113TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPT. 113–82
Part 1

SMARTER SOLUTIONS FOR STUDENTS ACT

MAY 20, 2013.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. KLINE, from the Committee on Education and the Workforce, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 1911]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and the Workforce, to whom was referred the bill (H.R. 1911) to amend the Higher Education Act of 1965 to establish interest rates for new loans made on or after July 1, 2013, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Smarter Solutions for Students Act".

SEC. 2. STUDENT LOAN INTEREST RATES.

Section 455(b) of the Higher Education Act of 1965 (20 U.S.C. 1087e(b)) is amended—

(1) in paragraph (7)—

(A) in the paragraph heading, by inserting ", AND BEFORE JULY 1, 2013" after "2006";

(B) in subparagraph (A), by inserting "and before July 1, 2013," after "2006,";

(C) in subparagraph (B), by inserting "and before July 1, 2013," after "2006,"; and

(D) in subparagraph (C), by inserting "and before July 1, 2013," after "2006,";

(2) by redesignating paragraphs (8) and (9) as paragraphs (9) and (10), respectively; and

(3) by inserting after paragraph (7), the following:

"(8) INTEREST RATE PROVISION FOR NEW LOANS ON OR AFTER JULY 1, 2013.—

"(A) RATES FOR FDSL AND FDUSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans for which the first disbursement is made on or after July 1, 2013, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

"(i) the high-yield 10-year Treasury notes auctioned at the final auction held prior to such June 1; plus

"(ii) 2.5 percent,

except that such rate shall not exceed 8.5 percent.

"(B) PLUS LOANS.—Notwithstanding the preceding paragraphs of this subsection, for any Federal Direct PLUS Loan for which the first disbursement is made on or after July 1, 2013, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

"(i) the high-yield 10-year Treasury notes auctioned at the final auction held prior to such June 1; plus

"(ii) 4.5 percent,

except that such rate shall not exceed 10.5 percent.

"(C) CONSOLIDATION LOANS.—Notwithstanding the preceding paragraphs of this subsection, any Federal Direct Consolidation Loan for which the application is received on or after July 1, 2013, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent.".

SEC. 3. BUDGETARY EFFECTS.

(a) PAYGO SCORECARD.—The budgetary effects of this Act shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) SENATE PAYGO SCORECARD.—The budgetary effects of this Act shall not be entered on any PAYGO scorecard maintained for purposes of section 201 of S. Con. Res. 21 (110th Congress).

PURPOSE

H.R. 1911, the Smarter Solutions for Students Act, strengthens federal student loan programs and serves the best interests of both borrowers and taxpayers by taking Washington politicians out of the business of setting student loan interest rates and moving all federal student loans (except Perkins loans) to a market-based rate.

COMMITTEE ACTION

As the Committee on Education and the Workforce continues to evaluate the appropriate role of the federal government in higher education, simplifying and strengthening federal aid programs to serve students, families, and taxpayers remains a top priority. Instead of subjecting interest rates to the whims of Washington politicians, we believe student loan interest rates should be aligned with the free market.

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Hearing—Second session

On March 28, 2012, the Committee on Education and the Workforce held a hearing in Washington, D.C. entitled, "Reviewing the President's Fiscal Year 2013 Budget for the U.S. Department of Education." The purpose of the hearing was to discuss the fiscal year 2013 budget proposal of the U.S. Department of Education. Testifying before the committee was the Honorable Arne Duncan, Secretary, U.S. Department of Education, Washington, D.C.

Legislative action—Second session

On April 25, 2012, Rep. Judy Biggert (R–IL) introduced H.R. 4628, the Interest Rate Reduction Act. The bill reduced the interest rate on subsidized Stafford loans made to undergraduate students from 6.8 percent to 3.4 percent for one year, from July 1, 2012 through June 30, 2013. To offset the increase in mandatory spending, the bill repealed the Prevention and Public Health Fund authorized under Section 4002 of the Patient Protection and Affordable Care Act and rescinded the balance of unobligated monies made available for the fund.

On April 27, 2012, the House of Representatives passed H.R. 4628 by a vote of 215 to 195.

Though H.R. 4628 was never considered by the Senate, its provisions were included in the Conference Report for H.R. 4348, the Moving Ahead for Progress in the 21st Century Act (MAP–21), sponsored by Rep. John Mica (R–FL). To partially offset the increase in mandatory spending that resulted from the temporary reduction in interest rates on subsidized Stafford loans, the bill permanently restricted both the period of eligibility to borrow subsidized Stafford loans and reduced the period during which the in-school interest subsidy may be provided to 150 percent of the published length of a student's educational program.

On June 29, 2012, the House of Representatives passed the Conference Report to H.R. 4348 by a vote of 373 to 52.

On June 29, 2012, the Senate passed the Conference Report to H.R. 4348 by a vote of 74 to 19.

On July 6, 2012, the President of the United States signed H.R. 4348 into law (P.L. 112–141).

113TH CONGRESS

Hearings

On March 13, 2013, the Committee on Education and the Workforce held a hearing in Washington, D.C. entitled, "Keeping College Within Reach: Examining Opportunities to Strengthen Federal Student Loan Programs." The purpose of the hearing was to examine ways to strengthen federal student loan programs, as well as to explore how moving to a market-based or variable interest rate on all loans could benefit both students and taxpayers. Testifying before the committee were: Dr. Deborah Lucas, Professor, Sloan School of Management, Massachusetts Institute of Technology, Cambridge, Massachusetts; Mr. Jason Delisle, Director, Federal Education Budget Project, New America Foundation, Washington, D.C.; Mr. Justin Draeger, President and Chief Executive Officer, National Association of Student Financial Aid Administrators (NASFAA), Washington, D.C.; and Dr. Charmaine Mercer, Vice President of Policy, Alliance for Excellent Education, Washington, D.C.

On April 16, 2013, the Committee on Education and the Workforce Subcommittee on Higher Education and Workforce Training held a hearing in Washington, D.C. entitled, "Keeping College within Reach: The Role of Federal Student Aid Programs." The purpose of the hearing was to examine the federal role in higher education and lay out the pros and cons of shifting the focus of federal student aid programs from enhancing access to improving student outcomes. Testifying before the subcommittee were: Mr. Terry W. Hartle, Senior Vice President, Division of Government and Public Affairs, American Council on Education, Washington, D.C.; Ms. Patricia McGuire, President, Trinity Washington University, Washington, D.C.; Mr. Dan Madzelan, Former Employee (Retired), U.S. Department of Education, University Park, Maryland; and Ms. Moriah Miles, State Chair, Minnesota State University Student Association, Mankato, Minnesota.

