

# College Cost Reduction Act of 2007

*The largest investment in higher education since the GI Bill – at no new cost to taxpayers*

The College Cost Reduction Act of 2007 will provide **the single largest investment in higher education since the GI bill** – making college more affordable and accessible for millions of Americans. By making a historic investment in helping low- and middle-income students and families pay for college, this bill is a critical step towards growing and strengthening America's middle class.

## WHO BENEFITS FROM THE COLLEGE COST REDUCTION ACT?

### ...Low- and middle-income students and families.

- ü **6.8 million students who take out need-based federal student loans each year would see the interest rates on their loans halved over the next five years, saving the typical borrower (with \$13,800 in need-based loan debt) \$4,400 over the life the loan, once fully implemented.**
  - Ø Half of need-based federal student loan borrowers have family incomes between \$26,000-68,000.<sup>1</sup>
  - Ø In 2003-2004, the median income of need-based federal loan borrowers was \$45,000. By comparison, in 2004, the overall U.S. median family income was roughly \$54,000.<sup>2</sup>
- ü **About 5.5 million students who receive Pell Grant scholarships each year would see an increase of \$500 in their maximum Pell scholarship over the next four years. This would restore the purchasing power of the Pell – raising the scholarship from \$4,050 in 2006 to \$5,200 by 2011 when combined with other Pell increases passed or pending in Congress.**
  - Ø In FY 2006, more than five million students received a Pell Grant scholarship. Of these students, 74 percent had family incomes below \$30,000.
- ü **Almost 600,000 additional students would become eligible to receive a Pell Grant scholarship – expanding much-needed financial aid to low- and moderate-income students.**

### ...Our workforce and our economy.

- ü **Students who pursue careers as public school teachers would receive up-front tuition assistance of \$4,000 per year, to a maximum of \$16,000 – providing aid to at least 21,500 undergraduate and graduate students who commit to teaching a high-need subject in high-need schools for four years.**
  - Ø On average starting salaries for teachers, 23% of public college and 38% of private college graduates have unmanageable student loan debt starting as a teacher. The average starting salary for a teacher in 2003-2004 was \$31,704.<sup>3</sup>
- ü **Public servants would receive loan forgiveness of \$5,000 – providing aid to at least 257,000 first responders, law enforcement officers, firefighters, nurses, public defenders, prosecutors, early childhood educators and others. The bill also provides complete loan forgiveness for public sector employees after 10 years of service.**
  - Ø More than 80% of law students borrow to pay for their degree. In 2005, public defenders and prosecutors had median starting salaries of about \$43,000 and \$44,000, respectively.<sup>4</sup>

<sup>1</sup> Congressional Research Service

<sup>2</sup> Economic Policy Institute

<sup>3</sup> State PIRGs' Higher Education Project: "[Paying Back, Not Giving Back.](#)" April 2006

<sup>4</sup> Equal Justice Works, "[Financing the Future: Responding to the Rising Debt of Law Students.](#)" January 2007