

In Iowa's Interest: The Impact of the Stafford Loan Rate Hike on Iowa Students

Written by Sen. Tom Harkin
Friday, 18 May 2012 14:06

by Senator Tom Harkin

Many Iowa students have taken their final exams, packed up for the summer, and may have even started a summer job. What they may not realize, however, is that a debate is raging on in Washington right now that could have a significant impact on the interest rate they pay on their federal student loans next school year.

On July 1st of this year, interest rates are set to double on new loans if Congress does not take action. Working with my colleagues, I have introduced the 'Stop the Student Loan Interest Rate Hike' – a short-term remedy that will freeze the interest rates on subsidized federal Stafford loans for one year. And the bill is completely paid for by closing a tax loophole.

Unfortunately, Senate Republicans blocked a vote to even move forward on the bill. As long as they continue their filibuster, there is no clear way forward to prevent the rate hike less than two months from now.

Who will be impacted?

Some 7.4 million American students – including an estimated 255,000 students enrolled in Iowa colleges and universities – would be required to pay an average of \$1,000 more per year of school if Senate Republicans continue to block this fix. And this is a very big deal for Iowa. Nearly 72 percent of Iowa's college graduates have student loan debt – the fourth highest percentage in the nation. Those borrowers are carrying an average of \$30,000 in student loan debt, which is the third highest level in the nation.

What is the current interest rate on Stafford loans and how much will it rise?

The fixed interest rate on current loans, held by 7.4 million low and middle-income undergraduates across the U.S., is currently 3.4 percent. Unfortunately, the rate is set to double to 6.8 percent on new loans starting July 1. That would mean an increase of about \$1,000 for each loan payer per year.

Is student loan debt dischargeable in bankruptcy like other debt?

No – student loan debt, unlike other forms of debt, is not dischargeable in bankruptcy. And in today's tough economy, it is unacceptable to ask middle class students and families to shoulder sharply higher student loan interest payments.

For more information about the 'Stop the Student Loan Interest Rate Hike' or to tell me your story of how this rate hike would impact you, please visit my website at www.harkin.senate.gov

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