

NATIONAL DIRECT STUDENT LOAN COALITION

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October 3, 2011

The Honorable Patty Murray
Co-Chair of the Joint Select Committee on Deficit Reduction
United States Senate
Washington, DC 20510

The Honorable Jeb Hensarling
Co-Chair of the Joint Select Committee on Deficit Reduction
United States House of Representatives
Washington, DC 20515

Dear Co-Chairs Murray and Hensarling, and members of the Joint Committee:

I appreciate the opportunity to submit the following comments to the Joint Select Committee on Deficit Reduction on behalf of the National Direct Student Loan Coalition (NDSLCL). The NDSLCL is a grass roots organization of practicing financial aid professionals dedicated to the continuous improvement and strengthening of the Direct Loan program and advocating for policies that are in the best interest of our students who must borrow to support their educational pursuits.

The NDSLCL feels it is critical to protect the Pell Grant at its current maximum while also retaining the rights and financial incentives for the current and future Federal Direct Stafford Loan borrowers. Students are already facing a doubling of subsidized loan interest rates (from 3.4% to 6.8%) for the 2012-2013 school year, and there are proposals to eliminate the interest subsidy during a student's grace period. It is irresponsible to continually cut need-based financial aid programs that help economically disadvantaged students obtain the post-secondary education necessary to support our nation's priorities.

We put forth to you the following alternatives that would eliminate placing the cost savings burden on the backs of our needy students:

1. Proposals from the President, as well as from Senator Brown (OH), would allow students to convert existing privately held loans through the Federal Family Education Loan program into federally held loans. Not only would it save the government money, it also provides financial and repayment benefits to the students who choose to take advantage of this option.

2. Current law requires that a portion of Federal Direct Loan servicing be awarded to non-profit lenders. Each of these lenders (there are currently 15) is guaranteed a minimum number of loans, and most importantly, paid a premium above what the original four servicers are paid. The original direct loan servicers have enough capacity to service the direct loan program. Paying additional servicers is unnecessary and eliminating the inclusion of these non-profit lenders, would provide additional budget savings.
3. In the last two budget cycles, the President has proposed changes to the current Federal Perkins Loan Program which not only expand the amount of loan capacity to schools by a factor of six but also offer budget savings that can be captured very quickly.

As you enter into your discussions we urge you to minimize any impact that future budget cuts have on our nation's neediest students. We feel that these proposals allow you to do just that.

Sincerely,

A handwritten signature in cursive script that reads "Margaret Rodriguez". The signature is written in black ink and is positioned below the word "Sincerely,".

Margaret Rodriguez
Chair, National Direct Student Loan Coalition