The William D. Ford Direct Loan Program
A HISTORICAL REVIEW

1985 - Rep. Tom Petri (R-WI) first introduced legislation (H.R. 2733) to create the Income Dependent Education Assistance (IDEA) program: direct student loans with repayment based on income, collected through payroll deduction. Congress introduced subsequent versions of the legislation in later years.

1990 - Passage of the *Federal Credit Reform Act of 1990* as part of the *Omnibus Budget Reconciliation Act of 1990* (H.R. 5835) leveled the playing field for all federal credit programs by treating direct loan and loan guarantee costs equally.

1991 - The *Middle Income Educational Opportunity Act of 1991* (H.R 3211), introduced by Representative Robert Andrews (D-NJ), proposed the replacement of the guaranteed loan program with direct lending over a five-year period.

1991 - Senators Paul Simon (D-IL) and Dave Durenberger (R-MN) introduced the bipartisan *Financial Aid for All Students Act* (S. 1845), a proposal to use direct loan savings to create a Pell Grant entitlement, along with a version of Rep. Petri's IDEA direct loan proposal.

1992 - Congress authorized the William D. Ford Federal Direct Loan Program (DL program) as a pilot program in the *Higher Education Amendments of 1992* (S. 1150), which reauthorized the Higher Education Act.

1993 - Congress passed the *Student Loan Reform Act (SLRA) of 1993* as part of the *Omnibus Budget Reconciliation Act of 1993* (H.R.2264), which made permanent the DL program and authorized it to be phased in over a five-year period.

1995 - Secretary of Education Richard Riley agreed not to encourage or require colleges to switch to the DL program from the Federal Family Education Loan program (FFELP), as part of a compromise to sustain the DL program.

1998 - Reauthorization of the Higher Education Act through the *Higher Education Amendments of 1998* (H.R. 6), gave the Secretary of Education the authority to level the financial benefits between the DL program and FFELP, if Direct Lending benefits were revenue neutral.

(Continued)

About the Higher Education Loan Coalition (HELC)

HELC is a grassroots organization of practicing financial aid administrators dedicated to the continuous improvement and strengthening of student loan programs. Since its inception in the early 1990s and through its transformation to the Higher Education Loan Coalition, the National Direct Student Loan Coalition has been seen as the leading voice in student lending reform and student advocacy. The founding members recognized the need for an organization to work with the Department, Congress and the community to develop a strong and effective Federal Direct Loan Program.

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1999 - The Department of Education, under Secretary Richard Riley, reduced the 4% Direct Loan origination fee to 3%.

2000 - After years of meeting informally to build support for the DL program, a group of financial aid directors formed the National Direct Student Loan Coalition incorporated on May 12, 2000 in Washington, D.C.

2000 - The Department of Education, under Secretary Richard Riley, reduced the remaining 3% origination fee to 1.5%.

2000 - Lenders sued the Department of Education in an attempt to block the Department from offering loan discounts to DL program borrowers without offering similar discounts to FFEL borrowers. The lenders also questioned whether the discounts were in fact cost neutral, as required by the Higher Education Act. Ultimately, the lawsuit was unsuccessful.

2006 - The *Higher Education Reconciliation Act of 2005* (S. 1932) doubled the 1.5% origination fee paid in 2006, the first year of the phase down of the fee to 1%. It also mandated that a 1% FFELP guarantee fee be paid to the government.

2007 - Passage of the *College Cost Reduction Act (CCRA)* (H.R. 2669) addressed FFELP abuse by reducing lender subsidies and reducing interest rates on student loans.

2009 - Passage of the *Ensuring Continued Access to Student Loans Act (ECASLA)* (H.R. 5715) allowed the Department of Education to buy Guaranteed student loans made by private lenders. Federal capital provided to private lenders resulted in both programs sharing more characteristics of the Direct Loan program.

2010 - Congress terminated FFELP with the *Student Aid and Fiscal Responsibility Act (SAFRA)*, which passed as part of the major health care reform bill, the *Health Care and Education Reconciliation Act of 2010* (H.R. 4872).

2012 - The National Direct Student Loan Coalition changed its name to the Higher Education Loan Coalition, reflecting the organization's increased scope in student loan support.

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