

LOAN RATES TO REMAIN STATIC AS LAWMAKERS FEAR TO TREAD STUDENT TERRITORY



The Congress seems certain to get its desired, low interest rate for federal student loans, and prevent it from being doubled on July 1, when the subsidized interest rates are due to expire. It is not only because Obama was pushing it hard, but also because its opponents would not have the courage of alienating students and riling them, by not allowing the bill to go through. There is far too much at stake. However, no explanation has been forthcoming how the Congress will find the money to pay for even a one-year renewal of the 3.4 percent rate for about 7.4 million students, which would cost the treasury about \$6 billion. Both the Republicans and the Democrats have carefully planned their strategies. Senate Republicans on Tuesday are likely to block an Obama proposal to cover the cost by disallowing tax benefits to the rich. On the other hand Senate Democrats will strongly oppose and reject a bill passed two weeks ago by the Republican-led House of Representatives to fund it through money from Obama's revamped healthcare. Irrespective of personal differences and strong beliefs, both sides voice confidence that a bipartisan agreement will be reached before the first of July, when the rate is set to double to 6.4 percent on subsidized student "Stafford" loans. A top Republican aide said, "We have time. I fully expect us to reach a deal." U.S. Education Secretary Arne Duncan, appearing on MSNBC's "Morning Joe Show," said on Monday, "We have to make sure that the chance to go to college remains a critical American dream. What we need to do is work in a bipartisan way. The general public is tired of the dysfunctionality of Congress. If there's anything that Congress can unite and do in a bipartisan way it has to be around education." Greg Valliere of the Potomac Research Group, a private firm that tracks Congress for investors, said, "Congress will get a deal because the political consequences of not getting a deal would be huge with younger voters." Valliere said that the Congress could choose to renew the rate without paying for it, considering that many in Washington have become exhausted of government spending cuts. Both sides are fully aware that strong support from the young voters had helped Obama to victory in the 2008 elections and the risk of alienating them by increasing the interest rates on student loans was too great. In the earlier stages of the presidential campaign, Governor Romney was opposing a cut in the rate and there seemed a possibility that it would not be cleared. However, when Romney came out in favor of Obama's proposal, any possibility of a denial by the Republicans diminished. However, the earlier denials, have led to the perception that the Republicans were not actually desirous of extending the 3.4 percent rate, but did so because of the persistent hammering by Obama in campaign-style speeches on college campuses in recent weeks. Obama tweeted on Monday saying "The Senate votes tomorrow on student loan rates-tell them to help keep college affordable" with the hash tag #DontDoubleMyRate. House speaker has said that Obama is using the student loan issue to impress and called it "political grandstanding." He too agreed that given that half of all recent graduates were either unemployed or under-employed, owing to Obama's policies, education has to be kept affordable and the rate needs to be renewed.