Senate Fails to Reach Deal on Student Loan Interest Rates

July 11, 2013 - Prior to the July 4th holiday, the Senate tried but failed to reach an agreement to hold down interest rates on Stafford college loans. The rate had been 3.4% but it doubled on July 1st to 6.8%. After returning from the break, I bipartisan group of senators took up the issue again. And within the past 24 hours, they've failed to reach a consensus on two separate proposals. Based on estimates by the Congressional Budget Office, unless an agreement can be reached the average college student will spend an additional $2,600 for any Stafford loans they may take out in the coming year.

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Late yesterday, the Senate attempted to push through a bill that would have extended last year's 3.4% Stafford loan rate for another 12 months. The public plan promoting the idea was to pass a short term bill and then use the next year to reach a long term solution. But that was exactly the same plan that was put forward last year when, at the end of June, 2012, Congress voted to extend low interest rates until July of this year. That obviously didn't work out too well.

After that proposal failed to get the needed votes to proceed to the Senate floor, senators from both parties got together and came close to hammering out a different agreement. Under the proposed terms, future Stafford loans would have had their interest rates tied to the interest rate for 10 year Treasury Notes. Interest rates would have been allowed to rise over time but there would have been caps on the maximum amount that students could be charged.

But that plan fell apart today when the CBO released an analysis of the plan stating that over the next ten years it would increase the deficit by $22 Billion. At that point, senators decided to take a step back and look for a less costly option.
byJim Malmberg
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