



Monday, August 18, 2008

Department of Education Holds Loan Purchase Program Webinar

Thanks to Mike Balogh for the following:

On 08/15/2008, the Department of Education (ED) held the third Loan Purchase Program Webinar that focused on the operational and reporting aspects of this program. The webinar was designed to clarify and respond to questions from the previous operations based webinars and allow time for any additional questions on the participation program. Information and discussions regarding the operational impacts of the “put” (ED purchases the loan) will be provided in forthcoming webinars.

As a general update:

- ED has received 756 Intent to Participate documents from the community (30 more or so need to be resubmitted with corrections)
- 6 Sponsor Approval request have been received – 3 approved, 3 pending
- 4 Custodians have been approved – will be updated as more are approved

ED is encouraging lenders/sponsors to sign up and to clarify that ED is “open for business.” ED is also encouraging interested participants to push the approval request and testing and necessary document requirements. ED also encouraged everyone to monitor their [website](#) for updates which will be made on a daily basis.

They also provided a reminder that questions may be submitted to Loan.Participation@ed.gov

The webinar, now available online, includes clarification on the following topics:

- Approval Process
- Loan eligibility
- Master Promissory Notes
- Form 799 (LaRS)
- Lender Identifiers (LIDS)
- Loan Adjustments
- Cancellations
- Disbursement Reissues
- Monthly Reporting
- Participant Yield
- Loan Guarantee
- Guaranty Agencies – Please note that for NSLDS reporting ED reiterated their expectation that:
 - After loan fully disbursed, the Sponsor/Custodian reports loan to lender’s original GA under “Custodian’s LID.”

- GA's report loans to NSLDS under "Custodian's LID" after final disbursement.

The following are some of the highlights of the question and answer session:

- ED reiterated that the Custodian must be independent from the sponsor.
- The HEOA change in the impact of the Sailors and Soldier Act will not impact the eligibility of the loan to be included in the participation program.
- Loan transfer notifications from the lender to the guarantor through the current standards.
- ED is not prescribing the legal relationship and determination of the payment of any servicing fees; however they anticipate that these would generally be paid by the sponsor.
- While ED is looking at options to reduce the timeframe for funding, they are currently attempting to establish their current processes as provided in the current instructions before exploring this further.
- A lender that originates under multiple Lender Identifiers (LIDS) should ensure all these LIDS are associated with the Custodian.
- The e-sign rules and standards as established in 2001 are applicable to this program; there are no new restrictive standards to include loans in the participation program.
- The requirement that the Sponsor place all of a borrower's Stafford loans that it holds only applies to those loans that meet the definition of an "Eligible Loan" as defined in the Master Participation Agreement; however this requirement does not extend to any Graduate PLUS loans.
- A forthcoming document/announcement will provide clarification of appropriate funding facilities.

Additional outstanding questions are being considered and will be addressed in future webinars. As an example, ED requested input on this call as to whether any lenders "front-load" a reduction of interest rate for electronic payment and how they address this if the borrower fails to meet the requirement. There are also some changes to the Monthly Reporting that will be provided in the near future.

Please be assured that we will continue to monitor and participate in the community discussions and will provide updates regard this program as they become available.

Senator McCain Outlines Higher Education Agenda

Presumptive Republican Presidential candidate, Senator John McCain (R-AZ) issued his higher education agenda last week that focuses on the six policy goals, including fixing the student lending programs. They are:

- **Prepare for the 21st Century in Higher Education**—encourage government to support innovative approaches to education, removing regulatory barriers that prevent us from moving forward with new ideas.
- **Improve Information for Parents**—make institutional information available to families in a clear and concise manner to help students make more informed choices about higher education.
- **Simplify Higher Education Tax Benefits**—simplifying the existing tax benefits to ensure that a greater number of families have a lower tax burden when they are helping to send their children to college.
- **Simplify Federal Financial Aid**—Senator McCain charges that too many programs and a complicated application process deter many eligible students from seeking student aid and that the number of programs also makes it more difficult for financial aid officers to help students navigate the process. Consolidating programs will help simplify the administration of these programs, and help more students have a better understanding of their eligibility for aid.
- **Improve Research by Eliminating Earmarks**—eliminate earmarks to improve the federal government's support for university research.
- **Fix the Student Lending Programs**—Senator McCain proposes an expansion of the lender-of-last resort capability of the federal student loan system and will demand the highest standard of integrity for participating private lenders. He also contends that effective reforms and leveraging the private sector will ensure the necessary funding of higher education aspirations, and create a simpler and more effective

program in the process.

