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July 18, 2013

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Student Loan Interest Rate Deal is a Missed Opportunity to Make College More Affordable

“The student loan interest rate compromise reached by the Obama Administration and Senate negotiators from both parties is more a missed opportunity than a cause for celebration. While Senate Democrats succeeded in including caps on how high rates can rise, the agreement is still projected to cost students more, not less.

“Instead of making student loans more affordable for both today’s students and tomorrow’s, this deal locks in long-term changes that provide short-term benefits for current students by increasing long-term costs for future students. Over the next 10 years it is expected to cost borrowers \$715 million more than if current rates were simply left in place, and current rates are already projected to generate \$184 billion in profit. It’s notable that the agreement directs the Government Accountability Office to complete a study of the student loan program’s costs to inform future reform. Neither this deal nor any of the other long-term proposals under discussion is based on the government’s actual costs of borrowing and running the loan program.

“The current rate on all Stafford loans is 6.8% for both undergraduate and graduate students. Under the newly announced deal, Stafford loan rates for undergraduates are projected to exceed 6.8% by 2017. For graduate students, Stafford loan rates are projected to top 6.8% by 2015. PLUS loan rates for graduate students and parents of undergraduates are projected to be higher than their current rate of 7.9% by 2016.

“We urge Congress and the Administration to enact reforms that make college more affordable, not increase costs for students and families already struggling to pay for higher education. In addition to providing more time to make loans more affordable for students, the upcoming reauthorization of the Higher Education Act is a crucial opportunity to improve the information and tools that can help students and families make informed decisions about where to go to college and how to pay for it; simplify the way federal student aid is applied for, allocated, delivered, and communicated; reward colleges that serve low-income students well; and hold colleges accountable for the taxpayer funding they receive.”

NOTE: TICAS’ recent [white paper](#) includes [recommendations](#) to keep federal student loans affordable, streamline the loan program, and better target benefits, as well as broader reforms to increase college affordability and completion.

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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.