

STUDENT DEBT RELIEF ACT

The American dream is at risk if we fail to make college more affordable. Parents and students understand the importance of college and are willing to sacrifice a lot to pay for a degree. But that sacrifice is getting harder and harder as college costs and student debt increase. Access to college is key to our opportunity, to our economy, and to our values. We must act now to address the crisis of student debt and ensure that cost is not a barrier to a college education. To do this, the Student Debt Relief Act includes:

- **Need-Based Aid:** Increases Pell Grant maximum to \$5,100 with mandatory funding; and provides additional Pell Grant increases through enactment of Student Aid Rewards Act (STAR Act), which reforms the student loan programs and generates savings to use for student aid by encouraging schools to use more efficient of the two federal loan programs
- **Interest Rates:** Cuts student loan interest rates in half – to 3.4% for students and 4.25% for PLUS (parent) loans
- **Debt Relief:** Caps federal student loan payments at 15% of a borrower’s monthly discretionary income, and forgives student loans after 25 years
- **Public Service Loan Forgiveness:** Provides loan forgiveness for public sector employees after 10 years
- **Consolidation/Reconsolidation:** Allows students to reconsolidate loans, repeals the elimination of in-school consolidation.
- **Origination Fees:** Reduces origination fees in Direct Loan program by 1% to track FFEL program origination fee reduction, and gives Secretary explicit authority to reduce origination fees (as FFEL lenders have)
- **Direct Loan/Student Aid Administrative Funds:** Repeals Reconciliation provision that moved administrative funds to discretionary side of budget to restore funding as mandatory, to ensure continued operation of the student aid programs

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- **School as Lender:** Closes recently-discovered loophole that may allow schools to use an “Eligible Lender Trustee” arrangement to circumvent the new moratorium and restrictions on School as Lender Program
- **"Exceptional" Performer Status:** Eliminates provisions in current law that allow certain lenders to receive higher reimbursement from the government for defaulted loans than other lenders
- **Consolidation Loan Lender Origination Fee:** Increases lender fee from 0.5% to 1%
- **College Tuition Tax Deduction:** Extends college tuition tax deduction and increases allowable deduction to \$12,000