# United States Student Association

## Written Testimony Submitted by Rebecca J. Wasserman

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**Before the U.S. House of Representatives**
**Committee on Education and the Workforce**
**May 12, 2004**

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**Mr. Chairman, Ranking Member and Members of the Committee,**

Thank you for this opportunity to discuss H.R. 4283 the College Opportunity and Access Act. I am here today representing the United States Student Association and the over one million students that we represent. USSA is the nation's oldest and largest national student association, organizing and advocating in Washington, DC since 1947.

My testimony on behalf of the United States Student Association addresses several key provisions in H.R. 4283 that will directly impact millions of low and middle-income college students. While we believe that some provisions in this bill will help students, overall we oppose the College Opportunity and Access Act, as it will force millions of low and middle-income students to pay more for college, deny free speech rights to students across the country, and re-open the doors to fraud and abuse in the student aid programs. In short, this bill does not create the access or opportunities its title claims and in fact may block students from the doors of higher education. Most importantly, it represents a missed opportunity for this Congress to prioritize higher education and address the growing crisis as colleges and universities become less and less affordable.

We do applaud Chairmen Boehner and McKeon for retaining the current cumulative loan limits for undergraduate students. Far too many students are taking on huge loan debt to finance their college education and while this provision allows students to borrow several thousand dollars more for college, it does not raise the limits in a careless manner. The typical undergraduate student graduates with nearly $19,000 in college loan debt, double that of the typical graduate in 1997.

In addition to soaring individual debt, there has been a seismic shift in the dependence on student loans as the primary finance mechanism to pay for college. Thirty-years ago student loans accounted for about 30 percent of all federal student aid, while grants accounted for 70 percent. Today these figures are almost reversed: student loans account for nearly 70 percent of all federal student aid, while grants account for just 22 percent. When students are forced to finance their higher education through unmanageable student debt, there is no real access. It continues a cycle of poverty for low-income students and limits their ability to give back to the economy of our country through purchasing a car, a home, or even taking a lower-paying, public interest career path.

While we are disappointed that the student loan tax, or the origination fee, has not been fully eliminated, we do believe that reducing this tax from 3 percent to 1 percent over the reauthorization period is a positive step.

While USSA believes that maintaining the cumulative loan limits and reducing the origination fees are important steps to making college more affordable for millions of low and middle-income students, overall the College Opportunity and Accessibility

Act will actually force millions of low and middle-income students, and their families, to pay thousands of dollars more for their college loans and education.

First, we are very disappointed that the Act fails to raise the maximum Pell Grant award. Last year's maximum Pell grant was worth $500 *less*, in real terms, than the maximum award nearly thirty years ago. Despite the declining buying power of the grant, rising tuition prices, and the growing financial need of students H.R. 4283 fails to increase the maximum Pell award.

To the more than 5 million students who depend on Pell grants to make college possible this is a real step backwards towards making college a reality.

We are also troubled that the Act eliminates the current low-fixed rate consolidation benefit for student borrowers. According to a recent Congressional Research Analysis, eliminating this benefit will force the typical student to pay nearly $5,500 more for their college loans. Denying student borrowers the choice to lock in a low-fixed interest rate makes college more expensive, just as tuition levels rise, state aid is being cut, and students are facing double the loan debt they faced just seven years ago. As a result, H.R. 4283 will eliminate college opportunities and make college even more expensive.

Consolidation is an important tool that helps low and middle-income students manage their debt and makes college affordable. Congress should not deny student borrowers this benefit now when they need the help the most.

While we share the concern that the costs of the consolidation loan program have the potential to increase significantly over the next decade, we are shocked that the leadership of this committee has decided to bend to the will of the big lenders and deny low and middle-income students the choice to lock in a low-fixed interest rate.

The fact of the matter is that the big lenders that participate in the student loan program do not like the consolidation program because they are forced to pay fees to participate and because it increases competition in the market-as most students (but not all) can shop around to find the best deal and service for their loans. Due to low interest rates in the past few years, more and more students have consolidated their loans, increasing the likelihood that these students will switch lenders. The lenders that hold the lion's share of the total outstanding student loan debt would like to eliminate the current low-fixed rate benefit in order to do away with the competitive market so that they can protect their portfolios and profit margins.

The elimination of the current low-fixed rate benefit in H.R. 4283 comes as lenders in the student loan program continue to earn huge profits. According to a recent issue of *Fortune* magazine, Sallie Mae is the second most profitable company in the United States with a 37 percent return on their revenues in 2003. To give people context, the median return for the 500 biggest companies in the United States was 5 percent in 2003. In addition, according to a *U.S. News and World Reports* article, in 2002, Sallie Mae's chief executive, Albert Lord, pocketed nearly $34 million in salary, bonus, and stock option payments.

It is important to remember that the student loan programs were created to provide low-cost loans to students and to increase access to a college education, not to set up a program where lenders take home big profits on federally subsidized and guaranteed loans. Rather than forcing low and middle-income students to pay thousands of dollars more for their college loans, Congress ought to completely eliminate excessive profits to lenders in the student loan programs and use the savings generated to make college more affordable for students.

We believe that the step that H.R. 4283 takes to reduce excessive lender profits is a critically important step, and hope to see it followed by more good work to ensure that we are spending taxpayer revenues on increasing college access, not increasing profit margins of lenders.

It is troubling that this bill reduces excessive lender profits and then simultaneously raises the cap on student loan interest rates. According to projections from the Congressional Budget Office (CBO), this change will raise student loan interest rates and force student borrowers to pay hundreds of dollars more over the life of their loans. At a time when so many students and their families are struggling to pay for college, we should not be pushing higher costs onto low and middle-income families.

In addition to raising the cost of college for the typical student by thousands of dollars, H.R. 4283 will strip students of their free speech rights on college campuses with the so-called bill of academic rights. It is incredibly problematic for Congress to create provisions that could force our college and university administrators into doing excessive oversight of the official and unofficial activities of students. We cannot have officials in Washington D.C. regulating the content of our class rooms; this intrusive oversight disrupts local control and challenges the mission of educational institutions.

We are also concerned that H.R. 4283 will put the students and the student aid programs at risk by repealing a key fraud and abuse protection-the "90-10" rule-that was enacted more than a decade ago. Congressional hearings in the 1990s documented extensive abuses in the student aid programs, primarily by for-profit schools, which cost taxpayers billions of dollars. Among the abuses, Congress found that schools: set tuitions at artificially high levels; closed without warning-leaving students with no degree and loan debts; disbursed funds to ineligible students; and, provided inadequate instruction.

In response to the rampant fraud and abuse, Congress enacted a set of safeguards, including the "90-10" (formerly "85-15") rule, limited correspondence and telecommunications courses, and prohibited bonuses and incentive payments to school employees and recruiters, to stop the scams. These safeguards have been essential to curbing fraud and abuse in the student aid programs.

A full repeal of this safeguard could once again put students and the student aid programs at risk.

Lastly, we support your movement towards the repeal of the drug provision in the financial aid form, which has already denied over 128,000 students access to federal financial aid. However, a partial repeal is not enough. We must pass a full repeal to guarantee access to education for all students, and education is the best rehabilitation.

To close, on behalf of USSA and the students who we represent we urge you to support changes to the current law that will make college more, not less, affordable to

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low and middle-income students.  USSA supports significantly raising the maximum Pell grant, retaining the student choice to lock in a low-fixed rate consolidation benefit, lowering interest rates on student loans, protecting student autonomy and retaining safeguards to protect against fraud and abuse in the student aid programs.