

Statement of Lauren Asher
President, the Institute for College Access & Success

CONTACT: Edie Irons
510/883-7302
Gretchen Wright
202/371-1999

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President Obama's Budget is Good News for College Students

“President Obama’s fiscal year 2011 budget, released this morning, includes concrete and cost-effective proposals to make college more affordable. By streamlining the student loan programs, it generates billions of dollars in savings for higher education investments that are critical for the nation’s economic recovery. Increasing the number of Americans with a certificate or degree has never been more important, and this budget will help keep college within reach for millions of students and families.

“The importance of investing in Pell Grants and protecting their value over time cannot be overstated. These need-based grants are key to college affordability, and the President’s plan would make more students eligible for more aid. Almost eight million students – typically with family incomes under \$50,000 – will receive Pell Grants during this school year.

“The President’s proposed improvements to Income-Based Repayment (IBR) will help reduce the growing burden of student debt by expanding access to affordable loan payments. This is welcome news for all federal student loan borrowers in these tough times. The new provisions cap federal student loan payments at 10 percent of discretionary income and forgive any remaining debt after 20 years. Currently, IBR caps payments at 15 percent of discretionary income with forgiveness after 25 years. Those who work in public service can qualify for loan forgiveness after just 10 years. With these improvements, IBR will provide even more relief to struggling borrowers, often reducing monthly loan payments by hundreds of dollars.

“To assist students with private student loans – which are not eligible for IBR and typically offer few consumer protections – the President’s budget includes the creation of an independent Consumer Financial Protection Agency with authority over all private student loans.

“Some other important higher education provisions in the President’s budget include simplifying the Free Application for Federal Student Aid, or FAFSA, so students can more easily get the aid they are eligible for; making a significant investment in community colleges to help more Americans earn a degree and train for 21st century jobs; and expanding the Perkins loan program so that more students and schools have access to these low-interest federal student loans. The House of Representatives passed legislation to enact these reforms in the fall, and we urge the Senate to quickly do the same.

“In addition, the President’s budget would make the American Opportunity Tax Credit (AOTC) permanent, providing up to \$2,500 a year for four years of postsecondary education.”

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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.