

July 12, 2007 - Rep. Slaughter Votes for Single Largest Investment in College Aid since GI Bill

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FOR IMMEDIATE RELEASE

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Bill Would Boost Scholarships and Reduce Loan Costs at No New Taxpayer Expense

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"Today the House of Representatives took a great step forward in making college more affordable and accessible for millions of Americans by passing the largest investment in college financial aid in over 60 years," said Rep. Slaughter. "This funding will help millions of students and families pay for higher education, all with no cost to the tax-payer."

"I am very pleased to support this legislation, and am proud of the work being done in the Congress to make education more affordable for the American people."

New York State will receive a \$1.35 billion increase in loan and Pell aid over the next five years through this legislation.

BACKGROUND:

The legislation pays for itself by reducing excessive federal subsidies paid to lenders in the college loan industry by \$19 billion. It also includes nearly \$1 billion in federal budget deficit reduction. The Senate is expected to vote on similar legislation this month.

Under the legislation, the maximum value of the Pell Grant scholarship would increase by \$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 in 2008 and \$5,200 in 2011, up from \$4,050 in 2006, thus restoring the Pell's purchasing power. About 6 million low- and moderate-income students would benefit from this increase.

The legislation would cut interest rates in half on need-based student loans, reducing the cost of those loans for millions of student borrowers. Like legislation passed by the House earlier this year, the College Cost Reduction Act would cut interest rates from 6.8 percent to 3.4 percent in equal steps over the next five years. Once fully phased-in, this would save the typical student borrower - with \$13,800 in need-based student loan debt - \$4,400 over the life of the loan. About 6.8 million students take out need-based loans each year.

The legislation would also prevent student borrowers from facing unmanageable levels of federal student debt by guaranteeing that borrowers will never have to spend more than 15 percent of their yearly discretionary income on loan repayments and by allowing borrowers in economic hardship to have their loans forgiven after 20 years.

The College Cost Reduction Act includes a number of other provisions that would ease the financial burden imposed on students and families by the cost of college, including:

- Tuition assistance for excellent undergraduate students who agree to teach in the nation's public schools;
- Loan forgiveness for college graduates that go into public service professions;
- Increased federal loan limits so that students won't have to rely as heavily on costlier private loans;
- New tuition cost containment strategies; and
- Landmark investments in Historically Black Colleges and Universities, Hispanic Serving Institutions and minority serving institutions.

President Franklin Roosevelt signed the GI Bill into law in 1944. The original law enabled 7.8 million veterans of the second World War to participate in education or job training programs.

A broad coalition of student advocacy groups and labor organizations support the College Cost Reduction Act.

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