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Medical School Loans Testimonials

John C., East Lansing, MI

"After talking with a Medical School Loans advocate, my consolidated loan payments were almost cut in half and I have 30 years to pay them off! Thanks Medical School Loans!"

PELL GRANTS AND SUPPORT FOR NIH RAISED

BY SHAILEJA MAMMEN

The legislation approved by the House of Representatives raises the maximum Pell Grant awarded to needy, low income, undergraduate students to \$4,700. This is a significant rise. The National Institutes of Health (NIH) will also receive 2.6 percent more funding in 2008 as compared to the previous year.

The other student financial aid programs such as Perkins Loan and Supplemental Educational Opportunity Grants Programs will continue at the 2007 levels according to the legislation. A reduction in the funding of these programs was proposed.

The increase in Pell Grant will cost the program an additional \$2 billion. This is the largest increase in the history of the Pell Grant. This finds favor with educators, researchers, and college students.

College leaders and Congressional Democrats did not support this change in legislation. They expected reduction in other programs including Perkins Loan and Supplemental Educational Opportunity Grants (SEOG) Programs to fund the increase in Pell Grants partially.

The increase of 2.6 percent in the funding for National Institutes of Health funding will add 545 research grants. The average value of grants will also increase after two years. This funding has increased for two years consecutively.

US Secretary of Education Margaret Spellings, in 2005, formed a Commission on the Future of Higher Education to generate a national dialogue on the necessity to improve higher education. The Commission gave its final report – A Test

of Leadership: Charting the Future of Higher Education, in September 2006.

Based on the report, subsequently, Secretary Spellings announced an action plan with an objective to improve higher education in terms of accessibility, affordability, and accountability. The students, parents, business leaders, and taxpayers are the stakeholders in higher education.

According to the action plan, five regional summits are to be convened to discuss the Commission's recommendation with the stakeholders and policy makers. These five summits will build on the national summit held in Washington, D.C. in March 2007. These summits will continue the national dialogue on higher education to advocate for a comprehensive Higher Education Act reauthorization bill to improve accessibility, affordability, and accountability of college education.

The legislation, which increased the amount of the maximum Pell grant awarded, addresses the issue of accessibility and affordability due to high and increasing cost of education.

There is still a long way to go to achieve what Secretary Spellings has set out to do.

On the Net

www.hewi.net
www.ed.gov/about/bdscomm/list/hiedfuture/plan/index.html
www.ed.gov/about/bdscomm/list/hiedfuture/reports/final-report.pdf
More Money all round
insidehighered.com/news/2007/06/08/approps

NEW LEGISLATION INTRODUCED TO FORGIVE PRIVATE STUDENT LOANS UPON BANKRUPTCY

- BROOKE HEATH

This week, legislation was introduced by Illinois Senator Dick Durbin (D) that would allow private student loans to be forgiven upon

bankruptcy. Currently, neither private nor federal student loans will be discharged for a borrower who files for bankruptcy, with the rare

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To comment to the editor, Carleen Trapp, call 626-243-1881.

exception of extreme hardship.

Private student loans, also known as alternative loans, offer students an option other than federal student loans, which are backed by the federal government. Private loans are borrowed through private institutions but are not administered by the Federal Family Education Loan (FFEL) Program.

While private loans can be beneficial to students who find that federal loans cannot cover all of the costs involved with obtaining an education, they can also be a financial burden to repay. This is because private loans usually have very high interest rates and fees. According to Higher Education Washington, Inc.'s *NewsLine*, some private loans have been reported to have variable interest rates of 15% or higher. Also, unlike federal student loans, private loans usually have higher loan limits, and there are no public regulations governing the terms and costs associated with private student loans, as there are with federal loans.

"Private student loans are incredible money-makers for loan companies, and students end up saddled with sky-high interest rates and mountains of debt," said Senator Durbin. He continued,

"I don't think many 17- or 18-year-old students realize the long-term impact of their loan decisions. Some of these private student loan repayment schedules—with double-digit interest rates—can follow a student borrower from graduation to the grave."

According to a press release on the senator's website, the sector of private student loans is the fastest growing and most profitable in the student loan industry. The press release also said that in 2006, private loans accounted for around 20% of total student loan borrowing, compared to only 5% 10 years ago.

Prior to a change in 2005, the bankruptcy code allowed borrowers to discharge private student loans but not federal student loans. However, the 2005 modification prohibits private student loans from being forgiven upon bankruptcy. This provision protects the private lending industry's investments.

