

BILL SUMMARY

Reverse the Raid on Student Aid Act of 2006

Earlier this year, Congress cut \$12 billion out of the federal student aid programs in order to help finance tax breaks for the wealthiest Americans. Most of the savings generated from the cuts to the student aid programs were achieved by continuing the practice of forcing student and parent borrowers in many cases to pay excessive interest rates on their loans and by increasing college loan costs for parent borrowers.

Congress should be making college more affordable, but instead Washington Republicans chose to put college further out of reach for American students and families.

Democrats want to make students whole again and the **Reverse the Raid on Student Aid Act** (H.R. 5150) **would help make college more affordable by:**

- **Cutting interest rates in half for the borrowers in most need—on subsidized student loans—from a fixed rate of 6.8% to a fixed rate of 3.4%; and,**
- **Cutting rates on parent loans for undergraduate students from a fixed rate of 8.5% to a fixed rate of 4.25%.**

Under this bill the typical undergraduate student borrower, with \$17,500 in debt, would save \$5,600 over the life of his or her loans.

These interest rate cuts would become effective on July 1, 2006.

Why is it Important to Reverse the Raid on Student Aid and Make College Affordable?

The Republican Raid on Student Aid will widen the college participation gap, just when we need to close the gap. Closing the current college participation gap between minority and white students could add \$250 billion to the national gross domestic product and \$85 billion in tax revenue to strengthen our economy and improve the quality of life for all Americans.

According to the Congressional Advisory Committee on Student Financial Assistance, *financial barriers* will prevent 4.4 million high school graduates from attending a four-year public college over the next decade, and prevent another two million high school graduates from attending any college at all.

By 2020, the U.S. is expected to experience a shortage of up to 12 million college-educated workers. The Raid on Student Aid undermines America's competitiveness in the global economy. Whether the U.S. retains its preeminence in the increasingly competitive global economy will depend more and more on having a highly-skilled workforce – and higher education is the critical tool for building that workforce.

American prosperity, security and overall well-being depend on a well-educated citizenry. Data show that college-educated Americans are less likely than their peers to be unemployed, to live in poverty or to be incarcerated. In addition, college educated Americans are more likely to volunteer, to vote and to engage in the democratic process.

- Unemployment rates for African-Americans with no college degree are almost twice that of African-Americans with college degrees.
- The unemployment rate for white high school graduates is 40 percent higher than for white college graduates, while the unemployment rate for Latino high school graduates is 30 percent higher than for Latino college graduates.
- The government spends between \$800 and \$2,700 per year less on social programs for individual 30-year old college graduates than for high school graduates of the same age, gender, and race/ethnicity.
- The poverty rate for college graduates is about one-third of the poverty rate for high school graduates.
- In the 2000 presidential election, three-quarters of U.S. citizens with college degrees between the ages of 25 and 44 reported voting, compared to 45 percent of high school graduates.
- Among college graduates, the volunteer rate is 46 percent, more than double the rate for high school graduates (22 percent).

Unfortunately, the Republican Raid on Student Aid takes us in the wrong direction—making college even more expensive and ignoring the immediate need to significantly boost our investment in a highly skilled workforce.

Democrats support moving in the right direction and making college more affordable.