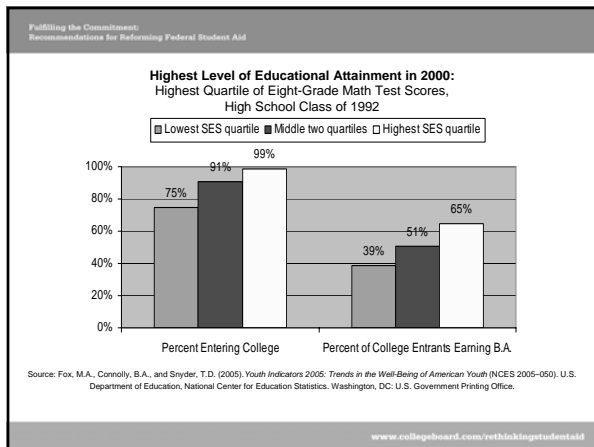


Fulfilling the Commitment:
Recommendations for Reforming Federal Student Aid

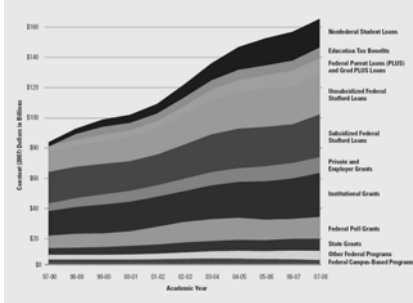
Why Does the Federal Student Aid System Need Attention?

- Helping more Americans to become college educated will strengthen our nation's economy and its civic life and make ours a fairer society.
- A more coherent, comprehensible, and efficient federal student aid system can contribute significantly to making this happen.

www.collegeboard.com/rethinkingstudentaid



Ten-Year Trend in Student Aid and Nonfederal Loans Used to Finance Postsecondary Education Expenses in Constant (2007) Dollars (in Billions), 1997-98 to 2007-08



Goals for the Federal Student Aid System

The most important purpose of student aid is to expand the educational opportunities available to those young people and adults who face financial barriers to college enrollment and success.

Early Awareness and Simplicity: The Evidence

- Low- and moderate-income students would be more likely to prepare academically if they knew the money for college would be available.
- A simple, predictable, well-targeted student aid system will make taxpayer dollars go further in increasing educational opportunities and attainment.

Basic Principles

Federal student aid should be:

- Targeted to those in need
- Adequately funded
- Clear, transparent, well-communicated
- Predictable

Basic Principles (continued)

Federal student aid should:

- Be student focused
- Support both access and success
- Use taxpayer funds efficiently

Recommendations

- Simplify the federal student aid system
- Improve the federal loan process
- Develop a federal savings program for low-income families
- Reward states and institutions that support student success

Simplification: Determining Aid Eligibility

- **Eliminate the current application form for federal student aid**
 - Obtain all needed financial information from the IRS
- **Base Pell Grant awards on family size and adjusted gross income**
 - Non-tax filers
 - Look-up table
 - Three years of data
 - Maximum linked to CPI
 - Income limits based on federal poverty level
- Make detailed IRS data available to states and institutions for calculating eligibility

Simplification: Early Communication

- Communicate with families annually about educational opportunity
 - IRS data to US Dept of Education
 - Pell Grant award
 - State grants
 - Federal loans and tax credits
 - Average price at public institutions in state
 - Importance of academic preparation

Simplification: Tax Benefits

- Single tax credit
- Apply tax credit to non-tuition expenses as well as tuition and fees
- Support for moderate- and middle-income families

Protect Student Borrowers

- Eliminate distinction between subsidized and unsubsidized loans
 - Financial information no longer necessary to determine eligibility
 - Redirect savings from in-school subsidies to stronger income-based repayment subsidies and other aid programs
- Increase loan maximum significantly
 - Tie to federal poverty level
 - Annual increases automatic
- Graduated repayment the standard option
 - Retain and strengthen IBR
- Maintain strong PLUS program

Help Low-Income Families to Plan and Save

- Create federal accounts for children in low-income families
- Annual deposits proportional to the Pell Grants for which children would be eligible.
- Permit funds to earn tax-free interest analogous to federal 529 programs
- Allow use of funds only for postsecondary education
- Permit access to these funds for individuals at any age

Support Student Success and Degree Completion

Provide incentive grants to colleges and universities

- Campus-based funds that encourage retention and completion for low- and moderate-income students
- Allow institutions wide discretion use of funds to encourage student success
- Require a portion of the funds to support student employment
- Pilot programs based in a few states or institutions

Support Student Success and Degree Completion

Provide incentive grants to states

- Strengthened matching grants for state grant aid, with match declining as the recipient's family income increases
- Reward states for awarding aid solely on the basis of financial information available through the IRS

Cost Estimates

- Raise maximum Pell Grant to \$5,000
 - Add \$0.2 billion, limited to students with family incomes < 250% of poverty level
- Eliminate interest subsidy on federal student loans
 - Save about \$8 billion per year
 - Assumes increased loan limits, as recommended
- Savings plan from age 12 with annual deposit 10% of Pell Grant
 - Over 12 million children
 - \$2.8 billion per year at current college participation rates.
 - \$3.1 billion if participation rises from 54% to 60%
- Campus-based incentive program
 - \$2 billion annually, based on 10% - 20% of Pell per student

Next Steps

- Explain, discuss, and promote these recommendations
- Engage individuals and groups across the country in conversation and debate
- Cooperate in efforts to make federal student aid work better for students, families, and taxpayers

You May Be Wondering...How Can I Help?

- Make recommendations available to others on your campus
 - www.collegeboard.com/rethinkingstudentaid
- Talk about recommendations at your staff meetings
- Organize/participate in discussions of how to simplify the student aid system
- Write a statement of support for posting on the College Board's Web site
- Communicate with your federal and state legislators about your support for student aid reform

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