

COLLEGE COST REDUCTION ACT OF 2007



**SINGLE LARGEST INCREASE IN
COLLEGE AID SINCE G.I. BILL
(AT NO NEW COST TO TAXPAYERS)**

110TH CONGRESS

**THE HONORABLE GEORGE MILLER
CHAIRMAN
COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES**

July 2007

Overview

The College Cost Reduction Act of 2007, passed by the House of Representatives on July 11 by a vote of 273-149, will provide **the single largest increase in college aid since the GI bill**. And it will do so **at no new cost to taxpayers**, by cutting excess subsidies paid by the federal government to lenders in the student loan industry.

- ✓ **Strengthen the Middle Class by Making College More Affordable**
- ✓ **Increase the Purchasing Power of the Pell Grant Scholarship**
- ✓ **Ensure a Highly Qualified Teacher in Every Classroom**
- ✓ **Encourage and Reward Public Service**
- ✓ **Encourage Philanthropic Participation in College Retention and Financing**
- ✓ **Make Landmark New Investments in Historically Black Colleges and Universities, Hispanic-Serving Institutions, Tribally-Controlled Colleges and Universities, Alaska and Hawaiian Native Institutions, and Predominately Black Institutions**



The College Cost Reduction Act of 2007

✓ Strengthen the Middle Class by Making College More Affordable

- Cutting interest rates in half on subsidized student loans over the next five years.
- Making student loan payments more manageable for borrowers by guaranteeing that borrowers will not have to pay more than 15 percent of their discretionary income in loan repayments, and allowing borrowers to have their loans forgiven after 20 years.
- Increasing federal loan limits to provide borrowers with additional assistance in paying for college and to help them rely less on costlier private loans.
- Containing college costs.



✓ Increase the Purchasing Power of the Pell Grant Scholarship

- Increasing the maximum Pell Grant scholarship by at least \$500 over the next five years. When combined with other Pell scholarship increases passed or proposed by Congress this year, the maximum Pell Grant would reach \$4,900 by 2008 and \$5,200 by 2011, up from \$4,050 in 2006, thus restoring the Pell's purchasing power.
- Expanding eligibility to include and serve more students with financial need.

The College Cost Reduction Act of 2007

✓ Ensure a Highly Qualified Teacher in Every Classroom

- Providing upfront tuition assistance to qualified undergraduate students who commit to teaching in public schools in high-poverty communities or high-need subject areas.

✓ Encourage and Reward Public Service

- Providing loan forgiveness for first responders, law enforcement officers, firefighters, nurses, public defenders, prosecutors, early childhood educators, librarians and others.
- Revising policies to allow public servants to have their loans forgiven after 10 years.

✓ Encourage Philanthropic Participation in College Retention and Financing

- Establishing a partnership with federal, state and local government entities and philanthropic organizations through matching challenge grants aimed at increasing the number of first generation and low-income college students.



✓ Make Landmark New Investments (\$500 million guaranteed over five years) in HBCUs, Hispanic-Serving Institutions, and Tribally-Controlled, Native or Predominately Black Institutions

No New Cost to Taxpayers

The College Cost Reduction Act of 2007 will benefit students and families at no new cost to taxpayers, by cutting excess subsidies paid by the federal government to lenders in the student loan industry. Four of the six offsets were already approved by the House this year, when it overwhelmingly voted to pass the College Student Relief Act of 2007 (H.R. 5) in January.



In the past few years, student lenders have greatly increased their efficiencies through market-driven mechanisms; however, the government operation and subsidization of the programs have not changed. This imbalance has resulted in greater profits for lenders rather than decreased costs for the taxpayers.

Under the College Cost Reduction Act, lenders will still yield a profit, and all savings will be returned to students with reduced interest rates on loans, increased grant aid, and lower college costs.

Furthermore, the Act provides a fee reduction for non-profit and small lenders, providing a significant boost to their bottom line earnings and their ability to compete with for-profit lenders.

- ✓ ALL students can benefit from efficiencies achieved in the federal student loan program.
- ✓ Students will continue to have lender choice, with more than 3,000 lenders in the program and a mandate from the Higher Education Act that the state-designated guaranty agency will provide a loan to any student who is unable to receive a loan from a lender.

Widespread Support for the College Cost Reduction Act

“This critical higher education legislation will make college more accessible and affordable for millions of Americans. ... The College Cost Reduction Act of 2007 is consistent with our nation’s promise of affordable higher education to all who seek greater knowledge. In light of the growing challenge students face for college this legislation is necessary to sustain this promise for the next decade.”