For more information, the related Press release and articles from *The Chronicle* and *Inside Higher Ed* are included in the expanded version of today's Daily Briefing.

Education Department Update

The following announcements have been posted to the Department's website:

- [ANN-08-11](#) - Webinar Recording -- Online, Instructor-Led Training Session - William D. Ford Federal Direct Loan (Direct Loan) Program Overview;
- [COD Processing Update](#); and
- [Live Internet Webinars](#) on the Department of Education's plans to purchase FFEL Program Loans and Participation Interests.

General News

- An article from *The Baltimore Sun* titled, "College Loan Path Has Gotten Trickier."
- An article from *The Wall Street Journal* titled, "For Most People, College Is a Waste of Time." The author contends, "Here's the reality: Everyone in every occupation starts as an apprentice. Those who are good enough become journeymen. The best become master craftsmen. This is as true of business executives and history professors as of chefs and welders. Getting rid of the BA and replacing it with evidence of competence -- treating post-secondary education as apprenticeships for everyone -- is one way to help us to recognize that common bond."
- *The Philadelphia Inquirer* reports, "College lending tight but available."
- "As the economy struggles amidst rising energy prices and a shaky housing market, many Americans wonder how they are going to pay their bills," reports *The East Bay Business Times*. "Now it seems the economic crunch is beginning to impact another sector of society; college students who have, or are planning to carry some sort of private student loans to pay for their education."

News From Our Members & Colleagues

- Nelnet Ready to Use Department Program to Make Loans to All Students

These complete stories can be found on the NCHHELP Web site in the Daily Briefing section of the NCHHELP e-Library at: [db0818.pdf](#).

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For Immediate Release
August 14, 2008

Contact: Press Office
703-650-5550

John McCain's Higher Education Policy

Prepare for the 21st Century in Higher Education

America is facing increased competition from overseas like never before. Higher education is as much a part of that competition as the job sector, and we must rise to the challenge and modernize our universities so that they retain their status as producers of the most skilled workforce in the world. The answer is not to impose more regulations on institutions, but to encourage the government to support innovative approaches to education, removing regulatory barriers that prevent us from moving forward with new ideas.

Improve Information for Parents

Institutions report on hundreds of factors to the U.S. government every year, but the government does nothing with the information. Making this information available to families in a clear and concise manner will help more students make more informed choices about higher education.

Simplify Higher Education Tax Benefits

The existing tax benefits are too complicated, and many eligible families don't claim them. By simplifying the existing benefits, I can ensure that a greater number of families have a lower tax burden when they are helping to send their children to college.

Simplify Federal Financial Aid

Too many programs and a complicated application process deter many eligible students from seeking student aid. The number of programs also makes it more difficult for financial aid officers to help students navigate the process. Consolidating programs will help simplify the administration of these programs, and help more students have a better understanding of their eligibility for aid.

Improve Research by Eliminating Earmarks

Earmarking is destroying the integrity of federally funded research. Billions of dollars are spent on pork barrel projects every year; significant amounts come from research budgets. Eliminating earmarks would immediately and significantly improve the federal government's support for university research.

Fix the Student Lending Programs

We have seen significant turmoil in student lending. John McCain has proposed an expansion of the lender-of-last resort capability of the federal student loan system and will demand the highest standard of integrity for participating private lenders. Effective reforms and leveraging the private sector will ensure the necessary funding of higher education aspirations, and create a simpler and more effective program in the process.

McCain Lays Out His Higher-Education Plan

Sen. John McCain, the presumptive Republican nominee for president, has released [an outline](#) of his higher-education policy.