Legislative action

On May 9, 2013, Chairman John Kline (R–MN) and Higher Education and Workforce Training Subcommittee Chairwoman Virginia Foxx (R–NC) introduced H.R. 1911, the Smarter Solutions for Students Act. The bill moves all federal student loans (except Perkins loans) to a market-based interest rate.

On May 16, 2013, the Committee on Education and the Workforce considered H.R. 1911 in legislative session and reported it favorably, as amended, to the House of Representatives by a bipartisan vote of 24–13.

The committee considered and adopted the following amendment to H.R. 1911:

- Subcommittee Chairwoman Virginia Foxx (R–NC) offered an amendment in the nature of a substitute to make a technical change to the bill. The amendment was adopted by voice vote.

The committee further considered the following amendments to H.R. 1911, which were not adopted:

- Rep. Joe Heck (R–NV) offered an amendment to allocate a portion of the savings generated under the bill to Pell Grants. The amendment was withdrawn.
- Rep. Joe Heck (R–NV) offered an amendment to provide the Secretary of Education with authority to reduce the interest rate on student loans, if a borrower makes the first 48 payments on time. The amendment was withdrawn.
- Rep. John Tierney (D–MA) offered an amendment to set federal student loan interest rates as the same rate that the Federal Reserve charges to banks for two years. The amendment failed by a vote of 14–23.
- Rep. Joe Courtney (D–CT) offered an amendment to extend the 3.4 percent interest rate on subsidized Stafford loans for two years. The amendment failed by a vote of 15–21.

Below is a summary of H.R. 1911.

SUMMARY

The Smarter Solutions for Students Act moves all federal student loans (except Perkins loans) to a market-based interest rate. Under the legislation, student loan interest rates would reset once a year and move with the market, much like they did from 1992 to 2006. Interest rates would be set using the following formula:

- Stafford loans (subsidized and unsubsidized): 10-year Treasury Note plus 2.5 percent, capped at 8.5 percent.
- PLUS loans (graduate and parent): 10-year Treasury Note plus 4.5 percent, capped at 10.5 percent.

Committee Views

Introduction

In 2006, Congressional Democrats made a series of campaign promises to the American people, including a pledge to make college "affordable and accessible to all" by permanently reducing all student loan interest rates. After gaining control of Congress in 2007, they realized their political promises were too expensive, so they championed legislation to temporarily phase down interest rates on new subsidized Stafford loans to undergraduate students from 6.8 percent to 3.4 percent over four years. Instead of working with Republicans on responsible solutions to help make higher education more affordable for students in the long run, the Democratic Congress chose to ignore the problem and kick the can down the road, creating a student loan interest rate cliff in 2012.

Democrats had a second opportunity to advance a more permanent solution to the student loan interest rate problem in 2010, as part of the Student Aid and Fiscal Responsibility Act (SAFRA). SAFRA produced $68 billion in "savings" through the nationalization of the federal student loan program. At this time, the Democratic Congress could have allocated funds to extend the interest rate on subsidized loans or lower interest rates for all borrowers. Instead, they chose to siphon almost $9 billion away from federal student aid programs to fund Obamacare.

When faced with the scheduled increase in subsidized Stafford loans last summer, Committee Republicans agreed to support a one-year extension of the artificially low interest rate with the promise that we would use that time to develop a long-term solution that better aligns student loan interest rates with the free market.

Consensus around market-based rates

There is a growing consensus that a long-term, market-based student loan interest rate solution is the best option for students, families, and taxpayers. President Obama included a comprehensive and permanent move to a market-based interest rate for all federal student loans in his Fiscal Year 2014 budget request. Senate Republicans, led by Senators Tom Coburn (R–OK), Richard Burr (R–NC), and Lamar Alexander (R–TN), introduced S. 682, the Comprehensive Student Loan Protection Act. The bill moves Stafford loans and PLUS loans to a market-based interest rate based on the 10-year Treasury Note plus 3 percent.

The Moment of Truth Project, which aims to utilize the recommendations of the bipartisan National Commission on Fiscal Responsibility and Reform to spark national debate, recently recommended moving to a market-based interest rate as a way to deal with interest rates on a permanent, rather than annual, basis.[1] The project is an undertaking of the Committee for a Responsible Federal Budget, which is made up of some of the nation's leading budget experts, including many of the past Chairmen and Directors of the Budget Committees, the Congressional Budget Office, the Of-

[1] *See* http://www.momentoftruthproject.org/sites/default/files/Full%20Plan%20of%20Securing%20America%27s%20Future.pdf pg. 31.

fice of Management and Budget, the Government Accountability Office, and the Federal Reserve Board.

During a March 13, 2013 hearing entitled, "Keeping College Within Reach: Examining Opportunities to Strengthen Federal Student Loan Programs," the Committee on Education and the Workforce discussed the failings of the current student loan interest rate structure for students, families, and taxpayers. At the hearing, Mr. Jason Delisle, Director of the Federal Education Budget Project at New America Foundation, highlighted the need to move to a permanent, market-based interest rate on federal student loans. He stated:

> If there is one thing recent debates about interest rates on federal student loans have demonstrated, it is that Congress needs to develop a rational, long-term plan for setting rates. Currently, the program charges borrowers the same fixed interest rates no matter what happens to other interest rates in the economy. And the rates are arbitrary. Congress wrote them into law back in 2002—and with the exception of an arbitrary cut to 3.4 percent on some loans—those rates have been in law ever since.[2]

At the same hearing, Mr. Justin Draeger, President of the National Association of Student Financial Aid Administrators, stated students and parents often question why most of their federal loans are fixed at nearly seven percent when the market rate is much lower, and don't understand why each type of student loan has a different rate. In his testimony, he said:

> The current structure of federal student loan interest rates is out of step with market rates and thereby confuses students and families. Students and parents often question why federal student loan interest rates are higher than nearly all other installment loans, particularly for families with good credit. And the truth is, there is no good, reasonable answer to that question.[3]

