

## Comparing Student Interest Rate Proposals

	<b>Extension of current law for 2 years (S. 953)</b>	<b>Sen. Warren (S. 897)</b>	<b>Sens. Reed and Durbin (S. 909)</b>	<b>Obama's FY14 budget</b>	<b>House Republicans (H.R. 1911)</b>	<b>Sens. Alexander, Burr, and Coburn (S. 1003)</b>	<b>Bipartisan Proposal</b>
<b>Interest rate determined...</b>	By Congress. Interest is 3.4% on subsidized Stafford; 6.8% on unsubsidized Stafford; 7.9% on PLUS loans.	By the discount rate the Federal Reserve charges to banks for overnight loans for one year.	By 91-day Treasury rate plus a % determined by the Education Secretary to cover administrative costs.	By 10-year Treasury rate plus .93% for subsidized Stafford; plus 2.93% for unsubsidized Stafford; plus 3.93% for PLUS loans.	By 10-year Treasury rate plus 2.5% for subsidized and unsubsidized Stafford; plus 4.5% for PLUS loans.	By 10-year Treasury rate plus 3% for <u>all</u> federal student loans: subsidized and unsubsidized Stafford, graduate, and PLUS.	By 10-year Treasury rate plus 2% for subsidized and unsubsidized undergraduate Stafford; plus 3.5% for graduate Stafford; plus 4.5% for PLUS loans.
<b>Interest rate varies over life of loan?</b>	No.	No.	Yes.	No. Rate varies from year to year for new loans, but is then fixed for life of loan.	Yes.	No. Rate varies from year to year for new loans, but is fixed for life of loan.	No. Rate varies from year to year for new loans, but is fixed for life of loan.
<b>Individual loan interest rate cap?</b>	N/A	N/A	Yes: 6.8% for subsidized Stafford, 8.25% for unsubsidized Stafford and PLUS.	No.	Yes: 8.5% for Stafford loans; 10.5% for PLUS.	No.	No.
<b>Consolidated loan interest rate cap?*</b>	Yes: 8.25%.	N/A	Yes: 8.25%.	No.	No.	Yes: 8.25%.	Yes: 8.25%.
<b>If a new loan was issued today under this plan, interest rates would be...</b>	3.4% for subsidized Stafford, 6.8% for unsubsidized Stafford, 7.9% for PLUS	.75%	Unclear what administrative costs would be. 91-day Treasury yield is .04%	2.74% for subsidized Stafford; 4.74% for unsubsidized Stafford; 5.74% for PLUS	4.31% for subsidized and unsubsidized Stafford; 6.31% for PLUS	4.81% for all federal student loans	3.81% for subsidized and unsubsidized undergraduate Stafford; 5.31% for unsubsidized graduate; 6.31% for PLUS

\*Under the current Direct Consolidation Loan Program, borrowers may consolidate their federal student loans into a single, fixed-rate loan. Rates are set by calculating the weighted average of the interest rates of the loans being consolidated and rounding up to the nearest 1/8<sup>th</sup> of 1 percent. The current rate cap on such loans is 8.25%.