Senator Durbin's legislation would reverse the 2005 change to the bankruptcy law, ensuring that private student loans would again be discharged upon filing for bankruptcy. According to the senator's website, this would place private student loan lenders in the same position as all other private creditors.

NEWS IN BRIEF

CUOMO, LENDERS TESTIFY BEFORE U.S. LAWMAKERS

New York Attorney General Andrew M. Cuomo, who rang the bell on student loans abuses and exposed universities and lenders' links, now plans to widen his probe. He hopes to examine what criteria the lenders use in underwriting these loans and find if they infringe civil rights statutes. While testifying before the Senate Committee on Banking, Housing and Urban Affairs, Cuomo said that the federal regulators were "asleep at the switch" while abuses occurred in the student lending system.

This is also why Cuomo's AG office had to step in. Stating it to be "a moral issue," Cuomo said that 90% of all students select their lenders from their college's preferred-lender lists. He also said that on the private loan side the perks and revenue sharing agreements were "rampant." Cuomo said that by not providing adequate financial aid and not framing policies for the financial aid system, the government has "victimized" the students and their families.

Barry W. Goulding, senior vice president, testified for Sallie

Mae and said that lenders consider the borrower students' institutions while determining the interest rate, fees, and other terms of loans they extend to students. The hearing was called by Chairman Christopher J. Dodd to examine the role of private student lending in the financial aid system.

WISCONSIN UNIVERSITY'S NEW STUDENT LOANS RULES

The University of Wisconsin is reviewing a new proposal to bar the student lenders from bribing with gifts and payments in exchange for students. The proposal is up for approval this week. The university wants to reassure those students seeking loans that it has their best interests in mind, notwithstanding the industry currently mired in controversy. It would also set out how university employees and companies can evade improper relationships.

The UW System Board of Regents controls 26 different four- and two-year colleges, and its students took out a record \$592.7 million in loans in 2005.

The UW plan has provided that employees can serve on advisory committees but cannot be rewarded. The school can keep a list of preferred lenders with a minimum of three companies. In case of the student loan companies notifying students that they are not required to choose those listed, they will have to undergo a strict selection process. The plan also includes asking schools to disallow lenders to operate call centers to assist students with financial aid queries.

TWO NEW APPOINTMENTS AT ELM RESOURCES

ELM Resources, the only not-for-profit mutual benefit corporation serving the student loan industry, announced two new appointments to the management team. They are Alice Boyd, appointed as the chief resource officer (CRO) and vice president of human resources and training, and Eric Chang, who has joined as director of marketing.

As CRO and VP of human resources and training, Boyd's role will include motivating the HR department to create a strong team. She will also continue to direct all training on ELM Net and the ELM National Disbursement Network for schools, lenders, guarantors, and service agencies.

Chang, with more than a decade of experience in marketing of communications and products, will make strategic marketing plans for the company. ELM provides a common, non-proprietary, and open data exchange and disbursement system that effortlessly builds links between schools, lenders, and the guarantors.

REAUTHORIZE HIGHER EDUCATION ACT, SPELLINGS URGES CONGRESS

Inaugurating the first of five regional higher education summits, Secretary Spellings urges Congress to enact a comprehensive Higher Education Act (HEA) reauthorization

bill to improve college access, affordability, and accountability for all citizens. She says that higher education reauthorization must be more "comprehensive" than current law, which she feels will be able to "fix what's broken." The summit aims to bring stakeholders and policy makers together to discuss not only the Commission on the Future of Higher Education's recommendations, but also to assess progress and assign specific responsibilities and action for the future.

The five regional summits will focus on five key recommendations from the commission's report. Another priority of the summit is to streamline the free federal student aid (FAFSA) application system. Referring to the financial aid system as being "redundant, confusing, Byzantine, and broken," she says the new law should concentrate on access and accountability as well as on paying for college. The existing law is focused mainly on money-and how to spend it-Spellings added, saying that college prep programs aligned with rigorous standards should be included in the law. She also wants Pell Grants to be available year-round, in part to help adult students, who may have jobs and families, take courses whenever their schedules permit.

LAWRENCE WARDER NAMED ACTING COO OF FSA

U.S. Education Department Chief Financial Officer Lawrence Warder has been designated as new acting chief operating officer of Federal Student Aid (FSA), effective June 1. Warder has nearly four decades of experience in management consulting and has extensive expertise in financial issues. He joined the department in July 2006.

Created in 1998 by Congress as a performance-based organization, the FSA delivers approximately \$77 billion of financial aid each year to more than 10 million students and their families.