

Action/Information Item

LOAN ADVISORY COUNCIL

Consideration of Repealing Section 30901 of the California Code of Regulations,
Title 5, Division 4, Chapter 1, Article 16 Regarding the Insurance Premium Rate
and Fiscal Soundness of the Reserve Fund

Section 30901 of the California Code of Regulations, Title 5, Division 4, Chapter 1, Article 16 [5 CCR § 30901] requires the following:

The insurance premium rate shall be reviewed annually by the Loan Study Council, or its successor, and a recommendation shall be made to the California Student Aid Commission for consideration in resetting the insurance premium rate. The Loan Study Council, or its successor, shall review the revenue and expenditure forecasts of the Federal Family Education Loan program administered by the California Student Aid Commission and make recommendations to the Commission related to the fiscal soundness of the reserve fund.

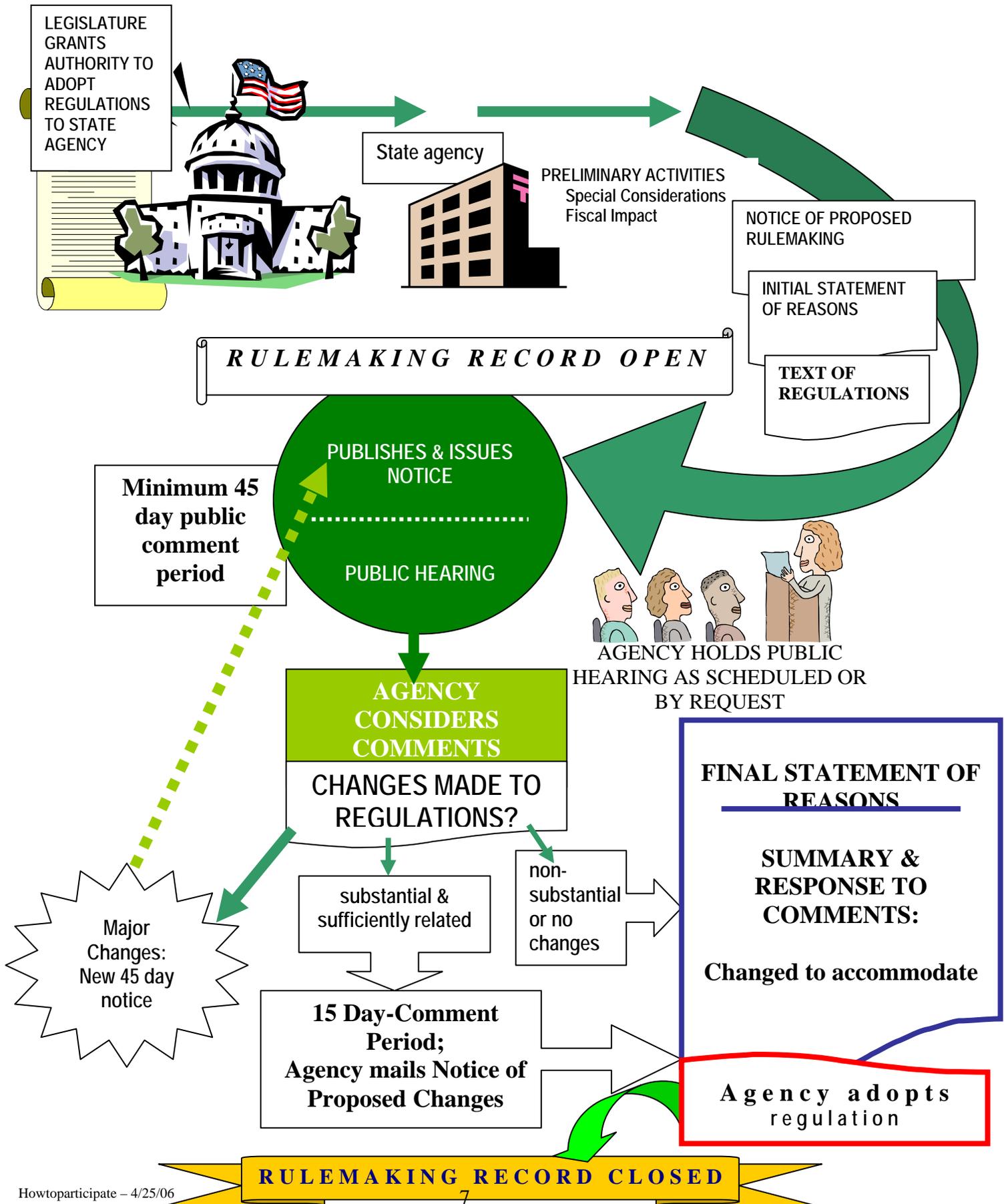
Until the passage of The Federal Deficit Reduction Act of 2005 (Act), guaranty agencies were authorized to set the amount of the insurance premium fee, more commonly known as the Guarantee Fee. However, the Act now requires the mandatory deposit to the Federal Fund of a Federal Default Fee of 1% of principal for loans guaranteed and disbursed on or after July 1, 2006. Federal regulations also require that the minimum reserve level of the Federal Fund be maintained at 0.25%. Therefore, 5 CCR § 30901 is obsolete. Staff will be recommending to the Commission that this regulation be repealed and asks LAC to adopt the same position.

The enclosed two-page diagram prepared by the Office of Administrative Law (OAL) depicts the State's rulemaking process. To begin the rulemaking process, staff will need to present the recommendation to the Commission.

Recommended Action: Recommend that the Commission take action to repeal 5 CCR § 30901.

Responsible Staff: Janet McDuffie
Acting Chief
Federal Policy and Programs

The Rulemaking Process



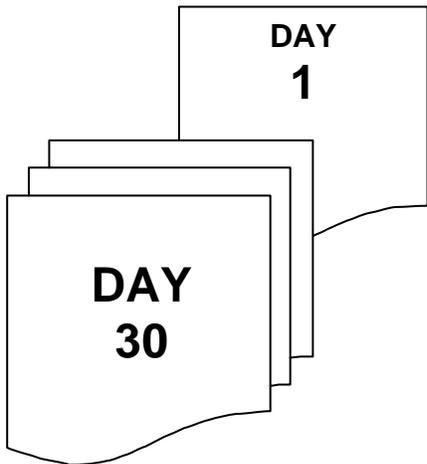
OAL REVIEW

State agency must submit rulemaking record within 1 year of notice publication

OAL has 30 WORKING days to review a regulation

APA STANDARDS:

AUTHORITY
REFERENCE
CONSISTENCY
CLARITY
NON-DUPLICATION
NECESSITY



& PROCEDURAL REQUIREMENTS

DOES THE RULEMAKING SATISFY THE APA?

