

# Congress of the United States

Washington, DC 20515

July 25, 2008

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

Dear Secretary Paulson:

We are writing to express our great appreciation for the efforts of both the Departments of Treasury and Education in implementing H.R. 5715, the *Ensuring the Availability of Student Loans Act of 2008*. Although the Department of Education was tasked with implementing this legislation, we recognize the role played by Treasury in helping to get the loan purchase programs up and running and appreciate the guidance and support you have provided in this effort.

While we are pleased with the efforts put forth on implementing H.R. 5715, we believe more could be done to ensure that the Federal Family Education Loan program remains a viable loan program for students. We continue to hear from constituents that the plans announced by the federal government will not provide the assistance necessary to ensure that lenders remain in the student loan programs. Many of the lenders we are hearing from are non-profit state agencies who were damaged by the failure of the auction-rate securities market and are not able to obtain the capital necessary to make loans and serve the residents of their states.


To date, we have seen approximately 120 lenders exit or suspend participation in at least some parts of the student loan programs. Of that number, approximately 96 lenders, 14 of which are non-profit state agencies, have ceased participation in all aspects of the student loan program. This accounts for almost a quarter of the top 100 lenders that participate in the student loan programs.

We were delighted to read a Bloomberg article published on July 10<sup>th</sup>, in which one of your senior advisors indicated that the federal government had the ability to do more to address issues related to the failed auction rate securities market that has negatively impacted many student loan lenders. Specifically, the article made reference to the federal government moving forward on a proposal to help facilitate the refinancing of the auction-rate securities held by student loan lenders. It is our hope that the authority to purchase loans originated since 2003 included in H.R. 5715 will be used to help address this problem.


College students relying on student loans will be returning to their campuses in less than a month and will be faced with paying tuition bills. We want to ensure that numerous student loan options are available for students and parents with no shortage of student loan funds for this year and beyond. For that reason, we implore you to continue to think about longer-term solutions to the student loan credit problems.

Thank you for your efforts thus far and we look forward to working with you on longer-term solutions to ensure that every American student who wants to obtain a postsecondary education can afford to do so.


Sincerely,




Howard P. "Buck" McKeon  
Senior Republican  
Committee on Education & Labor



Michael B. Enzi  
Ranking Member  
Committee on Health, Education, Labor and Pensions



Ric Keller  
Senior Republican  
Subcommittee on Higher Education,  
Lifelong Learning, and Competitiveness



Lamar Alexander  
Ranking Member  
Subcommittee on Children and Families  
Committee on Health, Education, Labor and Pensions