



PROPOSED LAW TRIES TO MAKE COLLEGE MORE AFFORDABLE

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As college tuition continues to skyrocket, Democrats in Congress are trying to make good on their promise to make college more affordable.

The House and Senate last month passed similar versions of the College Cost Reduction Act, which cuts in half interest rates for the Federal Family Education Loan (FFEL) and Direct Loan (DL) programs. The legislation would pay for the decreases by cutting \$18 billion from federal subsidies to student lenders.

"This bill is a remarkable step forward in our efforts to help every qualified student go to college," said Democratic Representative George Miller of California, chairman of the House Education and Labor Committee and author of the legislation, in a statement.

"With this bill, we are saying that no one should be denied the opportunity to go to college simply because of the price."

A conference committee of House and Senate members will work out a joint version of the bill when Congress returns from recess at the end of August.

White House opposition

Under the College Cost Reduction Act, the interest rates for federal loans would be slashed from 6.8 percent to 3.4 percent in July 2012 if the bill is signed by President Bush. Pell Grants, which are federal grants awarded to low-income students, would increase from \$5,100 for the 2007-2008 school year to \$6,300 in 2012 under the Senate version.

Last year, students took out more than \$85 billion in federal and private loans to pay for college.

The White House has threatened to veto the legislation, saying it would not do enough to help the poorest students and would create costly new programs.

"This costly proposal only benefits students once they leave school, when they can already take advantage of flexible repayment options available under current law," according to a statement from the White House.

Lax oversight of loan program

Meanwhile, an August government report criticized the Department of Education for failing to create a system to detect misconduct by lenders and protect student borrowers.

The Government Accountability Office said some lenders were giving improper incentives to colleges to steer student borrowers their way, and that in 20 years the department has tried to punish only two lenders for violating government rules.

Earlier this year, attorneys general in New York, Missouri, Illinois, California, Connecticut, Minnesota and Ohio announced that they are investigating student lending practices.

The Senate also passed a bill last month that would restrict some of the practices uncovered by the investigations and streamlines the loan application process, Reuters reported.

Cozy relations between college financial advisers and loan companies "may have resulted in some students taking loans with higher interest rates or fewer borrower benefits," the report stated.

Students call for more protection

Student activists say more action is necessary. Alan Collinge, a 1999 college graduate, told 60 Minutes that he saw his student loan debt balloon from \$45,000 to \$103,000 because he could not make payments, started studentloanjustice.org in 2005.

He said Sallie Mae, a private school lender, forced him into serious debt and was allowed to because current law treats private student loan lenders differently from any other type of lender.

The bills before Congress are a step in the right direction for college students, he said, but they don't fix the most important problems with the lenders.

"The decrease in interest rates is significant but neither of the bills do anything to restore standard consumer protections to student loans," he said.

Collinge said that people with student loans still have to repay even if they declare bankruptcy and aren't protected from exorbitant interest rates.

"A lot of people thought they were getting a safe loan, but they were getting a high interest private loan and are stuck paying 20 percent interest on a \$40,000 loan. That's crazy," he said.

-- Compiled by Quinn Bowman for NewsHour Extra

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