

March 10, 2008

Dear Financial Aid Administrator,

There have been numerous reports of lenders throughout the country announcing that they will no longer be making Federal Family Education Loans or that they will be reducing or stopping the lending of private education loans. We are writing to let you know that despite a series of negative developments that have increased their costs and reduced their margins, banks plan to continue making both FFELP and private loans in academic year 2008-2009.

The Congress in 2007 enacted legislation, the College Cost Reduction and Access Act, that dramatically cut the allowable yield for-profit lenders are permitted to make on FFELP loans while at the same time doubling lender-paid origination fees and risk sharing. This was done at a time when historically favorable conditions prevailed in the financial markets so that lenders' cost of funds was extremely low. Since then, problems in the financial markets have made it impossible for some non-bank lenders to continue and made it far more expensive for others to raise the funds they need to make loans. Banks have so far not faced the same level of difficulty because they have access to capital through deposits, but banks nevertheless are very concerned about the effects on student lending of the situation in the financial markets.

Banks that have made a commitment to student lending have invested in their loan programs, which they consider an important part of their service to their customers. They have a decades-long commitment to the student loan business. Bank lenders are hoping that the financial markets improve and funds become more readily available for all lending community participants. In the meantime, some banks plan to expand their lending in the upcoming academic year to ensure that students have the funds they need.

However, the cuts to for-profit lenders imposed last year raise longer-term concerns about the capacity of banks to continue to expand lending to students, given other demands on their capital. For that reason, we are also asking Congress to reconsider some of the cuts passed in 2007 – although we are not calling for cuts to student aid.

If you have any questions, please don't hesitate to contact one of our member banks or contact me.

Sincerely,



Joe Belew
President