



MAKING COLLEGE MORE AFFORDABLE

President Obama's Plan to Reform Student Aid & Invest in Education

"We will provide the support necessary for you to complete college and meet a new goal: by 2020, America will once again have the highest proportion of college graduates in the world."

- President Barack Obama

February 24, 2009

Congress is now considering the president's plan to make historic investments in college scholarships and educational opportunity. The legislation will pay for these investments while reducing the deficit by administering student loans through competitive, performance-based contracts rather than the politically set entitlements lenders receive today. Specific elements of the plan include:

Larger Pell Grants: The President's plan would increase the maximum Pell Grant and provide funds to help Pell grow faster than the rate of inflation each year.

The American Graduation Initiative: In July, 2009, the President proposed \$12 billion investment over 10 years, one step toward reaching the goal of having the highest college graduation rate of any nation in the world by 2020. The American Graduation Initiative will reform and strengthen education and training through America's community colleges, with the goal of helping an additional 5 million Americans earn degrees and certificates over the decade. It includes:

- ***A Community College Challenge Fund:*** A new, competitive grant program that will enable community colleges and states to innovate and expand proven reforms such as effective business/ workforce partnerships, increased transfer of credit, improved remedial education and comprehensive student support services.
- ***Community College Modernization:*** Funding for community college facility investments will expand the ability of this sector to meet employer and student needs. Resources will be available to pay interest on bonds or other debt, seed capital campaigns or create state revolving loan funds.
- ***An Online Skills Laboratory:*** New funding will support the development of free postsecondary online courses and instructional materials that will create new routes for students to gain knowledge, skills and credentials for emerging industries.

- *A College Access, Persistence & Completion Fund:* A new, competitive grant program that will establish college completion as a federal objective in higher education policy, and support innovative efforts to increase college graduation rates and close college completion gaps at the nation's 2-year and 4-year colleges and universities. The fund would also include resources for states to improve their efforts to track student progress, completion and success in the workplace.

An Early Learning Challenge Fund (ELCF): The President's proposed ELCF proposes a challenge to Governors to develop new approaches to raising the bar across state early learning settings. States would compete for grants to develop and implement standards-driven, statewide early childhood systems that focus on improving child outcomes and ensuring that children have access to high quality programs that will prepare them for school.

Low-Cost Perkins Loans: President Obama has proposed to dramatically increase the availability of low-cost Perkins. The interest rate on Perkins loans is only 5 percent, while private student loans often have rates of 10 to 14 percent. Perkins loans help fill the gap for students with unmet financial need. Reforms will not only increase the availability of low-cost Perkins loans, they will reward colleges that graduate higher shares of low-income students and keep costs in check.

Increased Support for Minority Serving Institutions: The President supports increased federal funding for minority-serving institutions contemplated in SAFRA.

A Simplified Application Process: The application for student aid – known as the FAFSA – is far longer and more complicated than it needs to be. To streamline the application, President Obama and Congress are removing dozens of financial questions that have little or no impact on eligibility.

Student Loans that Put Students First: Banks and other financial institutions are guaranteed large profits on student loans determined by entitlements earned in the political process, rather than in the marketplace. President Obama's reforms will use market forces to reduce costs and benefit students by expanding Direct Student Loans. The Department of Education chooses private-sector companies to make loans in a competitive process and rewards them for better performance with additional work. The resulting savings will be used to aid students, not banks