



## Obama bill will ease student loan burden

March 8, 2010

by [Anna Sanders](#)

---

Say goodbye to a frustrating loan process. The Student Aid and Fiscal Responsibility Act, if passed, will make the government's student aid programs more efficient and reliable.

The legislative proposal was passed last year by the House of Representatives and is held up in the Senate.

"This legislation will improve access to higher education by making college more affordable," said Rachel Racusen, spokeswoman for the House Education and Labor Committee.

If the bill would take into effect in July 2010 and would eliminate Federal Family Educational Loan, a program that subsidizes banks that fund student loans.

That would save the federal government \$87 billion by eliminating the fees it would have to pay when receiving money from private banking lenders to finance student loans.

The government would reinvest this \$87 billion into student loan programs that would allow it to raise Pell Grants and lower interest rates on need-based federal student loans. This would streamline the student loan process and re-establishing American leadership in college graduation rates by 2020.

During the State of the Union Address, President Obama explained the goals of the act.

"To make college more affordable, this bill will finally end the unwarranted taxpayer subsidies that go to banks for student loans," he said. "No one should go broke because they chose to go to college."

According to Roberto Rodriguez, special assistant to the president for education policy, the proposal would shift student lending to the Direct Loan program where the Department of Education provides students with low-interest loans. This shift could save Americans \$87 billion over 10 years.

"The SAFRA act calls for realigning how student loans are funneled and thus freeing up funds that used to be sent to banks and will now be freed up for important programs," said Alicia Hurley, NYU's vice president of government affairs and community engagement.

In addition, the Direct Loan program would be isolated from market swings during a recession, guaranteeing students access to low-cost college loans from the government regardless of the country's economic state.

"All of our students, by 2010-11 or the next year, will be participating in that version of the loan program," Hurley said.

Though Hurley said students should not see any large difference in lending options, Racusen disagreed.

"This legislation will make a tremendous difference for current and future college students dealing with skyrocketing college costs," she said. "It is a once-in-a-lifetime opportunity to invest tens of billions of dollars to make college more affordable for students and their families."