

Health Care and Education Reconciliation Act of 2010: Student Loan Reform Provisions

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010 (PL 111-152), making changes to the new health reform law, the Patient Protection and Affordable Care Act (PL 111-148). The act also overhauls federal financial aid programs and is a scaled-down version of HR 3221, the Student Aid and Fiscal Responsibility Act (SAFRA), which the House passed in September 2009 and the Senate had yet to address. The act makes the federal government the sole originator of federal loans to college students, shifting student lending from the bank-based Federal Family Education Loan (FFEL) Program to the Direct Loan Program, and provides funding to sustain the Pell Grant Program. The following is a summary of key student loan provisions of importance to osteopathic medical education.

Federal Family Education Loan Program

The act uses savings created by eliminating FFEL Program to provide \$61 billion for Pell Grants and other higher education programs. The new law ends FFEL Program on July 1, 2010, by prohibiting any new FFEL Program loans with a first disbursement date after June 30, 2010. The act includes \$50 million for the Department of Education to provide technical assistance to help schools transition to the Direct Loan Program.

Income-Based Repayment

The act expands the existing Income-Based Repayment (IBR) Program to make federal loans more affordable for new borrowers. For borrowers on or after July 1, 2014, the IBR Program will cap student loan to 10% of adjusted income, down from 15% percent, and forgive remaining balances after 20 years of repayment, down from 25 years.

Federal Consolidation Loans

For a one-year period, July 1, 2010, to June 30, 2011, borrowers who have loans under both the Direct Loan Program and the FFEL Program, or who have loans under either program and loans that have been sold to the Department of Education under the Ensuring Continued Access to Student Loans Act, may consolidate these loans under the Direct Loan Program regardless of whether borrowers have entered repayment on the loans.

Direct Loans for Foreign Schools

Schools located outside of the U.S. may originate federal direct loans through financial institutions designated by the Secretary of the Department of Education.

Perkins Loan Program

The act contains no provisions on the Perkins Loan Program. Provisions contained in the House-passed version of SAFRA to end the Perkins Loan Program and create a new Perkins Direct Loan were not included.