Student Aid Reward Amendment:
Lender Myths & Budget Facts

Myth #1:
Lenders: *The Direct Loan program has never achieved a surplus.*

Fact: Neither has the FFEL program for that matter, but the DL program has come far closer than FFEL ever has to breaking even. While their loans continue to cost taxpayers three times as much, the lenders are, surprisingly, trying to use FFEL's fundamental weakness as a criticism of the DL program. The Congressional Budget Office most recently found that the STAR Amendment would provide savings of $13.4 billion over the next 10 year.

Taxpayer Subsidy on Student Loans *(per $100 loan)*

Fiscal Year	*2005*	*2006*	*2007*
Federal Family Education Loans	$16.87	$10.74	$7.59
Direct Loans	$ 3.08	$ 3.67	$1.70

Myth #2:
Lenders: *The GAO and CBO agree that budget data does not capture all federal costs.*

Fact: The GAO, CBO, and OMB agree, however, that no matter these unaccounted costs, this same budget data has never shown FFEL as being equally as or more efficient than the DL program. Furthermore, OMB has started to include administrative costs into its subsidy calculations over the past two years while the numbers continue to show FFEL as the more expensive program.

Myth #3:
Lenders: *The current loan structure emphasizes choice and competition.*

Fact: There is no market competition in the FFEL program. All lenders are guaranteed the exact same subsidies, regardless of their costs, efficiency, etc. Lenders compete among themselves for market share, but not to the benefit of taxpayers.

Myth #4:
Lenders: *STAR would discriminate against students who attend a FFEL school.*

Fact: STAR would encourage both schools and students to participate in the more cost-effective loan program for taxpayers because the savings generated under the program would provide up to an additional $1,000 per Pell Grant recipient. This means more financial aid for students - something both schools, students, parents, and taxpayers can all agree on.