

Reauthorization of the Higher Education Act (Senate Version)

The Higher Education Act, which governs all student financial aid programs, is currently being reauthorized. A floor vote is expected in the near future. The current Health, Education, Labor & Pensions proposal is an improvement over current law, but could be further improved to better serve students. We are asking you to communicate with the HELP Committee and ask them to include the budget-neutral changes proposed below before the bill is brought to the Senate floor.

CURRENT LAW GOVERNING STUDENT LOAN PROGRAMS (1998 HEA REAUTHORIZATION)

- **Stafford Loans:** Variable interest rate, capped at 8.25%. Origination fee on new loans. Under current law, will change in 2006 to a fixed interest rate of 6.8%. Staffords are the principal loan for most students.
- **Consolidation Loans:** Fixed interest rate, based on Stafford rate at time of consolidation. Used as a critical debt-management tool; allows borrowers to plan for their future. No origination fees charged (already charged on underlying Staffords). Fixed-rate loans are predicted by CBO to be cheaper for Congress than variable-rate.
- **Single-holder Rule:** If a student's loans are all held by one lender, the student may only obtain a consolidation loan from that lender. This prevents students from shopping around for the best repayment terms, eliminates competition in the student loan market, and only serves to protect uncompetitive lenders.
- **Parent Loans for Undergraduate Students:** Parents can borrow extra funds to support their children. Graduate/professional students (who receive no parental support) cannot borrow extra under this program.
- **Child Care Access Means Parents In School:** Pell-Grant-eligible undergraduates who have children can receive Federally subsidized child care in order to attend their classes. Graduate students cannot receive Pell Grants, and thus can never be eligible for this program, despite being more likely to have children.

HELP REAUTHORIZATION BILL (S. 1614)

- **Stafford Loans:** Change to 6.8% fixed rate in 2006 as per current law.
- **Consolidation Loans:** Retain current law, but add an extra 0.5% origination fee to fixed-rate consolidations.
- **Single-Holder Rule:** Repeals cleanly and completely, with no new borrower restrictions.
- **PLUS Loans:** Allows graduate/professional students to borrow under this program.
- **CCAMPIS Child Care:** Low-income graduate/professional students would be eligible for CCAMPIS.
- **Patsy Mink Doctoral Fellowship Program:** Creates a new fellowship program that funds and encourages minority students to complete doctoral degrees, providing much-needed diversity in academia.

GRADUATE/PROFESSIONAL STUDENTS' PROPOSED CHANGES TO REAUTHORIZATION BILL

- **Stafford Loans:** Keep as a variable-rate loan (not the proposed fixed rate). Lower the cap from 8.25% to some value closer to the proposed 6.8%. This can probably be done in a budget-neutral fashion.
- **Consolidation Loans:** Implement a "borrower choice" proposal first raised in the House:
 - Create a variable-rate consolidation loan (interest rate equivalent to Stafford interest rate).
 - Raise fixed-rate consolidation to prevailing Stafford rate + 0.5% premium, no new origination fees.
 - As scored by CBO, this proposal offers roughly \$18 billion in ten-year savings over current law.
- **Single-Holder Rule:** Retain current language and do not change to "strings attached" repeal as in House bill.
- **PLUS Loans:** Retain current bill language after conference with House.
- **CCAMPIS Child Care:** Retain current bill language after conference with House.
- **Patsy Mink Doctoral Fellowship Program:** Retain current bill language after conference with House.

FOR MORE INFORMATION PLEASE CONTACT:

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