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## Don't make cuts to VSAC

**P**resident Obama's plan to reform the nation's college financial aid system aims to cut out the middle man — banks who make a profit out of loans given to students or their parents.

Instead, Obama would channel federal loans directly to those who need them. Why, after all, should money needed for education be siphoned off by banks?

The president of the Vermont Student Assistance Corp. wonders why money needed for education should be siphoned off by the federal government. That is what would happen under Obama's plan, according to Don Vickers of VSAC. At stake is VSAC's future and the broad array of services it provides to students and their families.

VSAC is a nonprofit organization established by the state of Vermont to provide financial aid and guidance to Vermont students and their families. It is a major force in higher education in Vermont, providing aid to thousands of Vermont students and helping them sort through a complex tangle of financial aid options.

VSAC is also a major business, employing 350 workers who carry out a range of services and manage hundreds of millions in loans.

It makes sense to cut out middle men whose profits contribute nothing to the mission of higher education, which is why Obama is pressing to set up a program that would circumvent the banks. He would do so by abandoning the Federal Family Education Loan program and channeling federal financial aid through a direct loan program that cuts out private lenders, as well as nonprofits such as VSAC.

The issue is who gets the proceeds from federal student loans — the interest paid by students or parents — and what they do with it. VSAC makes good use of the proceeds it receives from the loans it services. Its staff is trained to answer the phone, to offer good advice, to understand the options facing students and families and to serve the students' interests. That's all before the loan is awarded. After the loans are awarded, the

agency servicing the loan is not some distant financial entity. It is the same local agency whose mission is to serve Vermonters.

Under Obama's plan the proceeds of the loans would go back to the federal government, which charges higher interest and fees than VSAC and which would not channel the proceeds back to student services. It is doubtful that the federal government would save a great deal of money from this change, but it is clear Obama's proposal would diminish the service to Vermont students.

One of the problems with exclusive reliance on direct lending is that the federal government would have to rely on private companies to service its student loans, an expense that would negate the anticipated savings. Experience has shown that direct lending by the federal government is not any cheaper for students.

A number of states have agencies similar to VSAC. They are not the ones who are wasting student aid money. They are the ones who are making the best use of it.

The conservative argument against big government is that it is distant from the people it is supposed to help. VSAC and similar agencies are close to the people, and channeling financial aid through them is an efficient way for the federal government to carry out its mission to support higher education.

The liberal argument against involvement of private lenders is that allowing banks to take a chunk of the money contributes nothing to the cause of higher education. But allowing VSAC to redirect proceeds from its loans to services for students advances the cause of higher education. The state-level agencies such as VSAC help to resolve the federalism question of who is best equipped to do the job.

Democrats in Congress may feel compelled to move in lockstep to pass Obama's program, but VSAC is hoping Sen. Bernard Sanders, who sits on the relevant committee, can work to modify the program so that VSAC and similar agencies around the nation can continue their work. It would be a worthwhile cause for Sanders to take up, helping the Democrats improve their proposal by allowing choices. The federal direct loan program may be suitable for some. But VSAC's services are crucial for thousands of Vermonters, and to end them would hurt, not help, the cause of higher education.