



May 28, 2020

Honorable Lamar Alexander, Chairman
Senate Health, Education, Labor, and Pensions Committee
428 Dirksen Senate Office Building
Washington, DC 20510

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

Dear Chairman Alexander and Ranking Member Murray:

As the Senate begins work on the next COVID-19 relief package, AccessLex Institute urges you to include provisions that will assist postsecondary students and federal student loan borrowers. While the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* did provide emergency grants to students and schools, as well as relief for student loan borrowers, more 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 the pandemic continues and more Americans struggle to make ends meet, students will need additional help financing their education and borrowers will need greater relief to successfully meet their debt obligations. AccessLex recommends that the following changes be included in the next COVID-19 relief bill:

- **Exempt from “estimated financial assistance” institutional and other emergency grants that are given to students due to the COVID-19 emergency.** To ensure that emergency grants from schools, 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 federal and state emergency grants by the *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 the pandemic.

- **Provide borrowers with a 1.5 percent interest rate on all federal student loans disbursed during the COVID-19 pandemic.** Federal student loan interest rates exceed the 0.5 percent rate at which the federal government can borrow money. For the current academic year, graduate students were offered Unsubsidized Stafford Loans with an interest rate of 6.08 percent and Grad PLUS loans with a 7.08 percent interest rate. Even the lower interest rates for the 2020-21 academic year, which go into effect on July 1, 2020, are set at 4.30 percent and 5.30 percent for graduate students, much higher than the federal government's borrowing rate.

During a time when so many Americans are suffering severe financial hardships, student borrowers should not be burdened with interest rates greatly exceeding the cost of funds to the federal government.

- **Eliminate origination fees on all federal student loans disbursed during the pandemic.** 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 fee began as a subsidy to private lenders under a bank-based federally-guaranteed loan program that was ended in 2010. Under the current Direct Loan program, the subsidy is no longer needed, yet it persists to generate revenue for the federal government.

At a time when students and their families are struggling to meet even their basic needs, 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.

- **Extend the loan repayment grace period from 6 months to 12 months for graduating borrowers.** Federal student loan borrowers are provided with a six-month grace period before being required to make payments on their loans. Normally, this grace period would give most graduates enough time to secure a job, allowing them to begin repaying their loans. However, the current grace period does not give graduates enough time to find employment during an economic collapse. Because of COVID-19, more than 40 million Americans have filed for unemployment insurance in the last 10 weeks, and that number is expected to grow.

These numbers suggest that the Class of 2020 will be entering into the worst job market since the Great Depression. Thus, it is imperative that Congress steps in to insulate graduates from the financial strain that will come from having to repay student loans without a job.

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 as the COVID-19 pandemic continues. If you have any questions, please do not hesitate to contact Nancy Conneely, Director of Policy, at nconneely@accesslex.org.

Sincerely,



Christopher P. Chapman
President and Chief Executive Officer

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