

NEWSLETTER

IN THIS ISSUE:

- + Student Loan Programs...
- + Student Loan Team...



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EdFed Testimonials

Naomi R. Washington D.C.
says...

"I just ended my 4th conversation with ABC Lenders and their related loan-servicing companies. They gave me the serious run-around and now I'm even happier that I will no longer be consolidating with them. Thanks for the help on the first call and taking such great care of me EdFed."

STUDENT LOAN PROGRAMS SCALED BACK, SOME TERMINATED

- CARINA ZARAGOZA

The recent subprime mortgage meltdown has made its way into the higher education sector. Coupled with the recent student loan industry fiasco and current economic uncertainty, several leading student loan lenders have announced they will cut back or eliminate altogether loan programs.

The majority of schools affected by these cutbacks are for-profit colleges, or career colleges. Among the schools whose students will be impacted are:

- DeVry Incorporated of Illinois. The college's students will no longer be offered discount loans. DeVry maintains its student loan program is "in good standing."
- University Technical Institute of Phoenix. Likewise, the college's students will no longer be offered discount loans. UTI anticipated the cutback due to economic signals and added other lenders and programs for its students.
- ITT Educational Services of Indiana. ITT added three new lenders that will offer the same loans that were cut by previous lenders.
- Corinthian Colleges, headquartered in California, saw three of its lenders end their loan programs.

The risk and loss as a result of defaulted subprime mortgages have made lenders wary of extending loans to students with poor credit. Last year's College Cost Reduction and

Access Act, which cut subsidies to lenders under the Federal Family Education Loan Program (FFELP), cut deeply into the profits of lenders, contributing to their decisions to end loan programs.

Perhaps in anticipation of these cutbacks, or as a gesture to ease the burden of debt for students, Dartmouth College and Bowdoin College have both recently replaced loans with grants.

Bowdoin College, a liberal arts and sciences college located in Maine, announced on January 18, 2008, that it will eliminate loans for all new and current students beginning in the 2008-2009 academic year. Students, who must be receiving financial aid to qualify for the new program, will be given grants to attend the college. The new program is ambitious, given the institution's relatively small endowment of less than \$1 billion.

Dartmouth also will replace loans with grants for all students eligible for financial aid. Dartmouth will require no contribution for students from families with incomes of \$75,000 or less. And Dartmouth is extending this aid to international students, one of the very few institutions to do so.

On the Net

Higher Education Washington Inc.
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STUDENT LOAN TEAM MEETINGS UNDERWAY

- CARINA ZARAGOZA

This month, a group of negotiators dubbed the Student Loan Team began the first of several meetings focusing on student loan legislation. Made up of representatives from universities, colleges, associations, guarantors, and lenders, the Student Loan Team has taken on the responsibility of making regulations for several requirements created by the College Cost Reduction and Access Act of 2007 (CCRAA). Representatives from various sectors impacted by CCRAA legislation are taking part in the rule-making process in an effort to reach a consensus all invested parties will be satisfied with.

The major topics to be discussed are the income-based repayment program and rules for defining for-profit and not-for-profit lenders. The Federal Family Education Loan Program (FFELP) will introduce a new repayment option, the income-based repayment program. Negotiators must decide how to coordinate the current economic hardship deferment with the new income-based repayment plan.

Creating a definition for a not-for-profit lender is critically important. CCRAA legislation cut funding from FFELP lenders. However, more funding is cut from for-profit lenders. Thus, FFELP lenders are apprehensively anticipating the final ruling of the Student Loan Team on this issue, as the team's recommendation will directly impact their funding.

Other issues on the Student Loan Team's agenda are:

- Public service loan forgiveness
- HEROES waivers (granted to active military personnel)
- Federal appropriation of state laws overseeing school-lender relationships

School-lender relationships have been under scrutiny in recent years. Allegations of improper incentives between direct-marketing firms, lenders, and schools were part of the investigations led by New York Attorney General Andrew Cuomo.

The Student Loan Team will meet throughout the first quarter, with this first session held two weeks ago, the second being held from February 4th through 6th, and the third being held from March 4th through March 6th. All meetings are held in Washington, DC.

On the Net

Inside Higher Ed
www.insidehighered.com

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NEWS IN BRIEF

LAW LIBRARIANS GET GRANT

Two law librarians at the H. Douglas Barclay Law Library have been awarded a national grant. The library's assistant director for faculty and outreach services and its reference/student services librarian have both received the 2007 Wolters/Kluwer Law and Business Grant from the American Association of Law Libraries. The decision to award them the grant was based on various parts of their work for the library and their achievements so far.

LAW CLINIC RECEIVES AWARD

The Emory Law Barton Child Law and Policy Clinic will be recognized at an awards ceremony at the end of January. It will be honored with the 2008 Martin Luther King Jr. Community Service Award. The award

was created to reward people, programs, schools, and other organizations that are making efforts to lessen "social injustices and inequities" in their communities.

STUDENTS PUSH FOR GREEN

Several law students are asking for higher environmental standards for a new law school building plan. Around 20 students want the University of Michigan to take note of the potential environmental impact of the buildings it is planning to build. The students are part of the Environmental Law Society and are trying to persuade the school to apply LEED standards through methods such as meeting with the building team and getting a petition signed. The university's regents approved the building project and the \$102 million that it will take to complete the academic buildings planned.