The Honorable Speaker John Boehner
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Leader Harry Reid
U.S. Senator
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

May 2, 2012

Dear Speaker Boehner, Leader Pelosi, Leader Reid, and Leader McConnell:

When time runs out on July 1, 2012, student loan interest rates will double for almost 7.5 million students. On average, the doubling of the interest rate would add approximately $1,000 for every year a student takes out a loan, adding up to more than $4,000 over a four-year education. Now is not the time.

The national recession has led to weak state economies, which in turn have squeezed college budgets. The result is higher tuition costs being passed on to students and families throughout the country. In 2011, 46 states dealt with budget shortfalls[1], resulting in double-digit tuition increases[2]. In 2012, 42 states face budget shortfalls, and 29 will likely face shortfalls in 2013[3]. Not only are students and families paying more for a college degree, but they have less money overall to deal with the increases they must pay. Unemployment remains high, at over 8 percent[4]. Across all income levels, average family incomes are below what they were a decade ago[5].

It's no surprise, then, that students have turned to loans to fill the gap between rising tuition and decreased family support. An increased interest rate from 3.4% to 6.8% makes a bad situation worse.

While college graduates fare better in the job market than those without a degree, high debt burdens have serious consequences for individuals, families and the economy. Student loan debt affects where graduates live, the kinds of careers they pursue, whether they try to start a new business, when they start a family or purchase a home, and when they can start to save for retirement. In fact, Americans 60 and older owe about $36 billion in student loans, and more than 10 percent of those loans are delinquent[6]. As many as one in four of *all* federal student loan borrowers in repayment is past due[7]. Late payments can negatively impact a borrower's credit score for years. Not only is a borrower who misses a payment less likely to get a reasonably priced home or car loan, but increasingly her ability to get a job or rent a place is damaged.

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[1] Nicholas Johnson, Phil Oliff, and Erica Williams, An Update on State Budget Cuts , 2011, Center on Budget and Policy Priorities.
[2] Sandy Baum. Trends in College Pricing, 2011, the College Board.
[3] Elizabeth McNichol, Phil Oliff and Nicholas Johnson, States Continue to Feel Recession's Impact, 2012, Center on Budget and Policy Priorities.
[4] News release, The Employment Situation, March 2012, Bureau of Labor Statistics, US Department of Labor.
[5] Sandy Baum. Trends in College Pricing, 2011, the College Board.
[6] Ylan Mui, Senior Citizens Continue to Bear Burden of Student Loans, April 2012, Washington Post.
[7] Meta Brown, Andrew Haughwout, Donghoon Lee, Maricar Mabutas, and Wilbert van der Klaauw. Grading Student Loans, 2012, the Federal Reserve Bank of New York.

Experts and lenders agree that students should exhaust their federal loan eligibility before even considering a private student loan. However, if federal loan rates double, more students and families are likely to make the mistake of turning to risky private student loans. Banks and private student lenders may aggressively market their private student loan products, emphasizing very low variable interest rates during temporarily low borrowing conditions and other tactics to entice borrowers away from the 6.8% fixed-rate federal loans. Like credit cards, private loans have variable interest rates with terms that intensify indebtedness. They have more stringent repayment requirements and provide far fewer protections than federal loans, such as the ability to defer payments after losing a job. They provide the worst rates and terms to those students with the least secure finances[8] and are virtually impossible to discharge in bankruptcy. Already these loans are problematic; in school year 2007-2008, the majority of private student loan borrowers borrowed less than they could have from the federal student loan program[9]. Once the interest rate hits 6.8% on subsidized federal loans, more students and families will make this mistake.

By preventing interest rates from doubling on subsidized Stafford loans and maintaining and improving the Pell Grant and the income-based repayment program for federal student loans, Congress will help keep college in reach for millions of Americans. Congress needs to do more, not less, to help Americans obtain the higher education and training needed to compete in today's economy.

Higher education in America continues to be vital for both individual success as well as the social and economic health of our country. Students and families are struggling to make ends meet and we urge you to act to keep a college education within reach by stopping interest rates on subsidized Stafford student loans from doubling this July.

Sincerely,

AFL-CIO
AFSCME
Alliance for a Just Society
American Association of Collegiate Registrars and Admissions Officers
American Federation of Teachers
American Student Association of Community Colleges
Campaign for America's Future
Campus Progress Action
The Center for Law and Social Policy (CLASP)
Committee for Education Funding
Community Action Partnership
Consumer Federation of America
Consumers Union
Council for Opportunity in Education
Demos
The Education Trust
Every Child Matters Education Fund

[8] Mark Kantrowitz, Credit Scores, www.finaid.org.
[9] Analysis, Private Student Loans: Facts and Trends, 2011, The Project on Student Debt, The Institute for College Access and Success.

Fair Share Alliance
Hispanic Association of Colleges and Universities
The Institute for College Access & Success
International Union, United Automobile, Aerospace & Agricultural Implement Workers of America, UAW
Main Street Alliance
National Association for College Admission Counseling
National Association of Consumer Advocates
National Association of Secondary School Principals
National Association of State Student Grant and Aid Programs
National Consumers League
National Council of Jewish Women
National Council of La Raza
National Council of Teachers of English
National Student Nurses' Association, Inc.
NEA
Opportunity Maine
Public Education Network
Rebuild the Dream
Rock the Vote
Roosevelt Institute Campus Network
SEIU
U.S. Public Interest Research Group
UNCF
United Church of Christ Justice & Witness Ministries
United States Student Association
USAction
Voices for Progress
Wider Opportunities for Women
Young Invincibles
YWCA USA