

STATE-BASED EDUCATION LOAN AWARENESS ACT

BACKGROUND:

When the Higher Education Act was last reauthorized in 2008, new provisions were included to ensure that institutions were not steering their students toward private lenders through the use of “preferred lender lists” in exchange for benefits to the institution. While the provisions prevented the continuation of self-serving practices that were not in the best interest of students, they have had the unintended consequence of putting in place serious disincentives against colleges informing their students about low-cost student loans offered by non-profit, state agency lenders whose mission is to make college affordable and accessible.

As a result, for over a decade, far too many students and their families across the nation have gone uninformed about the state agencies established with the express purpose of helping them to afford postsecondary education through low-cost loans if they need additional resources after exhausting their eligibility for federal student aid. Many families and students are taking on student loans with higher interest rates than they need to and paying far more for their postsecondary education than they should have to.

BILL DETAILS:

- 1. Allowing IHEs to inform students and families that low-cost loan options are available to them through their own non-profit state agency lenders IF:**
 - The loans are authorized, established, or chartered under State law or otherwise approved by the State;
 - The state agency lender offers one or more loans with interest rates and fees that are at least as favorable as the interest rate and fees of the Direct PLUS Loan;
 - The information is only made available to borrowers who have been advised by the IHE:
 - That they should exhaust all Federal education loans prior to accepting a state-agency lender’s loan; and
 - Of the interest rates, fees, and benefits of Federal education loans, including income-driven repayment options, opportunities for loan forgiveness, forbearance and deferment options, interest subsidies, and tax benefits.
- 2. Allowing students and families—especially those without previous college experience—to make fully-informed decisions about how to pay for postsecondary education;**
- 3. Improving access to postsecondary education, particularly for low-income and middle class families and students;**
- 4. Continuing to protect students and families from loans that are not in their best interest.**

For the full text of the bill, [click here](#).