THE BOND BUYER

Supporters of Student Loan Bonds Fight to Save Them

By **Brian Tumulty**

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WASHINGTON -- Tax-exempt student loan bonds have saved families a total of $815 million on the cost of financing college over the last 20 years, the Education Finance Council is telling Congress.

EFC's effort to save tax-exempt student loan bonds in tax reform legislation under consideration by the House Ways and Means Committee has focused on lawmakers in the 19 states where its members operate. These bonds, which are private activity bonds, would be terminated at the end of the year by the bill.

Midwestern University in Downers Grove is telling Rep. Peter Roskam, R-Ill., about the benefits of student loan bonds.

The North Texas Higher Education Authority is delivering a similar message to Rep. Kenny Marchant, R-Texas.

Among the others lobbying for these bonds are the Minnesota Office of Higher Education, the New Mexico Educational Assistance Foundation, the Oklahoma Student Loan Authority, the South Carolina Student Loan Corporation and the Utah Higher Education Assistance Authority.

“We are leaving no stone unturned in our efforts,” Debra Chromy, president of EFC said Wednesday.

Nonprofit and state-based education loans have an average fixed rate of 5.17% compared to for-profit loan programs’ average fixed interest rate of 9.66% and the Federal Direct PLUS Loan’s fixed interest rate of 7%, according to EFC.

In addition, the Treasury Department issued a ruling in 2015 (Notice 2015-78) which clarified that the proceeds of tax-exempt student loan bonds can be used to refinance certain types of student loans that carry higher interest rates.

That is leading to a growing number of college graduates using refinancing to lower the cost of repaying their loans, said Chromy, whose organization has not yet compiled data on that trend.

The House Republican tax reform plan also eliminates the deductibility of student loan interest from personal income tax returns and other tax breaks, including the lifelong learning credit.

These are among a long list of tax breaks that would be terminated, including the Adoption Tax Credit, the exclusion for employer-related dependent care, the exclusion for employer-related adoption assistance programs, the deduction of medical expense over 10% of taxable income and the Work Opportunity Credit for employers that hire military veterans.

Chromy said her organization's message to lawmakers is part of the broader message that termination of tax-exempt PABs would be “very detrimental at the state and local level.”

“I would be really surprised if they don’t end back in there in some way, shape or form,” Chromy said.

Her organization sent a letter Tuesday to Ways and Means Committee Chairman Kevin Brady, R-Texas, and House Speaker Paul Ryan, R-Wis., warning of the consequences of putting an end to these bonds after 2017.

“More than $12.5 billion in education loans have been funded from the proceeds of tax-exempt qualified student loan bonds,” the letter said. “During their 2016-17 fiscal year, nonprofit and state-based organizations made more than 84,000 loans to more than 76,000 borrowers, totaling $1.2 billion. Collectively, their outstanding portfolios include 1.13 million loans totaling $9.32 billion, representing more than 510,000 borrowers.”