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LOUISIANA STUDENT FINANCIAL ASSISTANCE COMMISSION
OFFICE OF STUDENT FINANCIAL ASSISTANCE

Loan Program Bulletin

EFFECTIVE DATE: March 26, 2007

TO: Lenders; College, University and LAICU Financial Aid and Business Offices and Registrars; Tech School Personnel and Campus Deans; and Proprietary Schools.

TOPIC: PAYMENT OF DEFAULT FEES

A provision in the federal Higher Education Reconciliation Act (HERA) of 2005, which became effective July 1, 2006, requires all guarantors of federal student loans to collect a 1% federal default fee from the borrower's disbursement, unless the fee is paid using non-federal funds from some other source.

The Louisiana Legislature has appropriated general funds for payment of the mandatory one percent (1%) federal default fee, beginning July 1, 2006, for all borrowers of Federal Stafford, PLUS and Grad PLUS whose loans are guaranteed by LOSFA, when those fees are not paid by the lender. This includes payment of the default fee for the 2006-07 and 2007-08 academic years. By appropriating these funds, the State of Louisiana acted to reduce students' cost of borrowing, to strengthen Louisiana's guaranty agency by making its guarantee price competitive and to promote the agency's long-term growth and contributions to state student assistance programs. Revenues generated by LOSFA from guaranteeing student loans will be used to supplement existing student aid programs and to help fund the Board of Regents' new need-based grant program to assist students.

Questions regarding LOSFA's payment of the default fee should be directed to a School/Lender Services Specialist by calling 1-800-259-5626, Ext. 1012, and asking for your representative.