What Does it Mean for Students?

The Student Aid and Fiscal Responsibility Act, HR 4872, was signed into law on March 30, 2010. The legislation, which was passed in a package with the healthcare reform, is a historic investment in higher education which will stabilize and increase funding for Pell grant, and improve conditions for student borrowers, among other benefits for students. Best of all, it is paid for by eliminating wasteful government subsidies to banks.

**Increased Financial Aid**

The new legislation increases the maximum Pell grant to $5900, and links it to the rate of inflation. Through 2018, as the cost of living rises, the Pell grant will automatically as well, helping students and families cope with rising college and living costs. This investment will prevent 500,000 low and middle income students from losing their Pell grants, and another 8 million from seeing their awards cut by 60%.

**Manageable Student Loans**

The new legislation will help federal student loan borrowers who don’t earn high salaries upon graduation through an improved Income Based Repayment program. Enrolled borrowers after graduation will never be required to send in a payment higher than 10% of their monthly salary and will see their loan completely forgiven after 20 years. Income based loan repayment will help at least 1 million of new graduates avoid the crush of unmanageable debt.

**Efficient Federal Student Lending**

All federal student loans will be moved from the Federal Family Education Loan (FFEL) program into the Direct Lending (DL) program. The FFEL program was a dinosaur that subsidized banks like Sallie Mae to offer risk-free federal student loans and profit off the interest. The government provided the money for the loans and assumed all the risk, while banks profited. Switching all loans into DL is about five times more cost effective than the FFEL program with its expensive subsidies to banks, and generates over $60 billion in savings over the next decade, enough to pay for all the new investments in education listed here.

**Other investments in higher education**

--Community colleges will receive $2 billion to improve job training programs
--$2.5 billion will go to colleges traditionally serving black and minority students