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November 18, 2009

To whom it may concern:

As the head of your institution, Secretary Duncan recently sent you a letter urging institutions of higher education to be Direct Loan-ready for the 2010-2011 academic year and offering the help of the Department of Education in preparing for such a transition. I agree with the Secretary's sentiments, and I hope that you will seek the assistance and information offered by the Secretary and his staff in making choices about how the students at your institution can access Federal student loans. This step will guarantee that your students will have uninterrupted access to Federal student loans in the coming years. I have attached his letter for your reference.

The recent economic turmoil has adversely affected the stability of one of our nation's student loan programs. Specifically, as the economy fell into recession, private lenders' continued participation in the Federal Family Education Loan (FFEL) program was in doubt. Many lenders did not have the capital needed to continue originating federally-guaranteed student loans, threatening students' access to critical financing needed to pay their tuition and other postsecondary expenses. In response, Congress swiftly enacted a temporary backstop --the Ensuring Continued Access to Student Loans Act (ECASLA) -- that provided government financing to private lenders to originate Federal student loans. While ECASLA temporarily ensured students' access to loans, the Act is not a permanent solution to stabilize the FFEL program and expires in July 2010. Despite ECASLA, moreover, private lenders, including some of the nation's largest, continue to withdraw from the FFEL program. In contrast, the Direct Loan program, which offers students the exact same loans but is cheaper for taxpayers, has remained insulated from the downturn in the economy and has continued to operate normally for those campuses that use it.

Additionally, as you may know, President Obama has proposed, and the U.S. House of Representatives has passed, legislation to make the Federal college loan system reliable for all students by moving to a 100 percent Direct Loan delivery system and investing the associated taxpayer savings in historic investments in Pell Grant and other forms of student aid. I strongly believe that this legislation will ensure that the Federal student loan program works in the best

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interests of students, schools, and taxpayers, and will offers a permanent solution that guarantees access to Federal student loans regardless of economic conditions.

In light of the above, it is increasingly important that institutions are prepared to also deploy the Direct Loan program for the 2010-2011 academic year. That way, loan access for students will be assured, regardless of the outcome of Congress' deliberations over the President's proposal, or whatever future economic conditions could occur that might affect FFEL lenders' ability to fund loans without government intervention.

If we all take prudent action, I am confident we can achieve our shared goal of ensuring that every eligible student in this country has access to the dependable student aid they need to pay for college and pursue their dreams.

Sincerely,

A large, stylized handwritten signature of George Miller in black ink, written over a horizontal line.

GEORGE MILLER

Chairman

Committee on Education and Labor

A handwritten signature of Ruben Hinojosa in black ink, written over a horizontal line.

RUBEN HINOJOSA

Chairman

Subcommittee on Higher Education,  
Lifelong Learning, and Competiveness

Attachment



## Key Policy Letters from the Education Secretary or Deputy Secretary

October 26, 2009

October 26, 2009

As this academic year moves forward, it is hard to believe we already need to consider the 2010-2011 year to come. In doing so, I am writing to seek your assistance and offer mine in taking the necessary steps to ensure uninterrupted access to federal student loans by ensuring your institution is Direct Loan-ready for the 2010-2011 academic year.

Eighteen months ago, uncertainty in the financial markets seriously threatened the availability of Federal Family Education Loan (FFEL) Program loans for the upcoming 2008-09 academic year. Congress acted quickly to provide the Department of Education with unprecedented temporary authority to directly finance loans made through FFEL Program lenders. The goal was to ensure that every student or parent with a need for a federal loan would be able to get one, whether or not the student's educational institution had taken the steps to provide loans through the Direct Loan Program (where loan access was not affected). This stopgap measure, the Ensuring Continued Access to Student Loans Act (ECASLA), was helpful in assisting FFEL Program lenders in making \$61.3 billion in new loans to students and their parents this past year. And the bulk of those funds—some \$46.3 billion—was provided by the Department of Education.

While many institutions like yours continued to use the FFEL Program loan delivery process last year, more than 500 others responded to the uncertainty by switching to the Direct Loan Program. These colleges' move to direct lending happened in an efficient and effective manner, without any interruption of service to students, and the number of Direct Loans increased by nearly two-thirds compared to the previous year. As you know, the Direct Loan Program provides students with the same types of loans, with essentially the same terms, as those made in the FFEL Program.

I do not anticipate any major loan access problems during the remainder of this academic year because Congress's temporary measure remains in effect. However, while there are encouraging signs that the financial markets are rebounding, the most prudent course of action is for you to ensure that your institution is Direct Loan-ready for the 2010-2011 academic year. That way, loan access for your students will be assured. As you may know, President Obama has proposed that Congress make the loan system more reliable by moving to a 100 percent Direct Loan delivery system. In any event, under current law, ECASLA will expire, and the continued participation of FFEL Program lenders will be in question.

The Department of Education stands ready to assist with any questions you and your staff may have about becoming Direct Loan-ready. Many institutions have already taken the initial step of contacting us to ensure the appropriate transition steps have been taken at Federal Student Aid to begin the process. If your school has not taken this initial step, we recommend that you do so. Please also reach out to your technology, financial aid, and business offices to make sure they are working together to ensure federal loan access for your students and their parents. If they are unsure of the steps to take, please have them contact our school relations center at 1-800-848-0978, or e-mail us at [DLEnrollment\\_FSA@ed.gov](mailto:DLEnrollment_FSA@ed.gov) with questions.

Thank you for your attention to this important matter.

Sincerely,

/s/

Arne Duncan