His plan sets out six broad goals:

- Preparing for “the 21st century in higher education” by removing regulatory barriers that he says prevent institutions from moving forward with new ideas and by encouraging the government to support innovative approaches to education. “We must rise to the challenge and modernize our universities so that they retain their status as producers of the most skilled work force in the world,” Senator McCain’s plan reads.
- Providing parents better information about colleges by making the data that institutions report to the federal government available in a “clear and concise manner” so that students can make more-informed choices about where to go to college.
- Simplifying the higher-education tax benefits, to make it easier for more families to claim them.
- Simplifying the process for applying for and administering federal financial aid by consolidating government programs.
- Eliminating government spending that lawmakers earmark, through noncompetitive processes, for particular research projects.
- Fixing problems in student lending by expanding the government’s “lender of last resort” system, in which the federal government makes sure students can find loans if a loan emergency were declared, and by demanding “the highest standard of integrity” for private lenders that participate in the federal system.

—*Sara Hebel*

From Inside Higher Ed:

Sen. John McCain, the Republican presidential candidate, has released his [higher education agenda](#), but there aren't many details. McCain calls higher education a key part of the "increased competition from overseas" that the United States faces, and says that the government should "support innovative approaches to education, removing regulatory barriers that prevent us from moving forward." Parents need better information on college choices, the plan says, and tax credits for college and aid forms need to be simplified. Further, he reiterates his previous calls to eliminate earmarks, which he says are "destroying the integrity of federally funded research." (The higher education plans of Sen. Barack Obama, the Democratic candidate, may be [found here](#).)

www.baltimoresun.com/business/investing/bal-bz.ml.ambrose17aug17,0,3600175.column

baltimoresun.com

College loan path has gotten trickier

Eileen Ambrose

August 17, 2008

College tuition bills are coming due. And if you haven't secured your financing just yet, be prepared for a bigger challenge than usual.

The lender you were counting on might no longer be making student loans. Or other glitches could pop up.

Edamerica, for instance, says it's behind in loan disbursements to the University of Maryland, Baltimore County. Disbursements were due last week but now may be about a week late. Other schools in the area might also see delays.

Blame the economy and credit crunch, says Edamerica. Plus, with so many lenders bailing out of the student loan market this year, the Tennessee lender's loan volume has jumped 74 percent. "This kind of growth is difficult to finance even in a better economy," says Senior Vice President Elena Lubimtsev in an e-mail.

Relief is on the way.

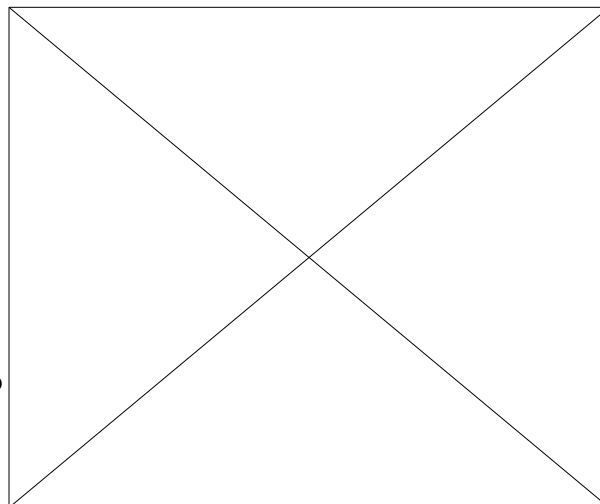
A new law allows undergraduates to borrow more from the government and makes federal parent loans more flexible. It also allows the Department of Education to buy federal student loans from lenders so they have cash to make more loans. Some of that money is expected to be in lenders' hands in a week, although that's later than lenders wanted.

This is an unusual year for financial aid for lots of reasons. Dozens of lenders have pulled out of the federal loan program because of the credit crunch and cuts in government subsidies. Others lenders toughened their lending criteria for private loans. And home equity - frequently tapped to pay tuition bills - might not be an option if your home's value remained flat or even fell in the past year.

"It's a perfect storm of lot of things in the last year," says Kevin Walker, chief executive of SimpleTuition, a site to comparison-shop for loans.

Schools are trying to adjust. Some have decided to avoid any turmoil with private lenders by switching to the direct loan program, where money comes straight from the government.

