

## College Cost Reduction Act Summary (H.R. 2669)

College is quickly becoming out of reach for millions of families. While tuition and fees have continued to skyrocket, investment from state and federal governments has continued to decrease. The College Cost Reduction Act (H.R. 2669) is legislation that would provide the most significant investments in higher education in over sixty years. By providing significant increases to the Pell Grant, cutting student loan interest rates, providing income-based repayment options for borrowers, and expanding loan forgiveness programs, H.R. 2669 makes significant strides towards increasing higher education access and affordability for millions of current and future college and university students.

### Increases Support for the Pell Grant

Until recently, the maximum Pell Grant award remained stagnant for five years. In 2007, the maximum award was increased from \$4,050 to \$4,310. Consistently losing its purchasing power each year, the maximum award would need to be nearly \$10,000 to maintain the buying power it held in 1975. The College Cost Reduction Act would increase the maximum award each year over the next five years, ultimately reaching \$5,400 by 2012. In addition, it increases the income level that qualifies more students for the maximum Pell Grant award. Currently over 5.5 million low to middle income students benefit from Pell Grants.

| Maximum Award | Academic Year |
|---------------|---------------|
| \$4,310       | 2007-2008     |
| \$4,800       | 2008-2010     |
| \$5,000       | 2010-2012     |
| \$5,400       | 2012-2013     |

### Cuts Student Loan Interest Rates in Half

In addition to providing significant increases in need based aid for students, the College Cost Reduction Act would cut interest rates on undergraduate Stafford Loans in half from a fixed rate of 6.8% to a fixed rate of 3.4%, making student loans more manageable for millions of students.

| Stafford Loan Interest Rates | Academic Year |
|------------------------------|---------------|
| 6.8%                         | 2007-2008     |
| 6.0%                         | 2008-2009     |
| 5.6%                         | 2009-2010     |
| 4.5%                         | 2010-2011     |
| 3.4%                         | 2011-2012     |

### Provides Income Based Repayment Option

With the cost of college increasing faster than inflation each year, students are graduating with loan debt averaging \$19,300. The College Cost Reduction Act also includes provisions that would allow borrowers to repay their student loans based on their ability to repay rather than their debt levels. Under the proposal, borrowers would pay no more than 15% of their discretionary monthly income and borrowers facing economic hardships would have their loans forgiven after 25 years. By providing borrowers an opportunity to repay based on their ability to do so, H.R. 2669 would leave fewer students and families saddled by the burden of unmanageable debt.

### Expands Loan Forgiveness Programs

The College Cost Reduction Act also expands loan forgiveness programs for borrowers who pursue public service careers. The legislation would forgive the remaining loan balance for a borrower in a public service career who has made responsible loan repayments for ten years. By expanding loan forgiveness for borrowers in fields such as teaching, nursing, and social work, borrowers are encouraged to pursue careers based on their passions, rather than a higher pay check.

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