



UNITED STATES DEPARTMENT OF THE TREASURY
UNITED STATES DEPARTMENT OF EDUCATION



March 28, 2008

The Honorable Paul E. Kanjorski
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Kanjorski:

Thank you for your letter regarding uncertainty in the credit markets and the potential impact on the student loan programs.

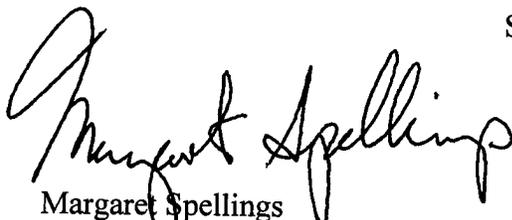
The Departments of Education and Treasury, together with other federal agencies, are closely monitoring the situation and have met with representatives of the lending community and other stakeholders to assess how broader market conditions affect credit availability for student loans. While we too are concerned about the recent auction failures in the student loan sector, we believe they reflect general stress in the credit markets rather than specific concerns about the underlying student loan collateral. Although some lenders have reevaluated their continued participation in the Federal Family Education Loan (FFEL) Program, we want to assure you that there are options available to ensure students and their families continue to receive uninterrupted access to federal student loans.

First, more than 2,000 lenders originate loans in the FFEL Program. This means that a competitive, efficient, and comprehensive FFEL Program should ensure that market forces not only stimulate innovation and improve customer service but also quickly address instances where some FFEL Program lenders choose to limit their participation. In fact, the Consumer Bankers Association recently reaffirmed this point in an open letter to financial aid professionals reiterating its members' commitment to the FFEL Program.

Second, statutory and regulatory authority in the FFEL Program provides loan access through lenders of last resort (LLR). While we do not believe at this time there is a need for guaranty agencies to broadly utilize the LLR authority, we are working with them to ensure that the necessary processes and plans are in place. We will continue to assess the situation and remain vigilant.

In closing, we want to thank you for sharing your concerns and reassure you that federal student loans will continue to be available to students and their families to support them in their educational pursuits.

Sincerely,


Margaret Spellings
Secretary of Education


Henry M. Paulson, Jr.
Secretary of the Treasury