

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, September 17, 2009

DISCUSSION ITEM B: Federal Family Education Loan Program Update

Staff Recommendation For discussion only.

Background The Federal Family Education Loan Program provides three types of new loans.

Subsidized Stafford loans are made to students who demonstrate financial need. Students do not have to begin repayment until they leave school, and the federal government pays the interest while the students are enrolled at least half-time.

Students unable to demonstrate financial need receive similar *unsubsidized Stafford loans*. While repayment is deferred until the students leave school, they are responsible for the interest while they are enrolled.

PLUS loans are made to parents of students. *Grad/Professional loans* are made to students in graduate or professional degree programs but act similar to PLUS loans. Financial need is not a factor, and repayment begins immediately.

TSAC guaranteed \$846 million in these three programs in 2008- 09. This represents a increase of 39.2% or \$238 million since 2007-08. The increase would be contributed in part to:

- Continuing to pay the Federal Default Fee has assisted in keeping many schools using a TSAC guarantee.
- Making schools aware of TSAC's continuing commitment to FFELP as well as the various services that TSAC offers to all schools in Tennessee.
- No funding issues for this academic year. Participating lenders were able to fund all student loans.

The details for each of these loans are provided in the documents '*Federal Family Education Loan Program Volumes*', September 17, 2009.

Other topics are displayed and detailed in the supporting document titled, '*Loan Issues by Topic*', September 17, 2009.

Supporting Document *Federal Family Education Loan Program Volumes*, September 17, 2009.