For instance, undergraduates at the University of Maryland Eastern Shore received their loans for years through the direct loan program, but private lenders in recent years provided the loans to graduate students and parents. A few parents didn't get their loan disbursement early this year from a lender



exiting the business, and the school stepped in to provide the money, says James W. Kellam, director of financial aid.

That incident as well as other lenders leaving the student loan market persuaded the school to get all its loans directly from the government, Kellam says.

Several schools in Maryland say students haven't encountered any loan problems so far. And Stephanie Johnson, director of financial aid and scholarships at UMBC, says the delay by Edamerica shouldn't affect students. "We are keeping tabs on it. We want to make sure our students aren't adversely affected," she says.

If you haven't locked in your financing, don't panic. But don't dawdle, either. Here are steps to take:

- Contact your financial aid office: This will likely be your best source of up-to-date information on which lenders are still making loans. It's hard to keep up.

Texas lender Brazos Higher Education Service Corp., for example, jumped out of the federal loan program in March, jumped back in in May and jumped out again in July.

"This does seem to change weekly, if not daily sometimes," says Richard Heath, director of financial aid at Anne Arundel Community College.

Citibank and Wells Fargo told Anne Arundel Community College in late spring that they would no longer offer federal loans to students there, Heath says. It wasn't a problem with defaults. Anne Arundel students tend to borrow smaller sums and repay quickly, making their loans less profitable for the lenders, Heath says. Since then, the community college added another lender and now has five making loans to its students.

Don't assume your lender last year is still making loans. And if you have lined up a lender, make sure you choose a back-up in case things change.

Schools add that they are willing to work with students who have done their part but for some reason have hit a snag with a lender.

For instance, it's still not too late to apply for federal financial aid. And at Anne Arundel Community College, as long as students show proof that they submitted the financial aid application, they can attend classes next week, Heath says.

- Look to federal loans first: You're better off borrowing from Uncle Sam than taking out a higher-cost, less-flexible private loan. Now undergraduates can borrow an extra \$2,000 a year under the federal Stafford program. This additional amount won't be subsidized, so you will have to pay the interest on the money while you're in school.

"It's just enough additional aid to keep students from going to a private loan," says Sarah Bauder, director of financial aid at the University of Maryland, College Park.

The new Stafford loan limits are \$5,500 for freshmen, \$6,500 for sophomores and \$7,500 for juniors and seniors.

Independent undergraduates or those whose parents don't qualify for a federal parent loan have been able to borrow more under the Stafford loan program. With the extra \$2,000, the loan limit goes up to

\$9,500 for freshmen; \$10,500 for sophomores; and \$12,500 for juniors and seniors.

- Give parent loans another look: If the student aid package doesn't cover the cost of attending school, parents can borrow the shortfall through a Parent Loan for Undergraduate Students. The 8.5 percent fixed-interest rate, or 7.9 percent in the direct lending program, is often lower than what private loans offer.

Many parents haven't liked the loan because they must start repaying almost immediately. That's no longer the case. Parents can defer repayment until six months after graduation, although interest will accrue and be added to the balance.

Parents must pass a credit check to qualify. But Uncle Sam is temporarily cutting parents some slack because many families are struggling with mortgage payments. It used to be that you wouldn't qualify for a PLUS loan if you were delinquent 90 days or more on any debt. Now, you might still get a loan if you are no more than 180 days late on a mortgage or medical bills as of January 2007. This leniency continues through 2009.

- Private loans, a last resort: Between 5 percent and 10 percent of students take out private loans, with many of them attending for-profit trade schools, according to the Project on Student Debt.

This is where you are most likely to have difficulty because lenders have adopted stricter lending criteria. So if you have a thin or poor credit record, you likely won't get a private loan without a co-signer.

To suggest a topic, contact Eileen Ambrose at 410-332-6984 or at eileen.ambrose@baltsun.com.

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August 13, 2008

OPINION

For Most People, College Is a Waste of Time

By CHARLES MURRAY

August 13, 2008; Page A17

Imagine that America had no system of post-secondary education, and you were a member of a task force assigned to create one from scratch. One of your colleagues submits this proposal:

First, we will set up a single goal to represent educational success, which will take four years to achieve no matter what is being taught. We will attach an economic reward to it that seldom has anything to do with what has been learned. We will urge large numbers of people who do not possess adequate ability to try to achieve the goal, wait until they have spent a lot of time and money, and then deny it to them. We will stigmatize everyone who doesn't meet the goal. We will call the goal a "BA."

