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Senate Speeches on the Arts and Humanities (1994-1996): Speech 47

Claiborne Pell

Statement of Senator Claiborne Pell (D, RI)
on Education Amendment to Budget Reconciliation

Mr. President, I support this amendment. Its passage would accomplish the important objective of taking students and their families out of harm's way.

It would strike the first-time-ever fee on institutions of higher education. This fee of .85%, based on the total amount of money borrowed by students and parents at every colleage and university is an unprecedented move, and a cost that would undoubtedly be passed along to students in higher fees. Once established, I also fear that it would increase over time.

Second, this amendment would strike the increase the interest rate in the Parent Loan Program. Some argue that the increase would be so small as to be insignificant. I disagree.

A parent who borrows for four years of college at a typical four year public university will, it is estimated by the U. S. Department of Education, borrow $27,000. If those loans are repaid over ten years, the increase in the interest rate will mean those parents will pay an additional $1400. If they take advantage of extended repayment, the cost could well increase to $2800. Neither is an insigificant amount of money.

A parent who borrows at a private university will, it is estimated, borrow more than $66,000. Repayment over a ten year period will mean an additional $3400 that parents will have to pay because of the increase in the interest rate. If repayment is extended over 20 years, the additional cost to the parent will be nearly $6900.

Third, the amendment would raise the cap on the Direct Student Loan Program from the 20% cap approved by the Labor. This is by no means a perfect resolution of the issue regarding the viability of the Direct Loan program, but it is an acceptable compromise, at least in my mind. It means that we would continue to have a spirited competition between direct and regular loans, a competition that has brought students improved services, better rates, and more benefits.

Fourth, the amendment would strike the elimination of the interest subsidy during the grace period. This is important to students who have just completed their education and are out looking for a job. Proponents argue that the cost of eliminating the grace period will be small. But to a student who is just beginning a job, every dollar counts.

In terms of the package, I would also point out that while one change would appear small, the combined impact of the four changes addressed in this amendment is considerable. Students and their families will feel the impact of these changes. Instead of taking them out of harm's way, we place them directly in the line of fire. We can avoid that unfortunate outcome if we pass this amendment, and I would urge my colleagues to join me in voting for it.