

**Building a Field of Dreams...
If you do not have sufficient grants
and build a loan program,
they will borrow**



Ron Gambill, Chairman & CEO
Edsouth
and
Brett Lief, President
National Council of Higher
Education Loan Programs

Southern Association of Student Financial Aid Administrators
2009 Annual Conference

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Field Conditions

- Number of students seeking postsecondary education and training will increase by two million by 2013 then level off
- Recessionary economy has resulted in increases and shifts in enrollment
- State postsecondary education and training costs continue to rise as governors respond to difficult economic choices

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Field Conditions

- Federal and state grant and scholarship funding will continue to lose "purchasing power"
- Less available home equity and higher financing costs will prevent families from using this payment method as a convenient resource
- Market constriction has severely limited access, and will continue to limit availability, of private loans

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Getting Ready for Spring Training



New Team Owner, Manager and Coaches

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New Team Owner



- President Obama's higher education platform during the campaign
 - Access and success for all eligible students
 - Simplify FASFA
 - Support college outreach programs (GEAR UP, TRIO)
 - Expand Pell
 - Eliminate lender subsidies in student loans

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New Managers



- Senate
 - Was 51 Democrats – 49 Republicans
 - Now 56 Democrats - 41 Republicans
 - Plus 1 Independent and 1 Independent Democrat
 - Minnesota race will be determined by courts
- House
 - Was 236 Democrats -198 Republicans
 - One vacancy
 - Now 255 Democrats – 178 Republicans
 - Two vacancies

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New Coaches

- Arne Duncan -- Secretary of Education
 - Carmel Martin -- Assistant Secretary for Planning, Evaluation and Policy Development
 - Peter Cunningham -- Assistant Secretary for Communications and Outreach
 - Marshall Smith – Special Assistant
 - Robert Shireman – Special Assistant

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President's First Game Plan

- Economic Stimulus
 - Strengthen Economy/Create Jobs
- Cabinet Confirmation Hearings
- Tax Relief
 - Alternative Minimum Tax
 - College Tax Credit
- Labor & Workforce Development
 - Protecting 401K's
- Appropriations
 - Current continuing resolution expires in March
- FY2010 Budget Priorities – next few weeks

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Managers' Game Plan

- | | |
|--|--|
| <ul style="list-style-type: none"> • Healthcare Reform <ul style="list-style-type: none"> • Stem Cell Research • Prescription Drugs • Immigration Reform <ul style="list-style-type: none"> • Mexico City Policy • Regulatory Reform • No Child Left Behind Reauthorization • Omnibus Energy Bill • Intelligence Authorization <ul style="list-style-type: none"> • FISA (Foreign Intelligence Surveillance Act) • Defense Authorization <ul style="list-style-type: none"> • Torture/water boarding | <ul style="list-style-type: none"> • Columbian Free Trade Agreement • Vietnam Free Trade Agreement • Fast Track • Federal Aviation Administration Authorization • Cuba • Net neutrality <ul style="list-style-type: none"> • Broadband expansion • Patent Reform <ul style="list-style-type: none"> • Intellectual property protection • Alternative Minimum Tax |
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Batter Up!

The Stimulus Package



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Provisions of the American Recovery and Reinvestment Act of 2009



	House	Senate
Pell Grant – Increase	Increase by \$500 to \$5,350 for 2009-10	Increase by \$281 for 2009-10 and \$400 for 2010-11 to \$5,531
Pell Grant – Eligibility	Increases eligibility by up to 800,000 students to total of 7 million eligible students	
Pell Grant - Funding	\$15.6 billion for discretionary funding and \$1.5 billion for mandatory funding	\$13.9 billion funding
Perkins Loans	No funding	\$61 million federal capital contribution
Federal Work Study	\$490 million additional funding, with institutional match will provide 200,000 jobs	No increased funding

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Provisions of the American Recovery and Reinvestment Act of 2009



