



Key Policy Letters from the Education Secretary or Deputy Secretary
October 26, 2009

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As this academic year moves forward, it is hard to believe we already need to consider the 2010-2011 year to come. In doing so, I am writing to seek your assistance and offer mine in taking the necessary steps to ensure uninterrupted access to federal student loans by ensuring your institution is Direct Loan-ready for the 2010-2011 academic year.

Eighteen months ago, uncertainty in the financial markets seriously threatened the availability of Federal Family Education Loan (FFEL) Program loans for the upcoming 2008-09 academic year. Congress acted quickly to provide the Department of Education with unprecedented temporary authority to directly finance loans made through FFEL Program lenders. The goal was to ensure that every student or parent with a need for a federal loan would be able to get one, whether or not the student's educational institution had taken the steps to provide loans through the Direct Loan Program (where loan access was not affected). This stopgap measure, the Ensuring Continued Access to Student Loans Act (ECASLA), was helpful in assisting FFEL Program lenders in making \$61.3 billion in new loans to students and their parents this past year. And the bulk of those funds—some \$46.3 billion—was provided by the Department of Education.

While many institutions like yours continued to use the FFEL Program loan delivery process last year, more than 500 others responded to the uncertainty by switching to the Direct Loan Program. These colleges' move to direct lending happened in an efficient and effective manner, without any interruption of service to students, and the number of Direct Loans increased by nearly two-thirds compared to the previous year. As you know, the Direct Loan Program provides students with the same types of loans, with essentially the same terms, as those made in the FFEL Program.

I do not anticipate any major loan access problems during the remainder of this academic year because Congress's temporary measure remains in effect. However, while there are encouraging signs that the financial markets are rebounding, the most prudent course of action is for you to ensure that your institution is Direct Loan-ready for the 2010-2011 academic year. That way, loan access for your students will be assured. As you may know, President Obama has proposed that Congress make the loan system more reliable by moving to a 100 percent Direct Loan delivery system. In any event, under current law, ECASLA will expire, and the continued participation of FFEL Program lenders will be in question.

The Department of Education stands ready to assist with any questions you and your staff may have about becoming Direct Loan-ready. Many institutions have already taken the initial step of contacting us to ensure the appropriate transition steps have been taken at Federal Student Aid to begin the process. If your school has not taken this initial step, we recommend that you do so. Please also reach out to your technology, financial aid, and business offices to make sure they are working together to ensure federal loan access for your students and their parents. If they are unsure of the steps to take, please have them contact our school relations center at 1-800-848-0978, or e-mail us at DLEnrollment_FSA@ed.gov with questions.

Thank you for your attention to this important matter.

Sincerely,

Y,

/s/

Arn

e Duncan

