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# Senate Reaches Deal On Student Loan Interest Rates

By [KIRK CARAPEZZA \(/PEOPLE/KIRK-CARAPEZZA\)](#)

College students may have dodged a bullet. Senators reached a tentative deal with President Obama Thursday that would roll back interest rates on new federal student loans.

The stalemate in Congress forced student loan interest rates to double on July 1. This new deal would cap rates at 8.25 percent for undergraduates and 9.5 percent for graduate students. It would also tie loans to market-based rates. So if interest rates go up, student loans would also go up.

That's good news for students in the short run but bad news in the long term, says financial planner Jeffrey Cutter.

"It brings the rates down for students so they won't have as much of an impact, but if we think interest rates are going to go up, which most of us do, then this is going to hurt them," Cutter said.

For UMass students like Farrah Bruny-Brown, the prospect of a deal is a relief.

"I don't have to make those hard choices about whether or not I can go this semester or can I afford books or health insurance, or what that's going to do to our grocery bill," said Bruny-Brown, who took custody of her three siblings 15 years ago.

Even with the deal, the Congressional Budget Office estimates that the federal government program will rake in a record \$51 billion in profits from new and existing student loans.

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