

# The Washington Post

## Student Loan Measure Clears House Panel

By Daniel de Vise  
Washington Post Staff Writer  
Wednesday, July 22, 2009

A bill that cleared a House committee Tuesday would largely remove private lenders from the federal student loan industry, generating an estimated \$87 billion savings over 10 years to fund more government grants and loans.

The [Student Aid and Fiscal Responsibility Act of 2009](#) would eliminate an entire category of student loans issued by private lenders and subsidized by the federal government, vastly expanding direct lending by the government starting next July. Democrats would use the savings to fund a \$40 billion increase in federal Pell Grant scholarships over 10 years, \$10 billion in community college upgrades and \$8 billion in pre-kindergarten changes, among other uses.

Republicans opposed to the legislation say it amounts to a federal takeover of student lending. Democrats say the private lending program is in disarray because of the credit crisis, which has caused private capital to dry up. Republicans contend that the program will mend with the economy.

Initiated in 1965, the Federal Family Education Loan program -- which subsidizes loans made by private banks -- generated almost 80 percent of all federal student loans in fiscal 2008, serving 6.5 million students and creating \$55 billion in loans.

"We can either keep sending these subsidies to banks and a broken system, or we can start sending them directly to students and their families," [Rep. George Miller](#) (D-Calif.), chairman of the House Education and Labor Committee, said Tuesday.

Republicans countered that the program generates \$70 billion annually in private capital when the market is functioning properly and employs about 35,000 workers, many of whom could lose their jobs. Democrats rejected a Republican amendment that would have halted the legislation if research determined that more than 5,000 workers would be displaced.

"I have to ask: Is there any industry not on the verge of federalization?" said [Rep. John Kline](#) (Minn.), the senior Republican on the committee. Rep. Brett Guthrie (R-Ky.) said he wasn't "comfortable with the idea of the federal government acting as a profit-making bank."

The bill prevailed, 30 to 17, with two Republicans voting with the Democrats. It now goes to the full House. The issue will be taken up by the Senate after the House vote.

The bill would increase the maximum annual Pell Grant scholarship from \$4,731 last school year to \$5,500 in 2010-11 and \$6,900 in 2019. Starting in 2011, the annual grant would be linked to cost-of-living increases.

Advertisement » Your Ad Here



Republicans say colleges and universities will be hard-pressed to switch from subsidized to direct government lending. Democrats say the conversion will be relatively simple.

### Post a Comment

[View all comments](#) that have been posted about this article.

Comments that include profanity or personal attacks or other inappropriate comments or material will be removed from the site. Additionally, entries that are unsigned or contain "signatures" by someone other than the actual author will be removed. Finally, we will take steps to block users who violate any of our posting standards, terms of use or privacy policies or any other policies governing this site. Please review the [full rules](#) governing commentaries and discussions. You are fully responsible for the content that you post.

© 2009 The Washington Post Company

### Ads by Google

#### Cash For Clunkers Bill

GM's Official Site Has Program Info. See If You Are Eligible Now!  
[www.GM.com/Cash-For-Clunkers](http://www.GM.com/Cash-For-Clunkers)

#### Stimulus Financial Aid

Take Advantage of Stimulus Bill Aid for Education. Find a School Here!  
[FinancialAid.Search-Schools.com](http://FinancialAid.Search-Schools.com)

#### Private Student Loans

Find The Student Loan You Need. No Payments While You're In School.  
[www.WellsFargo.com/student](http://www.WellsFargo.com/student)