

CONGRESSIONAL BUDGET PLAN: ONE-TWO SUCKER PUNCH TO AMERICA'S STUDENTS

- Congress is about to deliver a one-two sucker punch to heavily indebted student borrowers and their families.
- As college and university students prepare for fall midterm exams, Congress is debating two pieces of legislation that would dramatically increase already staggering education debt loads.
- The first measure, a budget reconciliation bill aimed supposedly at deficit reduction, stands to cut up to \$18 billion from student loans, placing the onus of false “deficit reduction” on one of America’s most financially vulnerable populations.
- The fact that the proposed budget cuts would actually **increase the deficit** in order to pay for tax cuts for millionaires, is an even greater slap in the face to America’s students...our future teachers, healthcare professionals, journalists, business leaders and public servants.
- Making matters worse, the second bill, HR 609, the renewal of the Higher Education Act (HEA), would saddle the average student borrower with nearly \$18,000 in debt, to pay almost \$6,000 more for his or her loans.
- This, while – according to newly released College Board numbers – federal student financial aid continues to lose ground to average college tuition and fees (College Board: *Trends in College Pricing, Trends in Student Aid*, 10.18.05).
- Amongst its harmful provisions, the Higher Education Act reauthorization bill would:
 - **Substantially raise the cost of fixed interest rate loan consolidation.** Under the House Committee bill, borrowers who choose to consolidate loans at a fixed interest rate in order to ensure predictable monthly payments would have their rates raised by a full percentage point over current law and would be charged a new “origination” fee; this despite the fact that, according to the non-partisan Congressional Budget Office (CBO), **a competing proposal would have saved the Treasury the same amount**, raised rates by half as much, and would not have charged a new origination fee.
 - **Eliminate incentives for on-time payment** in the Direct Loan support system, increasing Direct Loan borrowers’ payments by 1.5 percent.
 - **Break Congress’ interest rate cap promise.** Although, in 2001, Congress passed legislation ensuring that student loan rates would not exceed 6.8 percent, the bill, in current form, would raise the cap to 8.25 percent and force students to pay up to 20% more in interest.

Contact WV Congresswoman Shelly Moore Capito and ask her to “just say no” to cuts in student loans in both the Budget Reconciliation and Higher Education Bills. Call the capitol switchboard toll-free at 1-800-426-8073 and they will connect you to her office.