

Maryland Independent College
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TESTIMONY

Ways and Means Committee

HB 1015 – Study of Student Loan Refinancing in Maryland

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March 7, 2016

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On behalf of Maryland's independent colleges and universities and the 63,000 students they serve, thank you for the opportunity to submit this written testimony in support of *House Bill 1015, Study of Student Loan Refinancing in Maryland*. House Bill 1015 requires the Maryland Higher Education Commission to review existing government-involved student loan refinancing programs and assess State and local capacity and structure to determine the viability of and make recommendations on how such a program or programs may work in Maryland.

Graduates of MICUA institutions do not carry significantly more student loan debt than the graduates of public institutions and experience some of the lowest student loan default rates in the country. MICUA institutions work with students and families to minimize borrowing and decrease debt loads by targeting institutional aid to students based on need. For example, just this year, the presidents of MICUA's state-aided institutions committed to match the State's Guaranteed Access Grant for low-income Marylanders. However, like their counterparts, MICUA graduates often struggle under the burden of student debt early in their careers.

Additionally, MICUA notes that the cost of federal student debt has increased recently. For example, interest rates increased in the 2015-2016 academic year and the federal government eliminated the in-school interest subsidy for graduate student loans last year. These actions drive up costs for students and families at a time when the federal government is making profits on student loan debt. According to the U.S. General Accounting Office, the interest rate paid by borrowers of federal student loans exceeds the federal government's costs to fund the loans and administer the programs, even after adjusting for loan defaults and flexible repayment plans. By some accounting standards, the federal government is projected to earn \$12 billion annually on student loan debt through 2024.

Four states (Connecticut, Minnesota, North Dakota, and Rhode Island) currently have programs to refinance student loan debt. Three states recently launched pilot programs or enacted legislation to establish

programs to allow students to refinance student loan debt (Iowa, California, and Maine.) MICUA believes Maryland should explore the feasibility of launching a program in Maryland to help students and families effectively manage student loan debt. For these reasons, MICUA supports House Bill 1015 and encourages the Committee to give the bill a favorable committee report.