



THE SECRETARY OF EDUCATION
WASHINGTON, DC 20202

June 18, 2008

Dear President:

With increased attention on our economy and clear implications for students and families, I am writing to provide you with an update on recent student lending activity and the actions that the Department has taken to ensure access to federal student loans for all eligible students and their parents.

For the upcoming academic year, an estimated 8.5 million borrowers at colleges, universities, and other postsecondary educational institutions will receive approximately \$72 billion in federal student loans. In response to concerns regarding the availability of student loans for the upcoming school year, Congress passed and the President signed the "Ensuring Continued Access to Student Loans Act of 2008" (Pub.L. No. 110-227) (ECASLA). The legislation provides the Department of Education with new authority to address concerns about student loan liquidity. As a result, and since my last letter to you in late February, we have seen a number of lenders announce plans regarding their participation in the Federal Family Education Loan (FFEL) Program. Of the nearly 2,000 participating lenders, 64 have indicated they will not originate loans for the coming year. This trend appears to be slowing, and, in fact, two lenders that had announced their nonparticipation have now indicated that they will continue to make loans. In addition, other lenders have announced their intention to continue broad and open participation in the FFEL Program.

Based on this legislation, the Department has designed programs that support the current FFEL Program as a successful public/private partnership. Since enactment of the Higher Education Act of 1965, non-federal lenders have provided the majority of the capital necessary to make student loans.

On May 21, 2008, I provided FFEL Program lenders with information about our comprehensive plan that ensures borrowers have access to federal student loans and encourages private lenders to continue to participate in the FFEL Program for the upcoming academic year. That plan includes four key components:

1. An offer to purchase FFEL Program loans from lenders for the 2008-09 academic year and to offer lenders access to short-term liquidity;
2. A pledge to work with the student lending community on forward-looking solutions to ensure the FFEL Program and other student lending programs serve the best interests of students and taxpayers for years to come;
3. An enhanced lender-of-last-resort program designed to provide access to FFEL Program loans for those students who face difficulty obtaining conventional loans; and
4. A more efficient Direct Loan Program with increased capacity.

Shortly, we will provide more detailed information about this plan and the other provisions of ECASLA to financial aid officers at postsecondary educational institutions.

We continue to refine the details of our plan, but the general response by the lending community has been positive. Schools may still face some hurdles in securing loans for their borrowers, but I am confident that federal loans will be available for this coming academic year to all eligible borrowers. Should you have concerns about your students' ability to obtain student loans or have questions concerning our plans to ensure access to student loans, please contact Robert Moran of my staff by e-mail at robert.moran@ed.gov or by phone at (202) 260-1103.

Sincerely,

/s/

Margaret Spellings