

Educators say interest hike puts college out of reach for more students

Lynn LeCluyse Catholic News Service | Jul. 9, 2013
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The president of Trinity Washington University chastised congressional lawmakers for not stopping a hike in the interest rate on student loans.

"The failure of Congress to prevent interest rates on Stafford loans from doubling is simply reprehensible," Patricia McGuire told Catholic News Service.

"Stafford loans help the most impoverished students in America to realize their dream --- and our national priority -- of securing a college degree. Imposing a greater financial burden on these low-income students will harm their ability to stay in school and complete degrees in a timely way," she said.

McGuire made the comments to CNS after lawmakers in Congress failed to reach a consensus before a July 1 deadline, resulting in the interest rate doubling from 3.4 percent to 6.8 percent.

Rates for existing loans that undergraduate students have under the federally subsidized Stafford loan program will remain the same, but loans issued after July 1 will have the new interest rate. Subsidized Stafford loans are available to students who meet the need-based criteria outlined in the Free Application for Federal Student Aid, known as FAFSA. The interest on subsidized loans is paid by the federal government while the student is in school.

Last year, student loans also were at risk for an interest increase, but Congress ultimately agreed to maintain the rate at 3.4 percent for another year. There is a chance this year's increase will not be permanent. Although Republican and Democratic senators failed to agree on a plan before leaving Washington for their Independence Day holiday, Congress was expected take up the debate again the week of July 8.

"We remain hopeful that Congress and the administration can come to agreement on student loan interest rates, rather than putting additional financial burdens on college graduates," Michael Galligan-Stierle, president of the Association of Catholic Colleges and Universities, said in a statement. "By keeping rates low, they will continue to meet the needs of the country's neediest students while at the same time strengthening American competitiveness in the marketplace."

The hike in the interest rate comes at a time when many college graduates are already struggling to pay off their loans.

"This sudden and dramatic action runs counter to the federal government's concerns about the cost of higher education," Aida Mirante, director of financial aid at Salve Regina University in Newport, R.I., told CNS.

According to McGuire, Congress was trying to protect students from predatory private lending when, in April 2010, it eliminated a program that allowed private lenders to make student loans guaranteed by the federal government. Congress then required the U.S. Department of Education to make direct federal Stafford loans and

federal PLUS loans, for graduate or professional-degree students and parents of dependent undergraduate students.

Since then, McGuire said, the U.S. has reaped billions of dollars in profits on student loans.

By permitting the interest rate to double from 3.4 to 6.8 percent, federal coffers will grow bigger while poor students suffer even more educational hurdles, she said.

"Congressional hypocrisy on educational priorities is clear," McGuire said. "Shame on Congress for imposing its dysfunction on some of the most vulnerable people in America, low-income college students --- many of whom are single parents trying to get an education to improve the lives of their children and families. This is not the way to run a country."

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