

July 15, 2009

Student Aid and Fiscal Responsibility Act to be Introduced Today

Rep. Tom Petri Comments

Rep. Tom Petri (R-WI) has endorsed the Student Aid and Fiscal Responsibility Act, legislation to be introduced today by Education and Labor Committee Chairman George Miller (D-CA). This bill would move all new federal student lending to the stable, effective and cost-efficient Direct Loan Program.

As a member of the Committee, Rep. Petri has worked persistently toward this goal for over two decades, battling the influence of the wealthy private lending institutions which have greatly benefited from taxpayer subsidies made available through the Federal Family Education Loan Program.

Petri commented:

"The Student Aid and Fiscal Responsibility Act is an important step forward for students and parents who will benefit from a more stable, efficient, and affordable federal student loan system by expanding the Direct Loan Program in place of the Federal Family Education Program. By eliminating unnecessary subsidies for private lenders and other middlemen, and instead reserving support for students, this change will help students to graduate with less debt by providing access to lower interest rates and increased Pell Grants for those with the fewest resources.

"While this is not a perfect bill, the elevation of the Direct Loan Program would greatly benefit students, parents, taxpayers, and the nation as a whole. This would bring to a successful conclusion a long effort on my part to reform student loans. I look forward to its passage and to its being signed into law."

Among other provisions, this bill would invest \$40 billion to increase the maximum Pell Grant scholarship to \$5,550 in 2010 and to \$6,900 by 2019. Starting in 2011, the scholarship would be linked to match the rising costs-of-living by indexing to the Consumer Price Index plus 1 percent.

The bill would keep interest rates low on need-based, subsidized federal student loans by making the interest rates on these loans variable beginning in 2012. These interest rates are currently set to jump from 3.4 percent to 6.8 percent in 2012.

Federal student loan borrowers would continue to benefit from private sector customer service, only this would be achieved, as it always has been in the Direct Loan Program, through a competitive-bidding process which would allow the U.S. Department of Education to select private servicers based on how well they serve borrowers, educate them financially, and prevent loan defaults.

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