



The College Cost Reduction and Access Act of 2007

The College Cost Reduction and Access Act of 2007 cuts lender subsidies and redirects these savings toward important programs designed to improve college access and affordability for low-income students.

Increases Pell Grants

The legislation provides a \$11.4 billion increase in funding for the Pell Grant program, resulting in the largest single-year increase in the maximum award level since the program's inception. Under the legislation, the current maximum award of \$4,310 will increase as follows:

- \$4,800 for the 2008-09 and 2009-10 academic year
- \$5,000 for the 2010-11 and 2011-12 academic year, and
- \$5,400 for the 2012-13 academic year.

Cuts Interest Rate on Subsidized Federal Loans

The legislation reduces the interest rate on new subsidized Stafford loans to undergraduate students. Under current law, the interest rate is set at 6.8 percent, but the new legislation will phase in a reduced interest rate over the next four years, with the rate lowering to 6.0 percent in July 2008, 5.6 percent in July 2009, 4.5 percent in July 2010, and 3.4 percent in July 2011. The interest rate would revert to 6.8 percent in 2012, unless Congress takes further action.

Protects Borrowers from Excessive Repayment Burdens

The legislation contains a new Income Based Repayment (IBR) program designed to protect students from excessive student loan debt burden after graduation and does not apply to federal loans made to parents under the Parent Loan for Undergraduate Students (PLUS) program. The IBR program contains the following key provisions:

- Caps monthly loan payments at 15 percent of discretionary income for all federal loans made to graduate and undergraduate students.
- Increases the amount of income that is sheltered from the financial aid process by raising the income protection allowance for working students.
- Cancels remaining balances after 25 years of income-based repayment. (Graduate PLUS loan balances are not eligible for cancellation.)

Provides Loan Forgiveness for Public Service Employees

Borrowers who spend at least 10 years working in public service professions and make income-based payments through the Direct Loan program would be eligible to have their remaining loan balances forgiven after 10 years. Eligible professions include emergency management, law enforcement, public health, government, and 501(c)(3) organizations, such as colleges and universities.

Strengthens Minority-Serving Institutions

The legislation provides more than \$500 million to support Historically Black Colleges and Universities, Hispanic Serving Institutions, and other colleges that serve minority students.

Requires New Auction Pilot for PLUS Loans

The bill requires the Department of Education to develop a "loan auction pilot program" to auction off the right to make PLUS loans to the two lenders in each state with the most competitive bids. This proposal reflects a desire to have market forces determine the level of federal subsidy paid to lenders, but concerns remain about possible unintended consequences for parent borrowers.