



WITH JEFF WENDT

[RSS](#) [Share](#)

Elena Lubimtsev

*Senior Vice President
Edamerica*

We caught Ms. Lubimtsev in Tennessee briefing her company's home office on the progress of SAFRA student loan legislation on Capitol Hill, where she's posted. Her clear explanations of a complex nationalization of the student loan industry are accompanied by a unique personal twist.



Are you actively making Stafford and PLUS loans now?

Yes. As are many other dedicated lenders across the United States.

If you could make one change to those loans today, what would it be?

Lower the interest rate on student and parent loans to bring them closer to market rates. They are presently almost double market rates. There is a huge element of unfairness here. I believe that if you ask an informed student to choose between a \$200 Pell Grant increase and lower interest rates over the repayment period, he or she would choose lower interest rates. If we want to help students, let's cut the rates, ease their financial burden, and do it universally.

Is there another change you would make?

Yes. In today's environment, **Stafford loan limits should be increased.** Regardless of who makes Stafford loans, the low limit leaves a financing gap at most schools.

If you could make one fact about student loans very clear and widely understood, what would it be?

I'd like to de-mystify lender subsidies. The image of greedy lenders taking advantage of poor students needs to be retired. The subsidies to lenders were annihilated in 2007 by CCRAA legislation. The "greedy lender" I work for paid \$44 million to Uncle Sam in lender fees and negative subsidies this fiscal year alone. So it's wrong to claim that eliminating lender subsidies now will finance increased Pell grants. Increased Pell grants will be financed by unusually high student loan interest rates.

Meanwhile, you're not in charge. SAFRA is making its way through Congress. Does it address any of those points?

No. HR 3221 does not address any of those points. In my opinion, **SAFRA promises students cake and actually gives a cookie.**

What does SAFRA propose that is a good idea?

Thank you for asking. Increasing Pell grants is good for students. Free money is always better than loans. But SAFRA is an excellent example of the ends not justifying the means. We don't need to eliminate private industry participation in loans to increase Pell grants. **There are other ways that make more sense.**

For example?

A proposal circulating in the Senate, recently scored by the Congressional Budget Office, **saves the same amount of money in mandatory spending with no need for schools to switch to direct lending. It retains competition among lenders and choice for borrowers and schools.** That proposal has 31 signatories and it's currently called 'The Student Loan Community Proposal.'

What concerns of colleges and universities about SAFRA deserve a wider circulation?

I've read more than one hundred letters to Capitol Hill from college and university presidents and administrators. They are filled with terms like 'drastic impact,' 'added constraints,' 'recipe for disaster,' 'cataclysmic' and 'catastrophic.' In each case the writer is protesting the rush to a direct lending conversion at too quick a pace and in too great a volume.

What infrastructure unknowns could produce a rocky changeover to direct lending for many schools?

A smooth, seamless conversion of 4,000 schools requires time, training and technology. At this time, thousands of schools are still processing Stafford and PLUS loans in FFELP, not in direct lending. Now that the Senate has delayed the Senate bill's markup to October 26, the timetable for direct lending by July 1 has officially become ridiculous.

Explain the ridiculous timetable.

I'll quote the **Tennessee Association of Student Financial Aid Administrators.** **"For the 2010-11 academic year, students will begin submitting applications in January 2010. There is not time to convert 4,000 or more schools to a new system between now and January 1, 2010."**

What additional unknown related to infrastructure may present a significant problem?

Conversion to direct lending is often described as a "flip of a switch, because schools are already using COD" (the U.S. Dept. of Education's common origination & disbursement system). Many schools disagree. What about stand-alone graduate schools and

campuses using third-party processors? They're saying they need months to change over. COD expertise is not as widespread as has been claimed.

The SAFRA legislation has personal overtones for you due to your background. Please explain.

It is intensely personal for me. I was born, raised and educated in the Soviet Union where everything was owned by the government. I lived it and I left it behind, because it doesn't work. Any system without choice and competition creates bureaucracy, mediocrity, stagnation and corruption. I came to the United States for the freedoms this country offers, including free enterprise. And now I work in a U.S. industry fighting a government takeover. How ironic, to say the least.