

President Obama College Affordability Proposals

The following is an outline of the President's plan to rein in college costs and reform student aid. As highlighted in this fact sheet, his proposals include:

- Reform student aid to promote affordability and value: the President plans to propose reforms to certain federal campus-based aid programs (specifically SEOG, Perkins Loans and Work Study) to shift aid away from colleges that fail to keep net tuition down, and toward those colleges and universities that do their fair share to keep tuition affordable, provide good value, and serve needy students well. These changes in federal aid to campuses will leverage \$10 billion annually to keep tuition down. This increase is primarily driven by an expansion of the Perkins program. While details are not included, this presumably is similar to the proposal the President offered last year, which called for an \$8 billion program that would convert the current campus administered loan program into a federally administered Direct Loan Program similar to the unsubsidized Stafford program.
- Create a Race to the Top initiative for college affordability and completion: the President will create incentives for states and colleges to keep costs under control through a \$1 billion investment in a new challenge to states to spur higher education reform focused on affordability and improved outcomes across state colleges and universities. The Race to the Top initiative will reward states who are willing to drive systemic change in their higher education policies and practices, while doing more to contain their tuition and make it easier for students to earn a college degree.
- Develop a First in the World competition to model innovation and quality on college campuses: The President will invest \$55 million in a new First in the World competition, to support the public and private colleges and non-profit organizations as they work to develop and test the next breakthrough strategy that will boost higher education attainment and student outcomes.
- Provide better data for families to choose the right college for them: The President will call for a College Scorecard for all degree-granting institutions, designed to provide the essential information about college costs, graduation rates, and potential earnings, all in an easy-to-read format that will help students and families choose a college that is well suited to their needs, priced affordably and consistent with their career and educational goals. The Administration also plans to make an updated version of the "Financial Aid Shopping Sheet," created jointly with the CFPB, a required template for all colleges.
- Provide federal support to tackle college costs: references the President's investments in the Pell grant, Direct Loan and Income-based repayment programs. In his State of the Union Address, the President called on Congress to: keep interest rates low for 7.4 million student loan borrowers to reduce future debt, make the American Opportunity Tax Credit permanent, and double the number of work-study jobs over the next 5 years to better assist college students who are working their way through school. On interest rates, the President asks that the current 3.4 percent rate on Subsidized Stafford loans be maintained for loans before July 1, 2013, one more year after the current sunset. The plan underscores the President's effort to bolster the Pell Grant Program and assist students through the "Pay as You Earn" income-contingent repayment program.