



FEDERAL STUDENT AID

We Help Put America Through School

CHIEF OPERATING OFFICER

July 8, 2009

Dear College President:

As you may know, in February President Obama announced a proposal to secure the future of the Federal Pell Grant Program and to ensure that federal student loans will be reliably available in the years ahead. Central to our plan for ensuring that loans will be available, is our proposal that, beginning with the 2010-2011 academic year, all federal student loans would be made under the William D. Ford Federal Direct Loan Program. Moving to 100 percent Direct Lending in 2010-2011 coincides with the expiration of the temporary loan purchase programs that were authorized by Congress in response to credit challenges in the private financial markets. These expiring programs allowed the Department of Education to purchase student loans that were made by private lenders under the FFEL Program, thus enabling those lenders to obtain capital needed to make FFEL Program loans for the 2008-2009 and 2009-2010 academic years.

Since the President's announcement last February, we have taken numerous steps to ensure a smooth process for the transition of schools into the Direct Loan Program. We have expanded the capacity of the automated system that is used for the origination of Direct Loans. That system, called Common Origination and Disbursement (COD), is the same streamlined and familiar system that schools currently use to send and receive information for the Federal Pell Grant Program. To handle increased need for the servicing of Direct Loans – billing, collections, payment processing, and answering borrower questions – we recently awarded contracts to four private firms with significant experience in servicing student loans. In addition to our current servicer (ACS, Inc.), the new servicers are: Great Lakes Education Loan Services, Inc., Nelnet, Inc., Sallie Mae Corporation, and AES/PHEAA. To ensure that your students receive the best service possible we will allocate servicing volumes under the contracts to those companies that demonstrate superior performance in prevention of defaults and delinquencies, and in satisfaction levels of schools and borrowers.

Of course, what is most important to you and your colleagues at other colleges and universities is whether campuses will be ready to move to Direct Lending. To assist you, we will establish the electronic accounts that will enable your institution to electronically send and receive Direct Loan records and reports. The establishment of these accounts does not obligate your institution to move to the Direct Loan Program at this time; it simply takes care of one of the first steps, so that when you are ready you can select the Direct Loan processing and funding options that work best for you.

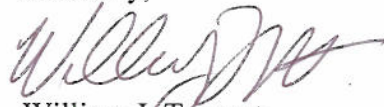
If you have any concerns about the ability of your institution to shift smoothly into the Direct Loan Program, please reach out to us. Our experience is that such concerns disappear once campus staff understand that the Direct Loan Program relies on existing and familiar systems and processes. In fact, the schools that have switched to Direct Lending during the past year have been enthusiastic in their praise for the ease of the transition. I anticipate that your move to Direct Lending will be as problem-free as it has been for other schools. However, to ensure a smooth transition, please encourage your staff to learn more about the Direct Loan Program and the business processes that are used to deliver these important financial resources to students and families. If they run into any problems that have not been satisfactorily addressed by our staff please let me know immediately.

My goal is to make sure that all institutions are prepared for their transition to Direct Lending. I appreciate your help in getting ready now so we can reach that goal.

Information about webinars, conferences, and other training related to the transition to Direct Lending is available at www.direct.ed.gov. We also have experienced staff that can assist schools in the transition to the Direct Loan Program. They can be reached at dlenrollment_FSA@ed.gov or you can call the dedicated customer service representative for your campus at (800) 848-0978.

As the new Chief Operating Officer for Federal Student Aid I am proud to serve you and your students.

Sincerely,



William J. Taggart

cc: Financial Aid Director