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FROM THE LOUISIANA OFFICE OF STUDENT FINANCIAL ASSISTANCE

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Louisiana Continues Commitment to Fee Savings on Behalf of Student Borrowers

BATON ROUGE – For the 2007-2008 school year, the State of Louisiana will again pay the mandatory federal default fee of one percent (1%) that is charged to students borrowing under the federal guaranteed student loan program when the loan is guaranteed by the Louisiana Office of Student Financial Assistance (LOSFA). This action reaffirms Louisiana's commitment to reduce the cost of borrowing and assures that students' loan amounts will not be reduced by federally mandated fees.

A provision in the federal Higher Education Reconciliation Act (HERA) of 2005 requires all guarantors of federal student loans to collect a 1% federal default fee from the borrower's loan proceeds, unless the fee is paid using non-federal funds.

In 2006, the Louisiana Legislature appropriated funds for the payment of this fee for all students borrowing under the Federal Family Education Loan Program (FFELP), including Stafford, PLUS and Grad PLUS that are guaranteed by LOSFA. By appropriating these funds, the State of Louisiana acted to reduce students' cost of borrowing and to make the agency's guarantee competitive so that it can continue to fund state student assistance programs.

From July 1 through December 31, 2006, the state paid the federal default fee on behalf of 22,001 Louisiana students resulting in a savings to the students of \$604,605.00.

"The State of Louisiana has made it possible for us to continue providing relief to students who are forced to borrow in order to fund their college education" said Jack Guinn, executive director of LOSFA. "Now, borrowers whose loans are

guaranteed by this agency will not have their loan proceeds reduced by a federal fee.”

Prior to this new federal mandate, the charging of a one percent (1%) fee was optional on the part of guarantors, and was waived by the Louisiana Student Financial Assistance Commission from 1999 to 2004, saving Louisiana’s student borrowers more than \$18 million.

Revenues generated by LOSFA from guaranteeing student loans are used to pay for the administration of the Tuition Opportunity Program for Students (TOPS), the Student Tuition Assistance and Revenue Trust (START Saving Program), and other state student financial aid programs. Revenues in excess of these costs are used to supplement funding for existing student aid programs or fund new student aid initiatives.

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