
Students to pay more for loans
Bill cuts $12.7 billion from student loan programs

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CLEMSON -- Congress gave final approval Wednesday to changes in the federal student loan program that will end up costing students and their parents more to finance a college education.

The House approved the bill 216-214 and sent it to President Bush.

He indicated support for the measure Tuesday in his State of the Union address.

A Washington, D.C. based nonprofit advocacy group says South Carolina students could pay as much as $1,798 more in interest rates on college loans under the new legislation.

"This budget plan makes it harder for families to pay for college in South Carolina. This is the largest cut to federal student financial aid in history," said Toby Chaudhuri, spokesman for the Campaign for America's Future.

Nationally, the compromise budget reconciliation plan cuts $39.9 billion from programs over the next five years, including $12.7 billion from student loan programs.

"It is going to affect anyone who makes or takes out a student loan," said Terry Hartle, senior vice president of the American Council on Education, a trade group representing 1,800 two- and four-year colleges and universities.

"The federal government will spend $12.7 billion less on student loans in the next five years than they would otherwise have done," Hartle said. "It will be felt."

Students will be able to borrow more, something the higher education community has wanted, but students and their families will face higher interest rates and lenders will receive smaller government subsidies for student loans, Hartle said.

"We are at the mercy of whatever they do," said Amy Cox of Clemson, who has a daughter at Furman University and another daughter hoping to enter Clemson in the fall. "We need the loans, and with having two in college next year, it keeps adding up."

The daughter at Furman has a federal Stafford Loan, and Cox has a thick file of financial paperwork showing various interest rates from 3.375 percent to 5.375 percent that leave her in a fog. The only thing she knows for sure is that the rate is going up.

"I'm not really sure what percent I'm paying. I just pay," Cox said.

Clemson senior Shastin Leathers, 22, of Boca Raton, Fla., doesn't know how much her student loans will add up to. She's glad she'll graduate before the increase, but after graduation, loan repayment will be her responsibility, and she's not sure what that will mean.

"What's going on is very confusing to families." said Marvin Carmichael, director of financial aid at Clemson. "The level of expansion is nowhere near adequate to address the needs of students and their families.

"Coupled with the confusion and the interest rates, I'm not sure how families are going to understand and how well they are going to be able to plan."

Based on the average South Carolina Student Loan Corp. student loan of about $16,000 over four years, the change from 5.3 percent to 6.8 percent will add about $12 a month to that loan over 10 years, said Chuck Sanders, president and chief executive officer of the South Carolina Student Loan Corp.

Current students with federal loans and graduates still repaying can keep the current lower rates if they go to their lender and consolidate to a fixed rate before July 1, Sanders said.

The costs of college already are a challenge for middle- and lower-income students, according to the Southern Regional Education Board, which reports that in 2004, one year of tuition, fees, room and board was equal to 26 percent of earnings for a middle-income household.

For students in the lowest fifth, one year's costs were 113 percent of income, the board reported.

The growing cost of college makes it hard for many minority and low-income students to pursue a degree and this would make it harder, said Leon Wiles, vice chancellor for student and diversity affairs at USC Upstate.

"We are going to see changes in enrollment patterns and in who attends college. It is certainly going to have an adverse impact on minority students, who are more dependent on loans and grants in general than other populations," Wiles said.

Some "bright students who are not well off financially will pursue other options" such as stopping at a two-year degree or not attending college, Wiles said. "It might adversely affect the talent pool available for the state and nation."

College-bound students need to realize loans now will cost more, and parents should talk with their students about managing the debt they face after graduation, said Laura Hammond, editor in chief of Next Step magazine, aimed at college-bound high school juniors and seniors.

"That's a parent's responsibility anyway. It's just that now those numbers will be higher than they would have been this year," she said.

Chaudhuri said the legislation is "bad news for students and their parents who are struggling to pay for rising tuition costs and debts" and is "a values problem," not a money problem.

"Republican leaders say these cuts are necessary to curb spending, but they are also pushing to hand massive tax breaks to their campaign contributors," Chaudhuri said.

U.S. Rep. Bob Inglis, R-Travelers Rest, said he "voted for the deficit reduction package with significant heartburn over the student aid provisions."

The bill eliminates "some sweet deals for lenders," like a revolving bond program that guarantees a 9.5 percent rate of return, Inglis said, but he disliked raising interest rates that students will pay.

"That's not the right direction. We should be trying to make education less expensive, not more," Inglis said. "But in the end, it would have been difficult to justify a 'no' vote on this very modest budget package."

The $12 billion saved in student loan provisions "is a significant percentage of the $40 billion in total savings over five years," Inglis said.

"But over those five years, we're going to spend $14.3 trillion. If you take off nine zeros from both numbers, the figures become more understandable. It's as though we're saving $40 out of a five-year budget of $14,300. In other words, this is a very small step toward fiscal responsibility."

After the vote, U.S. Rep. Gresham Barrett, R-Westminster, who also voted in favor of the Budget Deficit Reduction Act, said it cuts the deficit by reforming outdated entitlement programs throughout the government that aren't meeting the needs of those they are supposed to serve.

Regarding the student loan portion, Barrett said, "We authorized mandatory programs under the Higher Education Act that includes the protections for taxpayers coupled with key benefits for students. The bill generates billions in savings and helps reduce the deficit while directing significant resources to expand college access."

Consumer Bankers Association President Joe Belew said the bill includes gross cuts to the student loan program of $20.3 billion. He expressed concern.

"Adjusting to these cuts will require loan providers to work harder and smarter and to fully take advantage of efficiencies made possible through new technologies," Belew said.

"Student loan lenders remain committed to working with students, their families, the schools they attend and with the U.S. Department of Education to assure the availability of the lowest-cost student loans possible supported by the highest possible quality of service," Belew said.