



Joint Statement

For Immediate Release

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**House Bill Doesn't Stop Student Loan Interest Rates from Doubling  
Kline/Foxx Bill Shifts the Government's Debt to Students, Makes College Less Affordable**

Under a new House bill, interest rates on certain federal student loans will nearly double by 2016 and *more than double* by 2017, not just on new loans but on all loans issued this coming school year or after. [Legislation](#) introduced yesterday by House Education and the Workforce Chairman John Kline and Subcommittee on Higher Education and Workforce Training Chairwoman Virginia Foxx has many of the right goals-- to stop the scheduled doubling of interest rates on subsidized Stafford loans, to get away from annual fights about interest rates, and to maintain the long-standing policy of capping federal student loan interest rates. Despite these important goals, the details of the legislation are seriously flawed. If passed, it will lead to higher rates on all types of federal student and parent loans than if Congress did nothing at all.

While appearing to offer low rates for new borrowers, the bill does not make federal loans more affordable. In fact, it makes them much more costly for students, with variable rates on undergraduate loans that are projected to rise nearly three percentage points (to 7.36%) by the time this fall's freshmen graduate from college and make their first loan payment. To make matters worse, the rate on every loan will change each year-- like on credit cards and the risky variable-rate mortgages that caused the financial crisis. This means the monthly payments required under most plans will change each year as well.

Although the bill caps how high student loan rates can go, the underlying formula would force unnecessarily high costs onto student borrowers to pay for deficit reduction. In the first 10 years alone, students would be expected to pay \$3.7 billion *more* to borrow for college than under current law. They will pay even more if market rates are higher than projected.

And the billions in revenue this legislation generates are required to be used for deficit reduction, making students -- who are already struggling to keep up with rising college costs -- pay more for their loans to pay down the government's own debt.

With family incomes stagnating and student debt at record levels, we must do more to make college affordable. High-cost, variable-rate, federal student loans do *not* make college more affordable. Instead, they make it impossible to know what the loan will cost down the line and could lead more students to turn to risky private loans instead. Federal student loans must be affordable and *remain* affordable so that students of all backgrounds can get to and through college.

Comprehensive reform is needed to keep federal loans affordable over time, streamline the program, and better target benefits, but the Kline/Foxx bill misses these marks. If such comprehensive loan reform cannot be enacted by July 1, we urge the Administration and Congress to work together on a temporary solution to keep student loan rates from doubling. This will give Congress and the Administration time to enact permanent changes that make sense for both students and taxpayers as

part of reauthorization of the Higher Education Act, which expires this fall. Among the short-term alternatives is a [bill](#) introduced earlier this week by Senator Elizabeth Warren. It would temporarily set student loan interest rates at the same low rate that banks can borrow from the government, which is currently 0.75%.

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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](http://www.ticas.org) and [www.projectonstudentdebt.org](http://www.projectonstudentdebt.org) or follow us on Twitter at [www.twitter.com/TICAS\\_org](https://www.twitter.com/TICAS_org).*

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