



January 11, 2007

CONTACT: Gretchen Wright  
202/371-1999  
Edie Irons  
510/665-8222

## **New Analysis of Interest Rate Cut Proposal and Statement by Robert Shireman**

### Statement by Robert Shireman, Executive Director of The Project on Student Debt

“The House proposal expected tomorrow – to reduce the interest rate on federal student loans for undergraduates from 6.8 percent to 3.4 percent – would provide meaningful interest relief to new borrowers. When fully implemented, students with covered loans would see their payments reduced by 14 percent.

That's not chump change. But it's just a start. To address student debt burdens, we also need to do more to reduce the need to borrow, and to provide protections for all borrowers, including students who are in school now.”

### Analysis of Proposed Student Loan Interest Rate Cut

The Project on Student Debt has posted a brief analysis of the Congressional proposal on its website, at [www.projectonstudentdebt.org](http://www.projectonstudentdebt.org). The analysis finds that:

- When fully phased in, borrowers on a 10-year repayment plan would see their payments reduced by 14 percent, saving \$4,000 in interest costs on \$20,000 in covered loans.
- The five-year phase-in means that borrowers who take out Subsidized Stafford Loans starting in 2012 will benefit the most if this proposal is adopted.
- Loans currently held by students and graduates would be unaffected by this proposal.

*The Project on Student Debt is managed by The Institute for College Access and Success, a nonprofit, nonpartisan organization dedicated to expanding educational opportunity. The Project receives primary support from The Pew Charitable Trusts. The Project is also supported by the BayTree Fund, Rosalinde and Arthur Gilbert Foundation, and William and Flora Hewlett Foundation. For more information, go to [projectonstudentdebt.org](http://projectonstudentdebt.org).*

# # # #