

Over 10,000 Vermont students expected to benefit from estimated \$44 million in new financial aid

Washington, DC - Rep. Peter Welch today voted in favor of the largest student aid increase since the GI Bill passed in 1944.

The legislation is expected to benefit over 10,000 Vermont students, providing an estimated \$44 million in financial aid and cutting interest rates for an average savings of \$4,370.

The College Cost Reduction Act of 2007, H.R. 2669, passed 273 to 149, and provides nearly \$18 billion in financial aid over the next five years, cuts interest rates on student loans, and provides college cost containment incentives. The bill adds no new cost to taxpayers.

"This bill will make college more affordable for Vermonters and open the doors of higher education to new generations of college-bound students," said Welch. "Providing badly needed aid to our students, containing college costs, and doing so at no new cost to taxpayers is a real reflection of how priorities *can* change in Washington."

The legislation pays for itself by reducing excessive federal subsidies paid to large lenders in the college loan industry by \$19 billion. It also includes nearly \$1 billion in federal budget deficit reduction.

The legislation:

- **Increases the Pell Grant scholarship** by \$500 over the next five years, increasing the maximum Pell Grant to \$5,200 by 2011, up from \$4,050 in 2006;
- **Cuts interest rates in half**, from 6.8 percent to 3.4 percent, on need-based student loans over five years. Once fully phased-in, this would save the average Vermont student borrower - with \$13,761 in need-based student loan debt - \$4,370 over the life of the loan. Each year, over 13,500 Vermonters take out need-based loans;

- **Prevents student borrowers from facing unmanageable levels of federal student debt** by guaranteeing that borrowers will never have to spend more than 15 percent of their yearly discretionary income on loan repayment and by allowing borrowers in economic hardship to have their loans forgiven after 20 years; and
- **Provides tuition assistance** for undergraduate students who agree to teach in the nation's public schools and loan forgiveness for college graduates that go into public service professions.

In addition to providing needed relief to Vermont college students, the legislation also enacts college cost containment measures, including:

- **Incentives and rewards for low tuition**, by allowing for additional need-based grant aid to schools that keep their annual net tuition increases at a rate equal to, or below, the increase in the Higher Education Price Index (HEPI); and
- **Grants to institutions to keep costs down** through the creation of Cooperative Education Rewards for institutions or consortia of institutions that provide students with both academic and work experiences in order to prepare them for their future careers and help students support themselves financially while attending school.

President Franklin Roosevelt signed the GI Bill into law in 1944. The original law enabled 7.8 million veterans of the second World War to participate in education or job training programs.

The Senate is expected to vote on similar legislation this month.