Dems Report On "College Cost Crunch"

By Amy Wong

In response to the most recent student-loan interest-rate hikes, Capitol Hill Democrats have released a report entitled "The College Cost Crunch."

The report, released on June 28, documents the debilitating effects of and the increasing need to control rising education costs.

The rising education costs can be traced back to Feb. 2006 when President Bush signed the Deficit Reduction Act, effectively increasing interest rates by approximately two percentage points on July 1.

Contrary to President Bush's assertion that "[the Act] will leave more money in the pockets of those who know how to use it best, the American people,"critics purport that the proposed budget cuts will do the exact opposite.

Senator Edward Kennedy (D-MA) pointedly noted in a press release, "Families across the country are pinching pennies so they can afford to send their children to college."With the proposed interest rate hikes, "[I]t is getting harder and harder as costs go up, and student debt goes up too."

Instead of relieving the financial distress by leaving more money to the American people, the Act's proposed interest-rate hikes add financial burden to struggling students, which will "deter qualified students from pursuing or completing a college education…affecting professional and personal decisions, such as what career to pursue or when to buy a home."

The report aptly stated, "If America is to remain a land of opportunity, we must ensure that college is affordable for all and that the pursuit of higher education is determined by one's ability and hard work, not by one's bank account."

Senator Dick Durbin (D-IL) underscored this point and critically attacked the interest-rate hikes, saying in a press release, "The policies on student loans pushed by the Bush-Cheney administration go in the wrong direction."

Despite this trying climate, the Bush administration continues to aggravate an already dire circumstance. The report shows that between the 2000-2001 and 2004-2005 school years, tuition costs for public, four-year universities increased by 32 percent; and the tuition costs for private four-year colleges have increased by 21 percent.

Concurrently, the federal Pell Grant program, the nation's largest need-based grant program, has been eroding. Between the 1986-1987 and 2004-2005 school years, the Pell Grant decreased its funding to students by 16 percent, covering only 35 percent of expenses at four-year colleges in 2004-2005.

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Without adequate grant funding, students and their parents have had to rely on loans. The report noted, "More students are borrowing, and borrowing larger amounts, than ever before."

The number of students borrowing loans has risen by 60 percent. Within the last decade, the amount of debt has more than doubled. Between the 1992-1993 and 2003-2004 school years, the average amount of student debt upon graduation increased from $8,946 to $17,400.

In the past, the burden of these high debts has been mitigated by low interest rates.

However, as noted in the report, interest rates have substantially increased in the past two years. Last year alone, interest rates increased from 3.4 percent to 5.3 percent. Because of the Deficit Reduction Act, interest rates saw another drastic hike on July 1, increasing to 7.14 percent on outstanding loans and 6.8 percent on new loans.

Senator Hillary Clinton (D-NY) said in a press release, "At a time when incomes are stagnating, when people are losing benefits like health care and pensions, when gas prices are rising, and when the minimum wage hasn't increased in almost a decade, American families can ill afford to pay higher rates for college loans."

She continued, "Instead of increasing the burden on families, we should be doing everything we can to make college more affordable so we can open the doors of higher education to more students."

The Democrats proposed a few important measures that would alleviate students' financial burden: Lower interest rates and expand options to limit loan payments to a certain percentage of the borrower's income; increase the maximum Pell Grant from $4,050 to $5,100; and re-institute college tuition tax deductions.

These plans, however, are just proposals. The fact still remains: Education costs and interest rates will continue increasing.