



LOSFA

PRESS RELEASE



From the Louisiana Office of Student Financial Assistance

FOR IMMEDIATE RELEASE

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Louisiana Continues Commitment to Fee Savings on Behalf of Student Borrowers

BATON ROUGE – For the 2009-2010 school year, the State of Louisiana will continue to 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, 2007, and again in 2008, 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 loans 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.

During the 30-month period, from July 1, 2006 through December 30, 2008, the state paid the federal default fee on 157,502 loans resulting in a savings of \$4,245,833.09 to Louisiana student borrowers.

"The appropriation of state dollars to pay the Federal Default Fee for Louisiana students is an investment that benefits both the student borrower and the state," said Melanie Amrhein, Executive Director of LOSFA. "While we do not encourage unnecessary borrowing, we want to offer every benefit possible to those who cannot attend college without the assistance of federally guaranteed loans."

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 Taylor 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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