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Congress of the United States
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February 27, 2008

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The Honorable George Miller
Chairman
Committee on Education and Labor
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, DC 20515-6100

Dear Mr. Chairman:

In recent weeks, we have experienced considerable unrest in our capital markets, and this turmoil has now affected the Federal Family Education Loan Program (FFELP), which the Committee on Education and Labor oversees. I therefore urge you to work to protect the viability of the FFELP and maintain access to higher education opportunities for students and their families. I also offer my assistance in these matters, as the Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, which I chair, has already worked to gain a better understanding of the problems affecting our capital markets.

Specifically, many lenders participating in the FFELP engage in securitizations as a strategy to help the financing of student loans. As a result of the ongoing credit crunch, however, many of these lenders are now facing severe liquidity problems in this marketplace. In fact, there have been several reports of lenders leaving the Federal Family Education Loan Program as a result of the thin margins on these loans. Just today, I learned that the Pennsylvania Higher Education Assistance Agency would suspend its participation in the FFELP effective March 7. One of the largest FFELP lenders, College Loan Corporation, also recently announced that it would end its participation in the FFELP.

Although student loan securitizations are typically safe, high-quality investments, financing education loans through the asset-backed securities market has become uneconomical in the current environment. At the same time, the ongoing credit crunch has caused the auction rate securities market, another way to finance student loans, to contract significantly. In the past several weeks, a number of student loan lenders have seen auctions for their securities fail, causing them to pay higher interest rates and shaking the confidence of investors who value liquidity. Once started, this pattern of failed auctions could continue to affect the entire \$80 billion student loan auction rate securities market.

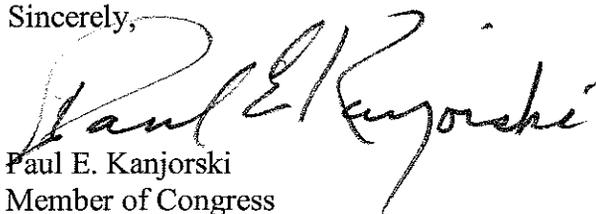
In a January 28, 2008 *Financial Times* article, former Treasury Secretary Lawrence Summers also recognized the problem and called for either public or private measures to address it. Specifically, he said, "There are grounds for concern about the adequacy of the flow of lending for student loans, automobiles, consumer credit and non-conforming mortgages. In each of these areas, there may be a need for collective private action or for government measures."

Lenders in the Federal Family Education Loan Program, which presently help 80 percent of students obtain their financing, have provided the private capital that has enabled tens of millions of Americans to obtain an affordable college education. As unrest in our credit markets affects in Americans in so many other ways, it is imperative that the FFELP remain strong and the cost of education finance remain as low as possible.

As you may already know, I led a congressional effort once I became aware of these problems to contact Treasury Secretary Henry Paulson and Education Secretary Margaret Spellings to ask that they work without delay to address these problems before they significantly decrease access to higher education opportunities for students and their families. Twenty of our colleagues in the House joined in sending this letter on February 15. Although we are still awaiting a response from these officials and although I am hopeful that they might resolve these matters through administrative actions alone, we must nevertheless begin work now, as a precaution, to examine legislative options to ensure the vitality of the FFELP going forward. We must also continue to exercise our oversight authorities of the Administration.

In closing, I look forward to working with you on these matters.

Sincerely,

A handwritten signature in black ink that reads "Paul E. Kanjorski". The signature is written in a cursive style with a large, sweeping initial "P".

Paul E. Kanjorski
Member of Congress