



1307 New York Avenue, NW • Fifth Floor • Washington, DC 20005-4701  
202.293.7070 • fax 202.296.5819 • [aascu.org](http://aascu.org)

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August 1, 2007

The Honorable George Miller  
Chairman  
Committee on Education and Labor  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Howard McKeon  
Ranking Member  
Committee on Education and Labor  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Edward Kennedy  
Chairman  
Committee on Health, Education, Labor, and  
Pensions  
United States Senate  
Washington, DC 20510

The Honorable Michael B. Enzi  
Ranking Member  
Committee on Health, Education, Labor, and  
Pensions  
United States Senate  
Washington, DC 20510

Dear Chairmen Miller & Kennedy and Ranking Members McKeon & Enzi:

As the House and Senate move forward on a conference agreement on the *College Cost Reduction Act of 2007* (H.R. 2669) and the *Higher Education Access Act* (S. 1762), I write on behalf of the more than 430 member institutions of the American Association of State Colleges and Universities (AASCU) to express our support for the infusion of billions of new dollars into federal student financial aid and the correction of abuses in that system, as well as to express our prospects for what a final agreement will include.

In letters to the House and Senate, dated July 11, 2007 and July 18, 2007 respectively, AASCU expressed support for new mandatory spending on federal student aid, while also outlining our concerns about specific provisions in each of the budget reconciliation bills. AASCU has a long tradition of supporting strong federal programs that benefit students. Below is a list of expectations for a final bill that ensures student benefits and interests are at the center of changes to federal student aid:

- AASCU supports directing increases to student aid to the neediest students and supports the total dollar amount the Senate has directed towards increasing the Pell Grant maximum.
- A final bill should make clear that the mandatory Pell Grant funds are to be used to increase the maximum award in the current program, rather than creating a complicated parallel program. Lacking any clarifying language, the Senate bill language creates a new program with great discretion for the Secretary of Education to set the maximum and minimum awards. In contrast, current law clearly authorizes one Pell Grant payment schedule that informs students and financial aid administrators of the Pell Grant award amounts as intended by the Congress. With this current payment schedule, a college student and his or her financial aid counselor have a clear understanding of the level of federal grant aid to expect when determining how to pay for college. AASCU supports the House structure for providing mandatory funding to increase the Pell Grant maximum.

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- AASCU does not support increased federal loan limits as provided in the House bill. Student loan indebtedness continues to be a top concern for the public, and AASCU does not believe increasing federal student loan limits is a solution to paying for the cost of higher education. Nearly 50 percent of independent student borrowers who take out private educational loans are not maxing out their federal student loan options.
- AASCU believes that an income-based repayment program is a vital piece of a robust federal student loan program. We are opposed to the elimination of the Income Contingent Repayment program in the Senate bill. We strongly recommend that FFELP borrowers continue to have access to income-based repayment in both the FFELP and DL programs to assist all borrowers and to maintain program integrity. In order to ensure strong participation rates of eligible student borrowers in these critical programs, AASCU asks that Congress maintain the current ICR program and strengthen income-based repayments without capitalization of interest rate payments, while ensuring that the Department of Education communicates with eligible borrowers the existence of these important programs.
- If interest rate cuts are included in a final bill, AASCU believes comparable loan benefits for non-traditional, independent borrowers should be provided to dependent, subsidized loan borrowers. Over one-half of Stafford loans taken out by independent students at public four-year institutions are a combination of subsidized and unsubsidized loans. Furthermore, fewer than 10 percent of the independent borrowers took out only an unsubsidized loan. This is an indication that among independent student loan borrowers, the subsidized loan is primarily used in combination with an unsubsidized loan to pay for college costs.
- Any language included in a final bill regarding federal student loan auctions should reflect the attempt by the House to initiate a very clear process that studies the feasibility and desirability of a loan auction before implementing a pilot program or a full loan auction.

Once again, thank you for your strong leadership in ushering bipartisan budget reconciliation bills through both chambers. We commend your hard work and commitment to ensuring more students have better, more affordable access, to a higher education. We look forward to continued work with you.

Sincerely,



Edward Elmendorf  
Senior Vice President  
Government Relations and Policy Analysis