Dr. Deborah Lucas, Sloan Distinguished Professor of Finance at the Massachusetts Institute of Technology, highlighted concerns about the long-term consequences of maintaining a fixed-based approach instead of moving to a market-based interest rate. During her testimony, she summarized the overall problem with the current student loan interest rate structure:

> The current practice of setting fixed interest rates that extend many years into the future—rather than linking them by formula to prevailing market interest rate conditions—has adverse consequences for students, for taxpayers, and for the stability and control of budgetary costs.[4]

A smarter solution for students

Building on the efforts put forward by President Obama, Senate Republicans, and leading higher education and budget experts, Chairman John Kline (R–MN) and Representative Virginia Foxx

[2] http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=322265.
[3] *Id.*
[4] *Id.*

(R–NC) introduced H.R. 1911, the Smarter Solutions for Students Act. This commonsense legislation simply moves all federal student loans (except Perkins loans) to a market-based interest rate. Under the bill, student loan interest rates would reset once a year and move with the free market, much like they did from 1992 to 2006. Interest rates for subsidized and unsubsidized Stafford loans would be based off of the 10-year Treasury Note plus 2.5 percent, capped at 8.5 percent. Interest rates for graduate and parent PLUS loans would be based off of the 10-year Treasury Note plus 4.5 percent, capped at 10.5 percent.

Overall, subsidized Stafford loans make up a fraction of all federal student loans, about 42 percent of all Direct Loans disbursed and 26.2 percent of total Direct Loan volume in Fiscal Year (FY) 2013. In fact, 73 percent of all borrowers take out both subsidized and unsubsidized Stafford loans, so very few students are exclusively benefitting from the current artificially low interest rate. The Smarter Solutions for Students Act will immediately result in a lower interest rate for both unsubsidized Stafford loan and PLUS loan borrowers, who represent the majority of total borrowers. Additionally, the legislation prevents subsidized Stafford loans from doubling to 6.8 percent, instead moving to an interest rate of approximately 4.4 percent for these borrowers.

H.R. 1911 permanently removes Washington politicians from the business of setting student loan interest rates. Temporary fixes stemming from unrealistic campaign promises only promote instability and cause Congress to take rash actions that could be harmful to students, families, and our nation's student financial aid programs in the long run. For example, last year Congress scrambled to find $6 billion in offsets to extend the interest rate for only one year. The only way this could be accomplished under the wire was by enacting a change to current law that permanently restricted a student benefit.

It is time to put an end to short-term fixes and patches that only temporarily address our financial aid challenges. Committee Republicans believe the Smarter Solutions for Students Act takes important steps in the right direction by getting politicians out of the business of setting student loan interest rates and changing the structure of all federal student and parent loans to reflect prevailing market interest rates.

Helps all students and stops picking winners and losers

The Smarter Solutions for Students Act is a comprehensive, responsible solution that will benefit all students and parents who borrow Stafford and PLUS loans. Under current law, most borrowers are stuck with a high fixed interest rate set by Congress that is inconsistent with today's low interest rate environment. The legislation ensures all borrowers can take advantage of lower interest rates when available and protects borrowers against higher interest rates with a reasonable cap.

Unlike the proposals by the Obama administration or Senate Republicans, H.R. 1911 allows interest rates on federal student loans to reset once a year. By allowing the interest rate to reset annually, the federal government stops picking winners and losers based on when a student takes out a loan. It also more evenly distributes the federal subsidy among students from different academic classes (freshman, sophomore, etc). As Dr. Lucas pointed out at the March 13, 2013 hearing:

> For students, the current policy creates large swings in the value of government assistance from year to year. Similar students that attend the same school but in different years receive very different amounts of support: Subsidies will be small when market interest rates are low and large when rates are high. As well as raising fairness concerns, the volatility makes it more difficult for prospective students to assess the affordability of pursuing a higher education.[5]

Dr. Lucas also noted that moving to a market-based interest rate would help stabilize the investment in federal student loan programs. On this point, Dr. Lucas stated, "Adopting the alternative of market-indexed rates would reduce the volatility of subsidies for borrowers and taxpayers, and also help to stabilize the budgetary costs of the programs."[6]

Under current law, a typical graduating senior could have federal student loans with five different interest rates, one for each of the four years that the rate on subsidized loans was phased down and a fifth based on the rate for unsubsidized loans. The Smarter Solutions for Students Act moves to a single variable rate for Stafford loan borrowers, simplifying financial aid for students and their families.

While helping all students take advantage of lower interest rates when available, the Smarter Solutions for Students Act also protects students in high interest environments. Unlike the Obama administration's plan, the legislation sets a reasonable cap on interest rates. Borrowers can also choose to maintain a variable interest rate or lock in their interest rate for the life of the loan by taking out a consolidation loan. Upon graduation, borrowers will have the most up-to-date information about the interest rate environment and the job markets in their area, and will be able to make an informed decision that works in the best interest of their own financial situation. Further, the Smarter Solutions for Students Act maintains a number of important protections in the Higher Education Act designed to assist borrowers struggling with high interest rate environments or having difficulty with loan repayment. Students can take advantage of numerous generous initiatives, including the income-based repayment plan, loan forgiveness programs, and opportunities for deferment or forbearance.

Provides certainty for college students and ends election year games

The Smarter Solutions for Students Act puts an end to temporary fixes and campaign promises. The legislation provides stability for low- and middle-income students working to finance their postsecondary education, and prevents future uncertainty about whether Congress is going to act in time to change the interest rate. This point is illustrated most prominently by the fact that the interest rate on subsidized Stafford loans is slated to increase in a few short weeks while House and Senate Democrats play political

[5] *Id.*
[6] *Id.*

games with students' financial aid. This shortsighted approach is insulting to students and their families.

By taking the student loan interest rate problem off the table, the committee can turn its attention to the reauthorization of the Higher Education Act and explore more effective ways to streamline and simplify federal student aid programs, review efforts to promote student access and affordability, and discuss opportunities to reduce the regulatory burden on colleges and universities.

Conclusion

Politicians should not be in the business of setting student loan interest rates. This shortsighted practice only creates more uncertainty for borrowers and their families in the long run, leaving interest rates subject to campaign promises and the whims of Washington. The Smarter Solutions for Students Act moves all Stafford loans, including both subsidized and unsubsidized loans, to a single variable interest rate, simplifying financial aid for students and their families. It reduces the volatility of subsidies paid for by taxpayers, stabilizes our federal student loan programs, and serves the best interests of students, parents, and taxpayers.

