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Nearly 740,000 Iowa Students Assisted with Low-Cost Student Loans over Past 32 Years

Des Moines, IA, June 30, 2010– The Iowa College Student Aid Commission announces that after 32 years of providing federal student loan guarantees through the Federal Family Education Loan Program (FFELP), it will no longer guarantee new federal student loans with first disbursements on or after July 1, 2010.

On March 30, 2010, President Barack Obama signed into law the Health Care and Education Reconciliation Act of 2010 (HCERA, Public Law 111-152). The HCERA mandates federal student loans with first disbursements on or after July 1, 2010 be originated and fully disbursed under the Federal Direct Loan Program (FDLP). This law effectively eliminates FFELP, a public-private partnership between the federal government, guarantors and private lenders, that Congress created in 1965 to deliver and administer federally-guaranteed low-cost loans to students and parents.

"The Iowa College Student Aid Commission has been the designated guaranty agency for Iowa since 1978," said Karen Misjak, executive director of the Iowa College Student Aid Commission. "We are proud to have guaranteed over $10.8 billion in low-cost federal student loans to assist nearly 740,000 students pay for the cost of higher education." Misjak explained.

The Iowa College Student Aid Commission reduced the cost of borrowing for Iowa students and parents by waiving fees and paying the required one-percent Federal Default Fee on behalf of its borrowers. The Higher Education Reconciliation Act of 2005 (HERA) required payment of the Federal Default Fee for all federal student loans guaranteed on or after July 1, 2006. Payment of this fee saved Iowa borrows nearly $21 million over the last 4 years. Prior to July 1, 2006, Iowa College Aid waived the one-percent guarantee fee allowed to help guaranty agencies cover costs associated with insuring student and parent loans.

Although no new FFELP loans with first disbursements on or after July 1, 2010 can be made, Iowa College Aid will continue to provide exemplary service to students, parents, schools and lenders on its previously disbursed FFELP loans.

Going forward, Iowa College Aid will continue to work toward increasing college access and making an education beyond high school a possibility for all Iowans. Iowa College Aid continues to administer nearly $59 million in state-funded student aid programs; administer the GEAR UP Iowa program that seeks to foster a college-going culture among low-income students in Iowa; develop and enhance the I Have a Plan Iowa statewide community web portal that assists Iowans as they explore education and career options; serve as the state-designated administrator of the U.S. Department of Education's College Access Challenge Grant that seeks to significantly increase the number of low-income students who are prepared to enter and succeed in postsecondary education; as well as serves as a resource for financial literacy, default prevention and aversion, student aid regulatory and compliance topics, and student loan collections and rehabilitation. To learn more about how these programs and services help Iowa families plan, prepare and pay for college, contact the Iowa College Aid Information Service Center at 877-272-4456 or visit www.IowaCollegeAid.gov .

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