July 9, 2013

The Honorable Kelly Ayotte
144 Russell Senate Office Building
Washington, DC 20510

Dear Senator Ayotte:

As university and college semesters closed across New England last month, students faced great uncertainty about the future cost of a key element in many student financial aid packages: subsidized Stafford Loans. With the doubling of the interest rate on these loans from 3.4 to 6.8 percent as of July 1, many students find themselves in a quandary trying to plan for significant additional costs -- unless Congress acts -- with next semester's start just a few short weeks away.

The increase in cost for these loans going forward is going to affect some seven million students. It is estimated that those who borrow the maximum amount, $23,000 over a college career, will pay about $4,000 more in interest over a standard ten-year repayment plan. This is need-based financial aid, with approximately 75 percent of Stafford loan recipients coming from families making less than $60,000 a year.

Stafford Loans are vital for a growing number of students. According to a 2011 National Center for Education Statistics study, Stafford Loan borrowing jumped at all institutional types during the past two decades. At community colleges, for example, the percentage of students with at least one Stafford Loan doubled from 11.7 percent in 1989-90 to 23.8 percent in 2007-08, and the average amount borrowed by these students grew nearly 38 percent (adjusted for inflation). At four-year public colleges and universities, the share of students with loans increased from about 28 percent to almost 53 percent, and the average amount borrowed grew 48 percent.

With the next semester's start just weeks away, students and their families are making critical decisions this month about college choice and in some instances, the fundamental opportunity to attend college. Given the large number of higher education institutions in the region, those financial decisions will have a short-term economic impact on these colleges and universities if enrollment is reduced. There is also a strong correlation between college access and workforce readiness, which has longer term implications for the regional economy.

The New England Council urges Members of Congress to act quickly and decisively to keep interest rates on these critically important student loans as low as possible, and provide a measure of certainty for both students and institutions of higher education throughout the region. Please do not hesitate to contact us if you have questions or need additional information on this issue.

Sincerely,

Michele Jalbert
Executive Director of Policy and Strategy, The New England Council