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## **S.1334 is an Imperfect Solution to Student Loans: But it Temporarily Solves the Interest Rate Crisis**

Dear Senator:

On behalf of The Leadership Conference on Civil and Human Rights, a coalition of more than 200 national organizations charged with the promotion and protection of the rights of all persons in the United States, we applaud the bipartisan effort in the Senate to find a compromise on the student loan crisis. To be clear, the bill is far from perfect and is not the solution The Leadership Conference has advocated on behalf of students and families. Yet it is urgent that this crisis be resolved for students, families, and institutions that need to finalize financial arrangements before classes resume in August and September. The bill does this and avoids doubling rates on subsidized Stafford loans to 6.8 percent. **Therefore, we ask you to vote YES on S.1334. Further, in order to improve the bill, support the amendments offered by Senator Sanders and Senators Reed and Warren.**

While we recognize that S.1334 would keep interest rates low in the near-term for millions of students, it is imperative that Congress enact long-term solutions to college affordability and student loan debt in the upcoming reauthorization of the Higher Education Act (HEA). We believe HEA reauthorization should be guided by the following principles:

- Higher education is no longer a luxury in this economy; it is a necessity. Federal and state policymakers must enact policies to ensure greater college completion for students of color and those from low- and moderate-income families.
- The federal government should not profit from student loans. Congress removed the banks from the federal student loan business because it was wrong to profit from students' indebtedness. The federal treasury should not profit from student loans either. Any savings should be funneled into meeting the needs of low- and moderate-income students.
- The HEA should be reformed to drive greater resources toward supporting access to and quality programs in community colleges and other public institutions serving high numbers and percentages of students from low- and middle-income families.
- Federal student financial assistance, especially for students and families with the greatest needs, should not be tied to "the market" but to an overarching national priority to ensure that high-quality postsecondary education is available and affordable to all families.
- The current total debt from student loans is thwarting prospects for achieving the American dream for millions of students, graduates, and family members and is a crisis that must be addressed by Congress.

The Leadership Conference also urges you to vote for two amendments to improve the bill: one sponsored by Senator Sanders to sunset this agreement in two years and another by Senators Reed and Warren to cap interest rates at current levels.

Senator Sanders' amendment is particularly important, because the bipartisan agreement embodied in S.1334 must not be seen as a long-term fix. Congress needs to



comprehensively address the issue of college affordability and the \$1.1 trillion in student debt in the reauthorization of the HEA. Moreover, rates will remain low under S.1334 only for the first two years for graduate and parent borrowers, after which they are likely to escalate above current levels. For undergraduate borrowers, rates would likely reach the current 6.8 percent rate by 2016. These rates would have a particularly adverse impact on low- and moderate-income students, however, because the bill eliminates the lower rate for subsidized loans (which had been at 3.4 percent). In later years, the rates are unacceptable for all federal loans and borrowers, even with the caps included in the bill.

Thank you for your consideration. If you have any questions, please contact Dianne Piché, Senior Counsel at [Piche@civilrights.org](mailto:Piche@civilrights.org).

Sincerely,



Wade Henderson  
President & CEO



Nancy Zirkin  
Executive Vice President