SECTION-BY-SECTION ANALYSIS

Section 1. Short title

States the short title as the "Smarter Solutions for Students Act."

Section 2. Student loan interest rates

Amends Section 455(b) of the Higher Education Act of 1965 to set the formula for interest rates on new federal student loans issued on or after July 1, 2013. Rates are to vary annually based on the 10-year Treasury note plus 2.5 percent for all Stafford loans and 4.5 percent for all PLUS loans. Rates are not to exceed 8.5 percent on Stafford loans and 10.5 percent on PLUS loans.

Section 3. Budgetary effects

States that the budgetary effects of the act shall not be entered into any PAYGO scorecard.

EXPLANATION OF AMENDMENTS

The amendments, including the amendment in the nature of a substitute, are explained in the body of this report.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104–1 requires a description of the application of this bill to the legislative branch. H.R. 1911 provides market-based interest rates for certain federal student loans.

UNFUNDED MANDATE STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandates Reform Act, P.L. 104–4) requires a statement of whether the provisions of the reported bill include unfunded mandates. This issue is addressed in the CBO letter.

Earmark Statement

H.R. 1911 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of House Rule XXI.

Roll Call Votes

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include for each record vote on a motion to report the measure or matter and on any amendments offered to the measure or matter the total number of votes for and against and the names of the Members voting for and against.

Date: May 16, 2013

COMMITTEE ON EDUCATION AND THE WORKFORCE RECORD OF COMMITTEE VOTE

Roll Call: 1 Bill: H.R. 1911 Amendment Number: 2

Disposition: Defeated by a vote of 14 yeas and 23 nays.

Sponsor/Amendment: Mr. Tierney/ sets interest rates equal to rates available to the nation's largest banks through the Federal Reserve discount window, as set every July 1st, on Stafford loans for a period of 2 years

Name & State	Aye	No	Not Voting	Name & State	Aye	No	Not Voting
Mr. KLINE (MN) (Chairman)		X		Mr. MILLER (CA) (Ranking)	X		
Mr. PETRI (WI)		X		Mr. ANDREWS (NJ)			X
Mr. McKEON (CA)		X		Mr. SCOTT (VA)	X		
Mr. WILSON (SC)		X		Mr. HINOJOSA (TX)	X		
Mrs. FOXX (NC)		X		Mrs. McCARTHY (NY)			X
Mr. PRICE (GA)		X		Mr. TIERNEY (MA)	X		
Mr. MARCHANT (TX)		X		Mr. HOLT (NJ)	X		
Mr. HUNTER (CA)		X		Mrs. DAVIS (CA)	X		
Mr. ROE (TN)		X		Mr. GRIJALVA (AZ)	X		
Mr. THOMPSON (PA)		X		Mr. BISHOP (NY)	X		
Mr. WALBERG (MI)		X		Mr. LOEBSACK (IA)	X		
Mr. SALMON (AZ)		X		Mr. COURTNEY (CT)	X		
Mr. GUTHRIE (KY)		X		Ms. FUDGE (OH)			X
Mr. DesJARLAIS (TN)		X		Mr. POLIS (CO)		X	
Mr. ROKITA (IN)		X		Mr. SABLAN (MP)	X		
Mr. BUCSHON (IN)		X		Mr. YARMUTH (KY)	X		
Mr. GOWDY (SC)		X		Ms. WILSON (FL)	X		
Mr. BARLETTA (PA)		X		Ms. BONAMICI (OR)	X		
Mrs. ROBY (AL)			X				
Mr. HECK (NV)		X					
Mrs. BROOKS (IN)		X					
Mr. HUDSON (NC)		X					
Mr. MESSER (IN)		X					

TOTALS: Aye: 14 No: 23 Not Voting: 4

Total: 41 / Quorum: 14 / Report: 21

Date: May 16, 2013

COMMITTEE ON EDUCATION AND THE WORKFORCE RECORD OF COMMITTEE VOTE

Roll Call: 2 Bill: H.R. 1911 Amendment Number: 4

Disposition: Defeated by a vote of 15 yeas and to 21 nays.

Sponsor/Amendment: Courtney/ maintains interest rates for Subsidized Stafford loans at the current level of 3.4 percent for a period of 2 years

Name & State	Aye	No	Not Voting	Name & State	Aye	No	Not Voting
Mr. KLINE (MN) (Chairman)		X		Mr. MILLER (CA) (Ranking)	X		
Mr. PETRI (WI)		X		Mr. ANDREWS (NJ)			X
Mr. McKEON (CA)			X	Mr. SCOTT (VA)	X		
Mr. WILSON (SC)		X		Mr. HINOJOSA (TX)	X		
Mrs. FOXX (NC)		X		Mrs. McCARTHY (NY)			X
Mr. PRICE (GA)		X		Mr. TIERNEY (MA)	X		
Mr. MARCHANT (TX)		X		Mr. HOLT (NJ)	X		
Mr. HUNTER (CA)		X		Mrs. DAVIS (CA)	X		
Mr. ROE (TN)		X		Mr. GRIJALVA (AZ)	X		
Mr. THOMPSON (PA)		X		Mr. BISHOP (NY)	X		
Mr. WALBERG (MI)		X		Mr. LOEBSACK (IA)	X		
Mr. SALMON (AZ)		X		Mr. COURTNEY (CT)	X		
Mr. GUTHRIE (KY)		X		Ms. FUDGE (OH)			X
Mr. DesJARLAIS (TN)		X		Mr. POLIS (CO)	X		
Mr. ROKITA (IN)		X		Mr. SABLAN (MP)	X		
Mr. BUCSHON (IN)		X		Mr. YARMUTH (KY)	X		
Mr. GOWDY (SC)		X		Ms. WILSON (FL)	X		
Mr. BARLETTA (PA)		X		Ms. BONAMICI (OR)	X		
Mrs. ROBY (AL)			X				
Mr. HECK (NV)		X					
Mrs. BROOKS (IN)		X					
Mr. HUDSON (NC)		X					
Mr. MESSER (IN)		X					

TOTALS: Aye: 15 No: 21 Not Voting: 5

Total: 41 / Quorum: 14 / Report: 21

Date: May 16, 2013

COMMITTEE ON EDUCATION AND THE WORKFORCE RECORD OF COMMITTEE VOTE

Roll Call: 3 Bill: H.R. 1911 Amendment Number:

Disposition: Ordered favorably reported to the House, as amended, by a vote of 23 yeas and 14 nays.

