

## Reauthorization of the Higher Education Act (House 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 Education & Workforce proposal is an improvement over current law, but could be further improved to better serve students. We are asking you to communicate with the Committee members and request the changes below before the bill is brought to the House 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.

### EDUCATION & WORKFORCE REAUTHORIZATION BILL (H.R. 609)

- **Stafford Loans:** Variable interest rate, capped at 8.25% (eliminates change to 6.8% fixed in 2006)
- **Consolidation Loans:** Restructures to give borrowers two new options, neither identical to current law:
  - Variable-rate loan (same as Stafford rates), no origination fee.
  - Fixed-rate loan at current Stafford rate + 1%, with an extra 0.5% origination fee.
- **Single-Holder Rule:** Repeals, but gives the single-holder "right of first refusal" on consolidations.

### GRADUATE/PROFESSIONAL STUDENTS' PROPOSED CHANGES TO REAUTHORIZATION BILL

- **Stafford Loans:** Keep variable rate, but lower the cap to better serve borrowers. It is likely that a cap somewhere between 6.8% and 8.25% can be achieved without any additional Federal spending.
- **Consolidation Loans:** Improve current "borrower choice" proposal to offer a true choice:
  - Eliminate entirely the proposed 0.5% origination fee on fixed-rate consolidations.
  - Lower the "spread" between fixed- and variable-rate consolidations to 0.5% from 1%.
  - Saves as much money as the current committee bill, but is much more affordable for students.
- **Single-Holder Rule:** Change to a clean, "no strings" repeal as in current Senate reauthorization bill.
- **Parent Loans for Undergraduate Students:** Allow graduate students to borrow under the PLUS program, since we are independent students whose parents do not support us. Current Senate reauthorization bill includes this fix.
- **Child Care Access Means Parents in School:** Allow graduate students to be eligible for CCAMPIS child care, as more graduate students have children than do undergrads. CCAMPIS eligibility is currently based on Pell Grant eligibility, which excludes graduate students. Current Senate reauthorization bill includes this fix.
- **Patsy Mink Minority Doctoral Fellowship Program:** Add this new fellowship program currently in the Senate bill. The program will increase the diversity of academia, helping more minority students to find role models and mentors and making higher education more accessible to all Americans.

**FOR MORE INFORMATION PLEASE CONTACT:**

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