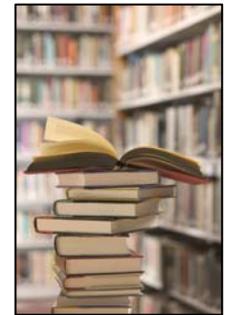
-- United States Student Association, US PIRG

“NAICU supports the House higher education reconciliation bill. Although it contains some tough medicine for colleges on cost, it stops short of imposing federal price controls—which would be disastrous. We strongly applaud the infusion of new funding into need-based student aid, particularly the Pell Grant program. The measure also helps some traditional student aid programs, such as the Perkins Loan program, that have been seriously underfunded for years and are in need of revitalization.”

-- National Association of Independent Colleges and Universities

“The American Association of Community Colleges is pleased to support H.R. 2669, since the legislation will increase access and success for our students, in particular by increasing funding for Pell Grants, which are received by more than two million community college students each year.”

-- American Association of Community Colleges



State by State Benefits for Students

State	Total increase in loan and Pell aid to students and families over 5 years*	Interest rate cut savings PER STUDENT over the life of the loan at 4-year school (once fully phased in)	Total Number of Students Who Could Benefit from a \$500 Increase in the Pell Grant **
AK	\$13,000,000	\$4,110	5,407
AL	\$258,000,000	\$4,340	116,461
AR	\$137,000,000	\$4,170	65,793
AZ	\$714,000,000	\$4,730	233,340
CA	\$1,418,000,000	\$4,830	646,664
CO	\$270,000,000	\$4,310	83,213
CT	\$130,000,000	\$4,560	39,563
DC	\$138,000,000	\$4,680	19,014
DE	\$32,000,000	\$4,460	11,180
FL	\$762,000,000	\$4,370	336,909
GA	\$476,000,000	\$4,230	198,681
HI	\$32,000,000	\$4,580	14,250
IA	\$232,000,000	\$4,460	76,887
ID	\$73,000,000	\$4,230	35,470
IL	\$717,000,000	\$4,510	229,869
IN	\$337,000,000	\$4,140	118,807
KS	\$151,000,000	\$4,420	58,673
KY	\$202,000,000	\$4,170	92,947
LA	\$228,000,000	\$4,180	107,593
MA	\$357,000,000	\$4,470	87,645
MD	\$204,000,000	\$4,510	77,281
ME	\$55,000,000	\$4,210	21,296
MI	\$513,000,000	\$4,240	200,534
MN	\$327,000,000	\$4,310	86,533
MO	\$340,000,000	\$4,250	113,044
MS	\$166,000,000	\$4,680	85,115
MT	\$48,000,000	\$4,680	20,838
NC	\$351,000,000	\$4,270	162,562
ND	\$44,000,000	\$4,120	17,144
NE	\$99,000,000	\$4,240	34,603

State	Total increase in loan and Pell aid to students and families over 5 years*	Interest rate cut savings PER STUDENT over the life of the loan at 4-year school (once fully phased in)	Total Number of Students Who Could Benefit from a \$500 Increase in the Pell Grant **
NH	\$59,000,000	\$4,430	15,863
NJ	\$262,000,000	\$4,600	113,785
NM	\$82,000,000	\$4,090	47,273
NV	\$44,000,000	\$4,370	21,091
NY	\$1,135,000,000	\$4,570	420,531
OH	\$618,000,000	\$4,320	224,615
OK	\$193,000,000	\$4,330	87,969
OR	\$194,000,000	\$4,740	69,289
PA	\$749,000,000	\$4,440	206,293
RI	\$78,000,000	\$4,420	24,457
SC	\$191,000,000	\$4,580	87,813
SD	\$51,000,000	\$4,200	20,027
TN	\$273,000,000	\$4,440	113,516
TX	\$984,000,000	\$4,550	475,259
UT	\$125,000,000	\$4,160	70,104
VA	\$305,000,000	\$4,430	109,895
VT	\$44,000,000	\$4,370	10,282
WA	\$234,000,000	\$4,670	97,965
WI	\$225,000,000	\$4,280	78,135
WV	\$106,000,000	\$4,020	42,010
WY	\$29,000,000	\$4,420	10,197
US	\$15,189,000,000	\$4,400	5,743,684

*Estimates of student loan reform and additional eligibility for Pell Grant aid based on Congressional Research Service estimates of current state allocation

**Estimates include expansion of eligibility and \$500 maximum Pell Grant increase under the College Cost Reduction Act by 2011

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