

## Comparison of Federal Student Loan Interest Rate Proposals

Updated 07/22/13

	2012-13 Rates	President Obama's FY14 Budget	Reps. Kline and Foxx (H.R. 1911)	Sens. Reed and Durbin (S. 909) Rep. Tierney (H.R. 1946)	Sens. Manchin, Burr, and Alexander (S. 1241)	Senate-White House Deal (S. 1334)	<a href="#">TICAS Proposal</a>	Sen. Warren (S. 897)	Sens. Reed and Hagan (S. 1238) Sens. Reed and Harkin (S. 953) Rep. Miller (H.R. 2574) Rep. Courtney (H.R. 1595) Rep. Sinema (H.R. 1876)*
Short-term or long-term proposal?	N/A	Long-term	Long-term	Long-term	Long-term	Long-term	Long-term	Short-term	Short-term
Interest rate varies over life of loan?	No.	No. Rate varies from year to year for new loans, but is then fixed for life of loan	Yes.	Yes.	No. Rate varies from year to year for new loans, but is then fixed for life of loan	No.	No. Rate varies from year to year for new loans, but is then fixed for life of loan	No.	No.
Interest rate determined...	By Congress. 3.4% on subsidized Stafford; 6.8% on unsubsidized Stafford; 7.9% on PLUS loans.	10-year Treasury rate plus 0.93 percentage points for subsidized Stafford; plus 2.93 points for unsubsidized Stafford; plus 3.93 points for PLUS loans.	10-year Treasury rate plus 2.5 percentage points for unsubsidized and subsidized Stafford; plus 4.5 points for PLUS loans.	91-day Treasury rate plus a percentage determined by the Education Secretary to cover administrative costs.	10-year Treasury rate plus 1.85 percentage points for undergraduate Stafford; plus 3.4 points for graduate Stafford; plus 4.4 points for PLUS loans.	10-year Treasury rate plus 2.05 percentage points for undergraduate Stafford; plus 3.6 points for graduate Stafford; plus 4.6 points for PLUS loans.	10-year Treasury rate or 91-day Treasury rate plus additional fixed margin to cover program costs. No additional margin while student is enrolled at least half-time.	By the discount rate the Federal Reserve charges to banks, at least for one year.	By Congress. 3.4% on subsidized Stafford; 6.8% on unsubsidized Stafford; 7.9% on PLUS loans.
Interest rate cap?	N/A	No.	Yes: 8.5% for Stafford loans; 10.5% for PLUS.	Yes: 6.8% for subsidized Stafford, 8.25% for unsubsidized Stafford and PLUS.	No.	Yes: 8.25% for undergraduate Stafford; 9.5% for graduate Stafford; 10.5% for PLUS. Eliminates the 8.25% cap on consolidation loans.	Yes: cap rates as well as guarantee that rates in repayment will never be too much higher than on new loans.	N/A	N/A
If the 2013-14 interest rates are calculated under this plan, the rates would be...	N/A	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	Unclear what administrative costs would be. 91-day Treasury yield was .04% in May 2013.	3.66% for undergraduate Stafford (subsidized and unsubsidized); 5.21% for graduate unsubsidized Stafford; 6.21% for PLUS	3.86% for undergraduate Stafford (subsidized and unsubsidized); 5.41% for graduate unsubsidized Stafford; 6.41% for PLUS	Unclear what add-ons would be for each loan type. 10-yr Treasury yield was 1.81% in May 2013; 91-day Treasury yield was .04% in May 2013.	0.75% for subsidized Stafford; 6.8% for unsubsidized Stafford; 7.9% for PLUS	3.4% for subsidized Stafford; 6.8% for unsubsidized Stafford; 7.9% for PLUS

\* S. 1238, introduced by Sens. Reed and Hagan, and H.R. 2574, introduced by Rep. Miller, propose extending 2012-13 rates for one year and are fully paid for. S. 953, introduced by Sens. Reed and Harkin, proposes extending 2012-13 rates for two years and is fully paid for. H.R. 1595, introduced by Rep. Courtney, proposes extending 2012-13 rates for two years. H.R. 1876, introduced by Rep. Sinema, proposes extending 2012-13 rates for four years.

TICAS analysis based on table from *Inside Higher Ed*, May 10, 2013, "New Ideas of Interest Rates."

<http://www.insidehighered.com/news/2013/05/10/student-loan-interest-rate-proposals-house-republicans-and-some-senate-democrats#ixzz2TC1P8mlo>.

10-Year Treasury Note and 91-Day Treasury Bill rates were taken from Treasury Direct, Historical Auction Query, <http://www.treasurydirect.gov/R/OFAuctions?form=histQuery>. Both Treasury rates use the May auction date for the upcoming academic year (e.g., May 2013 for 2013-14) and are rounded to the nearest 100th. The 10-Year T-Note rate is the yield in May 2013. The 91-Day T-Bill rate is the bank discount rate for the 13-week T-Bill from the earliest reported record in May 2013.

For Federal Reserve primary credit rate information, see <http://www.frbdiscountwindow.org/currentdiscountrates.cfm>.