Will Federal Sequestration Change Student Financial Aid at Rice?

Congress passed the Budget Control Act of 2011, which put into place automatic across-the-board federal budget cuts, known as a “Sequester,” which began in March 2013. There have been many media reports concerning the negative impact on federally-funded student financial aid. Fortunately, the only impact on need-based student financial aid at Rice will be minimally increased student loan fees.

Here is how the budget cuts will impact student financial aid at Rice:

**No Impact on the Pell Grant Program**
The law specifically exempts the Pell Grant Program from the effects of sequester. The maximum Pell Grant award for the upcoming 2013-2014 Award Year remains at $5,645.

**No Impact to FSEOG Recipients at Rice**
Although funding from the government to the university for this grant will decrease somewhat, Rice will make up the decreased amount of funding to individual students with institutional funds, so students will receive the same amount of financial aid.

**Minimal Increases in Direct Loan Fees**
The Sequester raises the one-time loan origination fees paid by borrowers for any Direct Loans disbursed after March 1, 2013.

- For a Direct Subsidized or Direct Unsubsidized Loan, the loan fee will increase from 1.0 percent of the principal amount of a loan to 1.051 percent. For example, the fee on a loan for $5,500 will be increased by $2.80 from $55.00 to $57.80.

- For Direct PLUS Loans made to graduate student and parent borrowers, the loan fee will increase from 4.0 percent to 4.204 percent. For example, the fee on a $10,000 Direct PLUS Loan will increase by $20.40 from $400.00 to $420.40.

The Department of Education will notify borrowers of these fee increases and will provide additional information.

**Interest Rates on Direct Loan Program**
On July 1st borrowers will be able to view the interest rates for the 2013-2014 academic year at [http://www2.ed.gov/offices/OSFAP/DirectLoan/student.html](http://www2.ed.gov/offices/OSFAP/DirectLoan/student.html). Interest rates typically change on July 1st each year, and this year’s change may not necessarily be impacted by the Sequester.