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**WE CAN'T WAIT: OBAMA ADMINISTRATION TO LOWER STUDENT LOAN  
PAYMENTS FOR MILLIONS OF BORROWERS**

*Actions Offer Recent Graduates an Opportunity to Consolidate Loans and Reduce Interest Rates*

WASHINGTON, DC – Today, the Obama Administration announced it is taking steps to increase college affordability by making it easier to manage student loan debt. The announcement is part of a series of executive actions to put Americans back to work and strengthen the economy because we can't wait for Congressional Republicans to act.

The Administration is moving forward with a new "Pay As You Earn" proposal that will reduce monthly payments for more than one and a half million current college students and borrowers. Starting in 2014, borrowers will be able to reduce their monthly student loan payments to 10 percent of their discretionary income. But President Obama realizes that many students need relief sooner than that. The new "Pay As You Earn" proposal will allow about 1.6 million students the ability to cap their loan payments at 10 percent starting next year, and the plan will forgive the balance of their debt after 20 years of payments. Additionally, starting this January an estimated 6 million students and recent college graduates will be able to consolidate their loans and reduce their interest rates.

"In a global economy, putting a college education within reach for every American has never been more important," **President Obama** said. "But it's also never been more expensive. That's why today we're taking steps to help nearly 1.6 million Americans lower their monthly student loan payments. Steps like these won't take the place of the bold action we need from Congress to boost our economy and create jobs, but they will make a difference. And until Congress does act, I will continue to do everything in my power to act on behalf of the American people."

"College graduates are entering one of the toughest job markets in recent memory, and we have a way to help them save money by consolidating their debt and capping their loan payments. And we can do it at no cost to the taxpayer," said **U.S. Secretary of Education Arne Duncan**.

Current law allows borrowers to limit their loan payments to 15 percent of their discretionary income and forgives all remaining debt after 25 years. However, few students know about this option. Students can find out if they are currently eligible for IBR at [www.studentaid.ed.gov/ibr](http://www.studentaid.ed.gov/ibr). Last year, the President proposed, and Congress enacted, a plan to further ease student loan debt payment by lowering the IBR loan payment to 10 percent of income, and the forgiveness timeline to 20 years. This change is set to go into effect for all new borrowers after 2014—mostly impacting future college students.

Today, the Administration is proposing to offer even more immediate relief to many current college students by giving them the chance to limit loan payments to 10 percent of their discretionary income starting in 2012. In addition, the debt would be forgiven after 20 years instead of 25, as current law allows. For many who struggle to manage their student loan debt – including teachers, nurses, public defenders and others in lower-paying jobs – these proposed changes could reduce their payments by hundreds of dollars each month. Overall, this proposal would provide an estimated 1.6 million borrowers with more manageable monthly payments. The Administration is also planning to offer student borrowers the chance to better manage their debt by consolidating their federal student loans. Today, approximately 5.8 million borrowers have both a Direct Loan (DL) and a Federal Family Education Loan (FFEL) that require separate payments, which makes them more likely to default. To address the needs of these borrowers, the Administration will allow borrowers the convenience of a single payment to a single lender for both loans. Borrowers who take advantage of this consolidation option, which begins in January, would also receive up to a 0.5 percent reduction in their interest rate on some of their loans, which means lower monthly payments that would save hundreds of dollars in interest. Eligible borrowers will be contacted by their federal loan servicer early next year with information on how to consolidate.

These changes carry no additional cost to taxpayers.

#### **Additional Announcements:**

As part of the “Know Before You Owe” project, the Consumer Financial Protection Bureau, in collaboration with the Department of Education, will release today a Financial Aid Shopping Sheet -- a draft model financial aid disclosure form. This sheet will be a tool that colleges and universities could use to help students better understand the type and amount of aid they qualify for and easily compare aid packages offered by different institutions. The form would also make the total costs -- and risks -- of the student loans clear before they enroll by outlining their total estimated student loan debt, monthly loan payments after graduation and additional costs not covered by federal aid.

The CFPB is taking feedback on how to further improve the form, especially looking for input from college students and their families. They can log onto <http://www.consumerfinance.gov/students/knowbeforeyouowe/> to sign up to provide feedback on the CFPB’s website. Building on the model of the “Financial Aid Shopping Sheet”, the President has also tasked the Chief Technology Officer with further leveraging data and technology to help provide college- bound students and parents with more comparative information about college costs and college aid so they can make more informed decisions about where to enroll.

In addition, the U.S. Small Business Administration, as part of the White House-led Startup America initiative, has launched a website ([www.sba.gov/startupamerica/student-startup-plan](http://www.sba.gov/startupamerica/student-startup-plan)) to walk young entrepreneurs through the process of reducing their monthly student loan payments. URL.

Also, in response to the President's call to action to promote high-growth entrepreneurship across the country, today the Young Entrepreneur Council's new private-sector Gen Y Fund has committed to investing \$10 million in as many as 100 Millennial-generation startups, including a promise to pay down any of these young entrepreneurs' remaining federal student loan obligations over the next three years.