POLIS/P. MURPHY/T. BISHOP AMENDMENT TO H.R. 4173

Problem:

- The share of ***students taking out high-cost private student loans*** has increased dramatically from 5% of all undergraduates in 2003-04 to 14% in 2007-08, while the number of borrowers ***grew from less than 1 million to almost 3 million.*** Also, the volume of private loans more than doubled, from $7.2 billion in 2003-04 to $15.0 billion in 2007-08.[i]
- Unlike federal student loans, ***private student loans' rates can be as high as 18% in 2008 and borrowers are not eligible for the deferment, income-based repayment, or loan forgiveness options*** available to federal student loan borrowers. Private student loans are riskier, less affordable, and resemble credit cards rather than financial aid.
- Even more alarming is that ***almost 2 out of 3 (64%) students with private loans borrowed less than they could have in federal Stafford loans,*** up from 48% in 2003-04, and ***more than 1 out of 4 (26%) borrowers took out no Stafford loans at all*** (14% did not apply for federal financial aid and 12% filled out the FAFSA but did not take out a Stafford loan).
- Financial aid experts agree that ***students and their families should apply for and exhaust all of the available federal financial aid options***, which they subsidize as taxpayers, ***before turning to private loans.***

The Amendment:

- ***Reflects the provisions in the House-passed bipartisan Higher Education Opportunity Act of 2008.***
- ***Before making a loan, requires private educational lenders to request and receive certifications from institutions of higher education*** of borrowers' (1) enrollment status, (2) cost of attendance, and (3) the difference between the borrowers' cost of attendance and the borrower's estimated financial assistance, and that the institution has determined whether the borrowers have applied for and exhausted federal financial aid options and informed the borrowers about (i) their federal financial aid availability and eligibility; (ii) their ability to select a private educational lender of their choice; (iii) the impact of a proposed private education loan on their potential eligibility for other forms of financial aid; and (iv) their right to accept, reject or cancel a private education loan as allowed under current law.
- ***Requires the Consumer Financial Protection Agency and the Department of Education to conduct a study*** on private education loans and lenders as well as ***report to Congress*** on the compliance of institutions and private educational lenders with certification provisions, including the degree to which certifications are effectively encouraging students to exhaust their federal student aid options and lower the amount of debt students accumulate.

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[i] Figures calculated by the Project on Student Debt using data from the National Postsecondary Student Aid Study of the National Center for Education Statistics. For more information see www.projectonstudentdebt.org and www.ticas.org.