

United States Senate

WASHINGTON, DC 20510

November 3, 2009

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Secretary Duncan,

I am writing to request that you reconsider the October 26 letter you sent to more than 3,500 institutions of higher education regarding the federal student loan programs. Since Congress hasn't acted on the president's proposal to originate all new student loans under the Direct Loan program, your recommendation that institutions become "Direct Loan-ready" is premature.

On the other hand, even if your recommendation were appropriate, it comes too late for schools and students. Colleges and universities start making financial aid decisions for students in two months, at the beginning of the new year, and continue to do so right up until the start of the fall semester.

According to your staff, it will take up to four months for schools to make the transition to the Direct Loan program. Your staff also tells mine that only 1,990 of the 5,455 schools that participate in federal student loan programs are prepared to participate in the Direct Loan program. That means that 3,465 colleges and institutions across this country, serving millions of students, are not ready to participate in the Direct Loan program and will not be able to offer financial aid packages to students admitted in January.

That is why, instead, I encourage you to:

- 1) Work with Congress to extend the bipartisan Ensuring Continued Access to Student Loans Act, which provides emergency financing to back up all of the traditional student loans that are made and which worked out very well—even generating over \$5 billion in fees paid to the government.
- 2) Work with Congress to find bipartisan solutions to fixing the student loan programs so that they work for all our colleges and universities and students at reduced taxpayer expense. For example, if student loan subsidies are too high, extra funds should be used for the direct benefit of students, not for new programs.

- 3) If Congress and the President change the law, then develop a better transition plan for those schools that ultimately do choose to switch to the Direct Loan program so that no student is at risk of being unable to afford the college of their choice.

I look forward to working with you to find bipartisan solutions to addressing the problems within both student loan programs. We share the goal of helping millions of Americans afford, attend, and graduate from college. The government should help foster the best system of higher education in the world, not stifle it by reducing choice and competition for students.

Sincerely,

Lamar Alexander

Lamar Alexander
United States Senate

cc: Senate Committee on Health, Education, Labor and Pensions Members