

The College Cost Reduction and Access Act (Summary)

This act was signed into law by President Bush on September 27, 2007 and its amendments became effective on October 1, 2007 unless otherwise stated. The following overview provides a summary of the act's highlights, but does not attempt to explain all the particular provisions and restrictions.

Grants to Students

Section 101: Tuition Sensitivity

"Tuition Sensitivity" as provisioned in the Higher Education Act is eliminated. That provision prevented Pell Grant recipients from receiving their full award if they attended a low-cost institution, so that will no longer be the case. In addition, \$11 million is appropriated for 2008 to ensure that eligible students receive their funding.

Section 102: Mandatory Pell Increases

The bill extends Pell Grant funding authority through 2017 and authorizes amounts of \$2,030,000,000 for 2008 increasing to \$4,900,000,000 for 2017.

The maximum of the Federal Pell Grant is increases as well, by \$490 for 2008-09 and 2009-10 award years, by \$690 for the following two years, and by \$1,090 for 2012-13.

Section 103: Upward Bound

This section authorizes \$57,000,000 for Upward Bound 2008 – 2011. Any unused funds are to be made available for technical assistance and administrative costs. Some of the funds are to be made available to projects that did not receive 2007 funding and have a grant score above 70.

Section 104: Teach Grants

Establishes the Teacher Education Assistance for College and Higher Education (TEACH) grant program which provides \$4000 a year (not to exceed \$16,000 for undergraduates or \$8,000 for graduate students). These funds must be used for tuition and fees and room/board under certain circumstances. Some other restrictions apply and eligible students must have a GPA of 3.25 or score in the 75th percentile on at least one admission test. They must also be completing (or planning) a teaching career. They agree to teach at least 4 years at a high-need school within 8 years of completing their course of study, and must teach in specific subject areas. (Other qualifications apply as well.)

Student Loan Benefits

Section 201: Interest Rate Reductions

The bill gradually cuts interest rates on subsidized Stafford loans for undergraduate students in half as follows:

- 6.8% for loans first disbursed prior to July 1, 2008
- 6% for loans first disbursed July 1, 2008 – July 1, 2009
- 5.6% for loans first disbursed July 1, 2009 – July 1, 2010
- 4.5% for loans first disbursed July 1, 2010 – July 1, 2011
- 3.4% for loans first disbursed July 1, 2011 – July 1, 2012

Section 202: Loan Deferment for Certain Armed Forces Personnel

This section eliminates the 3 year limitation on loan deferment for certain members of the armed forces. Loans may be deferred until 180 days after the borrowers are demobilized. Borrowers in the military may receive the benefit regardless of when the loan commenced. Restrictions apply, requiring members to be serving on active duty or performing qualified National Guard duty during a war or national emergency.

Section 203: Income-Based Repayment (generally effective July 1, 2009)

Loan payments will be limited to 15% of a borrower's discretionary income or 15% of the amount that a borrower's (and spouse if applicable) adjusted gross income exceeds 150% of the poverty line (up from 100%) divided by 12. Unpaid interest and principal are capitalized and any outstanding loan balance is forgiven if there have been 25 years of repayment.

PLUS loans and Direct Consolidation Loans that contain PLUS loans are not eligible for the income-based repayment program, and other restrictions apply.

Section 204: Deferral of Loan Repayment Following Active Duty

Active duty National Guard or other reservists who are called into active duty while enrolled at an institution will be eligible for a deferment during the 13 months after they complete their service. (The deferment expires if they enroll in school again.)

Reductions to Lenders in the FFEL Program

The bill introduces several cuts to lenders and guarantors. For example:

- Eliminates "Exceptional Performer" status which allows some to receive higher insurance rates on loan defaults.
- Reduces the insurance paid by the federal government to lenders on defaulted loans from 98% to 97% through October 1, 2012 then reduced to 95%.
- Reduces the amount guarantors may keep on collections from 23% to 16%.
...and some other provisions as well

Loan Forgiveness

Allows Secretary of Education to cancel the balance of a Federal Direct Loan (includes Direct Stafford, PLUS or Consolidation Loans) that is not in default for borrowers who have:

- Made 120 monthly payments on a Direct Loan after October 1, 2007 as part of an income contingent repayment plan or a standard repayment plan based on a 10-year repayment schedule.
- Are employed in a public service job and has been during the 120 month payment period. (public service jobs are strictly defined in the bill)

Federal Perkins Loans

Date on which institutions must return late collections on Perkins loans extended until September 30, 2012.

Need Analysis

The income protection allowances for dependent students, independent students, married students where either or both are enrolled in college, and students with dependents other than spouses are increased systematically through the 2012-2013 academic year.

After that, the allowances are increased based on CPI. (Consumer Price Index)

Increases the family income level needed to qualify from \$20,000 to \$30,000 and that amount will increase based on CPI.

Financial aid officers will be given additional discretion as of July 1, 2009 in terms of computing EFC of families where at least one person is a dislocated worker (someone who lost their job and is eligible for federal benefits). They will also have more discretion on calculating the EFC of independent students that lose employment or have become homeless.

Competitive Loan Auction Program

Secretary of Education is required to implement a student loan auction program for PLUS loans in the FFEL program as of July 1, 2009.

Partnership Grants

“College Access Challenge Grants” are established which provide a two to one matching grant to be spent on college access efforts among underserved student populations. \$66 million is authorized for 2008 and \$66 million for 2009. There are restrictions on how the funds must be used.

Section 802: Investment in HBCUs and Minority Serving Institutions

Provides \$510 million from 2008-2009 to be distributed in a specific manner to various institutions.

