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House Budget Proposal Cuts Pell Grants and Student Loans

Makes College Less Affordable and Student Loans Harder to Repay

With students and families across the nation struggling to keep up with college costs and pay off their student loans, the House Budget Committee's fiscal year 2013 budget would make college even less affordable and student debt harder to repay.

First and foremost, it slashes funding and eligibility for Pell Grants, which currently help more than nine million students get to and through college. It eliminates all mandatory funding for Pell Grants, which was already paid for through student loan reforms at no cost to taxpayers. With only discretionary funding, Pell Grants will be even more vulnerable to future cuts on top of those assumed in this budget, which penalize work for students who have to support themselves and their families, add uncertainty and complexity to the aid process for very needy students, eliminate grants for low-income students who attend less than half time, and recommend a maximum income cap that harms families with multiple children in college at the same time. Even without the proposed cuts, the maximum grant will cover less than one-third of the cost of attending a public four-year college this fall – the lowest share ever.

Under the House Budget Committee budget, lower income Americans will be forced to drop out or borrow even more to get the education and training our economy demands. The vast majority of Pell Grant recipients have family incomes under $40,000, and they already have to borrow more than other students to complete college.

This proposed budget then adds insult to injury by cutting student loans at the same time that interest rates are already scheduled to double from 3.4% to 6.8%, further increasing student debt burdens. It charges students with financial need interest on their loans while they are still in school *and* scales back income-based repayment programs that help keep federal loan payments affordable.

Eliminating the in-school interest subsidy on federal Stafford loans for undergraduates with financial need would increase the cost of college by thousands of dollars. Repealing scheduled improvements to Income-Based Repayment (IBR) will prevent future borrowers – already saddled by this proposal with more loans at higher costs – from making more affordable payments over a more reasonable amount of time.

With an educated workforce more crucial than ever to our nation's future, now is clearly the time to do more, not less, to make college affordable. Slashing need-based grant aid while making student loans more costly and harder to repay will do unnecessary harm both to students and the economy.

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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.