

Statement of Lauren Asher
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Statement on Today's Student Loan Reform Legislation

“The student aid changes contained in the reconciliation bill unveiled today present an historic opportunity for Congress to dramatically increase need-based grant aid at no cost to taxpayers. The legislation generates \$61 billion in savings by streamlining the student loan programs and reinvests the money to make college more affordable and help reduce the federal budget deficit.

“The poor economy underscores the need for this legislation. Students and families need Pell Grants more than ever, and failure to enact reform would make it impossible for Congress to maintain the current Pell Grant levels, much less increase the maximum grant.

“While the legislation does not ensure that the Pell Grant maximum grows faster than inflation as the President proposed, it ties annual Pell Grant increases to the consumer price index beginning in 2013, providing a floor that we hope Congress will consistently exceed. In addition to making college more affordable and reducing students' need to borrow, Pell Grants also stimulate local economies by helping students pay for textbooks, food, rent, gas, and other necessities as well as tuition and fees.

“The legislation also expands the Income-Based Repayment (IBR) program for borrowers who take out their first federal student loan after 2014. These borrowers will not have to spend more than 10 percent of their discretionary income on student loans, and responsible borrowers who make 20 years of payments will have any remaining debt forgiven. As long-time proponents of IBR, we are disappointed that this expansion will not benefit current borrowers, as the President had proposed. However, hundreds of thousands of Americans currently struggling to repay their federal student loans can still significantly reduce their monthly payments by enrolling in IBR today. (Current law caps IBR payments at 15 percent of discretionary income and forgives remaining debt after 25 years.)

“This legislation represents an historic step toward making college more affordable and helping all Americans complete a degree or certificate program. Streamlining the federal loan program and guaranteeing a minimum annual Pell Grant increase are necessary and overdue reforms that lay a strong foundation for future investments in students and families.”

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An independent, nonprofit organization, the Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. The Institute's Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see www.projectonstudentdebt.org and www.ticas.org.