

SUPPORT THE STUDENT AID AND FISCAL RESPONSIBILITY ACT -- H.R. 3221

US House of Representatives
2205 Rayburn House Office Building
Washington, DC 20515

July 30, 2009

Dear Representatives,

We support HR 3221, the Student Aid and Fiscal Responsibility Act of 2009, and we urge its swift passage. The bill addresses key problems that undercut the impact of programs meant to keep college within reach.

The social and economic health of the country relies on increasing the number of people who complete a college degree, but the costs are skyrocketing. As the country's need for college graduates has grown, so has the financial risk students are expected to assume to pay for college. The proportion of students graduating with more than \$25,000 in student loan debt increased nearly five-fold over the past 12 years. Such debt can cause graduates to delay buying a home, getting married, or starting a family. The prospect of heavy borrowing for education leads too many qualified students to opt out of college altogether. For our economy to recover and grow stronger, college graduates need to be able to get ahead, and qualified students need to believe it is worth it to opt back in.

The Student Aid and Fiscal Responsibility Act generates \$87 billion in savings and creates more effective student aid programs for the millions of students struggling to attain a college degree.

Pell Grants: HR 3221 invests nearly \$40 billion in the Pell Grant program, the nation's premier need based aid program. The bill will raise the maximum grant to \$5,550, and allow several hundred thousand more students who don't qualify right now to receive this essential aid. Most importantly, it recalibrates the Pell Grant to increase each year by the cost of living plus 1%, ensuring real and reliable increases to help students get through school.

Access and Completion: Only about half of college students graduate within six years; for low-income students, the completion rate is closer to one quarter. To help more aspiring students to get to graduation, HR 3221 creates a federal-state partnership. This competitive grant will fund state efforts to improve degree attainment, especially for low-income students. Successful approaches will fuel changes to policy and practice nationwide.

Community Colleges: Community colleges have lacked resources to provide students the training and programs they need to move into the changing workforce. HR 3221 creates the Community College Challenge Grant, which helps community colleges to leverage partnerships with local schools and businesses to improve instruction and student support services.

Student Loan Interest Rates: More students have to borrow – and borrow more – to pay for college than ever before, and student default rates are rising. HR 3221 keeps the interest rates on Stafford subsidized student loans low, capping interest charged at 6.8% with a variable rate that can go lower when market rates are lower.

Perkins Loans: The bill also expands and improves the Perkins Loan program with incentives for colleges to keep students' costs down and raise graduation rates. Perkins loans are a relatively low-cost borrowing option, but the program's current design rewards colleges for raising prices while ignoring indicators of how well they serve their students.

Federal Aid Application: Another barrier to the college enrollment and completion process has been the student aid application process itself. The FAFSA (Free Application for Federal Student Aid) form is so long and complicated that it can discourage students from applying for aid. HR 3221 streamlines the process by making it easier for students and parents to complete the form with information from their tax returns.

Student Lending: There are currently two programs for providing federal student loans. The Federal Family

Education Loan (FFEL) program subsidizes banks and other lenders to originate and deliver loans, while the Direct Loan (DL) program relies directly- and more cheaply – on federal Treasury dollars to originate and deliver loans. In response to recent turmoil in the credit markets, the federal government had to create another program, at added cost, to back banks and lenders in the event they could not fulfill their student lending obligations. HR 3221 moves all federal student lending into the Direct Loan program, which will provide stability to colleges and borrowers while generating \$87 billion in savings to reinvest in the Pell Grant and the other efforts described above.

Concerns: Two provisions in the bill are of concern to us. First, the bill guarantees state-based non-profit lenders the right to service up to 100,000 borrowers each (or a share of that amount in states with more than one state-based non-profit). Guaranteeing volume to some entities rather than awarding servicing contracts through competitive bidding undermines the Department of Education’s effort to ensure the highest standard of quality for every servicer involved in the new lending program.

Second, the bill further weakens an important program integrity measure, the “90/10 rule”, which prevents the creation of colleges run entirely from student aid dollars with no evidence of up-front student investment in their program.

Support HR 3221: Federal aid programs have failed to keep pace with the financial realities of family incomes and college costs, placing an excessive burden on families of modest means and hindering student opportunity. The Student Aid and Fiscal Responsibility Act of 2009, HR 3221, helps renew the promise of student aid programs for the tens of millions of students who rely on grants, loans, and access to community college to get a college education. We look forward to working with Congress, the Senate, and the conference committee to further strengthen the nation’s commitment to effective student aid programs.

Sincerely,

American Association of College Registrars and Admissions Officers
Campaign for America’s Future
Campus Progress Action
Consumer’s Union
Demos
National Association of College Admission Counseling
National Consumer Law Center
National Consumer’s League
Rock The Vote
The Institute for College Access and Success
United States Public Interest Research Group
United States Student Association