

March 19, 2009

Dear NASFAA Member:

The Obama administration and Congress are currently working on a 2010 fiscal year budget that could dramatically alter the student aid programs. One of the most significant proposed changes is the elimination of the Federal Family Education Loan Program (FFELP). In light of the recent student loan credit crunch coupled with these latest budget proposals, it is evident that the FFEL program will soon change radically, or be eliminated entirely. NASFAA must act immediately to represent the interests of the nation's students and institutions in upcoming discussions about the future of the student loan programs.

The administration and key members of Congress have stated clearly that they will not accept the status quo, and they are moving very quickly to implement elements of the president's budget plan. Specifically, the planned strategy is to tie certain proposals in the administration's budget blueprint (i.e., the proposed elimination of FFELP) to the budget reconciliation process, which would significantly accelerate the process. This could mean that a straight "up or down" vote as early as next week or the week after, without any debate or conversation to explore different options/proposals for student lending outside of the administration's proposal.

It is clear that, in order to be heard, NASFAA must be in a position to present a viable alternative to the current system that addresses the concerns of the administration and our current economic realities while still offering the best possible education financing options for students. Based on members' recommendations given as part of our National Conversation Initiative, the advice of public policy experts, and data collected from more than 40 related research studies, NASFAA has developed a conceptual framework for a new student loan model to open our discussions with lawmakers. This model combines the best aspects of each of the three existing federal loan programs—FFELP, Direct, and Perkins—into a new, simplified program.

This proposed model:

- Is not the FFEL, Direct Loan, or Perkins Loan program, but rather an entirely new loan program created from the most positive aspects of all three
- Provides consistent and equal terms, conditions, and benefits to all borrowers Offers a seamless loan origination, disbursement and repayment experience for students
- Ensures a predictable and continuous source of capital for student loan funding that isn't dependent on any single entity
- Allows individuals, families, companies, financial institutions, and all Americans to express their support for higher education through government-backed special purpose bonds
- Reduces federal expenditures by creating a self-sustaining funding source that relies on new, safe investment vehicles
- Leverages technological and business innovations in the private sector by creating a common servicing platform that relies on a centralized database of all borrowers and can be used by multiple

servicing agents

- Creates new incentives for businesses, individuals, and states to help students repay student loan debt
- Capitalizes on the expertise and best practices developed by all entities currently participating in the existing loan programs

Although the framework is still in a conceptual stage, NASFAA's policy experts feel that we must move quickly or risk losing the opportunity to effect the final structure of the student loan programs. After considerable discussion, NASFAA's Board of Directors voted to preliminarily approve the proposed recommendations (related exclusively to the new student loan model) so that staff could be in a position to initiate discussions with the Obama administration and Congress on your behalf.

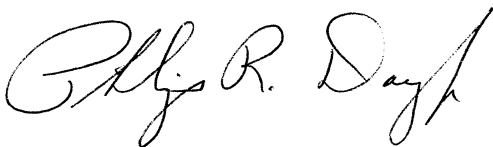
On Tuesday, NASFAA sent a letter to key legislators asking that they engage in a more deliberative process in determining the future of the student loan programs. Rather than eliminating FFELP through the budget reconciliation process, which would prevent a full vetting of alternative proposals, NASFAA asked legislators to convene a stakeholder's meeting to consider viable options that will ensure students have the long-term financing they need to meet college costs.

I urge you to carefully review the attached preliminary outline of this new loan program and recognize (please) that the administration and the leadership in Congress are not interested in any proposal that talks about maintaining the status quo. Also, as you review the model, remember that it is just one part of a larger, preliminary proposal to completely reform the student aid system under the National Conversation Initiative. We expect further discussion with lawmakers, policymakers, NASFAA members, and others in the field to lead to considerable refinement of all of our preliminary recommendations.

We welcome your comments on the new student loan model, on NASFAA's dialogue with Congress and the Obama Administration, and on the full NCI preliminary recommendations package when it is released, at [nationalconversation@nasfaa.org](mailto:nationalconversation@nasfaa.org). In the interim, please watch *Today's News* for updates as we work with lawmakers on your behalf.

Thank you for taking an active role in the National Conversation Initiative and NASFAA. We continue to rely on your expertise, creativity, and desire to help ensure that financial barriers to higher education are eliminated for future generations of students.

Sincerely,



Dr. Philip R. Day, Jr.  
NASFAA President and CEO