You would conclude that your colleague was cruel, not to say insane. But that's the system we have in place.


Finding a better way should be easy. The BA acquired its current inflated status by accident. Advanced skills for people with brains really did get more valuable over the course of the 20th century, but the acquisition of those skills got conflated with the existing system of colleges, which had evolved the BA for completely different purposes.

Outside a handful of majors -- engineering and some of the sciences -- a bachelor's degree tells an employer nothing except that the applicant has a certain amount of intellectual ability and perseverance. Even a degree in a vocational major like business administration can mean anything from a solid base of knowledge to four years of barely remembered gut courses.

The solution is not better degrees, but no degrees. Young people entering the job market should have a known, trusted measure of their qualifications they can carry into job interviews. That measure should express what they know, not where they learned it or how long it took them. They need a certification, not a degree.

The model is the CPA exam that qualifies certified public accountants. The same test is used nationwide. It is thorough -- four sections, timed, totaling 14 hours. A passing score indicates

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authentic competence (the pass rate is below 50%). Actual scores are reported in addition to pass/fail, so that employers can assess where the applicant falls in the distribution of accounting competence. You may have learned accounting at an anonymous online university, but your CPA score gives you a way to show employers you're a stronger applicant than someone from an Ivy League school.

The merits of a CPA-like certification exam apply to any college major for which the BA is now used as a job qualification. To name just some of them: criminal justice, social work, public administration and the many separate majors under the headings of business, computer science and education. Such majors accounted for almost two-thirds of the bachelor's degrees conferred in 2005. For that matter, certification tests can be used for purely academic disciplines. Why not present graduate schools with certifications in microbiology or economics -- and who cares if the applicants passed the exam after studying in the local public library?

Certification tests need not undermine the incentives to get a traditional liberal-arts education. If professional and graduate schools want students who have acquired one, all they need do is require certification scores in the appropriate disciplines. Students facing such requirements are likely to get a much better liberal education than even our most elite schools require now.

Certification tests will not get rid of the problems associated with differences in intellectual ability: People with high intellectual ability will still have an edge. Graduates of prestigious colleges will still, on average, have higher certification scores than people who have taken online courses -- just because prestigious colleges attract intellectually talented applicants.

But that's irrelevant to the larger issue. Under a certification system, four years is not required, residence is not required, expensive tuitions are not required, and a degree is not required. Equal educational opportunity means, among other things, creating a society in which it's what you know that makes the difference. Substituting certifications for degrees would be a big step in that direction.

The incentives are right. Certification tests would provide all employers with valuable, trustworthy information about job applicants. They would benefit young people who cannot or do not want to attend a traditional four-year college. They would be welcomed by the growing post-secondary online educational industry, which cannot offer the halo effect of a BA from a traditional college, but can realistically promise their students good training for a certification test -- as good as they are likely to get at a traditional college, for a lot less money and in a lot less time.

Certification tests would disadvantage just one set of people: Students who have gotten into well-known traditional schools, but who are coasting through their years in college and would score poorly on a certification test. Disadvantaging them is an outcome devoutly to be wished.

No technical barriers stand in the way of evolving toward a system where certification tests would replace the BA. Hundreds of certification tests already exist, for everything from building code inspectors to advanced medical specialties. The problem is a shortage of tests that are nationally accepted, like the CPA exam.

But when so many of the players would benefit, a market opportunity exists. If a high-profile testing company such as the Educational Testing Service were to reach a strategic decision to create definitive certification tests, it could coordinate with major employers, professional groups

and nontraditional universities to make its tests the gold standard. A handful of key decisions could produce a tipping effect. Imagine if Microsoft announced it would henceforth require scores on a certain battery of certification tests from all of its programming applicants. Scores on that battery would acquire instant credibility for programming job applicants throughout the industry.

An educational world based on certification tests would be a better place in many ways, but the overarching benefit is that the line between college and noncollege competencies would be blurred. Hardly any jobs would still have the BA as a requirement for a shot at being hired. Opportunities would be wider and fairer, and the stigma of not having a BA would diminish.