Sponsor/Amendment: Mr. Petri - motion to report the bill to the House with an amendment and with the recommendation that the amendment be agreed to, and the bill as amended do pass.

Name & State	Aye	No	Not Voting	Name & State	Aye	No	Not Voting
Mr. KLINE (MN) (Chairman)	X			Mr. MILLER (CA) (Ranking)		X	
Mr. PETRI (WI)	X			Mr. ANDREWS (NJ)			X
Mr. McKEON (CA)	X			Mr. SCOTT (VA)		X	
Mr. WILSON (SC)	X			Mr. HINOJOSA (TX)		X	
Mrs. FOXX (NC)	X			Mrs. McCARTHY (NY)			X
Mr. PRICE (GA)	X			Mr. TIERNEY (MA)		X	
Mr. MARCHANT (TX)	X			Mr. HOLT (NJ)		X	
Mr. HUNTER (CA)	X			Mrs. DAVIS (CA)		X	
Mr. ROE (TN)	X			Mr. GRIJALVA (AZ)		X	
Mr. THOMPSON (PA)	X			Mr. BISHOP (NY)		X	
Mr. WALBERG (MI)	X			Mr. LOEBSACK (IA)		X	
Mr. SALMON (AZ)	X			Mr. COURTNEY (CT)		X	
Mr. GUTHRIE (KY)	X			Ms. FUDGE (OH)			X
Mr. DesJARLAIS (TN)	X			Mr. POLIS (CO)	X		
Mr. ROKITA (IN)	X			Mr. SABLAN (MP)		X	
Mr. BUCSHON (IN)	X			Mr. YARMUTH (KY)	X		
Mr. GOWDY (SC)	X			Ms. WILSON (FL)		X	
Mr. BARLETTA (PA)	X			Ms. BONAMICI (OR)		X	
Mrs. ROBY (AL)			X				
Mr. HECK (NV)	X						
Mrs. BROOKS (IN)	X						
Mr. HUDSON (NC)	X						
Mr. MESSER (IN)	X						

TOTALS: Aye: 24 No: 13 Not Voting: 4

Total: 41 / Quorum: 14 / Report: 21

CORRESPONDENCE

Exchange of letters with the Committee on the Budget.

PAUL RYAN, WISCONSIN
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U.S. House of Representatives
COMMITTEE ON THE BUDGET
Washington, DC 20515

May 17, 2013

The Honorable John P. Kline
Chairman, Committee on Education and the Workforce
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Kline:

I am writing to you concerning H.R. 1911, the Smarter Solutions for Students Act of 2013. There are certain provisions in the legislation which fall within Rule X jurisdiction of the Committee on the Budget.

In the interest of permitting your committee to proceed expeditiously to floor consideration of this bill, I am willing to waive this committee's right to sequential referral. I do so with the understanding that by waiving consideration of the bill the Budget Committee does not waive any future jurisdictional claim over the subject matters contained in the bill which fall within its jurisdiction. I request that you urge the Speaker to name members of this committee to any conference committee which is named to consider such provisions.

Please include a copy of this letter and any response in the committee report on H.R. 1911 as well as in the Congressional Record during any floor consideration of this bill. Thank you for the cooperative spirit in which you have worked regarding this matter and others between our respective committees.

Sincerely,

Paul Ryan
Chairman

**COMMITTEE ON EDUCATION
AND THE WORKFORCE**
U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

May 17, 2013

The Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter regarding the Committee on the Budget's jurisdictional interest in H.R. 1911, the Smarter Solutions for Students Act, as amended. I appreciate your willingness to forgo further consideration of H.R. 1911 by your committee.

I agree that the Committee on the Budget has a valid jurisdictional interest in certain provisions of H.R. 1911 and that the committee's jurisdiction will not be adversely affected by your decision to forgo further consideration of the bill. Your committee will be appropriately consulted as this or similar legislation moves forward. As you have requested, I will include a copy of your letter and this response in the committee report for H.R. 1911 and in the *Congressional Record* during the floor consideration of this bill. As always, thank you for your cooperation.

Sincerely,

John Kline

John Kline
Chairman

CC: The Honorable John Boehner
The Honorable George Miller
The Honorable Chris Van Hollen
Mr. Thomas J. Wickham, Jr., Parliamentarian

Statement of General Performance Goals and Objectives

In accordance with clause 3(c) of House Rule XIII, the goal of H.R. 1911 is to provide for market-based interest rates for certain federal student loans. The Committee expects the Department of Education to comply with these provisions and implement the changes to the law in accordance with this stated goal.

Duplication of Federal Programs

No provision of H.R. 1911 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

Disclosure of Directed Rule Makings

The Committee estimates that enacting H.R. 1911 does not specifically direct the completion of any specific rule makings within the meaning of 5 U.S.C. 551.

Statement of Oversight Findings and Recommendations of the Committee

In compliance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the body of this report.

New Budget Authority and CBO Cost Estimate

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following estimate for H.R. 1911 from the Director of the Congressional Budget Office:

U.S. Congress,
Congressional Budget Office,
Washington, DC, May 20, 2013.

Hon. John Kline,
Chairman, Committee on Education and the Workforce,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1911, the Smarter Solutions for Students Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Deborah Kalcevic.

Sincerely,

Douglas W. Elmendorf.

Enclosure.

H.R. 1911—Smarter Solutions for Students Act

Summary: H.R. 1911 would change the interest rates for all new federal loans to students and parents made on or after July 1, 2013, from a fixed interest rate set in statute to a variable interest rate, adjusted annually. Under the bill, interest rates for all new subsidized and unsubsidized student loans would be based on the interest rate on a 10-year Treasury note plus 2.5 percentage points, with a cap of 8.5 percent. (Borrowers pay no interest on subsidized loans while enrolled in school or during other deferment periods but are responsible for interest at all times on unsubsidized loans.) The interest rate for all new GradPLUS and parent loans would be based on the interest rate on a 10-year Treasury note plus 4.5 percentage points, with a cap of 10.5 percent. The bill also would eliminate the cap on the interest rate on all new consolidation loans (multiple loans for a single borrower combined into one loan) originated on or after July 1, 2013.

