

[Home](#) > [News](#) > [News Releases](#)

Wednesday, July 24, 2013

Reed-Warren Amendment Offers Greater Certainty and Lower Rates for Students

WASHINGTON, DC – In an effort to keep student loans affordable for working families, the U.S. Senate is scheduled to vote later today on a key amendment by U.S. Senators Jack Reed (D-RI) and Elizabeth Warren (D-MA) and 17 of their Senate colleagues that would lock in reasonable caps of 6.8 percent for undergraduate and graduate loans, and 7.9 percent for PLUS loans, meaning they wouldn't go any higher than they are set at right now. The Reed-Warren amendment would provide greater certainty and lower rates for students and is fully paid for with a 0.55 percent surcharge on modified adjusted gross income in excess of \$1 million.

On July 1, the interest rate on federally subsidized Stafford loans doubled from 3.4% to 6.8%, affecting more than 7 million students nationally, including about 42,000 Rhode Islanders and more than 158,000 residents of Massachusetts.

Later today the Senate is poised to vote on the Manchin-Burr student loan proposal, which would restructure the way the government prices subsidized federal loans, placing a heavier burden on working families, locking in an estimated \$184 billion in student loan revenue for the federal government, and allowing rates to rise as high as 8.25% for undergraduates, 9.5% for graduate students, and 10.5% for parents.

While the legislation was successfully improved from its original version to include caps, Senators Reed and Warren believe the caps are too high. As a result, the financial pain for students and middle-class families is essentially back-loaded to kick in later, with some rates projected to be above the current rate of 6.8% as soon as 2015, and rates for undergrads to rise above 7% as soon as 2017.

“Students deserve better. The Reed-Warren amendment is a fiscally responsible solution that will cap rates at 6.8 percent for student loans and 7.9 percent for the PLUS family loan -- comparable to what the fixed loan rates are today. We are paying for it by a surcharge for people who are making over \$1 million. It is a very small surcharge. As a nation, we must find the resources to invest in the future of our students so they can improve their skills and build a better future for themselves, while at the same time they help improve our economic outlook and move our country forward. We have always done it in the past. We can and should do it today,” said **Senator Reed**.

“The Reed Amendment is the only way to ensure that no students will be worse off under the new plan than if Congress did nothing at all. It makes sure we don’t pit our students against each other, making tomorrow’s students pay more so that today’s students can get a break. This amendment would turn this bill into a true compromise. It does not come close to taking all of the profit out of the student loan system, as I would like, but it is a very good first step in that direction. Anyone who says that we can’t afford this amendment is saying, in effect, it is more important to keep making profits off the backs of our kids than to ask millionaires to pay just a tiny bit more,” said **Senator Warren**.

The Reed-Warren amendment is cosponsored by U.S. Senators: Patty Murray (D-WA); Patrick Leahy (D-VT); Kirsten Gillibrand (D-NY); Barbara Boxer (D-CA); Debbie Stabenow (D-MI); Sheldon Whitehouse (D-RI); Martin Heinrich (D-NM); Richard Blumenthal (D-CT); Al Franken (D-MN); Brian Schatz (D-HI); Jeff Merkley (D-OR); Mazie Hirono (D-HI); Tammy Baldwin (D-WI); Jeanne Shaheen (D-NH); Sherrod Brown (D-OH); Amy Klobuchar (D-MN); and Ron Wyden (D-OR).

SUMMARY: Reed-Warren Amendment

- Lowers the caps to 6.8 percent for all Stafford loans and 7.9 percent for PLUS loans. These caps are pegged to the current fixed rates for these loans, meaning students and families will be no worse off than under current law.
- The amendment is completely offset with a 0.55 percent surcharge on modified adjusted gross income in excess of \$1 million.