	House	Senate
Stafford Loan Limits	\$2,000/year increase in annual loan limits for undergraduate, unsubsidized Stafford loans and corresponding \$8,000 increase in aggregate limit (for both dependent and independent students) Loan limits increases retroactive to 1/1/09 Provision "saves" the federal government \$30 million	No increase

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Provisions of the American Recovery and Reinvestment Act of 2009



	House	Senate
Hope Scholarship Tax Credits	Increase Hope Scholarship from \$1,800 to \$2,500 based on 100% of the first \$2,000 in tuition and related expenses and 25% of the next \$2,000 Expand the program from first two years (both tax and academic years) to four years (both tax and academic) Definition of qualified tuition and related expenses would be expanded to include course materials (e.g., textbooks) Income phase out increased from \$48,000/\$58,000 to \$80,000/\$90,000 (single) and \$96,000/\$116,000 to \$160,000/\$180,000 (joint) Tax credit would offset Alternative Minimum Tax (AMT) Improvements limited to 2009 and 2010 tax years	
Hope Scholarship Tax Credits -- Refundability	Tax credit partially refundable to 40% (\$1,000)	Tax credit partially refundable to 30% (\$750)
Tuition and Fees Deduction and Lifetime Learning Tax Credit	Neither bill repeals (i.e. no simplification of education tax benefits) Tuition and Fees Deduction expires in 2009	

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Provisions of the American Recovery and Reinvestment Act of 2009



	House	Senate
Commercial Paper-LIBOR Index Rate Mismatch -- Temporary Fix	Changes special allowance payments for last quarter of 2008 from CP to LIBOR-13bp	No change
State Funding Assistance	\$79 billion in state assistance to limit tuition increases and increase state student aid	
Higher Education Facilities	\$6 billion	\$3.5 billion
Administrative Funding	\$50 million in administrative overhead for Department of Education	No increased funding
Americorp Funding	\$200 million increase, some differences between funding designation between administrative costs and grants	

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Cloudy Weather -- Rain Delay?



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Clouds Brewing – New Policies Resulting from Troubled Asset Relief Program (TARP) Deliberations



- Possible concerns for schools
 - Increased regulation
 - Twenty-four new reporting categories and 100 new reporting requirements
 - More stringent oversight
 - IRS has requested “intimate” funding information from 400 colleges – 42 pages of questions and nine pages of instructions
 - Greater transparency
 - Executive compensation
 - The government as “partner”

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Squeeze Play



- Increasing demand for student aid
 - FAFSA simplification (from 120 questions to less than 30)
 - Former Education Secretary Spellings estimated that 8 million additional students are eligible but not applying
 - This year 800,000 more students applied for aid than last year
- Increasing institutional costs in postsecondary education
 - Significant increases in bond financing costs
- Level funding for federal and state grant programs
 - Economists predict \$1 trillion annual deficit for each of the next three years
 - Thirteen states forced to reduce enacted budgets in fiscal 2008

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Salary Cap



- Expansion of Pell grant funding through CCRAA
 - Currently costs \$400-500 million to increase grants \$100
 - Estimate cost of over \$1 billion by 2012
 - Current Pell grant shortfall of \$5.9 billion (Recent Continuing Resolution included \$2.5 billion paydown)
- Estimated total federal student aid shortfall in excess of \$10 billion
- Estimated total student loan volume of \$500 billion in first term of President Obama


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What's On Deck?



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**Design Principles –
A Student Loan Program for America**



- Stabilize funding and encourage continued competition and choice for students, families and schools
- Standardized borrower terms
- Student/borrower advocacy for the life of the loan
- Comprehensive school services

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**Why FFELP and Schools
Form a Winning Team**



- The Team has strong stats
 - Providing consistent source of low-cost aid for students and families
 - \$750 billion student aid for millions of students over 43 yrs
 - Student loan repayment rates average over 94% for the past eight years
 - We have overcome challenges
 - Budget reconciliations
 - Financial market failures

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The Game is Over When:

The Advisory Committee on Student Financial Assistance changes their prediction that between 1.7 and 3.2 million low- and moderate-income college-qualified students will not attain a bachelor's degree within the decade due to financial barriers

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Questions?



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