

Congress of the United States
House of Representatives
Washington, DC 20515-4906

March 28, 2005

Increase Pell Grants at No Additional Taxpayer Cost...

Support the Petri-Miller 'Student Aid Reward (STAR) Amendment' to Make College More Affordable

Dear Colleague:

The evidence continues to grow: the Direct Loan (DL) program is far more efficient than the Federal Family Education Loan (FFEL) program. That is why we plan to offer the bipartisan *Student Aid Reward (STAR) Amendment* to the Higher Education Act this week. This amendment would increase Pell Grants by up to \$1,000 per recipient as well as devote some of the additional savings to deficit reduction.

Both these critical needs can be met by encouraging more colleges and universities to use the less expensive student loan program. You may be surprised at who has already agreed that greater use of the DL will save taxpayers money:

The Office of Management & Budget (OMB) Agrees:

- [Under FFEL], "the Federal Government assumes almost all of the risk for the [student] loans... These problems lead to unnecessary costs for taxpayers and prevent the program from achieving the efficiencies the market is designed to provide." - *President Bush's FY 2006 Budget*

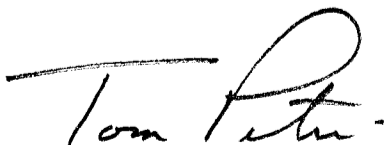
The Congressional Budget Office (CBO) Agrees:

- "We have subsidies to the student plus to the lender. And the net effect is that if we went under current law to the direct student loan program, we'd save money basically because we'd subsidize those loans less heavily." - *Former CBO Director Douglas Holtz-Eakin, January 2005*
- "(CBO) estimates that loans made under FFEL program have higher budgetary costs to the government than direct loans do." - *CBO Paper, "Subsidy Estimates for Guaranteed and Direct Student Loans, November 2005*

The New York Times and Washington Post Agree:

- "The STAR program would reserve more money for student aid and inject competition into the current lending scheme." - *New York Times Editorial, July 18, 2005*
- "[The STAR Act] may not be the only solution to the problem, but it is worth taking seriously... Maybe it's time to change the rules and make sure that more of the student loan money goes to students, not banks." - *Washington Post Editorial, February 17, 2005*

Sincerely,



THOMAS E. PETRI
Vice-Chairman
Education & the Workforce Committee



GEORGE MILLER
Senior Democratic Member
Education & the Workforce Committee