Most important in an increasingly class-riven America: The demonstration of competency in business administration or European history would, appropriately, take on similarities to the demonstration of competency in cooking or welding. Our obsession with the BA has created a two-tiered entry to adulthood, anointing some for admission to the club and labeling the rest as second-best.

Here's the reality: Everyone in every occupation starts as an apprentice. Those who are good enough become journeymen. The best become master craftsmen. This is as true of business executives and history professors as of chefs and welders. Getting rid of the BA and replacing it with evidence of competence -- treating post-secondary education as apprenticeships for everyone -- is one way to help us to recognize that common bond.

Mr. Murray is the W.H. Brady Scholar at the American Enterprise Institute. This essay is adapted from his forthcoming book, "Real Education: Four Simple Truths for Bringing America's Schools Back to Reality" (Crown Forum).

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Posted on Mon, Aug. 18, 2008

College lending tight but available

Most students are finding loans for tuition even as some banks opt out. Rates and fees are higher, though.

By Susan Snyder
Inquirer Staff Writer

With lenders leaving the college loan market, some students face higher interest rates and a scramble to find new banks.

- > At the University of Pennsylvania, for example, as many as two-thirds of students who get loans had to select a new lender.
- > But college officials throughout the region say most students have been able to get the loans they need to pay August tuition bills. Problems were not as bad as predicted in the spring, they said.
- > "It's not that you're having tons of students unable to attain refinancing. They just have to hunt around for another lender," said Mark Kantrowitz, publisher of FinAid.org, a Web site offering financial-aid advice.
- > It will be more expensive for some students, too, as banks raise fees and interest rates, he said. He estimated that added fees could amount to hundreds or thousands of dollars in new costs for students over the life of their loans.
- > About 1 to 2 percent of college students nationwide may be unable to get loans, Kantrowitz said. Students at for-profit trade schools and community colleges and at institutions whose students have had high default rates likely will face the greatest challenge, he said.
- > Financial-aid experts, however, say the instability in the loan market is far from over - Wachovia Bank earlier this month announced its exit from the undergraduate student loan market - and no one's sure what will happen when federal legislation passed in May to guarantee banks that loans would be covered expires next spring.
- > "It's certainly something that we're very, very concerned about and watching very closely," said David Baime, vice president of government relations at the American Association of Community Colleges.

- > Private student loans have grown from 5 percent of all undergraduate borrowing in the 1996-97 school year to 27 percent in 2006-07, according to figures reported by schools to the College Board.
- > Locally, students say problems have been minimal.
- > Kevin Rodden, 21, of Philadelphia, who will be a senior at Penn this year, was notified by e-mail earlier this year that he had to choose a new lender for his \$5,500 loan.
- > "It was more intimidating before I did it, and then once I sat down and looked at it, I realized how simple it was," he said.
- > At the Community College of Philadelphia, most students interviewed said they were able to get loans.
- > "They were pretty good about letting us know what lenders they weren't using anymore," said Kathryn Knauth, 23, of Philadelphia, who got an \$8,500 loan.
- > Zakia Coppage, 26, of Philadelphia, said she was denied a \$1,000 loan that she tried to get last spring.
- > "They wouldn't do it without me getting a co-signer," she said. "I haven't tried again, but I would like to."
- > Local community colleges got a jolt earlier in the spring when banks announced plans to stop lending to their students.
- > Citizens Bank told Delaware County Community College it was stopping because of the seven percent default rate on loans, said Raymond Toole, director of financial aid at the school.
- > "It was going to be a very big problem for us," Toole said.
- > The bank abandoned its plan after getting a letter from U.S. Rep. Paul Kanjorski, a Luzerne County Democrat who was concerned that students wouldn't be able to get loans. He also cited the federal law that guarantees the loans.
- > Kanjorski wrote on June 6 that lenders "receive the benefit of a government guarantee, and the Congress worked to ensure that these lenders could continue to operate under the current economic stress."
- > He added that in return, lenders "have an obligation to serve students of all types, including those students who attend two-year community colleges."
- > In its June 19 response, Citizens said it decided to reverse its decision after reviewing the new law and seeing limited improvement in the liquidity of capital

markets.

