedly happy about

the idea of the merger. Although there is no official word yet, talks are being held regarding the future of the law school, which was formerly known as the Jacob D. Fuchsberg Law Center. If the purchase happens, Touro will become the second law school in New York's state university system, the first one being the University at Buffalo Law School. No final decision will be made until all negotiations are worked out. The final vote will come from the school's president, Bernard Lander, and the college's board of trustees, according to officials.

UC BERKELEY TO GET NEW LAW SCHOOL BUILDING

Thanks to \$56 million, UC Berkeley will be constructing a new law school building. Deemed the Law School Infill Project, the plan includes a "50,000-square-foot building in the courtyard adjacent to the existing building." There will also be a renovation of the current building of up to 10,000 square feet. The school has now made a list of potential bidders and will be receiving bids from firms until the latter part of February.

