



Support the Student Aid and Fiscal Responsibility Act (H.R. 3221)

July 23, 2009

Dear Representative:

On behalf of the 100,000 bipartisan members of the American Association of University Women (AAUW), I urge you to **support the Student Aid and Fiscal Responsibility Act (H.R. 3221) and oppose any weakening amendments.** This legislation will make college more affordable by investing billions of dollars in student aid at no new cost to taxpayers.

Since our founding in 1881, AAUW has been committed to making the dream of higher education a reality for all women. With changes in the workforce over the last century, higher education is becoming less of a luxury and more of a necessity. By 2016, an estimated 9 million new jobs will likely require postsecondary education.¹ As the skill requirements of jobs continue to increase, so too should access to postsecondary education for all students.

AAUW strongly supports the bill's provisions to move all federal loans to the Direct Lending program by 2010. While the legislation directs the government to originate all student loans, it also ensures that there is a role for private industry in providing loan servicing. The bill will establish a competitive bidding process that allows the Department of Education to select lenders based on how well they serve borrowers, educate them financially, and prevent loan defaults. Moving all loans to the Direct Lending program will save the federal government and taxpayers almost \$100 billion over the next 10 years as it eliminates tax-payer funded subsidies private lenders have been receiving to make student loans.² The savings found through this proposal will help strengthen the Pell grant program, keep interest rates on student loans low, improve community colleges, and expand early childhood education.

AAUW supports provisions in the bill that strengthen the Pell grant program. Given the economic downturn, more students are seeking aid and additional people are returning to school to retrain, making additional Pell funds critically important.³ This is particularly important given that the Pell grant program was designed to help low-income students and their families achieve their college dreams. In 2006-2007, nearly 60 percent of Pell grant recipients had incomes below \$20,000.⁴ Of the almost \$100 billion in savings created by moving to the Direct Lending program, \$40 billion of this will be used to increase Pell grant funding – resulting in a maximum Pell grant award of \$5,550 for 2010. In future years, the maximum award would automatically increase by an amount equivalent to the Consumer Price Index (CPI) plus 1 percent. At this rate, the maximum Pell award is estimated to increase to \$6,900 by 2019. By indexing funding to the CPI, the Pell award will reflect inflation and will not lose value over time – a problem that has plagued the program in the past.

In addition to increasing Pell grant funding, the legislation will also keep interest rates low on need-based, or subsidized, federal student loans. Currently, these interest rates are set to jump from 3.4 percent to 6.8 percent in 2012. Approximately 5.5 million students borrow these types of loans each year.⁵ In addition, the legislation expands the Perkins loan program to every college campus which will help financially-needy students.

While many students struggle with the cost of higher education and loan repayment, the burden is particularly significant for women who earn less on average over the course of their lives than their male counterparts. AAUW's report, *Behind the Pay Gap*, found that college-educated women earn five percent less than men one year out of college and 12 percent less than men 10 years out of college, even when they have the same major and occupation as their male counterparts and when controlling for factors known to affect earnings such as education and training, parenthood and hours worked.⁶ These findings suggest that sex discrimination not only continues to be a problem in the workplace, but that it affects the incomes of even the most educated women starting immediately out of college. This immediate and pernicious wage disparity makes it that much harder for women to repay their student loans.

In addition to increasing aid available to students, this bill will also simplify the process for applying for financial aid by eliminating some questions on the Free Application for Federal Student Aid (FAFSA) form which is used to determine a student's financial aid eligibility. By eliminating questions, the Department of Education will be able to use financial

data from the IRS to efficiently and reliably determine award eligibility. This will dramatically cut down the number of questions on the form, which will make it easier and less burdensome for students to apply for financial aid.

AAUW is pleased that the legislation also provides funding to improve community colleges. The bill will create a new competitive grant program for community colleges to improve instruction, work with local employers, improve their student support services, and implement other innovative reforms that will lead to a college degree, certificate, or credential to fulfill local workforce needs. The initiative will increase the number of students graduating with degrees, while preparing individuals for high-wage occupations in high-demand industries. In addition, these grants will be targeted towards high-need populations.

AAUW supports provisions in the legislation that assist nontraditional students and veterans returning to school. An amendment added in markup would prioritize low-income, first-generation, older students, or students with dependents for competitive educational grants. Other amendments added in markup would forgive any loans military members incur while on active duty and give service members more freedom to attend their college of choice under the G.I. bill, but calculating their eligibility for state-based tuition assistance against an aggregate of both maximum tuition thresholds and fees.

AAUW was particularly pleased to see an amendment be added in markup that focuses on the need to have more women and underrepresented minorities enter science, technology, engineering, and math (STEM) careers. The language states that improving postsecondary access and success for women and underrepresented students in STEM should be a focus within the STEM priority for awarding innovation grants under the Innovation in College Access and Completion National Activities section of the legislation. There is currently a shortage of STEM professionals, however if women and members of other traditionally underrepresented groups joined the STEM workforce in proportion to their representation in the overall labor force, the shortage of STEM professionals would disappear.⁷

Lastly, AAUW was pleased to see increased funding for early childhood education. The bill includes almost \$1 billion per year for competitive grants to states to increase the number of low-income children in high-quality early learning programs.

Again, I urge you to **support the Student Aid and Fiscal Responsibility Act (H.R. 3221) and oppose any weakening amendments.** This legislation will make college more affordable for millions of students. Cosponsorship and votes associated with these issues may be included in the AAUW Action Fund *Congressional Voting Record* for the 111th Congress. Please do not hesitate to contact me at 202/785-7720, or Tracy Sherman, government relations manager, at 202/785-7730, if you have any questions.

Sincerely,



Lisa M. Maatz
Director, Public Policy and Government Relations

¹ Bureau of Labor Statistics. (2008). *Occupational Projections and Training Data, 2008-09 Edition*. Retrieved Aug. 11, 2008, from <http://www.bls.gov/emp/optd/optd001.pdf>.

² House Committee on Education and Labor. (2009). "Legislation to Make Landmark Investments in College Affordability Clears House Committee." Retrieved July 22, 2009 from <http://edlabor.house.gov/newsroom/2009/07/legislation-to-make-landmark-i.shtml#more>

³ Sanchez, Leonel. (Nov.3, 2008). "More Students Spring from Tough Times." *San Diego Union-Tribune*. Retrieved December 24, 2008, from <http://www.signonsandiego.com/news/education/20081103-9999-1m3train.html>

⁴ U.S. Department of Education. (2007). *2006-2007 Federal Pell Grant Program End-of-Year Report*. Retrieved December 24, 2008, from <http://www.ed.gov/finaid/prof/resources/data/pell-2006-07/pell-eoy-06-07.pdf>

⁵ House Committee on Education and Labor. (2009). "The Student Aid and Fiscal Responsibility Act: A Landmark Investment in America's Economic Future." Retrieved 22, 2009 from <http://edlabor.house.gov/documents/111/pdf/publications/SAFRA-CollegeLoanReform.pdf>

⁶ AAUW Educational Foundation. (2007). *Behind the Pay Gap*, by Catherine Hill and Judy Goldberg Dey. Washington, DC.

⁷ Congressional Commission on the Advancement of Women and Minorities in Science, Engineering and Technology Development. (2000). *Land of Plenty: Diversity as America's Competitive Edge in Science, Engineering and Technology*. Retrieved December 29, 2008, from http://www.nsf.gov/pubs/2000/cawmset0409/cawmset_0409.pdf.