



Keep Student Loan Interest Rates Low

June 6, 2013

Dear Senator,

On behalf of the over 165,000 bipartisan members and supporters of the American Association of University Women (AAUW), **I urge you to vote against the Comprehensive Student Loan Protection Act (S. 1003). The Student Loan Affordability Act (S. 953) is better option to ensure that students can afford their higher education.** AAUW supports preventing the doubling of interest rates on subsidized Stafford loans, scheduled to occur on July 1st. Senator Tom Coburn's Comprehensive Student Loan Protection Act fails to provide stability in borrowing for students, and would not ensure that rates stay low in the foreseeable future. Senator Jack Reed's Student Loan Affordability Act, while only a two-year fix, would keep the interest rate on subsidized Stafford Loans at current levels.

With changes in the workforce over the century, higher education is becoming less of a luxury and more of a necessity. At current rates, the U.S. will add over 16 million jobs by the year 2020 that require at least some postsecondary education.¹ Moreover, the number of jobs requiring a graduate degree is estimated to grow by at least 2.5 million by that same year.² Since many students cannot pay for their degrees out-of-pocket, student loans are an important option and a worthwhile investment. College graduates have fared better in the recent recession and current recovery, and have higher wages and better job prospects overall.³ Students rely on Stafford loans as a part of the financial aid they use to finance higher education. Subsidized Stafford loans are only offered to students with demonstrated need. Specifically, about 30 percent of undergraduates in 2007-08 received a subsidized Stafford loan, and a majority of those recipients were women.⁴

Many graduates struggle to repay their loans. Loan repayment is an even more significant burden for women, who earn less on average over the course of their lives than their male counterparts. AAUW's research report, *Graduating to a Pay Gap: The Earnings of Women and Men One Year after College Graduation*, found that the median student loan debt burden was slightly higher in 2009 for women than men. In addition, among full-time workers who were repaying their loans in 2009, nearly half (47 percent) of women one year after college graduation were paying more than 8 percent of their earnings toward student loan debt. Only 39 percent of men were in the same position. Furthermore, just over half of women (53 percent) and 39 percent of men, were paying a greater percentage of their income toward student loan debt than AAUW estimates a typical woman or man could afford.⁵

Keeping interest rates low on student loans is important and the Comprehensive Student Loan Protection Act (S. 1003) would fail to do so. Instead, the bill would move some student loan programs to a market-based interest rate determination, with no caps. Interest rates for subsidized Stafford loans would be projected to increase over current rates.⁶ Under some estimations, subsidized Stafford loans at the current interest rate of 3.4 percent the government earns as much as 12.5 cents per each dollar loaned in the subsidized Stafford loan program.⁷ This underscores that there is no reason rates should increase at all for students. While the Student Loan Affordability Act (S. 953) is only a short-term fix, it provides Congress an opportunity to consider proposals that will ensure interest rates for students do not increase – something the Comprehensive Student Loan Protection Act (S. 1003) does not do.

Allowing the interest rates on subsidized Stafford loans to double on July 1 would have a real impact on students. The interest rate increase could mean as much as \$1,000 in additional debt.⁸ But, the Comprehensive Student Loan Protection Act (S. 1003) is not a solution. Under this proposal student loan interest rates would be projected to increase in the future. **I urge you to vote against the Comprehensive Student Loan Protection Act (S. 1003) and to support the Student Loan Affordability Act (S. 953).** Votes associated with this legislation may be scored in the AAUW Action Fund *Congressional Voting Record* for the 113th Congress. If you have any questions or need additional information, feel free to contact me at 202/785-7720, or Anne Hedgepeth, government relations manager, at 202/785-7724.

Sincerely,



Lisa M. Maatz
Director, Public Policy and Government Relations

¹ U.S. Department of Labor, Bureau of Labor Statistics. (February 2013). *Employment Projections: 2010-2020 Summary, Table 9*. bls.gov/news.release/ecopro.nr0.htm.

² Ibid.

³ U.S. Department of Labor, Bureau of Labor Statistics. (April 2013). Usual Weekly Earning of Wage and Salary Workers First Quarter 2013. www.bls.gov/news.release/pdf/wkyeng.pdf.

⁴ U.S. Department of Education, National Center for Education Statistics. (August 2010). *Web Tables – Student Financing of Undergraduate Education: 2007-08, Table 3.2-E*. nces.ed.gov/pubs2010/2010162.pdf#page=75.

⁵ AAUW. (2012). *Graduating to a Pay Gap: The Earnings of Women and Men One Year after College Graduation*. www.aauw.org/GraduatetoaPayGap/index.cfm.

⁶ Congressional Research Service. (2013). Student Loan Interest Rate Analysis: Comparison of Cost to Borrowers Under Current Law, H.R. 1911, and a Permanent Extension of Current Interest Rates. democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/Student%20Loan%20Interest%20Rate%20Analysis%20-%20Current%20Law%20and%20HR%201911.pdf.

⁷ U.S. PIRG, Young Invincibles, and the United States Student Association. (April 2013). Don't Double Our Rates: An Issue Brief. www.uspirg.org/reports/usp/issue-brief-dont-double-our-rates.

⁸ <http://www.whitehouse.gov/dont-double-my-rates>