OBAMA-BIDEN TRANSITION PROJECT
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Memo

To: Lily Rothman, Mike Lux, Presidential Transition Team

From: The Student PIRGs

Date: 12/15/2008

Re: Making College Affordable and Accessible

The Student PIRGs represent a network of 100 student directed and student-funded chapters dedicated to training students in the skills of active citizenry on college campuses across the country. Our Higher Education Project seeks to make college affordable and accessible for every qualified student in America. A selection of the policies we recommend that the US Department of Education pursue include:

Lower student debt. Students are accumulating debt levels that prevent them from taking jobs critical to our society, like teaching and social work. Too much loan debt also causes graduates to delay marriage, or buying a home or car. After they've exhausted their federal aid options, more and more students are turning to private student loans to help pay for college. Unlike federal student loans, however, private loans are made to profit from borrowers, granting the worst terms and conditions to the students from the neediest backgrounds. Private loan borrowers have much higher debt upon graduation.

One way to help ease the burden caused by private loans is to improve PLUS loans, parental loans made through the federal government that can be taken out for a child attending college. These loans must be made more attractive to parents so they can directly compete with the best-advertised prices that private loans are being offered. Thus, we urge a lowering the interest rate on the PLUS loan and welcome US Department of Education support for this recommendation.

Increase borrower protections. Student loans are supposed to be a low cost way to get to college and then get on with life, enabling a borrower to gain skills and subsequent higher earning power over the long term. But sometimes it doesn't work out that way, in particular if a borrower gets ill or injured and therefore can no longer earn income. Under these circumstances, the borrower faces severe financial distress, yet the law says that they MUST repay their loans despite having NO ability to generate further income to repay. Student loans are not dischargeable in bankruptcy. Even a sick or injured borrower's disability payments can be garnished to repay their loans. In the next session, we will work to change current law.

While there may be a legitimate reasons to have strict standards for federal student loans that are financed by the taxpayers, there is no reason to have the same standard for companies that profit from loading students up with a high interest, high penalty loan. Private student loans should be treated like any other form of consumer debt, and should be dischargeable in bankruptcy. Currently, private student lenders enjoy this protection. We urge the US Department of Education to make this change.

Make student lending efficient. The federal student grant and loan programs were created to help expand student opportunity by enabling qualified students from all backgrounds into college. Yet students still graduate with too much loan debt. To reverse this trend, we need to

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improve borrower protections, drive down the cost of loans further and increase repayment options. These reforms, however, require an allocation of resources. Currently, millions upon millions of taxpayer dollars allocated to student aid are absorbed by inefficiencies in the programs which benefit banks, rather than directed toward decreasing student debt. We urge the US Department of Education to work with Congress to prioritize the design of a student loan system that more efficiently allocates taxpayer dollars to benefit students.

Lower textbook costs. Textbooks cost too much, with prices rising faster than inflation and costing a student on average about $700 to $1000 a year. Publishers have a stranglehold on the marketplace, exploiting faculty choice. Even with a strong textbook price disclosure rule that recently passed, the market is still dominated by expensive, traditional books. In contrast, open textbooks are free, high quality books that can be read electronically on-line, or downloaded. We need to flood the marketplace with open textbooks in order to directly compete with the traditional textbook publishers. We're seeking to spur the creation of new open textbooks that will directly compete with traditional books and expand faculty choice. We welcome US Department of Education input on this critical issue.

In addition, the recent passage of the higher education reauthorization bill included language that facilitates the involvement of the US Department of Education to publicize a textbooks price disclosure law. We urge the Obama Department of Education to fully participate in implementing this new law.