



NATIONAL DIRECT STUDENT LOAN COALITION

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National Direct Student Loan Coalition Supports Senator Brown's Effort to Simplify the Student Loan Repayment Process

“The Coalition appreciates Senator Brown’s initiative to help student borrowers with his introduction of the Student Loan Simplification and Opportunity Act of 2011,” states Nancy Hoover, Chair of the National Direct Student Loan Coalition, in reaction to the announcement that U.S. Sen. Sherrod Brown (D-OH) will introduce legislation to simplify the student loan repayment process. Hoover, a practicing financial aid professional for 25 years, joined Brown on a conference call today to discuss the legislation and how it will benefit students.

While the transition to the Direct Loan program from the Family Federal Education Loan (FFEL) program over the past year has been successful, more than six million borrowers are currently lodged between these two student loan programs. This requires borrowers to make at least two payments to at least two servicers, which leads to confusion and a reduction in repayment rates. Senator Brown’s bill would give borrowers with both FFEL debt and Direct Loan debt the option to convert their FFEL loans to Direct Loans during a nine-month period. While conversion is not mandatory and students would not be required to consolidate their loans, those who do choose to make the conversion would receive up to 2 percent off the principal of their FFEL loan.

According to the Congressional Budget Office (CBO), the Senator’s legislation would lead to \$1.8 billion in savings over 10 years by eliminating federal subsidies for FFEL lenders. The \$1.8 billion in savings will be reinvested into the Pell Grant program, which is currently facing an \$11.2 billion funding gap for 2012. The Federal Pell Grant Program provides need-based grants to low-income undergraduate and certain post baccalaureate students to promote access to higher education.

The Student Loan Simplification and Opportunity Act of 2011 will benefit students by increasing transparency and simplifying the repayment process. Prior to this year, all Direct Loans were serviced by the same servicer. This legislation will help to ensure that students will be less likely to default on any of their loans because they will only have to make a payment to one servicer. In addition, the legislation will allow students to benefit from some of the loan forgiveness options available in the Direct Loan program and enables students to have another type of loan repayment option - Income Contingent- that has proven to be more beneficial than Income Based repayment for some borrowers.

The National Direct Student Loan Coalition is an alliance of schools dedicated to the continuous improvement and strengthening of the federal Direct Loan program. Coalition members are practicing financial aid professionals. For more information regarding the National Direct Student Loan Coalition, please see www.directstudentloancoalition.org.