

Comparison of Federal Student Loan Interest Rate Proposals

Updated 08/24/13

| | 2012-13 Rates | President Obama's FY14 Budget | Reps. Kline and Foxx (H.R. 1911) | Sens. Reed and Durbin (S. 909) Rep. Tierney (H.R. 1946) | Sens. Manchin, Burr, and Alexander (S. 1241) | Bipartisan Student Loan Certainty Act of 2013 (Public Law 113-28) | TICAS Proposal | Sen. Warren (S. 897) | Sens. Reed and Hagan (S. 1238) Sens. Reed and Harkin (S. 953) Rep. Miller (H.R. 2574) Rep. Courtney (H.R. 1595) Rep. Sinema (H.R. 1876)* |
|---|---|---|--|---|--|--|---|--|--|
| Short-term or long-term proposal? | N/A | Long-term | Long-term | Long-term | Long-term | Long-term | Long-term | Short-term | Short-term |
| Interest rate varies over life of loan? | No. | No. Rate varies from year to year for new loans, but is then fixed for life of loan | Yes. | Yes. | No. Rate varies from year to year for new loans, but is then fixed for life of loan | No. Rate varies from year to year for new loans, but is then fixed for life of loan | No. Rate varies from year to year for new loans, but is then fixed for life of loan | No. | No. |
| Interest rate determined... | By Congress. 3.4% on subsidized Stafford; 6.8% on unsubsidized Stafford; 7.9% on PLUS loans. | 10-year Treasury rate plus 0.93 percentage points for subsidized Stafford; plus 2.93 points for unsubsidized Stafford; plus 3.93 points for PLUS loans. | 10-year Treasury rate plus 2.5 percentage points for unsubsidized and subsidized Stafford; plus 4.5 points for PLUS loans. | 91-day Treasury rate plus a percentage determined by the Education Secretary to cover administrative costs. | 10-year Treasury rate plus 1.85 percentage points for undergraduate Stafford; plus 3.4 points for graduate Stafford; plus 4.4 points for PLUS loans. | 10-year Treasury rate plus 2.05 percentage points for undergraduate Stafford; plus 3.6 points for graduate Stafford; plus 4.6 points for PLUS loans. | 10-year Treasury rate or 91-day Treasury rate plus additional fixed margin to cover program costs. No additional margin while student is enrolled at least half-time. | By the discount rate the Federal Reserve charges to banks, at least for one year. | By Congress. 3.4% on subsidized Stafford; 6.8% on unsubsidized Stafford; 7.9% on PLUS loans. |
| Interest rate cap? | N/A | No. | Yes: 8.5% for Stafford loans; 10.5% for PLUS. | Yes: 6.8% for subsidized Stafford, 8.25% for unsubsidized Stafford and PLUS. | No. | Yes: 8.25% for undergraduate Stafford; 9.5% for graduate Stafford; 10.5% for PLUS. Eliminates the 8.25% cap on consolidation loans. | Yes: cap rates as well as guarantee that rates in repayment will never be too much higher than on new loans. | N/A | N/A |
| If the 2013-14 interest rates are calculated under this plan, the rates would be... | N/A | 2.74% for subsidized Stafford; 4.74% for unsubsidized Stafford; 5.74% for PLUS | 4.31% for subsidized and unsubsidized Stafford; 6.31% for PLUS | Unclear what administrative costs would be. 91-day Treasury yield was .04% in May 2013. | 3.66% for undergraduate Stafford (subsidized and unsubsidized); 5.21% for graduate unsubsidized Stafford; 6.21% for PLUS | 3.86% for undergraduate Stafford (subsidized and unsubsidized); 5.41% for graduate unsubsidized Stafford; 6.41% for PLUS | Unclear what add-ons would be for each loan type. 10-yr Treasury yield was 1.81% in May 2013; 91-day Treasury yield was .04% in May 2013. | 0.75% for subsidized Stafford; 6.8% for unsubsidized Stafford; 7.9% for PLUS | 3.4% for subsidized Stafford; 6.8% for unsubsidized Stafford; 7.9% for PLUS |

* S. 1238, introduced by Sens. Reed and Hagan, and H.R. 2574, introduced by Rep. Miller, propose extending 2012-13 rates for one year and are fully paid for. S. 953, introduced by Sens. Reed and Harkin, proposes extending 2012-13 rates for two years and is fully paid for. H.R. 1595, introduced by Rep. Courtney, proposes extending 2012-13 rates for two years. H.R. 1876, introduced by Rep. Sinema, proposes extending 2012-13 rates for four years.

TICAS analysis based on table from *Inside Higher Ed*, May 10, 2013, "New Ideas on Interest Rates," <http://bit.ly/16IHJHZ>.

10-Year Treasury Note and 91-Day Treasury Bill rates were taken from Treasury Direct, Historical Auction Query, <http://www.treasurydirect.gov/RI/OFAuctions?form=histQuery>. Both Treasury rates use the May auction date for the upcoming academic year (e.g., May 2013 for 2013-14) and are rounded to the nearest 100th. The 10-Year T-Note rate is the yield in May 2013. The 91-Day T-Bill rate is the bank discount rate for the 13-week T-Bill from the earliest reported record in May 2013.

For Federal Reserve primary credit rate information, see <http://www.frbdiscountwindow.org/currentdiscountrates.cfm>.