UNO GATEWAY

The U.S. House of Representatives recently passed bill House Resolution 5, which promises to drastically cut interest rates on some student loans.

The bill, also known as the College Student Relief Act of 2007, proposes a reduction on student loan interest rates from 6.8 percent to 3.4 percent over five years. This is expected to cost taxpayers approximately $6 billion if enacted into law.

The College Student Relief Act applies only to subsidized, or need based, student loans. Currently, 5.5 million students receive subsidized loans annually.

The College Student Relief Act will undoubtedly have an impact on UNO students taking out loans. In Nebraska , graduates of four-year colleges have an average of $13,000 in student loans. The average college student beginning school in 2011 may save an average of $4,420 over the life of their loans, according to the U.S. Public Interest Research Group.

Those in favor of the bill stressed the importance of relieving the financial burden many college graduates face.

Representative Lee Terry of Nebraska 's 2nd District was among those who supported the bill. Terry did not respond to requests for an interview, but a recent Omaha World-Herald article attributed his support for the act to his own college days when he held several jobs and struggled to meet the financial burden.

Cody Farrens, president of UNO College Democrats and a senior political science major, shared Terry's approval of the College Relief Act, saying it makes education more accessible, particularly for students pursuing careers in fields that aren't traditionally highly paid.

"It makes education more accessible," Farrens said, "not having to worry about getting a six-figure salary to pay back loans."

While the majority of the House voted in favor of H.R. 5, many representatives still opposed it. Much of the opposition for the act came from banks and lenders who profit from fees and government subsidies. The act will reduce the government subsidies financial institutions and lenders currently receive to offset the $6 billion debt imposed by the changes.

One such financial institution, ScholarPoint Financial Inc., stressed the costs that the College Student Relief Act will place on business such as theirs in a recent press release.

"This bill, if enacted into law, would make it more difficult for me to successfully offer low-cost consolidation loans to help student loan borrowers manage their debt," said ScholarPoint CEO Chris Studer in a statement.

ScholarPoint and other financial institutions say there are already ways for recent college graduates to deal with debt, such as consolidation.

"Consolidation is one of many means today's college grads have to manage the financial impact that student loans can have on their lives," Studer said.

In addition to banks and lenders, the College Student Relief Act has met some opposition within the government. Because college graduates traditionally have higher earning potential, many believe efforts to lighten the financial burden of college should be focused on low-income students and their families who are currently trying to deal with the costs of attending college.

The Department of Education recently released a statement declaring its opposition to the College Student Relief Act.

"Reducing student loan interest rates would direct federal subsidies to college graduates, not to students and their families who are struggling to meet current and future educational expenses," according to the statement.

Representative Jeff Fortenberry of Nebraska 's 1st District also opposed the bill. Fortenberry was not available for comment, but stressed the importance of not redirecting government subsidies from low-income students to recent college graduates in a recent interview with UNL's Daily Nebraskan.

"My policy's emphasis is on the front-end - helping people get to college and go to college," Fortenberry said.

Other UNO students agreed with the Department of Education, saying federal aid should continue to focus funds on low-income students currently in college.

"It's for people who need it, and they need it more than anyone else," said Tom Hannam, a senior history and international studies major.

In addition to fearing that much-needed government subsidies will be taken away from low-income students to finance legislation such as H.R. 5, the Department of Education and others are afraid lowering interest rates on loans may only encourage students to take out more loans and subsequently encourage the "upward tuition spiral."

"Student debt loads have soared in recent years, and it is not clear that encouraging more loans is a wise course," according to the department's statement.

The Bush Administration has also voiced opposition to H.R. 5, but overwhelming support for the bill in Congress may override a potential presidential veto. The act passed easily in the House, with a vote of 356-71 consisting of all the House Democrats as well as 124 Republicans.

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