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DPC - Box 022 - Folder 003

Education - Student Loans

**PRESIDENT CLINTON AND VICE PRESIDENT GORE:
COLLEGE OPPORTUNITY FOR EVERYONE**

February 25, 1998

"Student loans are already less expensive and easier to repay, and now you get to deduct the interest... Because of what we have done, we can make college as universal in the 21st Century as high school is today. And, that will change the face and future of America."

President Bill Clinton
January 27, 1998

Today, Vice President Gore announces an Administration proposal to move forward with a scheduled 10% reduction in the interest rate on student loans, while improving the program to help ensure lenders an adequate profit.

Students Will Benefit Substantially From The Interest Rate Cut. Under reforms enacted in the 1993 budget deal, the interest rate on student loans will drop by an estimated 10% on July 1, reducing the rate students are projected to pay on loans from an average 7.8% over the next five years to 7.0%. This drop will save borrowers hundreds of dollars in interest.

Lower Rates Can Be Profitable For Lenders. To eliminate unnecessary costs to lenders, the Administration is proposing that the formula for setting the interest rate be adjusted so that it more closely tracks lenders' own financing practices, eliminating inefficiencies, and making a lower rate possible for student borrowers.

The largest investment in higher education in 50 years. This announcement is part of the Administration's efforts to identify fiscally responsible policies that help strengthen education and expand college opportunity. To expand college opportunity the President and Vice President are:

- **Improving Access and Opportunity for Student Loans.** More than 5 million students and parents will take out \$30 billion in Federally-backed student loans this year. Under this Administration, the up-front fees on those loans have been cut by as much as half, interest costs are lower, and students have more repayment options than ever before, including the pay-as-you-earn (income contingent) repayment plan.
- **Increasing Investment for Pell Grants.** For two years, President Clinton has proposed record increases in the maximum Pell Grant award. Nearly 4 million low-and moderate-income students will receive a Pell Grant of up to \$3,000, 30% more than when President Clinton came into office.
- **Promoting the Hope Scholarship Credit.** Families are eligible for tax credits of up to \$1500 per-student for tuition in a student's first year and another \$1500 in the second year. 5.8 million students are estimated to benefit annually.
- **Proposing Education IRAs.** For each child under age 18, families may now deposit

\$500 per year into an Education IRA in the child's name. Interest on these accounts is exempt from taxation if used for higher education.

- **Initiating a Life Time Learning Credit.** This tax credit helps offset tuition costs for college juniors, seniors, graduate and professional degree students, and adults who go back to school, change careers, or take courses to upgrade their skills.