Under current law, all subsidized and unsubsidized loans originated on or after July 1, 2013, will have a fixed interest rate of 6.8 percent, and all GradPLUS and parent loans will have a fixed rate of 7.9 percent. In addition, the interest rate on all consolidation loans is capped at 8.25 percent.

CBO estimates that enacting H.R. 1911 would reduce direct spending by about $1.0 billion over the 2013–2018 period and by $3.7 billion over the 2013–2023 period. Enacting the bill would not affect revenues. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Implementing the bill would not have a significant impact on spending subject to appropriation.

H.R. 1911 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1911 is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

	By fiscal year, in millions of dollars—												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013–2018	2013–2023
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	3,870	1,495	−1,815	−2,010	−1,690	−1,355	−1,000	−670	−420	−255	−145	−1,505	−3,995
Estimated Outlays	2,195	2,030	−565	−1,720	−1,610	−1,325	−1,020	−725	−480	−305	−195	−995	−3,720

Basis of estimate: As required under the Federal Credit Reform Act of 1990, most of the costs of the federal student loan programs are estimated on a net-present-value basis. Under credit reform, the present value of all loan-related cash flows is calculated by discounting those expected cash flows to the year of disbursement, using the rates for comparable maturities on U.S. Treasury borrowing. (For example, the cash flow for a one-year loan is discounted using the rate for a one-year zero-coupon Treasury note.) The costs for the federal administration of student loans are estimated on a cash basis. For this estimate, CBO assumes the bill will be enacted by July 1, 2013.

Background on student loans

The federal government currently administers four types of student loans:

- Stafford subsidized loans. Subsidized loans are available only to undergraduate students who demonstrate financial need. Borrowers pay no interest on those loans while they are enrolled in school or during other periods of deferment. The interest rate for subsidized loans is 3.4 percent for academic year 2012–2013 but is scheduled to rise under current law to 6.8 percent for academic year 2013–2014 and thereafter. The annual and aggregate amounts a student may borrow are limited by the borrower's year in school and dependency status.
- Stafford unsubsidized loans. Unsubsidized loans are available to undergraduate and graduate students regardless of financial need. Borrowers are responsible for interest on those loans at all times. Under current law, the interest rate for subsidized loans is 6.8 percent and will remain 6.8 percent in the future. The annual and aggregate amounts a student may borrow are limited by the borrower's year in school, dependency status, and the amount borrowed under the subsidized loan program.
- GradPLUS loans. GradPLUS loans are loans specifically for graduate students who wish to borrow above the annual or aggregate limits on unsubsidized student loans. Under current law, the interest rate on GradPLUS loans is 7.9 percent and will remain so. Students may borrow up to the cost of attendance at their institution (minus any other financial aid received).
- Parent loans. Parent loans are available to parents of students. Under current law, the interest rate on PLUS loans is 7.9 percent and will remain so. Parents may borrow up to the cost of attendance at their institution (minus any other financial aid received).

In addition, under current law, borrowers with multiple loans can consolidate all of their loans into a single loan with a fixed interest rate. That rate is based on a weighted average of the rates of all loans that are consolidated, rounded up to the nearest one-eighth of one percent with a cap of 8.25 percent.

Direct spending

Under H.R. 1911, the interest rate for all four types of loans would adjust annually based on the last auction of Treasury rates in May of each year for the upcoming academic year (July 1 through June 30). As of the date of this estimate, that auction for 2013 has not occurred. Accordingly, this estimate uses CBO's projection of the rate for the 10-year Treasury note in 2013. The estimated costs of the legislation would change once that auction has taken place and CBO knows what the actual rate for academic year 2013–2014 will be.

Under the bill, the interest rates for all new subsidized and unsubsidized student loans would be equal to the interest rate on the 10-year Treasury note plus 2.5 percentage points, with a cap of 8.5 percent. Including the effect of the cap of 8.5 percent, which lowers the expected value of future interest rates, CBO projects that interest rates for those loans would rise from about 5 percent for academic year 2014–2015 (below the fixed rate of 6.8 percent in current law) to about 7 percent for academic year 2023–2024.

Also under the bill, the interest rate for all new GradPLUS and parent loans would be based on the interest rate on a 10-year Treasury note plus 4.5 percentage points, with a cap of 10.5 percent. CBO projects that interest rates for those loans would rise from about 7 percent for academic year 2014–2015 (below the fixed rate of 7.9 percent in current law) to about 9 percent for academic year 2023–2024, which also includes the effect of the cap of 10.5 percent.

In addition, the bill would eliminate the cap of 8.25 percent on all consolidation loans originated as of July 1, 2013, regardless of when the initial loans being consolidated were originated.

CBO also projects that as interest rates rise above the level in current law, some borrowers, particularly those in the GradPLUS and parent loan programs, would reduce the amount of their federal borrowing. By 2023, CBO estimates that the volume in GradPLUS and parent loan programs would decline by about 15 percent under H.R. 1911.

Based on the changes in interest rates and loan volume, CBO estimates that enacting H.R. 1911 would increase direct spending by $2.2 billion in fiscal year 2013 and decrease direct spending by about $1.0 billion over the 2013–2018 period and by $3.7 billion over the 2013–2023 period.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 1911 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE ON MAY 14, 2013

	By fiscal year, in millions of dollars—												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013–2018	2013–2023
	NET INCREASE OR DECREASE (−) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	2,195	2,030	−565	−1,720	−1,610	−1,325	−1,020	−725	−480	−305	−195	−995	−3,720

Intergovernmental and private-sector impact: H.R. 1911 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal costs: Deborah Kalcevic; Impact on state, local, and tribal governments: J'nell L. Blanco; Impact on the private sector: Vi Nguyen.

Estimate approved by: Peter H. Fontaine, Assistant Director for Budget Analysis.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 1911. However, clause 3(d)(2)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

HIGHER EDUCATION ACT OF 1965

* * * * * * *

TITLE IV—STUDENT ASSISTANCE

* * * * * * *

PART D—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

* * * * * * *

SEC. 455. TERMS AND CONDITIONS OF LOANS.

