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Congress of the United States  
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May 16, 2008

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The Honorable Margaret Spellings  
Secretary of Education  
U.S. Department of Education  
400 Maryland Avenue, SW, Room 7W301  
Washington, DC 20202

The Honorable Henry M. Paulson, Jr.  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW, Room 3330  
Washington, DC 20220

Dear Secretary Spellings and Secretary Paulson:

As we near the start of the peak student loan origination season, I write to express my very strong concerns about the pace of and the decisions about the implementation of H.R. 5715, the Ensuring Continued Access to Student Loans Act of 2008. More than two weeks have passed since the Congress enacted this law with my strong support. Consistent with all applicable law and regulation, I urge you to put in place as soon as possible, but no later than Memorial Day, a solution that will maximize liquidity and inject capital into the student loan financing markets. The swift implementation of H.R. 5715 will help ensure wide access to student loans in the upcoming academic year.

The potential of a disruption of student loan financing as a result of the credit crunch, as you know, has been a key concern of mine for some time. In February, 20 of my House colleagues joined me in calling on you to use your existing authorities to help inject liquidity into the student loan financing markets. In March, more than 30 of my House colleagues also joined me in calling on the Federal Reserve to expand the collateral eligible for pledging at the newly created Term Securities Lending Facility (TSLF) to include student loan securities. I was encouraged that Chairman Bernanke reversed an earlier decision by recently announcing that such collateral can now be pledged by investment banks and primary dealers at the TSLF, among other AAA-rated financial instruments.

The Congress also determined that it should give the Administration the authority to purchase federally guaranteed student loans when it enacted H.R. 5715 on May 1. As you know, H.R. 5715 authorizes the Secretary of Education, in consultation with the Secretary of the Treasury, to purchase or enter into forward commitments to purchase government-guaranteed loans from eligible student lenders' loans disbursed on or after October 1, 2003.

Many students and their families have now begun to consider their higher education financing options for the upcoming academic year. Ultimately, experts predict that approximately 7 million borrowers will need student loans in the upcoming months. As the

student loan origination season intensifies, it is vital that your departments move as quickly as possible to implement H.R. 5715 in a way that will immediately provide Federal capital to lenders and avoid access problems for students and their families.

Moreover, I strongly urge you to use the flexibility that the Congress provided the Administration under H.R. 5715 to implement a variety of programs to help student loan originators to remain in the Federal Family Education Loan Program (FFELP). In particular, I encourage you to implement a solution that provides for the purchase from eligible lenders of participation interests in FFELP loans. This option could be one of several employed to maximize the effectiveness of H.R. 5715.

By purchasing participation interests in FFELP loans, the Department of Education's administrative burden and cost would be minimized. Under this option, lenders, regardless of their size, would also be given an economic incentive to stay in the FFELP. Borrowers and institutions of higher education would additionally benefit because they would avoid the disruptions and confusion that could occur under a system in which the Department of Education bought loans and retained the servicing.

In sum, the Administration must finalize and release its plans to implement H.R. 5715 before Memorial Day in order to avoid unnecessary turmoil in the student loan marketplace. Additionally, the purchasing of participation interests in FFELP loans is an idea that has been endorsed by a broad array of stakeholders, including financial aid administrators and other entities involved in the financing and delivery of student loans, and I hope that the Administration will adopt this option when implementing H.R. 5715. With the peak student lending season now almost upon us, it is vital that you act as soon as possible and in a flexible manner.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul E. Kanjorski". The signature is written in a cursive, somewhat stylized font.

Paul E. Kanjorski  
Member of Congress