



NJASFAA

Student Lending Industry Update

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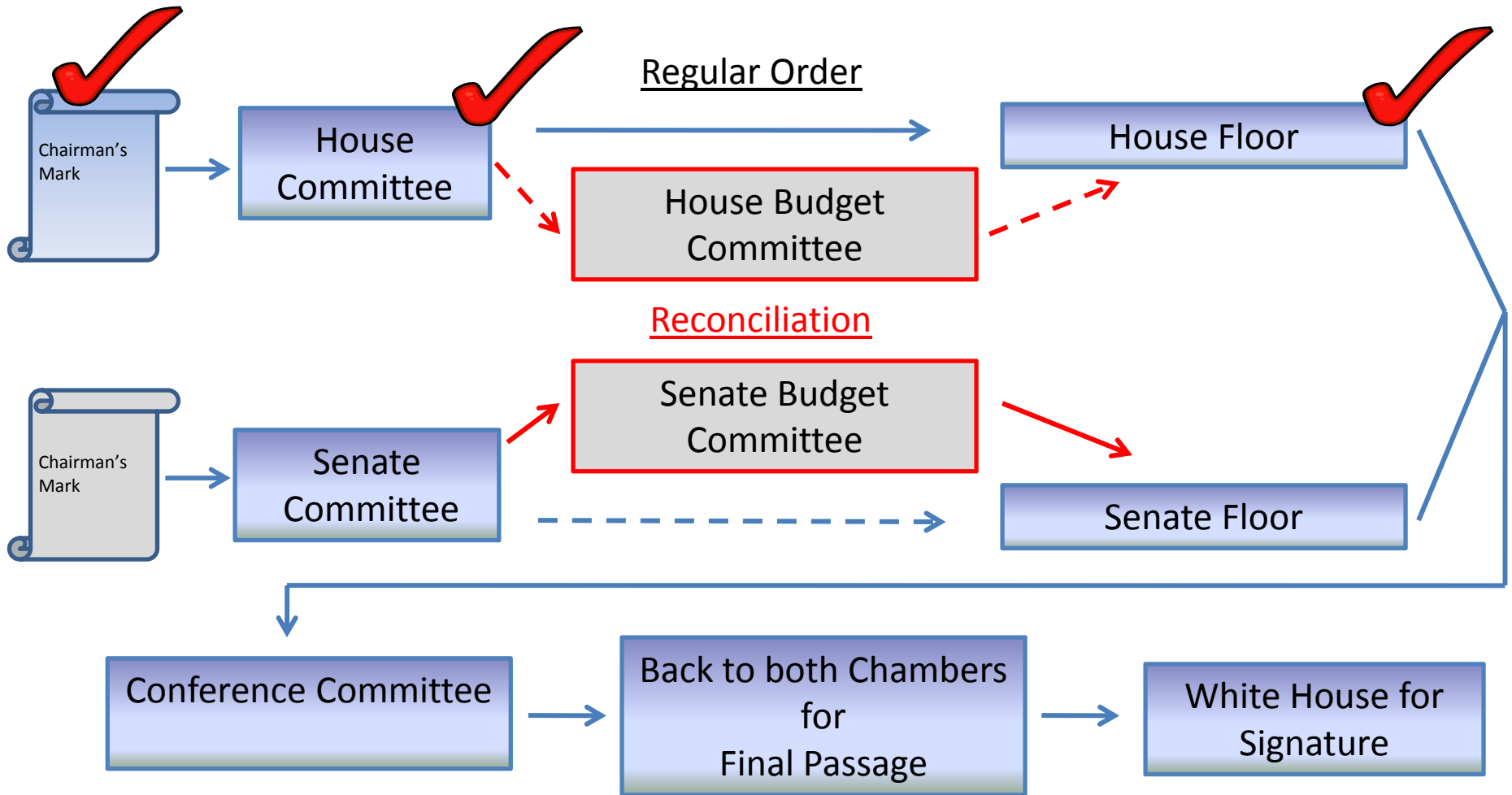
The last 2 years...

- Capital Market meltdown
- ECASLA
- 2008 Election
- Broader Economic Decline
- NCLB
- College Costs

Where are we today?

- House has passed legislation, but likely to have to pass it again
- Senate has not yet acted
- And, the path forward is not clear. Regular order or reconciliation?
- Health Care is all consuming
- And yet packaging starts as soon as 8 weeks...

Legislative Flow



Proposals

- SAFRA
- Senate Draft
- Community Proposal
- School Proposals (NASFAA, Friday the 13th, etc.)
- ECASLA extension
- Further compromise

Everyone has a vested interest in declaring that what they want is what will happen.

The problem is...No one knows.

How does everyone agree?

- Assured funding access
- Unified terms and conditions for students
- Ending of old FDLP and FFELP paradigm
- Billions in additional government revenue for programs like Pell and other assistance
- ...and every proposal achieves these.

But where do people differ?

- Delivery mechanics of origination and servicing
- Long-term efficiency and efficacy measures
- Default aversion work
- School and Student support
- Ideology

Pell Grants

- House: About \$40Billion devoted to deliver maximum of \$5500 indexed to CPI, with \$58Billion additional needed to fill the gap
- Administration: About \$80 Billion devoted to deliver maximum indexed to CPI
- Alternatives: About \$80 Billion available for whatever solution is prioritized
- Pell will not be an entitlement under any proposal and will be subject to tinkering and shortfalls

Other Topics

- Interest rates on subsidized loan
 - Revert to 6.8%?
 - Keep at 3.4%
 - Make them variable?
- Perkins Loan Reform
 - 2010 or 2011 or never?
 - \$6 billion-a-year carrot
 - Federal control of servicing
- Private Loans
 - Capital markets
 - Self Certification
 - Conflicts of Interest

Politics Today

- Fears of overreach
- Health care consumes political capital
- Time is up
- Downstream risks
- Jobs and national debt
- In the end, Congress will intervene to ensure access – as it always does

Beyond July 1, 2009

- Defaults – The trillion dollar problem
- Enrollment and the soft middle
- Cost vs. Debt vs. Value
- Government now will have very complicated relationship with students
- The Pell Problem
- The bursting aid bubble

QUESTIONS