(a) * * *

(b) INTEREST RATE.—

(1) * * *

* * * * * * *

(7) INTEREST RATE PROVISION FOR NEW LOANS ON OR AFTER JULY 1, 2006*, AND BEFORE JULY 1, 2013*.—

(A) RATES FOR FDSL AND FDUSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans for which the first disbursement is made on or after July 1, 2006, *and before July 1, 2013,* the applicable rate of interest shall be 6.8 percent on the unpaid principal balance of the loan.

(B) PLUS LOANS.—Notwithstanding the preceding paragraphs of this subsection, with respect to any Federal Direct PLUS loan for which the first disbursement is made on or after July 1, 2006, *and before July 1, 2013,* the applicable rate of interest shall be 7.9 percent on the unpaid principal balance of the loan.

(C) CONSOLIDATION LOANS.—Notwithstanding the preceding paragraphs of this subsection, any Federal Direct Consolidation loan for which the application is received on or after July 1, 2006, *and before July 1, 2013,* shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of—

(i) * * *

* * * * * * *

(8) INTEREST RATE PROVISION FOR NEW LOANS ON OR AFTER JULY 1, 2013.—

(A) RATES FOR FDSL AND FDUSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans for which the first disbursement is made on or after July 1, 2013, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

(i) the high-yield 10-year Treasury notes auctioned at the final auction held prior to such June 1; plus

(ii) 2.5 percent,

except that such rate shall not exceed 8.5 percent.

(B) PLUS LOANS.—Notwithstanding the preceding paragraphs of this subsection, for any Federal Direct PLUS Loan for which the first disbursement is made on or after July 1, 2013, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

(i) the high-yield 10-year Treasury notes auctioned at the final auction held prior to such June 1; plus

(ii) 4.5 percent,

except that such rate shall not exceed 10.5 percent.

(C) CONSOLIDATION LOANS.—Notwithstanding the preceding paragraphs of this subsection, any Federal Direct Consolidation Loan for which the application is received on or after July 1, 2013, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent.

[(8)**]** *(9)* REPAYMENT INCENTIVES.—

(A) * * *

* * * * * * *

[(9)**]** *(10)* PUBLICATION.—The Secretary shall determine the applicable rates of interest under this subsection after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

* * * * * * *

MINORITY VIEWS

OVERVIEW

Committee Democrats adamantly oppose H.R. 1911, the Smarter Solutions for Students Act. Under the guise of addressing the coming July 1 increase in interest rates for subsidized Stafford loans, the bill alters interest rate calculations for all loans and makes college education more expensive for American students and their families. In fact, instead of offering a solution to the interest rate hike, the bill makes matters worse. Congress should act to stop the interest rate hike in the short-term and find longer term solutions to reduce, not exacerbate, the cost of attending college.

Student loan debt now exceeds $1.1 trillion in total, and the Federal Reserve has found that student debt now surpasses aggregate auto loan, credit card and home equity debt. Only debt on home mortgages is greater than student debt. Increasing student loan debt is not just a burden carried by individuals, but also a drag on our economy. Graduates with high levels of debt cannot afford to fully participate in the economy. Student loan debt affects a range of life choices, from where they live to their ability to buy a car, own a home or start a family.

H.R. 1911 THE GOP BILL WORSE THAN DOING NOTHING AT ALL

According to the Congressional Budget Office (CBO), H.R. 1911 will set students further back by increasing the interest rates they pay for student loans.[1] The Republican proposal seemingly offers lower rates to students next year; however, those rates are highly variable. That is, the rates on the same loans will change year-to-year, leading to higher interest rates that will be more than double the rates that millions are paying today.

CRS found that students and families would pay higher interest costs under the Republican proposal than they would even if Congress took no action and interest rates doubled as scheduled for the neediest students in July. The figures below are based on a standard repayment period of ten years:

- Students who borrow the maximum amount of subsidized Stafford loans over five years would pay $10,109 in interest payments under the Republican bill, $4,174 if rates were kept at 3.4 percent or $8,808 if rates are allowed to double to 6.8 percent in July. Freshman starting next year would initially receive 4.4% loans only to have them skyrocket to almost 8% by the time they start to repay.
- Students who borrow the maximum amount of subsidized and unsubsidized Stafford loans over five years would pay $14,430 in

[1] http://democrats.edworkforce.house.gov/press-release/gop-student-loan-bill-would-make-college-more-expensive-new-independent-nonpartisan.

interest under the Republican bill, $12,598 if subsidized loans were allowed to double in July, or $7,965 if rates don't double.

• Parents and graduate students would also pay more under the Republican bill. For instance, a parent who borrows the maximum amount for their child over five years would face $35,848 in interest payments under the Republican bill, more than the $27,956 under current law.

These added costs are a function of the markup that H.R. 1911 adds to 10-year treasuries to establish an interest rate and the variability of those rates from year to year. Using CBO's projections, those interest rates quickly climb above current law's 6.8% rate for Stafford loans and 7.9% for PLUS loans.

Fiscal Year	Proposed Stafford Loan Interest Rates Under H.R. 1911	Proposed PLUS Loan Interest Rates Under H.R. 1911
2013	4.4	6.4
2014	5.0	7.0
2015	5.7	7.7
2016	6.6	8.6
2017	7.4	9.4
2018	7.7	9.7
2019	7.7	9.7
2020	7.7	9.7
2021	7.7	9.7
2022	7.7	9.7
2023	7.7	9.7

Republicans' H.R. 1911 will allow interest rates to more than double for the neediest students. Under Kline's plan, an incoming freshman next year who makes full use of the Subsidized Stafford loan program will likely enter repayment in 2018 and will have a 7.7% interest rate on all of their loans.

H.R. 1911 will increase interest rates for millions of borrowers above current fixed rates for 7 of the next 10 years. A parent or graduate student borrowing PLUS Loans next year would initially have a 6.4% rate. However, in 2016, three years later, that rate will increase to 8.6%.

REPUBLICAN H.R. 1911 WILL INCREASE STUDENT DEBT FOR DEFICIT REDUCTION

To further confirm how detrimental H.R. 1911 is to students and their families, the Congressional Budget Office recently calculated that that the Republican bill will cost students and parents $3.7 billion in additional student loan interest charges over the next 10 years.[2] That increased student loan debt is directed to the deficit. Republicans want to solve the potential consequences of the national debt on our children by placing almost $4 billion immediately on the backs of students before they may have received their first job or paycheck.

