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House Passes Bill to Expand College Aid

By [TAMAR LEWIN](#)

The House of Representatives on Thursday passed legislation that expands federal aid to college students while ending federal subsidies to private lenders.

By shifting to direct federal lending, the Obama administration said it would save more than \$80 billion over 10 years, which would go into higher [Pell grants](#) for low-income students, new investments in [community colleges](#), early-childhood programs and other education efforts.

[The vote was 253 to 171](#). The measure, the Student Aid and Fiscal Responsibility Act, now goes to the Senate, where Democratic leaders expect it to pass.

“This legislation provides students and families with the single largest investment in federal student aid ever,” said Representative [George Miller](#), Democrat of California and chairman of the House Education and Labor Committee, who wrote the bill. “Today, the House made a clear choice to stop funneling vital taxpayer dollars through boardrooms and start sending them directly to dorm rooms.”

Under the current program, the government pays subsidies to lenders and guarantees the loans. All colleges would be required to convert to the federal Direct Loan program by July 1, 2010.

The student-loan legislation would provide \$40 billion to increase the maximum annual Pell grant scholarship to \$5,550 in 2010 and to \$6,900 by 2019, from \$5,350 now. Starting in 2011, the amount of the scholarship will be linked to the cost of living, rising along with the [Consumer Price Index](#), plus 1 percent.

Advocates for students were delighted with the passage of the legislation.

“This legislation helps renew the promise of student aid programs for the tens of millions of students who rely on grants, loans and access to community college to achieve a college education,” said Rich Williams, the higher education associate for [U.S. PIRG](#).

Two-thirds of American students borrow money to pay for their college education, and last fall’s market turmoil made their prospects uncertain.

“The No. 1 reason we entered the whole review of the [student loan](#) situation was reliability, to make sure that loans will be available regardless of the credit markets,” said Robert Shireman, the deputy under secretary of education. “We came very close to a tough situation last year.”

The legislation includes about \$10 billion for community colleges, some for work force training programs and some for construction, an unprecedented federal investment in the two-year colleges that enroll about six million students a year.

It provides about \$8 billion for early-childhood programs, another area that has received little federal aid, and \$2.55 billion for historically black colleges and universities.

The legislation also has provisions to strengthen the [Perkins Loan](#) program and cut down the number of questions on the Free Application for Federal Student Aid, or [Fafsa](#), the form that families must complete to apply for financial aid.

Democrats said the student-loan legislation would save enough to finance the new programs and still leave \$10 billion to return to the [Treasury](#), while Republicans called the legislation a “massive entitlement spending spree” that would add to the deficit, not reduce it.

“The president’s goal is returning the nation to our place as No. 1 in the world in adults with college degrees,” Mr. Shireman said. “This legislation is not just about financial aid, but about all the president’s priorities in bolstering the education pipeline.”

The Senate is expected to take up the legislation at the end of the month, amid stepped-up efforts from private lenders to block a change they say will cost thousands of jobs.

Republicans and private lenders alike have characterized the student-loan legislation as an intrusive government takeover that will erode consumer choice — the same arguments raised in opposition to [health care reform](#).

Representative John Kline of Minnesota, the top Republican on the Education and Labor Committee, said in the debate that the student-loan issue bears “an eerily strong resemblance to the health care debate that rages on today” — and that there was no reason to end the Federal Family Education Loan, started in 1965 and still used by three-quarters of the nation’s colleges and universities.

“Today’s vote was about expanding the size and scope of the federal government through tens of billions of dollars in new entitlement spending and the elimination of choice, competition, and the innovation of the private sector,” Mr. Kline said. “This job-killing legislation is rife with hidden costs that will be passed on to future generations.”

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