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September 7, 2006



The Honorable Margaret Spellings  
Secretary of Education  
U.S. Department of Education  
FOB-6  
400 Maryland Avenue, SW  
Washington, DC 20202

Dear Secretary Spellings:

The Bond Market Association (BMA) appreciates the opportunity to offer comments on the Interim Final Regulation (Regulation) released by the Department of Education to implement changes based on recent amendments made to the Higher Education Act of 1965, by the Higher Education Reconciliation Act of 2005 and other new laws. Specifically, we wish to comment on sections 682.302 (e) and (f).

The BMA represents underwriters, dealers and investors in all fixed-income and credit market products. Our 140 member firms underwrite 94 percent of the municipal bonds in the United States including those tax-exempt obligations issued to fund student loans.

One of our foremost missions is to promote an efficient capital marketplace. The capital markets function best—that is, borrowing costs are the lowest—when investors, issuers and underwriters have access to the same information and are certain of the prevailing legal framework. Legal uncertainty translates to increased risk for which investors must be compensated. This drives up borrowing costs, and underscores the importance that policy and legal decisions affecting the market be both transparent and prospective.

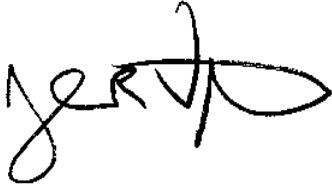
The BMA is concerned that sections 682.302 (e) and (f) introduce legal uncertainty—based on authority not found in the underlying statute—to the market for municipal bonds backed by Federal Family Education Loan Program loans. If this is the case, such a retroactive change would harm existing bondholders who made investment decisions based on the good faith representations of underwriters and dealers. It would also unsettle the market for tax-exempt bonds backed by student loans. Market participants would appropriately question whether the billing status of the loans backing the security could change at some point in the future. The obvious result could be increased costs for student borrowers as bond investors would demand a higher interest rate to compensate for the added risk posed by the legal uncertainty.

The BMA, on behalf of the issuers, investors and underwriters of tax-exempt bonds backed by student loans, respectfully asks whether it is correct to interpret the regulation as having a retroactive effect. If not, we ask that a clear statement from the Department

of Education stating that section 682.302 (e) and (f) is not applicable to the billing status of loans or bonds in effect on or before the date of enactment of these regulations.

Without such a statement to clarify the Department's intent prior to the effective date of September 8, 2006, we expect there will be a negative effect on the market.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. R. Vogt', with a stylized flourish at the end.

John R. Vogt  
Executive Vice President