- > The bank said it decided to "resume providing educational loans to qualified students at all schools we had previously notified we would no longer be lending to." A spokeswoman confirmed the decision.
- > Wachovia left the undergraduate student loan business because of market conditions, officials said.
- > "At this point, we felt it was prudent," spokeswoman Ferris Morrison said, declining to comment further.
- > Problems were compounded by state agencies that decided to suspend their loan programs as the market tightened. The Pennsylvania Higher Education Assistance Agency earlier this year suspended its role as a lender of federal loans.
- > That prompted some colleges in the area to join the federal loan program or at least consider it. Joining the program also helped fill in for banks that were no longer lending.
- > "At Penn State, more than 90 percent of our borrowers lost their federal loan lenders since spring, after many banks and private lenders left the loan business," said Anna M. Griswold, executive director of student aid and assistant vice president of undergraduate education. "We knew we had to do something to guarantee the stability of federal loan funds for our students and parents."
- > The instability in the loan market has caused several other local schools, including Bryn Mawr, Drexel and Penn, to consider using the federal direct loan program.
- > "It's been so tumultuous this year," said Melissa M. Englund, Drexel assistant vice president of enrollment planning and retention services.
- > Bryn Mawr College officials recalled how one week banks would say there would be no fees for student loans and a few weeks later would reverse that position.
- > "It was just so unpredictable and volatile," said Jennifer Rikard, dean of admissions and financial aid.
- > Some schools had been reluctant to go into the federal program because private lenders were willing to charge students lower fees and lower interest rates.
- > Some colleges have taken other steps.
- > West Chester University, which estimated that about 2,500 of its students could need to find new lenders, stepped up its communication and education efforts on financial aid.

> Some schools, such as Philadelphia University, Lehigh University and Penn, offer more aid to students as a result of higher fees and smaller grants from PHEAA, which has cut its maximum grant from \$4,700 last year to \$4,120 this year.

>

Contact staff writer Susan Snyder at 215-854-4693 or ssnyder@phillynews.com.

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Business First of Buffalo - August 18, 2008

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EAST BAY BUSINESS TIMES

Friday, August 15, 2008

Dollars for diplomas

Fewer alternatives for student loans

Business First of Buffalo - by [Matt Chandler](#)

As the economy struggles amidst rising energy prices and a shaky housing market, many Americans wonder how they are going to pay their bills.

Now it seems the economic crunch is beginning to impact another sector of society; college students who have, or are planning to carry some sort of private student loans to pay for their education.

With the cost of higher education rising at nearly double the rate of inflation, government-sponsored grants and loans are increasingly coming up short, leaving students to scramble for the extra cash required to cover tuition and expenses. Coupled with many lending institutions tightening eligibility for private loans, leads to questions about the impact this may have on enrollment at local schools.

Kent McGowan is the director of financial aid at **Buffalo State College**. He says that while they counsel every student that comes into their office and work with them on financing their education, there are limits to what can be done.

"There gets to be a point where for some students, the only option is the private bank loan and with no credit history, if they don't have a creditworthy co-signer, they are stuck."

Congress recently raised the limits on government-backed loans by \$2,000 and though that may not cover much at Harvard or Yale, McGowan says it will make a difference at Buffalo State.

"Raising the limits went along way with helping students and, given our tuition rates, that will probably be enough for us."

Unfortunately, for the students attending many of the pricier colleges throughout Western New York, the \$2,000 increase will still leave them considerably light in the wallet.

Irene Bull is vice-president of lending at **Cornerstone Community Federal Credit Union** in Lockport. Like many traditional banks, Cornerstone farms out their student loans to an outside company. For now, Bull says she has yet to see major changes coming down in terms of underwriting criteria for student loans although she says that could change should the economy continue to sputter.

"The biggest difference we are seeing is students coming in and wanting more money than what is available under the federal student loan parameters."

That's where the private loans come into play, and Bull says people should watch the financial markets for indicators of when and how those might change.

"If it goes the same way regular consumer lending has gone - we are seeing more losses. When the risk is greater, the only way to offset that risk is to become more conservative."

