

Students-Loan Interest Rates Drop on July 1st

Written by Mike Honda
Tuesday, 08 July 2008 19:00

American youth should not be denied a college education because their parents are unable to afford tuition. To help more students fulfill their potential with a college education, Congress recently enacted the single largest increase in college aid since the GI bill.

Students will benefit from increases in federal education assistance, and need-based federal student loans rates being cut in half over the next few years. On July 1 the first stage of the cuts went into effect, with the interest rate on subsidized federal student loans dropping from 6.8% to 6.0%. The House Committee on Education and Labor estimates that the first .8% drop, along with larger rate cuts that will be phased in over the next three years, will “ save the typical student borrower beginning college in 2008 about \$2,570 over the life of his or her loan.” Once fully phased in, the cuts will save the typical need based student loan borrower about \$4,400 over the life of his or her loan.

These funding initiatives will be paid for at no new cost to taxpayers, and instead will come from cuts to excess federal subsidies paid to lenders in the student loan industry.

[Watch a video](#) from the Education and Labor Committee or [read more](#) about the changes.