

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.