



Written by [Raven Clabough](#) on March 23, 2010

## House Dems Cut Student Loan Provisions for Votes

Last-minute scrambles to attain the necessary 216 votes prompted Democratic Congressmen to revamp their touted student loan bill that was inserted into the healthcare bill and passed through reconciliation on Sunday.

The Student Aid and Fiscal Responsibility Act (SAFRA), passed by the House of Representatives in September of 2009, is part of President Obama's American Graduation Initiative, intended to significantly increase graduation rates by 2020. When Senate approval of the bill seemed unlikely, Democrats elected to enter the student loan provisions into the healthcare bill.



To the dismay of House Democrats, changes needed to be made to the student loan bill in order to gain the much-needed votes from the more fiscally responsible House Dems. Additionally, reconciliation budget rules mandate that if the student loan bill was to be passed by reconciliation, a portion of the savings from the student loan bill must be redirected to deficit reduction.

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The student loan bill was originally estimated to save \$87 billion. These savings were to be applied to a restructuring of school infrastructures, Pell and Perkins loan programs, and early childhood education. After changes were made to the bill to ensure passage, however, the projected savings are now approximately \$61 billion, of which \$10 billion is allocated to deficit reduction.

The difference in \$20 billion dollars has forced Democrats to abandon the \$8 billion intended for early childhood education and billions of dollars designated to cut interest rates. They also had to lower the proposed Pell grant maximum from \$6,900 in 2019 to \$5,900.

Currently, the Pell Grant Program faces a \$19 billion budget shortfall because more students have applied and qualified for Pell grants in 2009-10 and 2010-11. The student loan bill covers \$13 billion, leaving the burden of finding the rest of the money with Congressional appropriators.

Additionally, the Dems had to resign their hopes of creating a \$3 billion College Access and Completion Fund intended to foster college institutions' innovation. Instead, they've invested \$750 million toward the existing College Access Challenge Grant Program.

The final agreement allocates \$255 million a year to historically black colleges. Likewise, \$2 billion is set aside to help two-year institutions over the course of four years, as opposed to the original \$10 million proposed by the House.

Loan companies have seized upon the bill's application of loan savings to the federal deficit to further their claims that the Democrats have placed the rights of the students on the backburner to push their own agenda.



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Industry lobby group America's Student Loan Providers issued this comment in a statement: "Should students be paying for their neighbor's medical costs?"

*Photo: Julie Kubisiak, a Bank of North Dakota senior vice president and student loan director: AP Images*



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