

February 11, 2010



Sam Stein

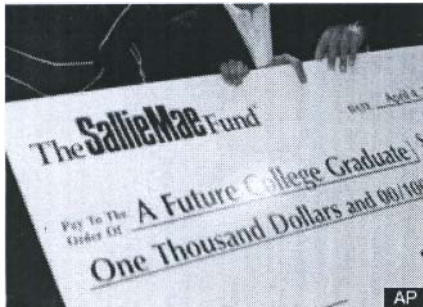
stein@huffingtonpost.com

HuffPost

Reporting

## White House Takes Aim At Lobbyists Trying To Sink Student-Loan Bill

First Posted: 02- 9-10 09:51 PM | Updated: 02-11-10 12:26 PM



The Obama administration has launched a final push to get one of the president's signature education reform initiatives, lashing out in unusually strong terms at the lobbying effort that threatens its passage.

Taking aim at Sallie Mae, the largest student lender in the country and a driving force behind the lobbying effort, Education Secretary Arne Duncan on Tuesday accused the company of using taxpayer funds to lobby and advertise, and cast its executives as white-collar millionaires uninterested in serious education reform.

"Sallie Mae executives have paid themselves hundreds of millions of dollars in the last decade while teachers, nurses, and scientists -- the backbone of the new economy -- face crushing debt because of runaway college tuition costs," Duncan said.

In an interview with the Huffington Post, Duncan called the administration's plans to overhaul the student loan program by ending government subsidies for private lenders "a once-in a generation, maybe once-in-a lifetime" opportunity that Congress would be foolish to let slip away.

But slip away it may. Despite its common-sense appeal and its passage by the House of Representatives, the Student Aid and Fiscal Responsibility Act -- which would eliminate the role that private industry plays in originating student loans -- has gotten a tough reception in the Senate, in large part because private lenders have spent a boatload of money protecting their turf.

Last week, *The New York Times* reported that Sallie Mae had launched an intense lobbying effort to push the Senate's hand, including "sit-downs with lawmakers, town-hall-style meetings and petition drives to plead their case and stay in business." Over the past year, the company spent more than \$4 million lobbying Congress, a review of campaign finance records showed. That was the equivalent of \$25,000 for every day Congress was in session.

Asked about the lobbying campaign, Duncan replied: "I think banks have had a sweet deal. They're a powerful lobbying force, and working-class families don't have lobbyists working for them. They're just trying to make ends meet and pay to go to college. And so you have strong, entrenched interests that have lobbied and continue to lobby to this day, and they're running ads in states. And you have, on the flip side, millions of working-class families trying to do the right thing and go to school."

Story continues below ↓

How the debate evolved to this is, in many ways, a reflection of the complications the legislative process has presented to the White House generally. Last fall, President Obama called the idea of removing the private industry's role in originating student loans a "no-brainer." Instead of giving private

lenders federal subsidies and guarantees to make student loans (as is the case under the Federal Family Education Loan program) the government would simply do it itself. The Congressional Budget Office estimated that reform would save taxpayers about \$87 billion over the next ten years -- money that would, in turn, be invested towards expanding Pell Grants for students in addition to other education initiatives. Smart politics, in short, begat even better political messaging. At least the House thought so, passing the Student Aid and Fiscal Responsibility Act this summer.

But in the Senate, the lobbyists have had better luck, successfully trotting out two basic arguments: That students would default more frequently with the government in the role of lender; and that reforming the student loan industry would result in substantial job loss in the private sector.

Supporters of the bill insist neither charge is legitimate. For starters, government is already chest deep in the loan industry, following the collapse of the financial markets and the decision of many schools to switch to direct loan programs. According to the Department of Education's congressional budget justification, more than 88 percent of federal student loan volume in the 2008-2009 academic year "was financed through capital provided by" the department. The remaining 12 percent is what the law would affect.

As for potential job losses, private industry would still be involved in servicing student loans -- making sure borrowers are making their payments on time, preventing default, and providing them with other services as well.

"I haven't found one [argument from Sallie Mae's lobbyists] that made sense yet," said Rep. George Miller (D-Calif.), chair of the House Education Committee. "We are now providing 88 percent of all the capital and over the next ten years we can save 85 billion dollars doing it a different way. And that money can be used to enhance the educational opportunities of millions of students in this country. It is a no brainer."

But conservative Democrats in the Senate, especially those with ties to the lending industry, have long been skittish on the issue. And their concerns, Capitol Hill aides say, have only deepened as the bill has been cast as a government intervention.

Miller, in an interview with HuffPost, insisted that the outlook still "looks pretty good" and that the likely avenue for passage in the Senate will be through a parliamentary procedure that allows a simple up-or-down vote. "It is in the reconciliation instructions today with the House," he said. "So that is done. And all the conversations I've had with the administration, the Senate, they will probably go together."

Duncan, likewise, spoke encouragingly about the bill's prospects. There is, he stressed, no parallel to draw between this legislative process and health care reform -- another Obama initiative that once seemed destined for passage. "I don't know if I agree with the analogy," he said. "The choice is so amazingly clear to me. You just stop subsidizing banks, and you save tens of billions of dollars of savings in education.

"We feel a sense of urgency in this," Duncan said. "It's a once in a lifetime, once in a generation opportunity. These kinds of opportunities don't come along too often. And we want to make sure we have a chance to invest unprecedented resources in dramatically improving education in our country."