



## **Fact Sheet: Stop the Student Loan Interest Rate Hike Act of 2012**

*At a time when Americans owe more on student loans than on credit cards, we must keep interest rates on student loans low so more Americans get a fair shot at an affordable college education, the skills they need to find a good job, and a clear path to middle class success. The Stop the Student Loan Interest Rate Hike Act of 2012 will prevent Stafford loan interest rates from doubling this summer. Democrats' commitment to college affordability stands in stark contrast to the Republican budget, which would shower millionaires with tax cuts while it allows the interest rate to double, requiring approximately 7.4 million students to owe an additional \$1,000 in debt over the life of their loans.*

### **The Student Loan Rate Hike is Poised to Slam College Borrowers**

- **Student loan interest rates are set to double.** Interest rates on federally-subsidized Stafford loans are set to double from 3.4% to 6.8% on July 1<sup>st</sup>, 2012. The interest hike will hit about 7.4 million students taking out loans next year. [[White House](#), 4/25/12]
- **Congress must act by July 1<sup>st</sup> to stop the student loan interest rate hike.** In 2007, Congress lowered the rate on federally-subsidized Stafford loans by passing the College Cost Reduction and Access Act. Unless Congress intervenes, students will rack up an additional \$1,000 in debt over the life of each of their loans. [[P.L. 110-84](#); [White House](#), 4/23/12]

### **College Costs and Student Debt are High Enough Without Interest Rate Hikes**

- **The cost of college is skyrocketing.** The cost of attending college has increased by 559 percent since 1985 – rising far faster than costs for gasoline, health care, and other consumer items. For the 2011-12 school year, in-state tuition and fees at public four-year institutions averaged \$8,244, which is 8.3 percent higher than the previous year. [[NY Times](#), 3/12/12; [College Board](#), 2011]
- **Student debt has reached record levels.** College seniors owed an average of \$25,250 in student loan debt upon graduating in 2010 – with total loan debt reaching \$1 trillion. This debt can make it more difficult for recent graduates to get ahead, impacting their career choice and ability to save for future investments. [[Project on Student Debt](#), accessed on 4/13/12; [Bloomberg](#), 3/12/12]

- **Student borrowers are having a tough time keeping up with mounting debt.** As a result of the mounting debt and difficult economic conditions, the student loan default rates rose to 8.8% in 2009, up from 7% percent the previous year. [[Department of Education](#), 9/12/11]

### **A College Education is Important for Economic Opportunity**

- For students, access to higher education is more essential than ever – a college degree is an important tool for securing a high-skilled job in today’s economy:
  - *College degree improves job opportunities:* Whereas nearly three-quarters of workers had a high school degree or less in 1973, those with the same educational attainment now comprise only 41 percent of the labor market. And although 63 million jobs have been added to the workforce since 1973, workers with a high school degree have access to 2 million fewer jobs now. [[Harvard University](#), 2/11]
  - *College degree increases lifetime earnings:* A worker with a bachelor’s degree will earn \$1 million more during their lifetime than a worker with only a high school diploma. Workers with a bachelor’s degree can expect to earn \$2.3 million over their lifetime, compared to \$1.3 million for those with a high school diploma. [[Georgetown University](#), 8/5/11]
  - *More college graduates will grow the American economy:* Higher education not only improves economic well-being for individuals and their families, but higher-education can grow the economy as a whole. According to a recent study, adding 20 million workers with post-secondary experience over the next fifteen years will add \$500 billion to our country’s Gross Domestic Product. [[Georgetown University](#), 6/29/11]
- **High college costs and debt burdens can put a degree out of reach.** Of those who enroll on a four-year college, only 56 percent attain a bachelor’s degree after six years. As a result of the rising cost of tuition and student debt increasing, research shows that students are having more trouble graduating on time and getting a degree. [[Harvard University](#), 2/11; [The Fiscal Times](#), 12/19/11]

### **Republicans Let Student Loan Rates Skyrocket to Pay For Millionaire Tax Breaks**

**The Republican budget not only allows student loan interest rates to double this summer, but slashes critical investments in higher education.**

- **The Republican budget allows student loan interest rates to double.** Even though a college degree is one of the surest tickets to middle-class success, the Republican budget does nothing to prevent the interest rate hike on student borrowers. However, it does provide millionaires and billionaires with additional tax cuts. Under the Republican budget, TPC found that relative to today’s tax system, in 2015 millionaires would get an average tax cut of \$265,000. To pay for their cuts, Republicans would have to do away with popular tax incentives – including saving for college – that primarily benefit middle-class families. [[H.Con.Res.112](#); [Committee for Education Funding](#), 3/27/12; [Tax Policy Center](#), 3/23/12; [CRS](#), 1/22/12; [Tax Policy Center](#), 3/20/12 ]

- Allowing student loan interest rates to double is only one way that the Republican budget makes it more difficult for middle-class students to afford a college degree. Their budget also:
  - Cuts Pell grants, reducing the amount of assistance by nearly \$3 billion and kicking almost 400,000 students off of the program next year alone; [[OMB](#), 3/29/12]
  - Reduces Federal Work study funding by over \$180 million, impacting nearly 130,000 students; [[OMB](#), 3/29/12]
  - Undermines college readiness by slashing Title I support and Head Start. [[OMB](#), 3/29/12]
  
- **The Republican-passed budget slashes financial aid for students.** The GOP budget also slashes higher education funding by \$166 billion over 10 years. This translates into lower financial aid and increased costs for college students. The budget cuts college aid for more than 9 million students – cutting the maximum Pell Grant below current-law levels and eliminating grants for 400,000 students in 2013 alone. The budget also eliminates the income-based repayment program that helps graduates manage their federal student loan payments. [[House Committee on the Budget](#), 3/28/12, [OMB](#), 3/29/12]