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Students Hope Congress Takes Action to Prevent Student Loan Interest Rates from Doubling

Seth Deter is among the 7 million students in the United States who depends on a subsidized federal Stafford loan to help him pay for college. He needs another loan next semester. That's why he's hoping Congress takes action soon to prevent interest rates on these loans from doubling from 3.4 percent to 6.8 percent.

"When you're going into college and you have to take financial aid, you're already in a hard place because you're taking financial aid. A raise would hurt you. It would prolong it," Deter said.

Higher student loan interest rates would likely hurt many recipients says Jim Anderson, the director of financial aid at Montclair State University, because these students typically come from low-income families.

"If you have an entering freshmen this fall, and they take out the maximum subsidized loans over the course of four years, which is \$23,000 in the aggregate, they'll end up paying around \$40 per month more for 10 years. And that certainly could impact someone's monthly budget when they're in a first job right out of college," Anderson said.

"I am already in debt," said student Dianela Guzman. "I think I'm gonna be paying that debt until I am 40, 45, 60. I don't even know. It really concerns me a lot."

Currently Washington sets interest rates on student loans, not the markets. Last year, Congress voted to keep the rate low at 3.4 percent for one more year, but now that deadline is looming again.

Federal lawmakers agree something must be done, but they have very different ideas about how to address this issue. House Republicans want to tie student loan interest rates to the 10-year treasury notes. Meanwhile, Senate Democrats are pushing to extend the current rate for another two years.

"I think it will be interesting to see where this goes. I've been in the business a very long time. I was gonna go back and look at the history of student loan changes, rates over the years, in the last 35 years or so that I've been doing this. It's changed so many times. And it really would be nice to have a permanent program, one that makes sense, that the taxpayers can afford, that would be beneficial to the students," Anderson said.

If the rate hike does take effect, it would not apply to current loans, only new loans taken after July 1. And unsubsidized Stafford or direct loans would not be affected. Meanwhile, students are hoping Congress acts soon so they can plan their budget.

“It makes you feel a little uncertain, you know? It’s going to be a big bill when you get out,” Deter said.

Congress has until July 1 to hammer out a deal.

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