American Council on Education™
Leadership and Advocacy

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Chairman John Kline
Committee on Education and the Workforce
United States House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

Representative Virginia Foxx
Committee on Education and the Workforce
United States House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Kline and Representative Foxx,

On behalf of the undersigned organizations, I write to summarize our views on the "Smarter Solutions for Students Act," H.R. 1911.

On July 1, roughly 45 days from now, the interest rate for federal subsidized student loans is scheduled to jump from 3.4% to 6.8%. Unless Congress acts, this increase will negatively impact millions of students and their ability to finance postsecondary education. In recent weeks, a number of proposals have been put forward to address the pending interest rate hike, and we have identified core principles to guide our analysis of these approaches. These principles are summarized in the attached statement.

We believe that H.R. 1911 has much to commend it and support the Committee's effort to address the scheduled increase in interest rates. We support this bill's inclusion of a market rate tied to economic conditions, with an overall cap that limits the risk to student borrowers. We appreciate that the legislation is designed to provide students with a reasonable alternative to the 6.8% interest rates that will take effect absent congressional action.

We strongly support the fact that this bill does not eliminate or reduce existing benefits, such as the in-school interest exemption. The repeated erosion of student benefits over the last few years has significantly harmed student borrowers and we are pleased that this legislation rejects that approach.

While we appreciate many elements of this legislation, we are concerned that graduate students may see a disproportionate increase in costs under this proposal. In this and other areas, we look forward to working with you to improve this bill as it moves forward.

The Smarter Solutions for Students Act represents a very thoughtful and comprehensive approach to address the looming increase in the interest rates. We thank you for your efforts to avoid this possibility.

Sincerely,

Molly C. Broad

Molly Corbett Broad
President

MCB/ldw

On behalf of:
American Association of Community Colleges
American Association of Collegiate Registrars and Admissions Officers
American Association of State Colleges and Universities
American Council on Education
American Indian Higher Education Consortium
Association of American Universities
Association of Jesuit Colleges and Universities
Association of Public and Land-grant Universities
Council for Christian Colleges & Universities
Council of Graduate Schools
Hispanic Association of Colleges and Universities
National Association for Equal Opportunity in Higher Education
National Association of College and University Business Officers
National Association of Independent Colleges and Universities
National Association of Student Financial Aid Administrators

Higher Education Community Statement on Student Loan Legislation

As Congress considers legislative action on the federal student loan programs, the higher education community felt it necessary to share our perspective as the process moves forward.

Colleges and universities understand that all components of any loan program are interactive and can result in significant unintended consequences. For that reason we have chosen not to address specific provisions in this statement. Instead, we focus on key principles critical to the success and reliability of any student loan program. A federal commitment to these principles takes on even greater importance as states continue to walk away from their own historic commitment to ensuring higher education is affordable for all students.

First and foremost, the federal student loan programs were created to enable students to access postsecondary education. Any changes must reflect this purpose, and should be aimed at ensuring that deserving students, regardless of means, can afford to attend college. This is the core reason for these programs' existence, and attempts to weaken this purpose would represent a historic and damaging alteration to them.

The other key principles are:

- Federal student loans should be made at the lowest possible cost to students, while ensuring the continued reliable operation of the programs.
- Any short-term fix to the expiration of the 3.4 percent interest rate for Subsidized Stafford loans cannot preclude a more comprehensive, long-term approach to program reform.
- Students should not be forced to surrender long-term benefits in exchange for short-term gains.
- Changes to aid programs or existing benefits should only be made for the purposes of strengthening the system for all student loan borrowers. Eliminating benefits or increasing costs for one set of students in order to increase aid for another set of students simply shifts the burden.
- To keep the costs of borrowing correlated to the economic conditions that borrowers face, student loan interest rates should be tied to market rates.

While we do not address the multiple specific provisions of the proposals currently under consideration, we would oppose efforts to eliminate or reduce the current in-school interest subsidy without considerable additional support in other areas of student financial aid. This provision is a fundamental element of federal student loan programs, and should be maintained. Campuses have already seen the impact of the elimination of this provision for graduate and professional students, who are now faced with the increasing burden of mounting debt. Similarly, any policy that seeks to offset costs by increasing student loan origination fees would exacerbate the cost of borrowing for students, and would not be met with our support.

We appreciate the many thoughtful approaches that have been offered, and are encouraged by the continued bipartisan approach to fundamentally improving the existing loan programs. In particular, colleges and universities are pleased that the legislative proposals offered so far have remained focused on the loan programs, and have not sought to burden any proposal with unrelated elements that belong within the context of reauthorization of the Higher Education Act. While we are concerned about some elements that have been proposed, we look forward to working with the Congress and the administration in producing loan programs based on the best policy.