

June 30, 2009

(WASHINGTON, D.C.) -- U.S. Congressman Jason Altmire (PA-04) today announced that starting July 1, Americans will be able to benefit from a new Income-Based Repayment program for federal student loans. Under this new program, borrowers' monthly loan payments will be capped at just 15 percent of their discretionary income. At the end of 2008, more than 30 million Americans held almost \$556 billion in outstanding student loans.

This new Income-Based Repayment program was created by the College Cost Reduction and Access Act, a historic college affordability bill that became law in 2007. As a member of the House Education and Labor Committee, Altmire was one of a select group of House and Senate lawmakers who helped to negotiate and approve the final version of this bill.

“In recent years, monthly student loan payments have become a significant financial burden for many college graduates,” Altmire said. “With so much of their discretionary income going to pay their student loans, many young Americans have been unable to build the savings they need to one day make longer-term investments, such as buying a car or a home. By capping loan repayment at just 15 percent of a graduate’s discretionary income, this new program will make it easier for young Americans to build a strong financial foundation for their future.”

To qualify for this new program, a borrower's loan payments must exceed 15 percent of their discretionary income. All federal loans -- both Direct and Federal Family Education loans -- made to students are included under this program, including Stafford, Grad Plus, and federal consolidation loans. Under an Income-Based Repayment plan, a graduate who makes a salary of \$25,000 and has \$30,000 in student loan debt could see their monthly loan payment reduced from \$345 to \$110 a month. After 25 years in the program, borrowers' debts will be completely forgiven. To see if they qualify for this new program, graduates can use the repayment calculator on the U.S. Department of Education's [website](#).

The new Income-Based Repayment Program is just one of several college affordability measures that students will benefit from this year. Also starting on July 1, the interest rates on subsidized federal loans will fall for a second year in a row, decreasing from six percent to 5.6 percent. By 2011, this interest rate will drop to 3.4 percent. Nationwide, about 5.5 million students borrow need-based federal student loans each year.

The maximum Pell Grant for the 2009 - 2010 school year will also increase to \$5,350, more than \$600 above last year's award. This represents more than a 25 percent increase since 2006, when the maximum Pell Grant was \$4,050. About 6 million students nationwide received a Pell Grant scholarship for the 2007 - 2008 school year.

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