EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 22, 2013
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 1911 – Smarter Solutions for Students Act
(Rep. Kline, R-Minnesota, and 5 cosponsors)

On July 1st, absent Congressional action, the interest rate on new subsidized Federal Direct Stafford Loans for undergraduate students will double, from 3.4 percent to 6.8 percent. As the economy continues to recover, and at a time when market interest rates are at historic lows, more than seven million students who rely on these loans to finance postsecondary education should not be burdened with additional college debt as they seek to graduate, launch a career or a business, start a family, or buy a house.

The proposal in the President's FY 2014 Budget would keep rates from doubling on July 1, with a long-term solution that is deficit-neutral and offers affordable, market-based rates, particularly for those students and families who struggle most with the cost of college. Under the President's proposal, the rate on new Federal student loans would be set each year based on the Treasury's actual cost of borrowing, and would remain fixed for the life of the loan so that borrowers would have certainty about the rates they would pay. The President's proposal also would expand the "Pay As You Earn" repayment option to ensure that no student borrower is required to pay more than ten percent of his or her discretionary income on student loans.

While the Administration welcomes action by the House on this issue, H.R. 1911 is the wrong approach. First, the bill would not guarantee low rates for today's students. A rate that continues to vary after the loan has already been taken out would create uncertainty and lessen transparency for students and their families who are making decisions about borrowing for college. Second, the bill's changes would impose the largest interest rate increases on low- and middle-income students and families who struggle most to afford a college education. Third, the bill does not include the President's proposal to extend repayment options to borrowers who have already left school and often face the same debt burdens as current and future students. Finally, the Administration believes that student loan interest rates should not be raised to reduce the deficit.

If the President were presented with this legislation in its current form, his senior advisors would recommend that he veto the bill.

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