

Congress of the United States
House of Representatives
Washington, D.C. 20515

March 5, 2007

The Honorable Margaret Spellings
Secretary of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Secretary Spellings:

We write to express our concern with your Department's recent settlement with student loan lender Nelnet. Specifically, we find the decision to allow Nelnet to keep \$278 million in questionably obtained funds fiscally irresponsible. By allowing Nelnet to keep these funds, the Department is setting a poor precedent that we believe will encourage further abuse by lenders in the Federal Family Education Loan (FFEL) program.

As you know, for several years Nelnet submitted claims for Special Allowance Payments at the 9.5 percent floor rate on loans that were not made from eligible sources of funds. While your settlement correctly stops further payments on the outstanding Nelnet claims and requires audits on all other 9.5 percent floor subsidy claims, it falls far short of your Inspector General's recommendation to recollect those funds already released to Nelnet.

We ask that you revisit this decision and, if you again decide not to recover these funds, provide Congress with a justification for why Nelnet is entitled to retain them. Surely, upon further consideration you will concur that there are far more deserving and legitimate uses for these taxpayer funds, such as reaching the President's goal of deficit reduction.

Sincerely,



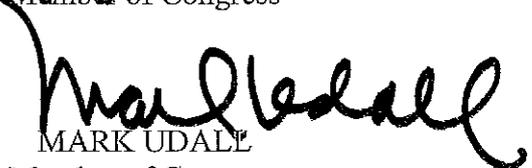
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cc: Attorney General Gonzales