



U.S. House of Representatives
COMMITTEE ON THE BUDGET
Washington, DC 20515

February 25, 2010

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

Dear Secretary Duncan:

Last year the President proposed to modify and expand the Perkins loan program in his fiscal year 2010 budget, and the House then passed H.R. 3221, the Student Aid and Fiscal Responsibility Act, which alters the Perkins loan program in line with the President's proposals. I support the goals of the bill, which transforms higher education policies to make college more affordable while saving taxpayers' money and contributing to deficit reduction. But I am concerned about a provision in the bill relating to changes to Perkins loans and I hope the Department of Education can offer options to address my concerns.

In its current form, the bill will have the effect of costing jobs at both college campuses and in small businesses that service Perkins loans for institutions of higher education. The bill converts Perkins loans into a federal direct loan program, with campuses maintaining the decision-making authority over which students receive loans, but the federal government will provide and service the loans directly to students. As such, college campuses will no longer need to have staff managing the loan program, and will no longer hire local firms to service the loans and work with students to collect outstanding loan amounts.

In my own congressional district in South Carolina alone, the change to Perkins direct loans will endanger the jobs of nearly 300 employs at two firms with decades of experience managing Perkins loans for local college campuses. Because the companies are relatively small, they lack the capital that would be necessary to take the steps to qualify to be a contractor on a federal direct loan program. I am concerned that across the country, other communities will also lose these types of jobs at a time when the economy is just beginning to rebound, and that college campuses will lose the expertise that comes with many years of experience managing and servicing Perkins loans programs.

As H.R. 3221 works its way through Congress, I would like to ask the Department for help crafting a solution that will provide cost-effective Perkins loans to students in a way that

minimizes local job losses and maximizes the experience of those who have administered the loans for years. I look forward to working with you and other Members of Congress that share my concerns. Thank you for your attention to this vital matter.

Sincerely,

A handwritten signature in black ink that reads "John M. Spratt". The signature is written in a cursive, slightly slanted style.

John M. Spratt, Jr.
Chairman