

TARGETING 'TAX'

Smucker co-sponsors bipartisan bill that would eliminate fees added to federal student loans

HIGHER EDUCATION

GILLIAN MCGOLDRICK

GMCOLDRICK@LNPNEWS.COM

Extra fees tacked onto federal students loans could be no more, saving students \$1.7 billion per year, according to bipartisan legislation by U.S. Reps. Lloyd Smucker, R-Pa.; Susan Davis, D-Calif.; and Sharice Davids, D-Kan.

This legislation, introduced Wednesday, would eliminate a “hidden student loan tax,” called origination fees, for direct federal student loans. These fees range from 1% to 4% and typically total a few hundred dollars, added to the cost of



Students walk between classes Oct. 18 on the Millersville University campus. Millersville has said it is upfront about origination fees, often called the “hidden student loan tax.”

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the federal student loan and its interest.

Student loan debt totals nearly \$1.7 trillion nationwide. There are more than 1.7 million Pennsylvania federal loan borrowers, borrowing more than \$57.3 billion as of Dec. 31, according to the U.S. Department of Education.

Origination fees have generated \$8.3 billion in revenue to the federal government over the past five academic years, according to the National Association of Student Financial Aid Administrators.

If passed, it would apply only to future borrowers and not retroactively.

In a call from the Capitol on Thursday, Smucker said these fees are a “relic of the past” from when loans were backed by banks instead of directly from the federal government like they are today.

Marshall College and HACC did not immediately respond to requests for comment.

Former AmeriCorps member Brandon Smith, who spent two years as a college adviser at Solanco High School, said this legislation is “in the right direction.”

Many families in Solanco School District were not aware of the differences between types of loans and interest rates, and the whole process could be “like speaking a totally different language to them,” he said. This can be especially hard for students who are the first in their families to attend college.

These extra fees often are an unexpected expense that have the ability, depending on the severity of a situation, to cause a student to drop out, he added.

“If you don’t know about (the fees), you don’t budget for them,” Smith said. “Taking those fees out and making it as simplified as possible...

In a recent conversation with a local university president, the president told Smucker some students had no idea what they were getting into when they started college.

“Students didn’t even know they were taking out loans they’d need to pay back,” Smucker said.

Companion legislation was also introduced in the Senate last month.

“It’ll help every student, to some degree,” Smucker added.



A student bikes around Franklin & Marshall College campus. Bipartisan legislation in Pennsylvania is looking to eliminate extra fees on student loans.

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“That’s one small piece that we can do to help ease that burden,” Smucker said. Davis has led an effort to repeal this measure for several years, he said.

Millersville University is “extremely up front” about origination fees, even listing it on its website and featuring it during entrance loan counseling, wrote Financial Aid Director Dwight Horsey in an email. Elizabethtown College, Franklin &

you know exactly how much you’re going to have to pay back.”

The bill will hopefully be part of the Higher Education Act Reauthorization, which happens every five years, Smucker said. It is part of a larger bipartisan effort to increase transparency of cost of attendance, streamline payment methods and add financial literacy training for students.