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## Duncan Criticizes Sallie Mae, Banks

The Obama administration is widening its criticism of the banking industry, this time taking aim at lenders who oppose its campaign to overhaul the student loan business.

The overhaul effort, proposed by the White House last spring but now held up in the Senate, would eliminate all loan subsidies to private lenders and have the federal government issue all low-interest loans directly to students.

The nonpartisan Congressional Budget Office says the move would save about \$8 billion in loan subsidies a year, money the White House wants to use for other education efforts.

In an interview, Education Secretary **Arne Duncan** on Tuesday blamed the current stalemate on intensified lobbying by the banking industry. Banks and institutions like student-loan giant SLM Corp., he said, "will do anything to keep these subsidies flowing."

Duncan focused particular his ire on SLM, better known as Sallie Mae, accusing the company of raising alarms about potential job losses in targeted ads around the country, while also moving "thousands of American jobs overseas."

Sallie Mae officials, he said, have paid themselves "hundreds of millions of dollar in the last decade while teachers, nurses and scientists...face crushing debt because of runaway college tuition costs."

Officials at Sallie Mae said they don't oppose the administration overhaul; they merely want to modify it to preserve a role for private lenders to act as loan originators for a set fee.

"We have been trying to work with Congress to pass this legislation as soon as possible," said **John Remondi**, Sallie Mae's chief financial officer. "There is not a single statement that we have ever made or a single bit of evidence" to back the accusation that Sallie Mae is seeking to preserve the subsidy system, he said.

After passing the House by a wide margin last fall, the overhaul measure has yet to move in the Senate, where some lawmakers oppose the initiative as a federal takeover that will eliminate jobs in a numbers of states.

For all the administration's jousting at banks, however, the primary obstacle holding up the direct-lending bill isn't Sallie Mae or high-priced lobbyists.

Instead, Democratic lawmakers are waiting to see if they will try to move some of their health-care measures as an attachment to an education bill, through a process known as reconciliation, which requires only 51 votes to pass.

"There is broad Democratic support for making needed changes to the student loan program so that we can invest in education and our economy," said Sen. **Tom Harkin** of Iowa, Democratic chairman of the Senate health committee. "The timing of action on it, however, continues to be linked to the legislative strategy around health reform."

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