



STATEMENT OF PAULINE ABERNATHY
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Senate Bill Freezes Student Loan Rates for Two Years to Provide Time for Comprehensive Reform

“New legislation ([S. 953](#)) introduced by Senators Jack Reed and Tom Harkin, along with Majority Leader Harry Reid and nine other senators, prevents interest rates on subsidized student loans from doubling as scheduled this July and pays for itself by closing tax loopholes. Unlike some [recent proposals](#), this bill does *not* require students to bear much higher rates in the future to pay for low rates this fall. Instead, it’s a smart, short-term solution that keeps subsidized Stafford loans at the current fixed rate of 3.4% for two years. It pays for itself by closing unnecessary tax loopholes, two of which President Obama included in his most recent budget proposal.

“Student debt is already at record levels: two-thirds of the Class of 2011 graduated with an average \$26,600 in loans. Rising college costs and student debt burdens are serious problems for students, their families, and the economy as a whole. Our nation needs an educated workforce that can still afford to buy homes, start families, create businesses, and save for retirement.

“Comprehensive reform is needed to keep federal loans affordable, support sensible borrowing, and provide well-targeted debt relief. With less than seven weeks until student loan rates double to 6.8%, this legislation protects students now while giving Congress and the Administration time to consider and enact permanent changes that make sense for both students and taxpayers. Comprehensive reform should be pursued in the course of reauthorizing the Higher Education Act, which expires this fall.

“Americans want to see members of Congress on both sides of the aisle work together to keep college and federal loans affordable instead of driving students deeper into debt. The growing momentum to prevent the immediate doubling of interest rates while developing sensible long-term reforms is good news for today’s students and tomorrow’s.”

NOTE: TICAS’ recent [white paper](#) includes comprehensive [reforms](#) to keep federal student loans affordable, streamline the loan program, and better target benefits. We recommend federal loans have both a hard interest rate cap and a guarantee that rates for borrowers in repayment will never be too much higher than the rates being offered to current students.

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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.