Conservative is not something that bodes well for a young borrower with likely no credit history or in some cases a spotty one who needs a private loan in order to remain in school. As many are finding, sources for those loans are drying up and the interest rates on those that remain may not be consumer friendly.

HSBC Bank is the largest bank in Western New York in terms of total dollars deposited. Yet students who turn to HSBC to assist in financing their fall tuition are in for a surprise. According to Francine Minadeo, spokesperson for the bank, they have revised their loan programs, eliminating many options for students.

"After careful consideration, **HSBC Bank USA** N.A. will discontinue its Federal Family Education Loan program... HSBC will no longer offer any Federal student loans however, other financing such as home equity lines will still be available to help finance college tuition."

HSBC isn't alone when it comes to lending for education. **Sallie Mae**, the nation's leading provider of private student loans announced this year that they were eliminating their non-traditional private loan programs.

Patricia Christel, a representative for the lending powerhouse says they will continue to fund all federal loan programs as well as their traditional private loans, but have eliminated the non-traditional private loans due to higher than expected defaults.

"Non-traditional private loans were those that had or were expected to have a high default rate as a result of a number of factors, including low program completion and graduation rates, or where the student was expected to graduate, but with an expected income that had a low value relative to the school's cost of attendance."

In explaining their decision to eliminate these types of private loans, Christel says Sallie Mae is looking out for the student's best interests.

"We do not add value to schools, students or ourselves if we make loans that are predicted to be uncollectible. Nor do we want to make loans to students who do not graduate and who are left with unmanageable debt."

While representatives for several area colleges and universities acknowledged they are concerned with how all of this will impact enrollment, most said they have yet to see a dramatic difference that can be tied to the economy and the subsequent tightening of requirements for private loans.

Mike Konopski, Dean of Enrollment Management at **Niagara University** is among those who haven't seen students in panic mode over funding their educations--yet.

"If this is going to happen it is more of a case of something to come." He says Niagara University has worked hard to keep tuition increases down, mindful of the financial strain many students and their families are under.

"Our rate of tuition increased only about 5 percent the last couple of years which is on the lower end compared with our direct competition." Konopski says the school has an additional option that offers students a unique way to budget for their education and hopefully reduce the dependence on higher interest private loans.

"We offer a level tuition plan where students can lock in a set tuition for all four years of their schooling." He says 30 to 40 percent of the students opt for the lock-in and with lending institutions tightening their belts and private loan options becoming harder to come by, that may be a number that continues to increase.

Matt Chandler is a freelance writer.

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Nelnet Ready to Use Department Program to Make Loans to All Stu

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LINCOLN, Neb., Aug 15, 2008 /PRNewswire-FirstCall via COMTEX/ ----Nelnet (NYSE: NNI: 14.43, +0.95, +7.04%) announced today that the U.S. Department of Education (the Department) has approved the agreement submitted to the Department for Nelnet to begin participating in the Department's Loan Participation Program. The Loan Participation Program provides lenders, such as Nelnet, with short-term liquidity to make loans for the 2008-2009 academic year.

"We are ready to fund loans in the Loan Participation Program and anticipate that we will submit our first funding request as soon as today," said Jeff Noordhoek, Nelnet President. "Congress and the Department deserve credit for acting swiftly and diligently to provide a workable solution to ensure America's families have access to federal student loans this fall. In the spirit of this unprecedented action, we are committed to using the Department's program for its intended purpose by making loans to all eligible students at all schools for the upcoming academic year."

In April 2008, Congress passed the Ensuring Continued Access to Student Loans Act of 2008 to make certain the credit mar student loans. With its new authority, the Department developed the Loan Participation and Loan Purchase Programs so len environment.

For more than 30 years, Nelnet has been helping students and families plan, prepare, and pay for their education. Additiona <http://www.nelnet.com>.

Information contained or incorporated in this press release, other than historical information, may be considered forward look uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assump materially from those anticipated, estimated, or expected. Among the key factors that may have a direct bearing on the comp condition expressed or implied by the forward-looking statements are changes in terms of student loans and the educational educational financing or in financing preferences of educational institutions, students and their families, changes to, and the Participation and Loan Purchase Programs, the continued availability of and capacity under Nelnet's credit facilities, and cha and in the securitization markets for education loans.

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