Student Loan Interest Rate Extension

The 2007 College Cost Reduction Act (PL 110-84), enacted before the economic downturn of 2008, adjusted the interest rates for federally subsidized, undergraduate student loans, which had been tied to market interest rates and at that time were increasing. Specifically, the interest rates on the subsidized loans were reduced for new loans, dropping to 6% on July 1, 2009, and gradually declining to 3.4% on July 1, 2011. The lower interest rates expired July 1 and would have increased to 6.8% for loans originated on or after that date.

The agreement extends the current interest rate of 3.4% for new federally subsidized, undergraduate student loans for another year, through June 30, 2013.

The measure also changes the eligibility criteria for those loans and when interest begins to accrue on the loans. Under the agreement, individuals who are new borrowers on or after July 1, 2013, would lose their eligibility for the loans when they have been enrolled 150% of the published length of their education program (i.e., they could get the loans for six years if enrolled in a four-year program). When a student loses eligibility, the interest on these loans will begin to accrue, regardless of the student's enrollment status. Under current law, subsidized, undergraduate student loans do not accrue interest while the student is enrolled at least half time.