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NEW HAMPSHIRE HIGHER EDUCATION ASSISTANCE FOUNDATION
GRANITE STATE MANAGEMENT & RESOURCES
NEW HAMPSHIRE HIGHER EDUCATION LOAN CORPORATION
NHHEAF NETWORK EDUCATIONAL FOUNDATION

July 8, 2009

IMPORTANT INFORMATION THAT WILL AFFECT YOUR LOAN PROCESSING

To: Financial Aid Directors and Community

From: Renè A. Drouin, President and CEO
New Hampshire Higher Education Loan Corporation

As you are well aware from a year's worth of news stories, press releases and trade publication articles, the financial crisis and disruptions in the credit markets over the past 18 months have resulted in significant challenges for lenders participating in the Federal Family Education Loan Program (FFELP). Particularly, the lack of liquidity in the marketplace has rendered lenders virtually unable to issue bonds and raise capital to fund new loans, thereby jeopardizing student loan access. In response to this credit volatility, Congress passed the Ensuring Continued Access to Student Loans Act (ECASLA) in an effort to inject liquidity into the student loan marketplace.

Last year, New Hampshire Higher Education Loan Corporation (NHHELCO) entered into an agreement with the U.S. Department of Education that allowed us to leverage ECASLA and ensure adequate funding for the 2008-2009 academic year through a "Participation" facility created by the Department. Under this agreement, the federal government replenished NHHELCO's lending reserves throughout the academic year, in exchange for an ownership-interest in the loan portfolio those funds supported. The expectation was that the credit markets would normalize, make private capital available, and NHHELCO would redeem those loans from the Participation facility.

Unfortunately, the credit markets have not stabilized, and while NHHELCO still holds adequate reserves to continue funding FFELP loans through the 2009-2010 academic year, the infusion of private capital needed to redeem the Participated loans from the facility has not become available. At this time, the Department of Education is closing out that Participation facility and requiring all lenders to assign or "Put" to the Department any unredeemed loans in the Participation facility. Accordingly, through this "Put" process, the Federal Government will assume ownership of those loans from NHHELCO, withdraw those loans from GSM&R's servicing division, and relieve NHHEAF of its guarantor responsibilities.

While a few exceptions exist, the "Affected Loans" are generally those that meet the following criteria:

- NHHELCO is the lender;
- The first disbursement date is on/after May 1, 2008; and
- The loan period end date falls between 7/1/2008 and 6/30/2009.

Over the past several weeks we have been working with the Department to ensure a smooth transition for our borrowers and to minimize the impact on our school partners. However, the

NHHEAF
PO Box 877
Concord, New Hampshire 03302
800.525.2577 / 603.225.6612

NHHELCO
PO Box 2111
Concord, New Hampshire 03302
800.330.0787 / 603.226.5829

GSM&R
PO Box 2087
Concord, New Hampshire 03302
800.719.0708 / 603.225.5867

NNEF
4 Barrell Court
Concord, New Hampshire 03301
800.444.3796 / 603.227.5361

Department has imposed specific deadlines and trigger dates to which we must adhere in order to meet the 9/9/2009 transfer date. As a result of these legal and procedural issues, we must make changes applicable to the Affected Loans (as defined above). As the loan period has ended on most of the Affected Loans, we are hopeful that the impact on your processing is minimal. The changes to Affected Loans are as follows:

- By 7/30/2009, we ask that each institution either cancel or release any disbursement that it has on Hold, or reschedule it for a later date, but no later than 9/9/2009;
- On 7/30/2009, the Hold/Release functionality will be suspended on Affected Loans, and all disbursements will be set to "Release". This may result in unintended disbursements if a school did not cancel disbursements as requested above;
- On 9/4/2009, the loan records will be Locked Down to prevent any Change-After-Guarantee (CAG) transactions. Any cancellations, refunds or reallocations will need to be submitted through a School Services representative. Increases and reinstatements will not be allowed after this date;
- On 9/9/2009 the Conversion file is submitted to the Department, and NHHELCO is prohibited from making any additional disbursements on the Affected Loans.

Within the next few days, School Services will provide a more comprehensive timeline, a list of pending disbursements for the Affected Loans, and information about a Webinar that members from our School Services and Compliance departments will be conducting. This Webinar will examine the ECASLA provisions leading to these developments, the assignment timeline, and borrower impact and communications.

Please note that this does not affect any loan with a loan period that begins on or after 7/1/2009.