



A Program of the Board of Regents
602 North Fifth Street
Baton Rouge, LA 70802
(800) 259-5626 (225) 219-1012
osfa.la.gov

November 30, 2017

LOSFA

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Executive Director

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Jacqueline V. Wyatt
Adarian D. Williams, Student

The Honorable Steve Scalise
Majority Whip
2338 Rayburn House Office Building
Washington, DC 20515

Dear Representative Scalise:

The Louisiana Board of Regents (the Board) is the designated guarantor for Federal Family Education Loan Program (FFELP) for the state of Louisiana. As Congress continues its work on the Fiscal Year (FY) 2018 Appropriations, the Board would like to provide you with information concerning the Account Maintenance Fee (AMF) and how the Board uses the funds received from this fee. The AMF payments are crucial to ensuring our agency is able to perform critical functions that assist borrowers in avoiding default and protect federal taxpayers. The fees are paid quarterly and are based on the original principal balance of an agency's outstanding non-defaulted FFELP portfolio. For FY 2017, the Board received \$623,415 in AMF payments. For FY 2018, it is estimated that the Board will receive \$508,000 in AMF payments, and the Board intends to use these funds, along with other Agency Operating Funds and state general funds, for the purposes stated herein.

Guaranty agencies such as the Board are authorized under the Higher Education Act of 1965 to provide services to students, borrowers, families, and the federal government by helping to manage the legacy Federal Family Education Loan Program (FFELP) at the local level and increasing access to and success in postsecondary education. The AMF payments that the Board receives from the U.S. Department of Education assists in paying for the general operating expenses of the LOSFA Program, which operates under the direction of the Board. If AMF payments are eliminated:

- Fewer borrowers will receive college access and success activities, such as financial aid awareness, consumer education, FAFSA (Federal Application for Federal Student Aid) completion services and events, borrower assistance, and ombudsman support. These services are provided to students and families regardless of the type of loan they received to finance their postsecondary education;
- The Board's ability to administer Louisiana's scholarship program, need-based aid program, and the IRC Section 529 College Savings Plan will be diminished;

- Delinquency prevention services will be affected, resulting in more borrowers defaulting on their student loans. Also, fewer borrowers will rehabilitate their loans since the funds are used to provide intensive late-stage delinquency services to struggling borrowers.
- Fewer schools will receive basic administrative support such as training and technical assistance and information on student loan defaults and loan transfer.
- Federal taxpayers will receive fewer protections - these important agencies maintain records for borrowers, monitor school enrollment and repayment status, conduct comprehensive compliance reviews of loan holders, servicers, and schools, and conduct claim reviews and issue loan holder payments.
- The Board would be unable to perform the basic administrative functions mandated by the FFELP program below:
 - Assist borrowers in avoiding default, and help defaulted borrowers rehabilitate their loans.
 - Provide schools with information on student loan defaults and loan transfers.
 - Establish and enforce standards, and provide training and technical assistance, to lenders.
 - Maintain loan records for student and parent borrowers.
 - Conduct comprehensive compliance reviews of lenders and servicers.
 - Conduct claim reviews and issue lender payments.
 - Monitor school enrollment and repayment status.

The elimination of AMF was included in the President's budget for FY2018, but there is a misunderstanding with the budget office that, because there are no new originations under FFELP, the fees are no longer necessary. However, there is still roughly \$201 billion in outstanding FFELP loans held by private lenders and guaranty agencies provide - and must continue to provide - accountability for this sizeable federal asset and the functions need to continue throughout the wind-down period. The FY2016, FY2017, and FY2018 appropriations bills included a one-year extension of AMF because it is essential for guaranty agencies to provide important services on behalf of the federal government.

Once again, eliminating the payment of Account Maintenance Fees in any year-end budget agreement will negatively impact our ability to provide critical services to students and families to help them repay their student loans and promote college access and success in postsecondary education.

If you have any questions, please contact Dr. Sujuan Boutté, Executive Director of LOSFA, at Sujuan.Boutte@la.gov or by phone at 225-219-7294.

Sincerely,



Joseph C. Rallo, Ph.D.
Commissioner of Higher Education

CC:

Ralph Abraham, M.D., US Congressman
Garret Graves, US Congressman
Clay Higgins, US Congressman

Mike Johnson, US Congressman
Cedric L. Richmond, US Congressman



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The Honorable John Kennedy
Member of the Senate Budget & Appropriations Committees
383 Russell Senate Office Building
Washington, DC 20510

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Sincerely,



Joseph C. Rallo, Ph.D.
Commissioner of Higher Education

CC: Bill Cassidy, M.D., US Senator