

**Example of Letter from
Congressional Delegation to
Rep. George Miller**

PAUL E. KANJORSKI

11TH DISTRICT, PENNSYLVANIA

COMMITTEE ON
FINANCIAL SERVICES

CHAIRMAN:

SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES

COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM

WASHINGTON OFFICE:

2188 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3811
(202) 225-8511

Website: <http://kanjorski.house.gov>

E-mail: paul.kanjorski@mail.house.gov



Congress of the United States

Washington, DC 20515-3811

February 27, 2008

DISTRICT OFFICES:

THE STEGMAIER BUILDING
7 NORTH WILKES-BARRE BOULEVARD
SUITE 400 M
WILKES-BARRE, PA 18702-5283
(570) 825-2200

546 SPRUCE STREET
SCRANTON, PA 18603-1808
(570) 496-1011

102 POCONO BOULEVARD
MOUNT POCONO, PA 18344-1412
(570) 895-4176

TOLL FREE HELP-LINE
(800) 222-2346

The Honorable George Miller
Chairman
Committee on Education and Labor
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, DC 20515-6100

Dear Mr. Chairman:

In recent weeks, we have experienced considerable unrest in our capital markets, and this turmoil has now affected the Federal Family Education Loan Program (FFELP), which the Committee on Education and Labor oversees. I therefore urge you to work to protect the viability of the FFELP and maintain access to higher education opportunities for students and their families. I also offer my assistance in these matters, as the Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, which I chair, has already worked to gain a better understanding of the problems affecting our capital markets.

Specifically, many lenders participating in the FFELP engage in securitizations as a strategy to help the financing of student loans. As a result of the ongoing credit crunch, however, many of these lenders are now facing severe liquidity problems in this marketplace. In fact, there have been several reports of lenders leaving the Federal Family Education Loan Program as a result of the thin margins on these loans. Just today, I learned that the Pennsylvania Higher Education Assistance Agency would suspend its participation in the FFELP effective March 7. One of the largest FFELP lenders, College Loan Corporation, also recently announced that it would end its participation in the FFELP.

Although student loan securitizations are typically safe, high-quality investments, financing education loans through the asset-backed securities market has become uneconomical in the current environment. At the same time, the ongoing credit crunch has caused the auction rate securities market, another way to finance student loans, to contract significantly. In the past several weeks, a number of student loan lenders have seen auctions for their securities fail, causing them to pay higher interest rates and shaking the confidence of investors who value liquidity. Once started, this pattern of failed auctions could continue to affect the entire \$80 billion student loan auction rate securities market.