

AMERICA'S STUDENT
LOAN PROVIDERS

www.aslp.us



Contact: Kevin Bruns
202.721.1190 / Kevin@aslp.info

The Facts about Student Loans

WASHINGTON, DC (Feb. 17, 2010) – America's Student Loan Providers today released the following statement in advance of a media briefing today by the U.S. Department of Education:

“As Congress seriously considers ending the Federal Family Education Loan Program, a centerpiece of President Johnson's Great Society program that has successfully served tens of millions of families for 44 years, it's important that the facts, and just the facts, be before the public and the Congress.

“It has been said that...

- **Savings from eliminating FFELP come from eliminating \$87 billion in lender subsidies** – that is wrong. There are no lender subsidies and haven't been since 2006. The source of most of the \$87 billion that the Congressional Budget Office estimates will be saved over 10 years by eliminating FFELP is not lender payments or subsidies. Rather, it comes from the income that the government will make from having a low cost of funds (close to 1 or 2 percent) and being able to get payments at 5.6, 6.8, and 7.8 percent on loans to families.
- **Lenders are fighting to preserve \$87 billion in subsidies** – that is wrong. The student loan community supports an alternative student loan reform proposal that saves close to that amount (\$83 billion). Moreover, the alternative could be implemented almost immediately, while avoiding job losses in local communities and unnecessary costs and disruptions for schools and students.
- **The Student Aid and Fiscal Responsibility Act (SAFRA) creates no additional costs or disruptions for schools that are being forced to convert from FFELP to the Direct Loan program** – that is wrong. For

many schools conversion has or will cost hundreds of thousand of dollars in staff time, new software and outside consultants. For many schools conversion will take not days or weeks, but months. They will also lose the critical delinquency aversion, default prevention, financial literacy and college access services they rely on from FFELP providers. Graduate schools, which don't participate in the Pell Grant program and therefore are not on the Department's Common Origination and Disbursement system, face particularly significant costs and disruptions.

- **Eliminating FFELP will result in no job loss** – that is wrong. Even after accounting for firms that would help administer the Direct Loan program should SAFRA pass, thousands of jobs in local communities across the country would be eliminated. Moreover, a new service job created in Washington, DC, is little consolation to the mother or father in Florida or Indiana or Nebraska or South Dakota who loses his or her job. FFELP participants are located throughout the nation.
- **SAFRA has stalled in the Senate because of lobbying** – that is wrong. The bill is stalled because of delays in passing a health reform bill and because of senators' reasonable concerns that SAFRA will eliminate jobs and consumer choice.
- **SAFRA saves enough money to pay for increases in Pell Grants and other new education initiatives and to reduce the federal deficit** – that is wrong. The increased utilization of Pell Grants (which is a good thing) means there will not be enough room to fund many of the other initiatives in SAFRA.
- **SAFRA saves billions of dollars for taxpayers by eliminating unnecessary middle men** – that is wrong. The Federal Direct Loan Program has always relied almost entirely on private, for-profit servicers to administer the program. However, under SAFRA, the government, not a competitive market, will dictate what companies participate. The Direct Loan will continue its reliance on so-called middle men – the difference being that FFELP offers families a choice of loan providers and the Direct Loan program doesn't. Consumers win when there is choice and competition, a point the Administration continues to emphasize in its push for health care reform.
- **The community proposal would jeopardize the Administration's plans to increase spending on new education initiatives** – that is wrong.

According to CBO, the community proposal produces close to the same savings as SAFRA.

- **SAFRA makes higher education more affordable for middle class families** – that is wrong. SAFRA doesn't address such important issues as interest rates on unsubsidized Stafford loans or the causes of rising tuition.”

To interview representatives from the student loan community about today's statement, please contact the following:

a) Brett Lief, president, National Council of Higher Education Loan Programs, 202 997-1005, blief@nchelp.org.

b) Harrison Wadsworth for the Consumer Bankers Association, 202 289-3903, hwadsworth@wpllc.net

America's Student Loan Providers represents the nation's leading private, nonprofit and state-based education and financial organizations that provide federally guaranteed student loans through the Federal Family Education Loan Program. By leveraging private financial markets and competing for the right to lend to students, ASLP members offer low-cost loans and superior levels of service to millions of students and most of the postsecondary institutions that participate in FFELP. More information is available at www.aslp.us or call 202.721.1190.

###