REPUBLICAN H.R. 1911 FURTHER DEEPENS THE COLLEGE DEBT CRISIS, ALREADY TOPPING $1.1 TRILLION.

Saddling students with higher interest rates means the GOP is adding billions to the crushing debt already carried by college stu-

[2] *Ibid.*

dents and their families. Increased debt burdens make it harder for graduates to fully participate in the economy.

Evidence of this trend is supported by data from the U.S. Census Bureau that shows nearly 6 million Americans ages 25 to 34 lived with their parents in 2011, up from 4.7 million reported in 2007.[3] A recent report by the Consumer Financial Protection Bureau (CFPB) suggests the reduction in young people buying their first home is caused in part by high student debt levels that don't leave sufficient resources necessary to start a new family.[4] The National Association of Realtors has also documented a decrease in first-time homebuyers—they are now only 30% of the market compared to historical levels of 40%.[5]

This reversal of purchasing by college graduates with debt is true with motor vehicles as well. According to the Federal Reserve, college graduates funded auto purchases at a rate 3 to 4 percentage points greater than their non-college peers in the past. Today these student borrowers were actually less likely to hold auto debt.[6]

A recent report by the CFPB confirmed that spiraling student debt is having profoundly negative consequences for the economy in many ways in addition to home ownership. For example, many comments to the CFPB suggested student debt "may suppress risk-taking and innovation by discouraging the formation of new business by young entrepreneurs." The report also documents concern that higher student debt is leading to fewer young people going into the teaching profession, and is altering the nature of rural communities by creating obstacles for student borrowers from returning to rural communities after college.[7]

The Kline bill exacerbates these harmful economic trends by piling on billions of dollars more in student loan debt.

It should be noted that, in the FY14 budget, the Obama Administration called for a long-term variable student loan change. Chairman Kline has suggested his bill is very similar to the Obama proposal, but, in fact, there are stark differences. For example, the President's proposal provides lower interest rates than the Kline bill. Those rates are variable, but they are fixed for the life of any loan, rather than variable for the same loan year-to-year as in H.R. 1911. The President's proposal also expands income-based repayment programs to all borrowers, whereas the Kline bill provides for no repayment assistance.

The White House summed up its differences with H.R. 1911:

> While we welcome action by the House on student loans, we have concerns about an approach that both fails to guarantee low rates for students on July 1 and asks too

[3] Random Samplings: Households Doubling Up. U.S. Census Bureau. http://blogs.census.gov/2011/09/13/households-doubling-up/.

[4] Student Loan Affordability. Consumer Financial Protection Bureau. http://www.consumerfinance.gov/reports/student-loan-affordability/.

[5] First-Time Home Buyers: 31 Percent of Residential Buyers. National Association of Realtors. http://economistsoutlook.blogs.realtor.org/2012/09/27/first-time-home-buyers-31-percent-of-residential-buyers/.

[6] Young Student Loan Borrowers Retreat from Housing and Auto Markets. Federal Reserve Bank of New York. http://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html

[7] Student Loan Affordability. Consumer Financial Protection Bureau. http://www.consumerfinance.gov/reports/student-loan-affordability/.

many of them to bear the burden of deficit reduction through unaffordable rates.

The voices of student and education groups have also been heard. As the Education Trust and the Institute for College Access and Success has explained:

> While appearing to offer low rates for new borrowers, [H.R. 1911] does not make federal loans more affordable. In fact, it makes them much more costly for students, with variable rates on undergraduate loans that are projected to rise nearly three percentage points (to 7.36%) by the time this fall's freshmen graduate from college and make their first loan payment.

A coalition of student groups has weighed in with their opposition:

> This proposal [H.R. 1911] would lock in high revenues, and takes another $3.7 billion for further deficit reduction. We should not increase student debt to pay down the deficit.

DEMOCRATIC VISION FOR STUDENT LOANS

It's in our national interest to work toward solving the $1.1 trillion student loan debt problem. Democrats on the committee believe that any student loan bill should provide a benefit to student loan borrowers in the form of lower rates and lower total debt, not make a college education more expensive. Student and education groups wrote in support of Democratic amendments and in opposition to H.R. 1911. However, Republicans unanimously voted against the amendments.

Committee Democrats believe there must be a balanced long-term solution for student loan interest rates and student loan debt. There are many options Congress could, and should, consider in order to promote an affordable and accessible education. A balanced solution should take time to consider all borrowers and the obstacles each face before college, in college and after college repaying their loans. This process will take time and can best be handled in a full reauthorization of the Higher Education Act, due to expire in two years.

Representative Courtney offered an amendment to freeze subsidized Stafford loans at 3.4% for two years. The Courtney amendment would have ensured interest rates do not double for the neediest students. By extending low rates for two years, the Committee would have time to thoroughly examine long-term solutions that can properly balance affordability, access, completion and repayment while reauthorizing the Higher Education Act.

Representative Tierney offered an amendment to set Stafford loan interest rates to the rate given to the nation's big banks for two years. The Tierney amendment would have directed the Secretary of Education to set student loan interest rates on all Stafford loans yearly to the rates given to the nation's largest banks by the Federal Reserve through the 'discount window'. Current rates provided to the largest banks are set at 0.75%. A version of this bill was introduced by Senator Elizabeth Warren (D-MA).

Regrettably, these amendments were rejected by the Committee Republicans. The current bill therefore fails a very simple test. It makes college education more expensive for American students and their families. That exacerbates a long-term problem. It is not a long-term solution.

GEORGE MILLER.
ROBERT C. SCOTT.
CAROLYN MCCARTHY.
RUSH HOLT.
RÁUL M. GRIJALVA.
DAVID LOEBSACK.
MARCIA L. FUDGE.
GREGORIO KILILI SABLAN.
FREDERICA S. WILSON.
ROBERT E. ANDREWS.
RUBÉN HINOJOSA.
JOHN F. TIERNEY.
SUSAN A. DAVIS.
TIMOTHY H. BISHOP.
JOE COURTNEY.
JOHN A. YARMUTH.
SUZANNE BONAMICI.