

## **Education Reconciliation: The Student Aid and Fiscal Responsibility Act** *A Landmark Investment in Palau's Economic Future*

Now more than ever, Americans need affordable, quality education opportunities to help make our economy strong and competitive again. President Obama has identified an opportunity to make historic investments in our economic future by making college dramatically more affordable – at no cost to taxpayers.

The Student Aid and Fiscal Responsibility Act embraces the president's challenge. It will help us reach his goal of producing the most college graduates by 2020 by making the single largest investment in higher education ever. The legislation will benefit students in Palau by:

### **Increasing and protecting the Pell Grant scholarship**

- ✓ **Invests \$4,582,064 in Palau over 10 years to increase the maximum annual Pell Grant scholarship** to \$5,550 in 2010 and to \$5,975 by 2017. Starting in 2013, the scholarship will be linked to match rising costs-of-living by indexing it to the Consumer Price Index. This includes an investment of \$13.5 billion to fund a shortfall in the Pell Grant scholarship program due to increased demand for the scholarship.

### **Making college affordable and helping more Palauans graduate**

- ✓ **Invests \$750 million to bolster college access and completion support resulting in \$7,500,000 over the next 5 years in Palau** for students. It will increase funding for the College Access Challenge Grant program, and will also fund innovative programs at states and institutions that focus on increasing financial literacy and helping retain and graduate students.
- ✓ **Makes federal loans more affordable for borrowers to repay** by investing \$1.5 billion to strengthen an Income-Based Repayment program that currently allows borrowers to cap their monthly federal student loan payments at 15 percent of their discretionary income. These new provisions would lower this monthly cap to just 10 percent for new borrowers after 2014.
- ✓ **Invests \$2 billion in a competitive grant program for community colleges** to develop and improve educational or career training programs.

### **Providing reliable, affordable, high-quality Federal student loans for all families**

- ✓ **Converts all new federal student lending to the stable, effective and cost-efficient Direct Loan program.** Beginning July 1, 2010, all new federal student loans will be originated through the Direct Loan program, instead of through the federally-guaranteed student loan program. The Direct Loan program is a more reliable lender for students and more cost-effective for taxpayers.
- ✓ **Keeps jobs in America.** Under the bill, 100 percent of Direct Loans will be serviced by private lenders. Lenders will compete for contracts to service all federal student loans, which will guarantee borrowers high-quality customer service and preserve jobs. Unlike loans made by banks, Direct Loans can only be serviced by workers in the U.S. Last year, Sallie Mae was forced to bring 2,000 jobs back to U.S. soil to win a direct loan servicing contract. Sallie Mae is now one of four private banks servicing 4.4 million direct loans.

### **Meeting Pay-As-You-Go fiscally responsible principles and reduce the deficit**

- ✓ **Saves taxpayers \$61 billion over the 10 years** by switching to the cheaper Direct Loan program, according to the Congressional Budget Office. In addition to investing in college aid, **these provisions will also reduce the deficit by at least \$10 billion over 10 years.**