



DAILY BRIEFING



Thursday, November 20, 2008

NCHelp Leadership Conference -- Jan. 5-7

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

We are pleased to announce that Jonathan Brown, President of the Association of Independent California Colleges and Universities, will be speaking at the NCHelp Leadership Conference in San Diego. Brown will share his insights about the future of higher education, how institutions are dealing with financing challenges and the overall impact of the economy.

Join fellow FFELP leaders at the conference, being held from January 5-7. Register today at www.nchelp.org

ED Announces Additional Action to Ensure Access to Federal Student Loans

Education Secretary Margaret Spellings announced that the Department of Education would take further action to purchase Federal Family Education Loan (FFEL) Program loans to ensure that students have continued access to Federal student loans. The Department will use its existing authority under the Ensuring Continued Access to Student Loans Act (ECASLA) to purchase 2007-2008 academic year FFEL loans in an effort to minimize potential disruption in student lending until the conduit program becomes operational.

The expanded authority would be provided short-term and provides that:

- Loans must be Stafford (sub-unsub) and PLUS loans that were first disbursed after May 1, 2007 for the 2007-2008 year.
- The purchase price is 97% of principal and interest.
- The Department will buy up to \$500 million in loans per week, with an aggregate volume of \$6.5 billion.
- Weekly volume in excess of \$500 million will be prorated by ED across all sales as long as the amount requested is below the requested amount.
- Loans must be fully disbursed and not more than 210 days delinquent.
- Loans can have borrower benefits (other than cash rebates or promises of products) so long as the Department can accommodate servicing.
- Loans will be moved to the Department's servicer -- including services provided by guaranty agencies.
- Once "put" to ED there will be no opportunity for the lender to repurchase the loan. There will be conditions to prevent cherry-picking.
- The program will end when the ECASLA replication program conduit is up and running or February 28, 2009 -- whichever comes first.

"I remain committed to making sure students and their families continue to have access to Federal loans for this school year and beyond," said Secretary Spellings. "Today I am using the authority granted by Congress

to protect students and their families during the unprecedented current market conditions and taking necessary steps to help ensure continued, successful disbursements of student loans."

Concerning other recent action, on November 8, 2008, the Department announced that it would provide liquidity support to one or more conforming Asset-Based Commercial Paper (ABCP) conduit(s). The conduit (s) will purchase FFEL Program loans, providing longer-term stability to the marketplace. Under this provision the Department would serve as a potential buyer of last resort or backstop to the conduit(s).

A copy of the Department's press release is included in the expanded version of today's Daily Briefing.

FFEL Community Comments on 2nd Edition of the Loan Participation and Put Program

Thanks to Mike Balogh for the following:

NCHHELP, in conjunction with the Consumer Banking Association (CBA), the Education Finance Counsel (EFC) and the Student Loan Servicing Alliance (SLSA), recently provided comments on the draft Second Edition of the Agreed Procedures (AUP) Attestation Engagement Guide for the Loan Participation Program and Loan Purchase Commitment Program instituted under Ensuring Continued Access to Student Loans Act (ECASLA). Section 8(a)(5) of the Master Participation Agreement (MPA) requires the Sponsor/Sponsor's Loan Servicer to provide to the Department of Education a statement of compliance with respect to the MPA, together with an Agreed Upon Procedures (AUP) letter. The Second Edition differs from the First Edition originally released October 22, 2008 with the inclusion of the Loan Purchase Commitment Program (Put) in addition to the Participation Program. As was the primary recommendation for the First Edition, the community strongly urges the ED's Office of the Inspector General (OIG) to reconsider the uniform sample size of 150 loans and in its place to adopt a statistical sampling methodology that will meet the purpose of the audit while limiting the sample size. The 150-loan sample size is inconsistent with existing audit standards and combined with the number of assertions that must be tested and made, will cause the AUP engagement for the Loan Purchase Commitment Program to cost as much or more than the lender/servicer's annual compliance audit and thus unnecessarily increase program expenses for lenders and servicers participating in these programs. The community also recommends the removal of duplicative procedures required under the Loan Purchase Commitment Program that have been performed under Loan Participation Program on loans that are in participation facilities prior to being put. As a final recommendation, the community requests the removal of additional audit requirements for sales involving more than \$100 million in loans. More frequent audits based solely volume will not necessarily provide an assurance of a sponsor's compliance with the Master Loan Sales Agreement. In its place, the community recommends application of the additional audit requirements as are in place for the Loan Participation Program where there is large dollar volume (higher than 100 Million) combined with an unacceptably high error rate.

A copy of the letter sent to the OIG, which is included in the full version of today's Briefing, includes specific edits and recommendation to the guide.

House Committee Holds Hearing on Federal Efforts to Improve Market Conditions for Small Business Owners

The House Small Business Committee convened this morning for a hearing to examine the federal government's recent actions to improve credit conditions for small business owners. The hearing featured Randall S. Kroszner, Governor of the Board of Governors of the Federal Reserve System, and Karthik Ramanathan, Acting Assistant Secretary for Financial Markets at the Department of Treasury. Both officials spoke about the latest developments in the financial markets and what their agencies are pursuing to ease the credit crunch felt by small business owners and entrepreneurs.