



WASHINGTON BUREAU · NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE
1156 15TH STREET, NW SUITE 915 · WASHINGTON, DC 20005 · P (202) 463-2940 · F (202) 463-2953
E-MAIL: WASHINGTONBUREAU@NAACPNET.ORG · WEB ADDRESS WWW.NAACP.ORG

URGENT ACTION ALERT



DATE: June 11, 2013
TO: Concerned Parties
FROM: Hilary O. Shelton, Director, NAACP Washington Bureau

Urge Congress to Pass Legislation To Stop Student Loan Interest Rates From Doubling

IF CONGRESS DOES NOT ACT, STUDENT LOAN INTEREST RATES ARE SET TO DOUBLE AS OF JULY 1, 2013, FOR 1.5 MILLION AFRICAN AMERICAN COLLEGE STUDENTS

THE ISSUE:

Unless Congress acts soon, interest rates for new, federally subsidized student loans will rise on July 1 from 3.4% to 6.8%. These loans, which were created by a 2010 law, are intended to help college undergraduates who demonstrate financial need. They only begin to accrue interest once a student has finished college. Nationwide, more than 7.4 million students with federal student loans will see their interest rates double unless Congress steps in to keep them low. Over 20% of those affected, or 1.5 million students, are African American, and nearly 1 million are Latino American students. If Congress fails to enact legislation, it is estimated that a student may pay over \$1,000 more for the cost of the student loan over the lifetime of the loan.

On May 23, 2013, the U.S. House of Representatives passed a bill that would tie the interest rate for loans taken out after July 1, 2013, to the 10-year treasury rate plus 2.5%. And although it allows the rate to rise and fall with the market each year over the life of the loan, it establishes a cap at 8.5%. The U.S. Senate, in the meantime, defeated a proposal similar to the House bill by a vote of 40 yeas to 57 nays on June 6, 2013, but then went on to also defeat a proposal by Senator Tom Harkin (IA) to freeze the interest rates at 3.4% for two years (although the Harkin proposal did get a majority of the votes, with a margin of 51 yeas to 46 nays, the procedures of the Senate currently require that he get at least 60 votes to move forward). Senator Harkin paid for his plan by closing some tax loopholes, and his proposal would expire after two years or when the question of federally subsidized student loans was addressed in the reauthorization of the *Higher Education Act*, which is scheduled to be reauthorized at the end of 2013, whichever occurred first. In June of 2012, the U.S. Congress, when faced with a similar rate-doubling threat, froze the subsidized rates for another year, thus postponing the fight until this year.

A college degree is important: the unemployment rate for college graduates in April 2013 was 3.9%, compared to 7.5% for those without college degrees. Furthermore, findings as recent as 2011 show that there is a \$1 million difference in high school graduates' earnings compared with those whose highest education is a bachelor's degree. On average, a bachelor's degree recipient can expect to earn \$2.4 million over their lifetime. Yet college is not cheap. For the 2010–11 academic year, the annual cost for undergraduate tuition, room, and board were estimated to be \$13,600 at public institutions (42% higher than the cost 10 years ago); \$36,300 at private not-for-profit institutions (31% higher than 1 years ago); and \$23,500 at private for-profit institutions (an increase of 5% over 10 years ago).

THE NAACP STRONGLY SUPPORTS A PLAN TO KEEP INTEREST RATES ON FEDERAL STUDENT LOANS AS LOW AS POSSIBLE, AND ENCOURAGES LAWMAKERS TO ACT BEFORE JULY 1, WHEN INTEREST RATES ARE SET TO DOUBLE.

THE ACTION WE NEED YOU TO TAKE:

Contact both your Senators and **URGE THEM TO ENACT A PLAN TO KEEP STUDENT LOAN INTEREST RATES LOW BY JULY 1.** To contact your Senators and Representative, you may:

✓ **Make a Phone Call:**

Call your Senators and your Representative in Washington by dialing the Capitol Switchboard and asking to be transferred to your Senators'/Congressman's offices. The switchboard phone number is **(202) 224-3121** (see message section, below).

✓ **Write a Letter**

To write letters to your Senators, send them to:

The Honorable (name of Senator)
U.S. Senate
Washington, D.C. 20510

To write a letter to your Representative, send it to:

The Honorable (name of Representative)
U.S. House of Representatives
Washington, D.C. 20515

**A SAMPLE
LETTER IS
ATTACHED**

✓ **Send a Fax**

If you would like to send a fax, call your Senators' or Representative's offices (through the Capitol switchboard) and ask for their fax numbers (you can use either the attached sample letter or the message box, below).

✓ **Send an E-Mail**

To send an e-mail to your Senators, go to www.senate.gov; click on "*Find Your Senators*". Look up your Senators by state; go to their web sites for e-mail addresses. To send an e-mail to your Representative, go to www.house.gov, and click on "*Write Your Representative*" (on the left hand side, just under "find your Representative"). This will help you identify who your congressman is and how to contact him/her.

REMEMBER TO CONTACT BOTH YOUR SENATORS!!!!

THE MESSAGE

- Nationwide, more than 7.4 million students with federal student loans will see their interest rates double on July 1, 2013, unless Congress steps in to keep them low. Over 20% of those affected, or 1.5 million students, are African American, and nearly 1 million are Latino American students.
- If the Congress does act and the interest rate is not doubled, it is estimated that students will save an average of \$1,000 over the life of their loans.
- College degrees are important to achieving and maintaining success: The unemployment rate for college graduates in April 2013 was 3.9%, compared to 7.5% for those without college degrees.
- In 2011, there was a \$1 million difference in high school graduates' earnings compared with those whose highest education is a bachelor's degree.

THANK YOU FOR YOUR ATTENTION TO THIS IMPORTANT MATTER!!!

If you have any questions, call Hilary Shelton at the Washington Bureau at (202) 463-2940.

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Sample

(date)

The Honorable _____
United States Senate / U.S. House of Representatives
Washington, D.C. 20510 / 20515

RE: KEEP STUDENT LOAN INTEREST RATES LOW

Dear Senator / Representative _____;

As your constituent, I am writing to strongly urge you to support a plan to keep the interest rates for student loans at 3.4%, and stop them from doubling, to 6.8%, on July 1, 2013. If nothing is done, the huge jump in interest rates will affect more than an estimated 7.4 million students, and the average cost to each student will be an estimated \$1,000 over the lifetime of the loan.

At a time when Americans owe more on student loans than credit cards, we should keep interest rates on student loans low so more Americans, and especially racial and ethnic minority Americans, get a fair shot at an affordable college education and the skills they need to find a good job and a clear path to middle class. The unemployment rate for college graduates in April 2013 was 3.9%, compared to 7.5% for those without college degrees. In 2011, there was a \$1 million difference in high school graduates' earnings compared with those whose highest education is a bachelor's degree.

Despite the importance of a college degree, the cost has risen significantly. For the 2010–11 academic year, the annual cost for undergraduate tuition, room, and board were estimated to be \$13,600 at public institutions (42% higher than the cost 10 years ago); \$36,300 at private not-for-profit institutions (31% higher than 1 years ago); and \$23,500 at private for-profit institutions (an increase of 5% over 10 years ago).

Please, for the sake of our future, I urge you to put petty partisan politics behind you and work together to help find a solution and keep interest rates low. I hope to hear from you soon to let me know what you are doing and what I can do to help.

Thank you in advance for your efforts and for your attention to this important issue.

Sincerely,

(sign and print your name and
remember to include your address)

***Remember to contact
BOTH your Senators.***