By Jason Alderman

My wife recently enrolled in graduate school, so like millions of other Americans we've paid close attention to news about student loan programs. One recent example: A key component of the Health Care and Education Reconciliation Act will result in several significant modifications to the how federal student loans are offered and processed.

According to the nonpartisan Congressional Budget Office, the changes will save approximately $61 billion over the next 10 years – money that will partially be used to expand the Pell Grant program for low-income students, beef up community college funding and eventually lower monthly loan repayment amounts for lower-income earners participating in the Income-Based Repayment Plan.

Here's an overview of key changes:

As of July 1, all new federally backed student loans are now issued directly through the Department of Education's Direct Loan program, thereby eliminating the Federal Family Education Loan Program (FFELP), which had allowed banks and other private lenders to offer federally guaranteed loans. The government is essentially eliminating banks as the middleman for these loans.

Affected loans include subsidized and unsubsidized Stafford Loans for undergraduate and graduate students, PLUS Loans for parents and PLUS Loans for graduate and professional degree students. Under Direct Loan, the latter two actually have lower interest rates than they did under FFELP (7.9 percent vs. 8.5 percent); and, the approval rate for parent loans tends to be higher.

Private lenders will continue servicing student loans already on their books and may continue offering student and parental loans that are not federally guaranteed, just as they always have. Such uninsured loans typically have higher interest rates but may allow larger loan amounts.

Another feature: For federal loans granted beginning in 2014, lower-income graduates with outstanding Stafford or Grad PLUS loans who opt for an Income-Based Repayment (IBR) plan will see their monthly repayment amount capped at 10 percent of income, compared to the current 15 percent, provided their loan debt qualifies as high relative to income and family size. Go to www.studentaid.ed.gov and search "IBR" to read about eligibility requirements.

These changes do not impact the process of applying for federal grants, loans or work-study programs or change the amount of federal aid that students are eligible to receive. The first step for students interested in receiving federal aid is still to complete a Free Application for Federal Student Aid (FAFSA), which is available online at www.fafsa.ed.gov , from the school's guidance counselor or financial aid office, or by calling 1-800-4-FED-AID.

Most of the savings reaped by eliminating the FFELP will be applied toward the Federal Pell Grant program. (Pell Grants are scholarships given to students from lower-income families that needn't be repaid.)

Beginning with the 2010-2011 academic year (July 1, 2010 to June 30, 2011), the maximum Pell Grant amount increases by $200 to $5,550, where it will remain until 2013-2014. In addition, from the 2013-2014 through 2017-2018 academic years, the amount will be indexed for inflation, as measured by the Consumer Price Index for all Urban Consumers), capping out at $5,975.

For more details on the budgetary impacts of this Act, visit the Congressional Committee on Education and Labor's website, www.edlabor.house.gov and search "SAFRA" (Student Aid and Fiscal Responsibility Act).