American Council on Education™
Leadership and Advocacy

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May 17, 2013

Senator Harry Reid
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Senator Tom Harkin
United States Senate
731 Hart Senate Office Building
Washington, D.C. 20510

Senator Jack Reed
United States Senate
728 Hart Senate Office Building
Washington, D.C. 20510

Senator Patty Murray
United States Senate
154 Russell Senate Office Building
Washington, D.C. 20510

Dear Senators Reid, Harkin, Reed and Murray,

On behalf of the undersigned higher education organizations, I write to provide our views on the Student Loan Affordability Act of 2013, S. 953. Our members are greatly concerned about the approaching July 1 deadline for doubling the interest rate on subsidized student loans. Your legislation would prevent this from happening in a manner that preserves very low interest rates for students.

A number of bills have been introduced to address the pending deadline, using a variety of approaches. Consequently, our organizations have developed a set of principles (see attached) to evaluate the various proposals. Two key principles are to contain the cost to students and to not reduce or eliminate other student benefits.

We are pleased that the Student Loan Affordability Act of 2013 embraces these principles that we believe are important to maintain affordable loans for student borrowers. Your bill would ensure that students will not see any increase in the cost of their loans for the next two years, keeping the current interest rates in place until the Congress can examine the loan programs fully in the context of Higher Education Act reauthorization. It is also significant that the bill does not reduce or eliminate any student benefits. The one-year extension passed last year came at the cost of a permanent benefit, and we could not support a similar approach.

We realize this is a complicated effort and we recognize you have set forth a proposal to accomplish these goals. Thank you for your efforts and we look forward to working with you as this process advances.

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
Association of American Universities
Association of Community College Trustees
Association of Jesuit Colleges and Universities
Association of Public and Land-grant Universities
Council for Christian Colleges & Universities
Hispanic Association of Colleges and Universities
National Association of College and University Business Officers
National Association of Independent Colleges and Universities
UNCF

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.