CollegeLOAN Evaluator

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THE STATE OF THE UNION'S IMPACT ON STUDENT LOANS

By Gary Carpenter, CPA

President Obama's State of the Union last week addressed several areas on higher education but only two items related to student loans. The President talked about eliminating the Federal Family Education Loan (FFEL) Program and changing the Income Based Repayment (IBR) Program. Neither of these would be major changes.

The elimination of the FFEL Program has been talked about for the last 12 months. The House bill eliminating FFEL lenders was passed in mid-September and is presently in the Senate where it is facing opposition by Republicans.

As a side note the U.S. Department of Education released figures that indicate the majority of colleges are either already participating in the direct-lending program or are preparing to participate in the program.

As for the second loan related item, the President has proposed to make changes in the Income Based Repayment (IBR) Program. (See June 2009 CollegeLOAN Evaluator Newsletter for details on the IBR Program). President Obama has proposed that the monthly payment be capped at 10% of the borrower's discretionary income vs. the present 15% cap. The President also proposed for those working in the private sector forgiveness of any outstanding balance after 20 years vs. the present 25 years.

All in all no major changes in the federal student loans.

What we really need is a reduction in student loan interest rates from 6.8% to something that is closer to prime which is presently at 3.25%.

We need federal student loans whose amounts actually help students pay for skyrocketing college costs and I am not talking about parent PLUS Loans. $5,500 for a first year student is not realistic when a public in-state is costing $20,000+ and a private college is starting out at $35,000+ per year.

And while I'm working on my dream list, what we <u>really</u> need is accountability/transparency of college costs. Why are college costs increasing 5% to 7% a year when the inflation rate is 1%?

NCAG
National College Advocacy Group
Charter Member

"…..facing opposition ….."

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THE STATE OF THE UNION'S IMPACT…..(Cont.)

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STUDENT LOAN INTEREST RATES

Variable Rates for 2009-2010

Stafford and PLUS Loans disbursed before July 1, 2006, have variable interest rates that are adjusted each year on July 1st. The new rates for the 2009-2010 academic year are:

Stafford Loans – Subsidized	
In School Rate	1.88%
Out of School Rate	2.48%
Stafford Loans – Unsubsidized	
In School Rate	1.88%
Out of School Rate	2.48%
PLUS Loans	
Direct Loan Program and FFEL Program	3.28%

Fixed Rates for 2009-2010

Stafford and PLUS Loans disbursed after June 30, 2006, have fixed interest rates. The rates for the 2009-2010 academic year are:

Stafford Loans – Subsidized	5.6%
Stafford Loans – Unsubsidized	6.8%
PLUS Loans	
Direct Loan Program	7.9%
FFEL Program	8.5%

"What we really need ….."

Interest Rates

Private education loans have variable rates that are tied to either the Prime Rate or the LIBOR Rate. Those rates are as follows for January 29, 2010:

Prime Rate	3.25%
LIBOR Rate (3 mos.)	.25%
LIBOR Rate (1 mo.)	.23%

If you have any questions, please give us a call at 315/487-4567 or email us at gec@collegeloanevaluator.com.