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Editorial: Direct loans best choice for students

There are instances where government can do something better than the private sector. Not many, but some.

Direct Student Loans for college education is one of them.

President Obama has proposed dumping the current two-pronged way students borrow money to attend college.

One of them uses the nation's banking system to lend the cash and the other has the government act as the lender and banker.

Since the government subsidizes and guarantees the bank loans to students, there is no risk to the banks, but there are substantial profits to be made. This program provides the overwhelming majority of the loans.

Direct Student Loans came about in the Clinton administration in the 1990s and were supposed to replace bank loans entirely. However, the banking lobby fought hard to keep its place in the lucrative student loan system.

But the revelations in the last few years of special favors and kickbacks being given by lenders to colleges and universities as an enticement to send student borrowers their way has soured many on the subsidized program.

And, since the government was so heavily involved in guaranteeing the loans and was paying millions of dollars in subsidies, there were many who wanted to cut out the middleman and save the taxpayers some money.

Among them is Wisconsin Rep. Tom Petri, whose 6th District includes Sheboygan County. For the last 20 years, he's been a champion for the college student by working to make cost-saving changes in the student loan program.

A recent Congressional Budget Office report supports his position. It estimates the federal government's savings at \$94 billion over 10 years by going exclusively to direct lending.

This would not only make it less expensive to many to attend college, the savings could be channeled into outright grants to poor students to attend college.

Obama, like Clinton did, will get a fight from the lending lobby.

Kevin Brown, executive director of America's Student Loan Providers, the largest organization of lenders making government-guaranteed loans, said Obama's plan "puts the government in the awkward position

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of needing to make a profit on students to fund grant recipients."

But the profit he's talking about is really the savings cited by the non-partisan budget office report and using that money to help poor students go to college is worth it.

With the U.S. falling behind other nations in the number of people attending and graduating from college, making it easier and less costly to go to college is the right way to go.
