

Raleigh, NC - Rep. David Price (NC-04) today joined Reps. Brad Miller (NC-13) and Bob Etheridge (NC-02) at a press conference that convened to discuss the interest rate hike of federal student loans, which is set to go into effect July 1, 2006. Price encouraged students and parents with federal education loans, in addition to those planning to take out loans in the near future, to consult a financial specialist to determine if loan consolidation is right for them. The following are Price's remarks as prepared.

Good morning and welcome!

I bear good news and bad news today. First, the bad news is the interest rates on federal student loans are about to increase. This is due to a bill passed by the Republican Congress that cut funding for financial aid and replaced the current loan formula with a much more punitive one. The good news is there is something that students and parents can do to avoid the harshest impacts of these rate hikes, but only if they act quickly.

Parents and students have an opportunity to consolidate their federal college loans before July 1, 2006. In light of the rate increases, this opportunity could potentially save parents and students thousands of dollars as they repay their loans.

On July 1, the interest rates on Federal Family Education Loans (FFEL) and William D. Ford Direct Loans (DL) are expected to rise to their highest levels in six years. For loans that were dispersed on or after July 1, 1998, but before July 1, 2006, higher interest rates will go into effect on July 1, 2006. To lock in current, lower interest rates, borrowers under these federal programs should consolidate their loans before July 1.

Student borrowers enrolled in school or in their grace period before repayment begins may be eligible to lock in an interest rate as low as 4.70 percent if they consolidate before the deadline. This interest rate will increase to 6.54 percent on July 1. Student borrowers already in repayment and who choose to consolidate their existing loans before July 1 may be eligible to lock in an interest rate as low as 5.30 percent. This interest rate will increase to 7.14 percent on July 1. And parent borrowers may benefit from consolidation as well. Those who consolidate before July 1 may be eligible to lock in a rate as low as 6.1 percent. This interest rate will increase to 7.94 percent on July 1.

Another important point for students to consider if they are thinking about taking out loans in the future: beginning July 1, all new student and parent loans will be set at fixed rates of 6.8 percent for undergraduate students and 8.5 percent for parent borrowers.

The bottom line is time is running out fast if you want to take advantage of these lower interest rates. It is critical for students who would benefit from these lower interest rates to consolidate now. But I have to also stress that consolidation may not be the best plan for every student or parent.

There are many things to consider before you enter into a consolidation plan. That's why organizations like the College Foundation of North Carolina are critical in helping students and parents understand how they might benefit from loan consolidation before new interest rates take effect. Because consolidation is an important financial decision, I would also encourage students to check with their school's student financial aid office for more information on whether consolidation is right for them.

In Washington, we have had a tough time recently of protecting students from financial blows. The Republican Congress recently enacted budget legislation which will cut \$12 billion from the federal student aid programs over the next five years. The three of us and our fellow Democrats continue to work to make college more affordable, despite these setbacks. I am pleased to be a cosponsor of the Reverse the Raid on Student Aid Act (H.R. 5150), which would cut interest rates in half, from 6.8 percent to 3.4 percent, for students with subsidized loans, and from 8.5 percent to 4.25 percent for parent borrowers, starting July 1, 2006. This could save students thousands of dollars over the life of their loans.

I will continue to work hard to make college affordable and accessible for everyone.

###