

Wednesday, October 26, 2011

Washington, D.C. – Congressman Ben Ray Luján of New Mexico's Third District applauded the Obama administration's announcement that it is taking steps to make college more affordable by reducing the burden of student loans.

"Education is the key that opens the doors to a brighter tomorrow. In this challenging economic time and this increasingly global economy, a quality higher education is necessary to provide our young adults with the knowledge, tools, and foundation they need to become the next generation of leaders in our communities," Congressman Luján said. "Unfortunately, too many of our students are faced with rising costs of a higher education and growing debt by the time they graduate college. With yesterday's announcement, President Obama is taking important steps that will put a higher education within reach for more of New Mexico's young adults and reduce the burden of debt they will face once their education is completed."

The Obama administration is accelerating the "Pay As You Earn" program, which will reduce monthly payments for more than one and half million current college students and borrowers. Current law allows borrowers to limit their loan payments to 15 percent of their discretionary income and forgives all remaining debt after 25 years of payments. The program, which allows students to cap their loan payments at 10 percent and forgiving the balance after 20 years was scheduled to start in 2014. As a result of the Obama administration's actions today, the program will begin next year, accelerating the opportunity to reduce loan payments by hundreds of dollars each month. Students can find out if they are eligible for the income-based repayment plan at www.studentaid.ed.gov/ibr .

The administration is also offering student borrowers the opportunity to consolidate their federal student loans, making it easier to better manage debt by providing the convenience of a single payment to a single lender for multiple loans. Borrowers who consolidate their Federal Family Education Loans (FFEL) and their Direct Loans (DL) will also receive up to a 0.5 percent reduction in their interest rate on some of the loans. Borrowers would receive a 0.25 percent interest rate reduction on consolidated FFEL loans and an additional 0.25 percent interest rate reduction on the entire consolidated FFEL and DL balance. Eligible borrowers will be contacted by their federal loan servicer early next year with information on how to consolidate their loans.

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