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June 20, 2007

The Honorable Edward M. Kennedy  
Chairman  
Senate Committee on Health, Education, Labor, and Pensions  
Washington, D.C. 20510

The Honorable Michael Enzi  
Ranking Republican Member  
Senate Committee on Health, Education, Labor, and Pensions  
Washington, D.C. 20510

Dear Chairman Kennedy and Senator Enzi:

The American Bankers Association is very concerned with the proposed cuts to the Federal Family Education Loan Program contained in the Higher Education Access Reconciliation Act to be considered by the Health, Education, Labor, and Pensions Committee this week.

The proposed bill would reduce the return on loans made by for-profit lenders by 50 basis points. Additionally, some loan origination fees would be doubled, and the exceptional performer program repealed. The cumulative effect of these cuts will have an immediate and negative impact on student and parent borrowers. The cuts will result in decisions by many small- to medium-sized lenders to quit the program, resulting in less competition and fewer choices for students and their families. Those lenders continuing in the program will cut borrower benefit programs to offset losses created by these cuts. Additionally, lenders will be discouraged from making any long-term investments in technology or human resources related to the program.

We urge you to reconsider these potentially debilitating cuts. We applaud the stated intention of funding a higher maximum Pell Grant, but we are very concerned that enacting these cuts to fund the Pell Grants will harm many other student loan borrowers, making it harder for students and their parents to afford higher education.

Thank you for considering our views on this important legislation. We would welcome the opportunity to work with your offices on alternatives that would better meet the needs of America's students.

Sincerely,

Floyd E. Stoner

Cc: Members of the Senate Health, Education, Labor, and Pensions Committee