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FROM THE LOUISIANA OFFICE OF STUDENT FINANCIAL ASSISTANCE

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U.S. Department of Education Authorizes Support for Hurricane-Related Student Loan Claim Payments in Louisiana

BATON ROUGE -- The United States Department of Education (USDE) has authorized a temporary arrangement for Educational Credit Management Corporation (ECMC) to supply necessary financial and administrative support to the Louisiana Office of Student Financial Assistance (LOSFA) to address financial and operational issues related to the unprecedented volume of student loan default claims brought about by the impact of Hurricanes Katrina and Rita.

Under the USDE sanctioned and approved agreement, LOSFA will continue to receive and review claims, but payment will be managed by ECMC for LOSFA for the duration of the agreement which went into effect on March 30, 2007, and is expected to continue through September 30, 2009.

"When our attempts to be proactive in averting these defaults proved unsuccessful, we turned to the Department of Education for assistance," said LOSFA's interim executive director, Melanie Amrhein. "We are extremely grateful to the Department and to ECMC for their assistance during this time of unprecedented challenge. Their support will allow LOSFA to maintain the high level of service that schools, lenders and student borrowers in Louisiana expect and deserve from their guarantor," she concluded.

Amrhein also stressed that there will be no change in LOSFA's processing and administration of new FFELP loan guarantees as those activities are unaffected by the burden being experienced in the claims area.

A student loan made under the Federal Family Education Loan Program (FFELP) is considered to be in default when no payments are received for 270 days. When this occurs, the lender files a claim for payment from the guarantor of the loan. LOSFA is USDE's designated guarantor for the state of Louisiana.

Following the hurricanes, USDE granted all FFELP borrowers from affected parishes extended payment deferments of from six to nine months. Thus, the "270-day clock" did not begin until up to nine months after the hurricanes (May 2006) and borrowers who failed to resume payments after that time did not reach default status until up to 18 months after the hurricanes (February 2007).

As a result of the number of borrowers affected by the hurricanes, LOSFA has experienced a 166% increase in the number of claims and a 156% increase in the dollar amount of claims from October 1, 2006, to March 31, 2007, as compared to the same period during the previous year.

The state of Louisiana will continue to pay the federally mandated 1% default fee on behalf of Louisiana student borrowers whose loans are guaranteed by LOSFA during the 2007-2008 academic year.

ECMC, a nonprofit member of ECMC Group, is a national guaranty agency that insures loans under the Federal Family Education Loan Program (FFELP).

LOSFA administers Louisiana's premier merit-based scholarship program, the Tuition Opportunity Program for Students (TOPS); the state's 529 college saving program, the Student Tuition Assistance and Revenue Trust (START) program; and is the U.S. Department of Education's designated guarantor in Louisiana for the Federal Family Education Loan Program (FFELP).

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