



July 12, 2021

The Honorable Patty Murray, Chairman  
Senate Health, Education, Labor, and Pensions Committee  
154 Russell Senate Office Building  
Washington, DC 20510

The Honorable Richard Burr, Ranking Member  
Senate Health, Education, Labor, and Pensions Committee  
217 Russell Senate Office Building  
Washington, DC 20510

Dear Chairwoman Murray and Ranking Member Burr:

As the Senate begins work on the next budget reconciliation package, AccessLex Institute urges you to include provisions that will assist federal student loan borrowers. While the *American Rescue Plan Act* did provide additional funding for the Higher Education Emergency Relief Fund, as well as a provision that would exclude from taxable income forgiveness or discharge of a federal or private student loan through 2025, more targeted support is needed.

AccessLex Institute, in partnership with its nearly 200 nonprofit and state-affiliated ABA-approved member law schools, has been committed to improving access to legal education and to maximizing the affordability and value of a law degree since 1983. The AccessLex Center for Legal Education Excellence advocates for policies that make legal education work better for students and society alike and conducts research on the most critical issues facing legal education today.

As families continue to struggle with the increasing cost of higher education, students need policies that will help them finance their education and successfully meet their debt obligations. To that end, AccessLex recommends that the following changes be included in the next budget reconciliation package:

- **Provide borrowers with an interest rate on federal student loans that is closer to the government's borrowing rate.** Federal student loan interest rates far exceed the rate at which the government can borrow money. For the current academic year, graduate students are offered Unsubsidized Stafford Loans with an interest rate of 5.28 percent and Grad PLUS loans with a 6.28 percent interest rate, much higher than the federal government's borrowing rate.

The federal government's role in student lending is not to make money, it is to help struggling borrowers. While the government must be able to cover its servicing and other administrative costs, students should not be forced to pay interest rates that greatly exceed the cost to the government. Therefore, interest rates on federal student loans should be set at 25 basis points above the

government's borrowing rate. For example, if the 10-year U.S. Treasury rate is 1.25 percent, the interest rate on student loans should be 1.5 percent, fixed for the life of the loan. By lowering interest rates, the government can help reduce costs for borrowers while still generating sufficient revenues to cover its programmatic costs.

- **Eliminate origination fees on all federal student loans.** Federal student loans assess an origination fee—a percentage of the loan amount charged for the processing of the loan—leading to a lower disbursement amount than the student borrowed. Origination fees on federal student loans are currently set between 1 and 4 percent. This structure creates confusion and increases costs for borrowers, who are responsible for repaying the withheld amount, plus the interest that accrues on that amount. This can result in hundreds or thousands of additional dollars owed, depending on loan type, loan amount and program length

With many families already struggling with the cost of higher education, the upfront taking of up to 4 percent of the proceeds of a federal student loan could be the difference between whether a student, particularly low-income students, can pursue and complete their degree or not.

- **Exempt from “estimated financial assistance” institutional and other emergency grants.** To ensure that emergency grants from schools, the government, charities and other private donors flow quickly and seamlessly (and in many cases, at all) to students who have urgent needs, Congress must remove unnecessary restrictions related to financial aid awards. Categorizing these funds as “estimated financial assistance” can result in students who have already received the maximum aid award not being able to access these much-needed emergency grants. By changing how these funds are classified, Congress can ensure that students receive this money when they need it and with minimal difficulty. This change was made to certain federal and state emergency grants by the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, but currently does not apply to institutional or other emergency grant funding. Aligning the treatment of all emergency grants, regardless of source, would allow students to more easily receive the critical funding they need during an emergency.

Thank you for your time and attention to this matter. We stand ready to work with Congress and the Administration on this and any future policy changes that may be necessary to support students. If you have any questions, please do not hesitate to contact Nancy Conneely, Managing Director of Policy, at [nconneely@accesslex.org](mailto:nconneely@accesslex.org).

Sincerely,



Christopher P. Chapman  
President and Chief Executive Officer

Cc: The Honorable Chuck Schumer, Majority Leader  
The Honorable Mitch McConnell, Minority Leader