



April 07, 2023

The Honorable Bernie Sanders
Chairman
Senate Health, Education, Labor, and Pensions Committee
428 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Bill Cassidy
Ranking Member
Senate Health, Education, Labor, and Pensions Committee
455 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Sanders and Ranking Member Cassidy:

AccessLex Institute® is pleased to offer its support for S. 1004, the *Student Loan Tax Elimination Act*. Introduced on March 28, 2023 by Senators Mike Braun (R-IN), Kyrsten Sinema (I-AZ), Elizabeth Warren (D-MA), Josh Hawley (R-MO), Tim Kaine (D-VA), Chris Coons (D-DE), and Chris Van Hollen (D-MD), the bipartisan *Student Loan Tax Elimination Act* would help to reduce the cost of higher education for struggling borrowers by eliminating origination fees on all federal Direct Loans.

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.

The Higher Education Act of 1965, as amended, authorizes the assessment of an origination fee between one and four percent for the processing of a federal student loan. 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, leading to a reduction in the amount of loan dollars disbursed to borrowers. This structure increases costs for borrowers, who are responsible for repaying the withheld amount, plus the interest that accrues on that amount which can result in hundreds or thousands of additional dollars owed. In Award Year 2019-20 alone, the federal government generated over \$1.7 billion in revenue from origination fees.¹

At a time when students and their families are struggling to fill in the gaps between a reduced state investment in higher education and rising tuition costs, the upfront taking of up to four 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. That is why AccessLex supports the

¹ National Association of Student Financial Aid Administrators. (2021). *Issue Brief: Origination Fees*. https://www.nasfaa.org/issue_brief_origination_fees.

Student Loan Tax Elimination Act which will go a long way in enhancing access and affordability of higher education for students.

Thank you for your time and attention to this matter. If you have any questions, please do not hesitate to contact me at cchapman@accesslex.org or Nancy Conneely, Managing Director of Policy, at nconneely@accesslex.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris S", written on a light gray background.

Christopher P. Chapman
President and Chief Executive Officer