

GROWING & STRENGTHENING AMERICA'S MIDDLE CLASS

FIRST FEDERAL STUDENT LOAN RATE CUT TAKES EFFECT ON JULY 1, 2008



110TH CONGRESS

**THE HONORABLE GEORGE MILLER
CHAIRMAN
COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES**

June 2008

Strengthening the Middle Class by Making College More Affordable

The College Cost Reduction and Access Act of 2007, signed into law on September 27, 2007, provides the single largest increase in college aid since the GI bill, at no new cost to taxpayers.

On July 1, 2008, federal interest rates on subsidized federal Stafford Loans for undergraduates will drop to 6% from the previous rate of 6.8%.

Rates on subsidized federal Stafford Loans will continue to drop over the next few years:

- to 5.6% for loans disbursed between July 1, 2009 and June 30, 2010;
- to 4.5% for loans disbursed between July 1, 2010 and June 30, 2011; and
- to 3.4% for loans disbursed on or after July 1, 2011.



This will provide significant savings for borrowers over the life of the loan – **the average four-year college student starting school this fall (with need-based student loan debt) will save about \$2,570 over the life of his or her loans.** (All Stafford Loans made to graduate students and unsubsidized Stafford Loans made to both undergraduate and graduate students will carry a fixed 6.8% interest rate.)

Both of these federal loan interest rates provide far greater savings than more expensive private loans, whose interest rates can run as high as 19%. Furthermore, private loans often have variable rates that can result in unexpectedly high monthly payments. In contrast, federal loans will stay fixed at the same low rate over the life of the loan.

What Else Does the Act Do?

5.5 million students take out need-based federal student loans each year. The College Cost Reduction and Access Act of 2007 will:

- Increase the purchasing power of the Pell Grant Scholarship by \$490 (increasing the maximum award to \$4,731) in the 2008-2009 academic year.
- Ensure a highly qualified teacher in every classroom by providing up-front tuition assistance of \$4,000 each year for students who commit to teaching high-need subjects or in high-need public schools upon graduation.
- Encourage and reward public service by providing loan forgiveness after 10 years for public servants, including military service members, first responders, firefighters, nurses, public defenders, early childhood educators, librarians, and others.



State by State Benefits for Students

State	Savings over State	Savings for the average 4-year college student starting school in 2008 over the life of the loan
AK	SC	\$2,660
AL	SD	\$2,440
AR	TN	\$2,580
AZ	TX	\$2,650
CA	UT	\$2,420
CO	VA	\$2,580
CT	VT	\$2,550
DC	WA	\$2,720
DE	WI	\$2,490
FL	WV	\$2,340
GA	WY	\$2,580
HI	US	\$2,570
IA	\$2,590	<i>Source:</i>
ID	\$2,460	<i>e:</i>
IL	\$2,630	<i>U.S.</i>
IN	\$2,410	<i>PIRG</i>
KS	\$2,570	_____
KY	\$2,420	_____
LA	\$2,430	_____
MA	\$2,600	_____
MD	\$2,620	
ME	\$2,450	
MI	\$2,470	
MN	\$2,510	
MO	\$2,480	
MS	\$2,730	
MT	\$2,340	
NC	\$2,480	_____
ND	\$2,400	_____
NE	\$2,470	
NH	\$2,580	
NJ	\$2,670	
NM	\$2,380	
NV	\$2,540	
NY	\$2,660	
OH	\$2,510	
OK	\$2,520	
PA	\$2,580	<i>TO</i>
RI	\$2,570	<i>SIGN</i>



Chairman George Miller