Washington, DC - Congressman Maurice Hinchey (D-NY) today helped the House pass a bill to ensure that the turmoil in the U.S. financial markets does not keep students and families from accessing the federal student loans they need to pay for college. The Ensuring Continued Access to Federal Student Loans Act of 2008 (H.R. 5715), which carries no new cost for taxpayers passed the House easily.

"The U.S. financial system is going through a very difficult time for a variety of complex reasons, which is why it is critical that Congress take proactive steps to ensure the current situation does not end up making it difficult for students to take out loans for college," Hinchey said. "Student loans play a critical role in making the American Dream achievable, which is why we must do everything we can to make them accessible to as many students as possible."

The Ensuring Continued Access to Student Loans Act of 2008 would provide new protections, in addition to those that already exist under current law, to ensure that families continue to have timely, uninterrupted access to federal college loans in the event that the stress in the credit markets leads a significant number of lenders to substantially reduce their activity in the federally guaranteed student loan program.

The bill would:

• Reduce borrowers’ reliance on costlier private college loans by increasing the annual loan limits on federal college loans by $2,000 for undergraduate students, and by increasing the aggregate (the total loan limit over the course of a student’s education) loan limits to $31,000 for dependent undergraduates and $57,500 for independent undergraduates;

• Give parent borrowers more time to begin paying off their federal PLUS loans by providing them with the option to defer repayment until up to six months after their children leave school – giving families more flexibility in hard economic times.

• Help struggling homeowners pay for college by making sure that short-term delinquencies in mortgage payments don’t prohibit otherwise eligible parents from being able to borrow parent PLUS loans. Under current law, parents with an adverse credit history are ineligible to receive a parent PLUS loan, except under extenuating circumstances. The legislation would temporarily classify as an extenuating circumstance delinquencies on home mortgages of up to 180 days, therefore making it possible for parents who are being strained by the current housing market to secure loans for their children;

• Clarify that existing law gives the U.S. Education Secretary the authority to advance federal funds to guaranty agencies in the event that they do not have sufficient capital to originate new loans, and allow guaranty agencies to carry out the functions of lender of last resort on a school-wide basis. Under the Higher Education Act, these guaranty agencies are obligated to serve as a nationwide network of lenders of last resort if requested to do so by the Education Secretary; and

• Give the U.S. Education Secretary the temporary authority to purchase loans from lenders in the federal guaranteed loan program, ensuring that lenders continue to have access to capital to originate new loans. The Education Department would be authorized to purchase loans only if doing so would not result in a net cost for the federal government.