



## **The Government Takeover of Student Loans Hurts Families and Consumers**

**Democrats are raiding federal student aid in order to pay for their massive, flawed and unpopular health care proposal.** Approximately \$9 billion in education savings will be diverted from students to help pay for the cost of the Obama Administration's health care proposal.<sup>1</sup>

**A government takeover of student loans adds one trillion to the national debt.** Every dollar lent by the Direct Loan program is borrowed by the U.S. Treasury. This proposal would add approximately one trillion dollars in new debt over 10 years.<sup>2</sup> This is money that will have to be borrowed from China or other foreign creditors to finance another government takeover. Concerns about the United States' already uncontrollable national debt have led to increasingly dire warnings about the ability of the government to maintain its AAA credit rating.<sup>3</sup> Additional federal borrowing will only increase the threat to this rating, which will drive up borrowing costs even further.

**A government takeover of student loans will result in job losses at a time when they federal government should be doing everything possible to protect jobs.** According to estimates from the National Council of Higher Education Loan Programs, the Consumer Bankers Association, and the Education Finance Council, eliminating the Federal Family Education Loan program could result in the loss of 30,000-35,000 private sector jobs. In these challenging economic times, the federal government should be working to protect private sector jobs, not eliminate them.

**A government takeover of student loans will vastly expand the federal government's role and make the U.S. Department of Education one of the nation's largest banks.** With Direct Loans estimated to loan out \$100 billion every year (or \$1 trillion over 10 years) from the federal coffers, the outstanding balance of loans at the U.D. Department of Education will now be on par with banks such as Goldman Sachs and Morgan Stanley.

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<sup>1</sup> Congressional Budget Office, March 20, 2010,

<http://cbo.gov/ftpdocs/113xx/doc11379/Manager%27sAmendmenttoReconciliationProposal.pdf>

<sup>2</sup> Ibid

<sup>3</sup> Bloomberg, "Obama Pays More Than Buffett as U.S. Risks AAA Rating," March 22, 2010,

<http://www.bloomberg.com/apps/news?pid=20601087&sid=ayK1N3ffXarY&pos=2>