

6/27/2008- Interest Rates on Student Loans to Drop July 1

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For immediate release

Contact: Erica Daughtrey

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(202) 222-2828

(Washington D.C.)- On July 1, 2008 good news will come for college students and their families as new financial aid benefits enacted last year will begin to kick in for the 2008-2009 school year.

Currently, there are 6.8 million students who borrow need-based federal student loans each year. They are struggling with the rising costs of higher education and are faced with the need for more loan debt. Since 2001, tuition and fees have increased by 47 percent at public universities and by 23 percent at private universities after inflation. "New Jersey alone has more than 61,000 students who take out need-based loans each year at 4 year public schools and who typically carry a debt of \$14,367," Congressman Sires stated.

In September 2007, to make college more affordable for low-and-middle income students and their families, Congress enacted the College Cost Reduction and Access Act (PL 110-84). This law provides more than \$20 billion in federal student aid over the next five years and ensures that interest rates on need-based (subsidized) federal student loans will drop from 6.8 percent to 6.0 percent on July 1st. This is the beginning step towards cutting interest rates in half between now and 2011, when they will reach 3.4 percent. In addition to cutting interest rates, the College Cost Reduction Act will increase the Pell Grant scholarship by \$490 a year and provide up-front tuition assistance of \$4,000 each year for students who commit to teaching high-need subjects in high-need public schools.

Once fully phased in, this law would save the typical college borrower, with \$13,800 in subsidized federal student loan debt, approximately \$4,400 over the life of the loan and New Jersey students would save on average \$4,600; since New Jersey students have more debt they will benefit more from this law.

"Every student, no matter their income bracket, deserves the opportunity for an affordable education. Cutting interest rates on need-based loans will alleviate the burden of expensive student loans for students and families working hard to pay for college and it will help prepare our students for a brighter future," stated Congressman Sires.

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