

Banks dropped from student loans

by Jaime Dunkle
Associate News Editor

The federal government is eliminating its reliance on the banking system for loans. Students will receive federal money straight from the source, and three federal-mandated lending agencies will be helping students with the loan process.

On March 17, the "government" has been mulling over the details of the 2,300-page "Reconciliation Act of 2010" bill. After the bill was placed on the floor of the Senate, it was named the "Health and Education Reconciliation Act of 2010."

On Thursday, March 18, Congress passed the bill.

For students, this means no more interfacing with banks to apply for loans. The changes will be effective at the beginning of summer

applying for loans will be easier for students and for financial aid staff, according to Student Financial Services Manager Chippi Bello.

Students will be able to borrow money directly from the government, Bello said.

Bello said that she is anticipating any changes in the system due to the new direct loans program.

Direct student loans from the government and have been around for years. Now all direct loans will be, as mandated by Congress



George Craig Clackamas Print

Long lines at the Enrollment Services Department are filled with students who are waiting to talk about registration and financial aid during the second week of classes.

starting July 1. The concept of direct lending was proposed to colleges in 1995 during Bill Clinton's administration. At that time, about 50 percent of the colleges agreed to participate. The competition between the federal government and banks ultimately meant better customer service for the students, according to the director of Student Financial Services, Fayne Griffiths.

A shift in the economy brought the government

to decide on innovative cuts to high cost capitalism.

"Through all of the problems that we had with the recession and Obama's administration, it became clear that federally subsidizing banks to give out student loans was going to be too expensive," Griffiths said.

The terms and conditions of student lending programs will not change and have always been the same regardless of the loan source, according

to Griffiths, who is also the project leader of the direct loan program at Clackamas Community College.

Instead of clicking through Web sites, searching for lenders and entrance counseling, everything will be available on the same Web site, <https://studentloans.gov>. All students planning to rely on loans for the 2010 through 2011 school year need to apply at that Web site, according to Griffiths.

The direct loan pro-

gram informs the student of any missing elements of the loan process. The federal government responds by directly applying the money to the college. The banks are not involved, thus there is no intermediary, according to Griffiths.

"We're hoping that what we will see is that instead of a 14 day wait for the delivery of loan funds, we'll be able to cut that in half," Griffiths said.

There will be no changes made to existing

student loans, according to Erica Eriksson, a spokesperson for Sallie Mae.

"Sallie Mae will continue to offer savings programs, interest-free tuition payment plans and private loans," Eriksson stated in an e-mail.

After applying for loans, grants and scholarships, Eriksson recommends that students fill any gap with a pay-interest-as-you-go private education loan.

Removing banks from the college loan equation is not such a bad idea, according to lawyer Ellen Brown, who is also an author on economics, politics and health issues.

Loaning to students is risky business for banks. Students often do not have collateral or assets and may have a harder time finding work after college during the recession; banks will not gamble out student loans without the government underrating, according to Brown.

"Going back all the way to 1965, the government said, 'OK, we'll pick up the loan,' so the banks are getting the profit," Brown said. "That's obviously a bad deal for the government."

Since the government is the lender, not only will the interest contribute to student funding, it will cut out the banks with the incentive to profit from defaults, according to Brown.

"There will be more money available for Pell Grants, for people who can't afford college at all," Brown said.

MERKLEY: Great health care debate

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The Senator indicated that he believed the reform bill should have been several separate bills to make the subject easier to process. However, when asked whether he had read the bill, Merkley said, "I've not just read it; I've studied

several members of the audience said things from their seats during their turn was over. One such person was so upset with the answer to this question about who gave government authority to force citizens to buy health insurance, he made it known that he was angry by responding, "You didn't answer my question."

Merkley's answer was, "The enumerated Amendment." Another man who said he is a dentist made a simple comment about how he felt about the health care bill by saying, "It's not about health care; it's about

other people disagreed. I think that people should have shown him a little more respect and understood that he is there to explain what is going on," said

Badeau, whose primary interest in talking to Merkley was to discuss the lack of benefits available to disabled veterans. She had, at the time of this interview, not heard back from Merkley's office with details.

"You're gonna have a choice; you can either pay an annual fee to be outside or you can obtain health care. If they choose to opt out, they would pay what is probably going to be about \$1 a day in an opt out fee which will help compensate the health care system for the costs that occur through the emergency room for folks who do not have health insurance," said Merkley.

On the subject of education, Merkley said, "We not only voted on health care but on a plan that reforms student loans, moving them into what has been much more cost-effective direct lending and that direct lending is going to save a huge sum of money that we're putting into Pell Grants."

"It reflects the fact that college is just way too expensive vis a vis the salaries of our economy. We have to crank up our support through better lending and better Pell Grants," said Merkley.

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