

GOVERNMENT SPENDING STUDENT LOANS

# Lower rates likely for college loans

This year's interest will be 3.86 percent, but future rates could rise.

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WASHINGTON — The House on Wednesday night overwhelmingly approved a deal on student loans that would immediately lower interest rates for students taking out loans this year, although critics warn that the bill might lead to a spike in rates in the future.

The bill, passed by a vote of 392-31, and was immediately sent to President Barack Obama, who is expected to sign it into law. This bill would finally provide some certainty for student borrowers who faced the possibility of paying higher interest rates were Congress not to act.

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## Interest rate bill passed

### Loans

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The compromise measure cancels the doubling of interest rates for subsidized Stafford student loans from 3.4 percent to 6.8 percent that went into effect on July 1 due to congressional inaction. Under this bill, the new interest rate for students taking out loans this year would be 3.86 percent.

The compromise is an amended version of the House's original student loan bill, which passed May 23 only to stall in the Senate. The measure ties student-loan interest rates to the market, capping them at 8.25 percent for undergraduate students and 9.5 percent for graduate students.

House Speaker John Boehner, R-West Chester Twp., said that "we've taken an important step to help make life work for students and families trying to afford the cost of college. Going forward, the whims of Washington politicians won't dictate student loan interest rates, meaning more certainty and more opportunities for students to take advantage of lower rates."

Unlike the original House bill, which allowed for the rates to fluctuate with the market, the Sen-

## CONGRESS TAKES ACTION ON STUDENT LOAN INTEREST RATES

The interest rate had doubled for more than 360,000 low- and moderate-income college students in Ohio that use the subsidized Stafford Loan.

SCHOOL	RECIPIENTS	DISBURSEMENTS
Antioch University	3,058	\$23,291,887
Cedarville University	1,507	\$6,458,624
Central State University	2,249	\$8,495,694
Cincinnati State Tech. & Comm. College	4,758	\$7,325,787
Clark State Community College	3,119	\$7,854,674
Edison State Community College	948	\$3,107,680
Miami University	9,528	\$38,278,276
Ohio State University	24,980	\$120,886,219
Sinclair Community College	7,180	\$15,475,336
University Of Cincinnati	22,597	\$103,019,889
University Of Dayton	4,410	\$21,762,005
Urbana University	692	\$2,858,872
Wilberforce University	525	\$2,054,330
Wittenberg University	1,093	\$4,569,960
Wright State University	9,991	\$47,021,937

SOURCE: SEN. SHERROD BROWN AND THE U.S. DEPARTMENT OF EDUCATION FOR 2011-12

ate-amended version fixes interest rates for the life of the loan.

But critics of the measure, including Sen. Sherrod Brown, D-Ohio, who voted against the Senate bill, argued that while the compromise might lower interest rates now, there is no guarantee the interest rates would remain low in the future.

They have cited projections that show that interest rates could rise beyond 8 percent as early as 2017. The resulting bipartisan bill passed the Senate 81-18.

Ohio college students borrow on average

\$28,683 by the time they graduate — the seventh highest amount among states, according to the Project on Student Debt. Additionally, Ohio ranks ninth in the nation for the 68 percent of its graduates who use loans, according to the nonprofit.

More than 360,000 low- and moderate-income college students in Ohio use the subsidized loan.

The lower interest rate is "definitely a positive" for those students, said Sean Creighton, executive director of the Southwestern Ohio Council for Higher Education, a consortium of local colleges.

"Keeping it lower at this point definitely seems like it provides more opportunities for people who need it," he said.

Cedarville University Financial Aid Director Kim Jenerette said he believes it is a good thing to have a basis for the interest rate, which previously was decided by Congress with "no true rhyme or reason."

Undergraduates this fall would borrow at a 3.9 percent interest rate for subsidized and unsubsidized loans. Graduate students would have access to loans at 5.4 percent, and parents would borrow at 6.4

percent. The rates would be locked in for that year's loan, but each year's loan could be more expensive than the last. Rates would rise as the economy picks up and it becomes more expensive for the government to borrow money.

But for now, interest payments for tuition, housing and books would be less expensive under the House-passed bill.

With changes made in the Senate — most notably a cap on how interest rates could climb and locking in interest rates for the life of each year's loan — Democrats dropped their objections and joined Republicans in backing the bill.

Interest rates would not top 8.25 percent for undergraduates. Graduate students would not pay rates higher than 9.5 percent, and parents' rates would top out at 10.5 percent. The White House and its allies said the new loan structure would offer lower rates to 11 million borrowers right away and save the average undergraduate \$1,500 in interest charges.

In all, some 18 million loans will be covered by the legislation, totaling about \$106 billion this fall.

The Congressional Budget Office estimated the bill would reduce the deficit by \$715 million over the next decade. During that same time, federal loans would be a \$1.4 trillion program.

The Associated Press contributed to the report.