

April 19, 2021

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles E. Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Pelosi and Leaders Schumer, McConnell, and McCarthy:

We, the undersigned organizations, write in support of S. 847, the *Student Loan Tax Elimination Act*, which would eliminate costly origination fees on federal student loans disbursed on or after March 27, 2020. We urge you to work with the Biden-Harris Administration to include this bill in its forthcoming “American Families Plan.”

Origination fees reduce the amount of loan dollars disbursed to borrowers by a certain percentage (1 percent for Direct Stafford Loans and 4 percent for Direct PLUS Loans). This tax on students creates confusion and increases costs for borrowers, who are responsible for repaying the withheld amount, plus the interest that accrues on that amount. This can result in hundreds or thousands of additional dollars owed, depending on loan type, loan amount and program length.

Co-sponsored by Senators Mike Braun (R-IN), Kyrsten Sinema (D-AZ), Chris Coons (D-DE), Josh Hawley (R-MO), Raphael Warnock (D-GA) and Elizabeth Warren (D-MA), the bipartisan *Student Loan Tax Elimination Act* would reduce costs for students and families who are making decisions about how to pay for college and graduate school. As the COVID-19 pandemic continues and many Americans struggle to make ends meet, the upfront taking of up to 4 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.

In Award Year 2017-18, the federal government generated over \$1.7 billion in revenue from origination fees,¹ money that can and should go back into the pockets of students. As policymakers contemplate ways in which to make college more affordable, eliminating origination fees would help drive down costs for students.

Bipartisan support for eliminating this tax on students comes at a critical point for families, many of whom are still grappling with the health and economic harm brought on by the COVID-19 pandemic. We urge Congress and the Biden-Harris Administration to support students and increase the affordability of

¹ National Association of Student Financial Aid Administrators. (2019). *Issue Brief: Origination Fees*. https://www.nasfaa.org/issue_brief_origination_fees.

higher education by including the elimination of origination fees on federal student loans in the “American Families Plan.”

Sincerely,

AccessLex Institute
American Psychological Association
American Society for Engineering Education (ASEE)
Association of American Medical Colleges
Association of Public and Land-grant Universities
Council of Graduate Schools
Council on Social Work Education (CSWE)
National Association of Independent Colleges and Universities
National Association of Student Financial Aid Administrators
National Education Association
State Higher Education Executive Officers Association
Young Invincibles

Cc: Senate Health, Education, Labor and Pensions Committee
Carmel Martin, Deputy Director for Economic Mobility, White House Domestic Policy Council