



DAILY BRIEFING



Monday, November 10, 2008

The NCHELP office will be closed on Tuesday, November 11th in observance of the Veterans Day federal holiday.

NCHELP Leadership Conference -- January 5-7, 2009

When you Come to a Fork in the Road -- Take It

A new President and Congress have been elected, the financial markets remain uncertain and FFELP faces significant challenges. We invite you to attend NCHELP's 2009 Leadership Conference on January 5-7 in San Diego to better understand this environment. These are tumultuous times and only the organizations that plan for change, and even embrace it, will prosper. As Yogi Berra said "When you Come to a Fork in the Road -- Take It." Experts on politics, the budget, FFELP and the credit markets will lay the groundwork for the coming year and help you prepare your organization for a time of enormous change and the best road to take. Register today for the conference at www.nchelp.org.

ED Implements Expanded ECASLA Programs

Thanks to Shelly Repp for the following:

The Department of Education on Saturday issued a press release on its plan to implement the provisions of the Ensuring Continued Access to Student Loans Act (ECASLA), as extended by Public Law 110-350. The Department states that its plan builds on the programs implemented for the 2008-2009 academic year, which they characterize as a success (according to ED, FFELP originations are up this year, from \$39 to \$41.9 billion). Under Secretary Sara Martinez Tucker, in a briefing for student loan community participants late Friday, outlined the new plan. She said that the new expanded program will have two features that are not contained in the initial implementation of the ECASLA: the program will encompass non-consolidation loans made as far back as October 1, 2003 and will also utilize the authority in the ECASLA for the Department to issue forward loan purchase commitments.

The Department states that its objectives in implementing the new expanded programs are to:

- Ensure availability of Federal student loans for the 2009-10 school year;
- Maintain the public/private partnership in the Federal student loan program;
- Protect taxpayer interests by adding no net costs to the Federal Government; and
- Provide the liquidity and support needed to stabilize the student loan marketplace.

The Under Secretary acknowledged that the last objective is new. The Fact Sheet issued with the Press release states: "With more than \$65 billion in 2008-09 loans and approximately \$130 billion in eligible 2003-07 student loans on bank balance sheets and auction rate securitizations, the capital markets are currently unable to generate adequate funds at prices that will ensure 2009-10 loans can be made." The Under Secretary also indicated that the Department has heard of the need to not alter existing servicing arrangements.

The Department's new program consists of two components:

- The loan participation and put programs established to support loans for the 2008-2009 academic year will be replicated to support loans for the 2009-2010 academic year, as authorized by Public Law 110-350. While the terms of the new programs will be consistent with the current terms, it's likely that there will be some changes. The current dysfunction of the commercial paper market, on which loan yields are pegged and the yield to the Department on its participation interest is based, is apparently the reason why there will be some changes. During the conference call, the Under Secretary seemed to indicate that the Department is looking to address the commercial paper issues.

Lenders will not be able to roll over the current participation interest funding. Participations for this year will need to be closed out by September 30, 2009, either through refinancing the loans or through exercise of the put. As noted below, the refinancing may come from sale of the loans to a Department-backed conduit.

- The Department will issue loan purchase commitments to back conforming asset-backed commercial paper conduits. The Department states that they are taking this action to fully implement the ECASLA because, due to economic and liquidity uncertainty and the overhang of existing loans that are not financed to term, the capital markets are unable to generate funds at prices to ensure that loans can be made. The Department intends for the private sector to create these conduits. The Department's involvement relates to the liquidity support. Loans eligible for purchase will be non-consolidation loans made between October 1, 2003 and July 1, 2009.

The term and purchase price of the Department's purchase commitment are not covered in the Department's announcement. These will be forthcoming. In answer to questions, the Under Secretary indicated that a five-year term would be a working assumption, and that she hoped the conduits could be up and running in six to eight weeks. Importantly, the Department will support either multi or single seller conduits. The Department of Treasury is looking at the question of support for conduits issuing tax exempt commercial paper. As is the case with the programs for the current academic year, servicing and guaranty arrangements would not be affected unless loans are actually put or sold to the Department.

During the Friday briefing, the Under Secretary acknowledged that many outstanding loans are consolidation loans that are not eligible for inclusion in the conduit program. She indicated that the Department of Treasury is aware of this. However, there was no indication of whether consolidation loans might be eligible for purchase by Treasury under the TARP. She also said the Department is looking at the eligibility of rehabilitation loans for the conduit program.

For more information, related articles from *The New York Times*, *The Wall Street Journal*, *Inside Higher Ed* and *The Chronicle of Higher Education*. A related press statement and fact sheet issued by the Department of Education are also included.

NCHelp Committees Update and PCS Training Webinar Questions and Answers now available

Questions asked by the participants of the NCHelp Committee and Post Claim Sampling Training Webinar hosted on October 23 have been answered by the panel and posted in the e-Library, in the Presentations Webinar site: <http://www.nchelp.org/elibrary/index.cfm?parent=1985>

The Questions and Answers are focused on the more detailed portion of the Webinar by the Default Aversion and Claim Standardization subcommittee (DACs) on the benefits of the Common Claim Initiative (CCI) and DRAFT Post Claim Sampling procedures and supporting documentation. Thank you to the panelists who all contributed to the answers provided.