

(Washington DC) This morning Congressman Charlie Gonzalez held a press conference at St. Mary's University to denounce Republican cuts to student loans programs. The "Deficit Reduction Act" (DRA) the Republican controlled Congress passed in February cuts \$12 billion in funding for student loans despite unanimous Democratic opposition in the House. President Bush signed this into law on February 8th, 2006.

"At a time of the year when students should be celebrating the end of the spring semester and moving closer to the crucial goal of getting a college education, they will now have to worry about the increasing debt they will graduate with," said Congressman Gonzalez. "Republican cuts to student loan programs set to be enacted on July 1st will mean the average student will have to borrow an additional \$5,800 over the course of their college career. How can we expect families and students to continue paying the costs of education?"

At a time when we should be investing in our future, Republicans have again chosen misguided budgetary priorities. In the global-village economy of the 21st Century, America needs skilled, educated workers to compete with China, India and Japan. And, the best way to remain competitive is to make education affordable for those who are willingly to do the work of learning new skills.

This single biggest cut in the history of student loan programs will be borne by working class and middle class students and their parents. At a time when many families are worried about job security, the Republican controlled Congress is adding to their financial concerns. Some parents will have to sit their son or daughter down and explain that they will simply not be able to help them pay for college. That this will happen flies in the face of the America I grew up in where hard work and perseverance enable a person to rise to the level of their talents. Cuts like this could change our nation into a place where only the well off can afford college."

DRA will cut \$39 billion in funding from Medicare, Medicaid, and student loan programs. 70 percent of the gross cuts to student aid programs come directly from the pockets of college students and their families through raising the interest rates that are paid when parents take out federal loans. The bill raises interest rates on parent borrowers from a fixed rate of 7.9 percent to a fixed rate of 8.5 percent. This change, effective on July 1, 2006, is significant over the lifetime of a loan.

Additional cuts require students and their parents to pay excessive interest payments on their education loans. DRA requires lenders to rebate billions in overpayments made by students and parents to the government - failing to funnel these funds back to students and parents. (This amounts to \$5.22 billion through 2010.)

The bill also eliminates \$2.2 billion in funding which supports the Department of Education's administration and delivery of federal student aid. The Bush Administration has even stated that such funds are integral to the timely and safe delivery of student aid grants and loans to nearly 10 million students, the processing of more than 13 million federal financial aid applications, and the oversight of participation of more than 6,200 schools in the program.

Currently, the federal government pays excessive subsidies to lending institutions in the student loan industry. By cutting those subsidies, Congress could use the savings to make college more affordable without costing taxpayers an extra dime. Republicans have chosen not to make many cuts to the lender subsidies that were proposed in earlier versions of budget legislation from both the House and the Senate. Instead, they have chosen to allow big banks to keep their excessive taxpayer subsidies at the expense of students and parents.

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