LEGISLATIVE DIGEST
HOUSE REPUBLICAN CONFERENCE | CHAIRMAN ADAM PUTNAM
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H.R. 5715 – Ensuring Continued Access to Student Loans Act of 2008

FLOOR SITUATION

H.R. 5715 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This original legislation was introduced by Representative George Miller (D-CA) on April 8, 2008. On April 17, 2008, the House passed H.R. 5715, as amended, by a vote of 383 to 27 (Roll Call 204). The Senate amended and passed H.R. 5715 by voice vote on April 30, 2008.

The Senate-passed version of H.R. 5715 is expected to be considered on the House floor on May 1, 2008.

BACKGROUND

Over the past several weeks, many private student lenders have announced that they will stop issuing federally guaranteed loans because the upheaval in the credit markets has made it difficult to obtain the necessary capital to finance college loans. Borrowers who rely on student loans to help finance their higher education will be faced with increased borrowing costs or could lose access to these loans.

The federal government provides student loans under the Federal Family Education Loan (FFEL) program and the William D. Ford Direct Loan program. FFEL program loans are originated by private lenders, and the federal government acts as a backstop to protect the private lenders from loss due to borrower default, death, or permanent disability. The program includes subsidized Stafford loans (the federal government pays interest on the loans while the student is enrolled in school); unsubsidized Stafford loans; PLUS loans (loans available to the parents of dependent undergraduate and graduate students); and Consolidation loans. FFEL guaranty agencies may serve as lenders-of-last resort to ensure access to student loans. There are 2,000 lenders in the FFEL programs with the majority of their loans made by the top 25 lenders.

The William D. Ford Direct Loan program provides the same classes of loans as the FFEL program. However, under the Direct Loan program the federal government provides loans directly to students and their families using federal capital and retains ownership of the loans. Direct loans accounts for approximately 20 percent of the total loan volume and $18.5 billion in student debt.

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SUMMARY

Senate Additions Include

Academic Competitiveness Grants: The bill would direct any generated savings towards Academic Competitiveness Grants.

Federal Register Notice: The bill requires the Secretaries of Education and of the Treasury, as well as the Director of the Office of Management and Budget to publish information regarding all federally purchased loans.

PLUS Loans: The Senate bill clarifies that the exception for “extenuating circumstances” could be for borrowers who fell 180 days or less delinquent on their home mortgage and their med bills between January 1, 2007 and December 31, 2009.

Lender-of-Last Resort: The Senate bill sunsets the House-passed provision that gives the Secretary of Education authority to designate entire schools as eligible for the lender-of-last-resort-program at the end of the 2008-2009 school year. Also, the Senate added a provision requiring that all loans made through the lender-of-last-resort program to be subject to the same ethics rules as other lenders and have similar terms and conditions as other federally backed student loans.

> **Note: Under current law, lender-of-last resort loans can only be made to borrowers who can show they have been denied by two lenders.*

Reporting: The legislation requires the Secretary of Education to report to Congress on the availability of lender-of-last-resort loans to students before June 30, 2010.

Summary of H.R. 5715 as passed by the House on April 17, 2008

Stafford Loan Limits: H.R. 5715 increases annual unsubsidized loan limits for students by $2,000 for undergraduate students. It also raises the aggregate loan limits to $31,000 for dependents and to $57,500 for independent undergraduate students.

PLUS Loans: H.R. 5715 provides an optional grace period that permits parents to defer PLUS loan payments until after their children graduate. In addition, the bill clarifies the exception for "extenuating circumstances" to permit lenders to utilize their discretion to lend to borrowers who have not been delinquent for more than 180 days on their home mortgage and their medical bills and borrowers who have not been delinquent on any debt for more than 89 days.

> **Note: Currently, lenders cannot lend to borrowers with an adverse credit history unless the lender determines extenuating circumstances exist.*

Lender-of-Last Resort: The bill would allow students attending an entire institution of higher education to be eligible to receive loans through the lender-of-last resort provisions. It also would require the Secretary of Education to review and revise as necessary the regulations concerning prohibited guaranty agency inducements to ensure that such agencies do not engage in improper inducements as lenders-of-last resort.

> **Note: Under current law, lender-of-last resort loans can only be made to borrowers who can show they have been denied by two lenders.*

Temporary Authority to Purchase Student Loans: H.R. 5715 gives the Secretary of Education the authority to purchase student loans from lenders for one year. This provision requires that the funds paid to the eligible lender shall be used to ensure their continued participation in Federal student loan programs and make new loans. In order for these loans to be purchased, the Secretaries of the Treasury and Education and the Director of the Office of Management and Budget must determine that it will not result in any net cost to the federal government.

Sense of Congress: The bill provides that it is the Sense of Congress that Federal financial institutions should use authorities available to them to ensure that students and families can access student loans for academic year 2008-2009.

GAO Report: The bill requires the General Accountability Office to conduct a study of the impact of raising loan limits on (1) tuition, fees, and room and board at institutions of higher education; and (2) private loan borrowing for attendance at institutions of higher education.

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COST

As of April 30, 2008, there is no Congressional Budget Office (CBO) estimate for the Senate-passed version of H.R. 5715. According to preliminary estimates from CBO, enacting the House-passed bill would decrease direct spending by $455 million over the 2008-2013 period and by $645 million over the 2008-2018 period. (CBO Estimate for H.R. 5715)

ADDITIONAL VIEWS

Statement of Administration Policy: The Statement of Administration Policy outlines the Administration's overall support for the bill, while highlighting their concerns regarding the potential effects of raising student-loan limits as well as provisions that are duplicative of existing law. (SAP for H.R. 5715)

House Education and Labor Committee Republicans: "The troubles facing our financial markets and our economy as a whole are daunting. But we would do a real disservice to students and families if we dismissed the challenges in the student loan program as merely a symptom of a larger problem that is outside our control…Committee Republicans strongly believe that H.R. 5715 is not the only answer to ensuring uninterrupted access to student loans for the millions of students and families now preparing for the upcoming academic year. It is, at best, one small piece of the puzzle." (Republican Views included in the Committee Report, 4/14/2008)

STAFF CONTACT

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