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# Subsidized student loan rates could rise July 1

By [Jacob Rosenberg](#) | The Daily Tar Heel

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A student loan battle that could affect thousands of UNC students looms on Capitol Hill as federal lawmakers debate measures to rein in spending.

On July 1, the interest rate on subsidized student loans could again rise from 3.4 to 6.8 percent, barring legislative action to stop it. This would set the interest rate for subsidized, need-based loans at the same rate as unsubsidized loans.

President Barack Obama campaigned at campuses nationwide last year, including [at UNC in April](#), to maintain the lower 3.4 percent rate. Congress voted to extend the lower rate before July 1 of last year.

Kristin Anthony, assistant director for financial aid and federal and private loans at the University, said 28 percent of University undergraduates and 62 percent of graduate students use some type of student loans.

Subsidized loans are granted to students on a need-based formula determined by the federal government after they fill out a FAFSA form, Anthony said.

She said only subsidized, need-based loans are facing possible interest rate increases.

The typical subsidized loan can save a student \$3,000 throughout four years at a college or university, Anthony said.

But during tight financial times, annual proposals to keep student loan interest rates low have received scrutiny in Washington, D.C. Extending the lower rate last year cost about \$6 billion, according to a [letter](#) sent to Obama last week by Republicans in the U.S. House of Representatives.

The letter calls on Obama to clearly outline his proposal for maintaining the lower rate on Stafford loans, some of which are subsidized, in his upcoming budget request.

U.S. Rep. Virginia Foxx, R-N.C., chairwoman of the subcommittee on higher education and workforce training, is a signatory of the letter.

“We support resolving the interest rate cliff by moving toward a market-based interest rate for Stafford loans in a fiscally responsible manner, and are interested in the administration’s ideas,” the letter stated.

U.S. Sen. Kay Hagan, D-N.C., said in a statement that she previously voted to extend the lower interest rate.

“The rising cost of college is putting higher education out of reach for too many North Carolina students, and they cannot afford to have interest rates on their student loans increase,” she said.

The debate on student loan interest rates — along with other higher education issues — will remain prominent next year when the federal Higher Education Act is set for reauthorization, said Megan McClean, managing director of federal relations at the National Association of Student Financial Aid Administrators.

“All those big issues will be tackled in the Higher Education Act,” McClean said.

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