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FOR IMMEDIATE RELEASE

Bipartisan Senate Agreement Preserves Low Student Loan Interest Rate

But Congress Must Fully Fund Pell Grants to Keep College Affordable

June 27, 2012 -- The bipartisan Senate agreement on the student loan interest rate would help contain the cost of borrowing for more than seven million students in the coming school year. The agreement would keep the interest rate on new subsidized Stafford loans at 3.4% for an additional year, welcome news for students and families worried about paying for college in 2012-13.

However, as described in public reports today, the deal comes with its own risks for students and families, because it taps savings that both the Obama Administration and the Senate FY13 education appropriations bill had designated for need-based Pell Grants. Pell Grant recipients are already more than twice as likely to have loans as other students, and they make up the majority of subsidized Stafford loan borrowers.

"If the price of bipartisan agreement is using the new loan time limit to pay for the interest-rate freeze and deficit reduction, rather than Pell Grants as the President and Senate Appropriators had proposed, Congress and the Administration will need to take additional steps this year to ensure they aren't leaving students with smaller grants and bigger loans," said **Lauren Asher**, president of the Institute for College Access & Success (TICAS).

This coming school year, the maximum Pell Grant will hit an historic low, covering less than one third of the average cost of a four-year public college. While the Pell Grant program has a surplus in FY13, it will require additional funding next year when some of its mandatory funding ends. Earlier this year, the House passed an FY13 Budget plan that included deep cuts to Pell Grants and student loans, which would make college less affordable and student loans harder to repay.

"Keeping loan costs low limits the burden of student debt, while Pell Grants reduce how much students need to borrow in the first place," said TICAS Vice President **Pauline Abernathy**. "If Pell Grants are not fully funded, lower income students will either have to drop out, reduce their course load, get a second or third job, or borrow even more to complete college."

The bipartisan Senate agreement would reportedly limit the number of subsidized Stafford loans a student could receive and cap how long the federal government would pay the interest while students are in school. This time limit would apply to new borrowers on or after July 1, 2013, and would be in addition to the current limits on the total and annual amounts of subsidized loans students may borrow. The Senate agreement uses the savings from this time limit to help pay for keeping the subsidized loan interest rate at 3.4% in 2012-13, as well as for deficit reduction.

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An independent, nonprofit organization, The Institute for College Access & Success (TICAS) works to make higher education more available and affordable for people of all backgrounds. Our Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see www.ticas.org and www.projectonstudentdebt.org or follow us on Twitter at www.twitter.com/TICAS_org.