



**The State PIRGs'  
HIGHER EDUCATION PROJECT**



**United States  
Student Association**

June 23, 2004

The Honorable George Miller  
2205 Rayburn House Office Building  
Washington, DC 20515

Dear Representative Petri and Representative Miller,

On behalf of college students across the nation, we write to thank you for your sponsorship of the *Direct Loan Reward Act* (H.R. 4370). H.R. 4370 will provide hundreds of millions of dollars in additional student grant aid at no additional cost to taxpayers.

With rising college costs and last year's maximum Pell Grant award worth \$500 less, in real terms, than the maximum award in 1975-76, college students are in dire need of more federal funding for higher education. Congress should make college more affordable by cutting excessive and unnecessary lender subsidies and more efficiently directing limited federal funds to the students in need.

Currently, there are two basic student loan programs – the Federal Family Education Loan (FFEL) program and the Direct Loan program. Both provide students with the same basic package of benefits, the same loans at the same interest rates. Under the Direct Loan program, students borrow directly from the federal government, which eliminates the need for a middleman and significantly lowers the costs of lending. Under the FFEL program, banks receive generous subsidies, with virtually no financial risk, to make student loans that are guaranteed by the federal government. According to the President's FY05 Education Budget, the Direct Loan program costs billions of dollars less each year.

The *Direct Loan Reward Act* provides colleges an incentive to use the more taxpayer efficient Direct Loan program by passing on a portion of the savings generated by using Direct Loans, to students at participating schools. The National Direct Student Loan Coalition recently estimated that more than 6 billion dollars could be saved if colleges and universities chose to utilize the DL program.

With college tuition on the rise and students taking out more in more in loans to pay for higher education, government must recommit itself to significantly increasing need-based grants if it hopes to keep higher education affordable for the millions of low and middle-income students. H.R. 4370 accomplishes this goal without costing taxpayers an additional dime.

Sincerely,

Luke Swarthout  
State PIRGs' Higher Education Associate

Rebecca Wasserman  
U.S. Student Association