

Counterpoint: Competition aids students
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There is no doubt that the subprime mortgage meltdown has spread to other sectors of our economy, as you noted in a recent editorial ("Students may find it difficult to secure higher-ed funding," March 12).

We are working closely with Congress and the federal government to assure that no student or school will have difficulty accessing low-cost student loans for the coming academic year. We believe that the U.S. Treasury and others must help facilitate relief for the troubled bond market, which is restricting access to funding needed to make student loans.

If the federal government intercedes sooner, rather than later, relief will come, the markets will settle down, and the Federal Family of Education Loan Programs (FFELP) will remain the most stable, customer-focused and cost-effective student loan program.

But your analysis comparing FFELP to the Federal Direct Student Loan Program is lacking in accuracy and context.

Most Pennsylvania postsecondary schools participate in FFELP because it offers the best loans and services. In addition to administering state-funded aid programs, the Pennsylvania Higher Education Assistance Agency is federal loan guarantor and servicer in the FFELP.

The program has succeeded so well for decades because of a public-private partnership joining private-sector capital, efficiencies and innovation with the public sector's mission of providing affordable access to higher education.

An underlying reason for this success is that competition breeds efficiency and lowers costs for consumers. Students win when banks compete. Competition has always provided consumers with the best products, services and choices.

The editorial stated that it's "more financially beneficial to schools to focus on FFELP loans, which often come with a form of kickback from the lender." Kickbacks are a violation of federal law, which we respect and obey.

FFELP provides advantages to students, such as lower costs, better repayment terms, superior service and the ability to quickly adapt programs to the evolving needs of students. For schools, FFELP provides the most efficient loan processing and delivery system, specialized customer service and proven reliability and stability. Again, all of these benefits, and more, are the result of the most basic of all economic dynamics -- competition.

The contention that the Direct Loan Program is more cost-effective than FFELP is a myth. Studies advanced by Direct Loan supporters often omit key administrative and other costs, which when taken into account show that FFELP is more cost effective. Objective data now shows that the Direct Loan Program costs taxpayers about 2 1/2 times more than FFELP.

If the Direct Loan Program was the only federal student loan program, then the U.S. government would be the sole provider of student loans -- offering no competition or alternatives for millions of students. Every loan would be issued from the U.S. Treasury, so every loan would be automatically added to our already soaring national debt. Our national debt would grow by roughly \$1 trillion in the next decade under this scenario.

The Direct Loan Program is also more expensive for Pennsylvania students because they must pay an up-front charge of

at least 0.5 percent of the loan amount with a conditional charge of up to 2 percent. PHEAA's KeystoneBEST, a FFELP loan, continues to be available as a "zero-fee" loan. FOR THESE reasons and more, Pennsylvania needs a strong FFELP community to provide the competitive balance needed to ensure greater operating efficiencies and constantly improving customer service.

Our congressional leaders should debate the viability and benefits of both FFELP and Direct Loan Program in order to safeguard the long-term needs of our students and schools. We continue to work closely with Pennsylvania's congressional delegation and the federal government to ensure that no school or student will have difficulty accessing the financing they need for the coming academic year -- and beyond.

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