Valley News

Low-interest student loans subsidized by the federal government -- known as Stafford loans after the late Sen. Robert Stafford of Vermont -- are a ticket to college for more than a third of all undergraduates. They help make college affordable, or at least doable, in part because borrowers can defer repayment until after graduation.

But as tuitions rise inexorably, and as more and more students have been forced to rely on borrowed money to pay for college, student debt has risen to staggering levels. Total student loan debt -- $870 billion now and expected to top $1 trillion before the year is out -- has surpassed the total debt held on U.S. credit cards. In Vermont, nearly 70 percent of all college graduates hold student loan debt, owing on average nearly $30,000. In fact, Vermont is the sixth most heavily indebted state in the nation in this regard -- behind New Hampshire, which has the highest student debt in the country, an average of $31,048, according to the Project on Student Debt.

The overall trend worries U.S. Rep. Peter Welch of Vermont, who says student loan debt has reached a "crisis stage." Having established college affordability and the restoration of the middle class as among his signature issues, the congressman recently introduced legislation that would freeze interest rates for subsidized loans under the Stafford direct-loan program. Rates are scheduled to double from 3.4 percent to 6.8 percent on July 1. That rate increase would add, on average, $2,800 over a standard 10-year repayment term. Those who borrow the maximum amount ($23,000) would see an increase of $11,000 over 20 years.

Congress voted to lower interest rates on Stafford loans back in 2007, when Democrats made good on campaign promises and passed the College Cost Reduction and Access Act. After the law passed, interest rates fell gradually, until reaching 3.4 percent this year. So, while rates are due to double, they haven't been this low for very long.

A freeze on interest rates would not have a neutral impact on the federal budget. Welch's office says keeping interest rates at 3.4 percent would cost about $4 billion a year, though others -- namely, the Republicans -- say the figure is closer to $6 billion a year. Moreover, if the government has to borrow more money to finance student loans, the real danger is that other worthwhile financial aid programs, including possibly the Pell program of grants to low-income students, would suffer. Cutting grants to poor students would further limit access to higher education and, in all likelihood, worsen the overall student-debt load.

Of course, students shouldn't have to compete against one another for the same relatively measly slice of budget pie. Education is a sound investment, and the federal government makes that investment at the postsecondary level mainly by offering financial aid to students. When federally subsidized loans become out of reach for increasing numbers of American families, the country is in big trouble.

"Affordable loans are essential to families who are piecing together the resources to pay tuition and fees. Interest rates are at an all-time low. It simply defies logic that rates could double and push a college education even further out of reach for working families," said Welch.

The Republicans are keen to extend, presumably forever, the Bush tax cuts, which were estimated by the Congressional Research Service in 2010 to cost $5 trillion over 10 years. By contrast, an extension of low interest rates for student loans seems like a bargain and a smart investment, one that Sen. Stafford, a GOP moderate, surely would have applauded.