Bipartisan Student Loan Certainty Act

Congress must work together to prevent student loan interest rates from doubling because every dollar counts. More importantly, we need to find a real long-term solution so that all of our children – not just a few – are able to afford higher education.

Student loan debt exceeds $1 trillion and is second only to mortgage debt for American families. The average student graduates with more than $26,000 in student loans, and without congressional action, the interest rate on federally-subsidized Stafford student loans will double from 3.4% to 6.8% on July 1, 2013.

We must put aside politics and act now to find a real, long-term solution that ensures access and affordability for students seeking higher education.

The Bipartisan Student Loan Certainty Act Summary

- **Strong Borrower Protections**:
  - **Strengthens the 8.25% Consolidation Cap**: Borrowers can consolidate all of their federal loans with a rate that is either a) the weighted average of the loans or b) a maximum of 8.25%. This bill requires the Department of Education to remind students in a clear and easy-to-understand way of their consolidation options.
  - **Repayment Caps:** Income-based repayment allows students to reduce their monthly payment based on their ability to repay and after 25 years, any remaining debt is forgiven.
- **Undergraduate Subsidized and Unsubsidized Stafford Loans**: Sets the interest rates on new loans to the U.S. Treasury 10-year borrowing rates, ***plus 1.85%*** to offset the costs associated with defaults, collections, deferments, forgiveness, and delinquencies.
  - If a new loan was issued today, the interest rate would be ***3.66%.***
- **Graduate Unsubsidized Stafford Loans**: Sets the interest rates on new loans to the U.S. Treasury 10-year borrowing rates, ***plus 3.4%*** to offset the costs associated with defaults, collections, deferments, forgiveness, and delinquencies.
  - If a new loan was issued today, the interest rate would be ***5.21%.***
- **PLUS Loans**: Sets the interest rates on all new loans to the U.S. Treasury 10-year borrowing rates, ***plus 4.4%*** to offset the costs associated with defaults, collections, deferments, forgiveness, and delinquencies.
  - If a new loan was issued today, the interest rate would be ***6.21%.***

Student Loan Interest Rate History

- In 2007, Congress temporarily lowered interest rates on subsidized Stafford loans over 4 years from 6.8 to 3.4%.
- In 2012, Congress extended these low rates for 1-year at a cost of nearly $6 billion with the expectation that we would find a long-term fix during that year.
- On July 1, 2013, the one year extension expires.
- It is time for Congress to do its job and pass a long-term solution.

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