THE CLINTON-GORE ADMINISTRATION: MAKING COLLEGE MORE AFFORDABLE AND ACCESSIBLE FOR AMERICA'S FAMILIES

August 10, 2000

Today, President Clinton will announce new steps to make college more affordable for students and parents, and to allow graduates to choose rewarding careers. First, he will announce two new steps by the U.S. Department of Education to lower interest rates on direct student loans for students who meet their responsibilities by repaying their loans on time. These changes will save students and parents $600 million, and save federal taxpayers $5 million, over the next five years. Second, he will announce that the Clinton-Gore Administration is proposing a new rule to ease college debt for teachers in lower-income communities. Finally, he will call on Congress to enact his proposals to strengthen education and make college more affordable, including the College Opportunity Tax Cut, which will especially help middle-class families.

PRESIDENT CLINTON WILL ANNOUNCE TWO STEPS TO LOWER INTEREST RATES ON DIRECT STUDENT LOANS. New incentives will reward students who repay their loans on time. Together with other interest rate and fee reductions since the start of the Clinton-Gore Administration, these incentives will save students as much as $1,300 on $10,000 in loans.

- **NEW INTEREST REBATE.** First, students and parents borrowing direct student loans will receive an immediate interest rebate equal to 1.5 percent of the loan. Over 1.7 million students a year will receive the rebate when they borrow, beginning this academic year (2000-01). Students and parents must make their first 12 payments on time to keep this benefit. The average undergraduate could save $150 on $10,000 in loans. Over a standard ten-year loan, this rebate amounts to an interest rate reduction of 0.24 percentage points per year.
- **NEW REFINANCING OPPORTUNITY.** Second, students who consolidate their loans with the Direct Student Loan program will receive a new interest rate that is 0.8 percentage points lower than what they currently pay, saving a student with $10,000 in loans over $500. Over 400,000 students are expected to take advantage of this opportunity. This lower rate will apply to loans consolidated during fiscal year 2001 (October 1, 2000 through September 30, 2001). Students may consolidate a single loan or multiple loans. As with the interest rebate, students must make their first 12 payments on time to keep this benefit.

These new repayment incentives will:

- **Encourage On-Time Loan Payments.** These repayment incentives are designed to encourage students to meet their responsibilities during their first year of repayment. Data show that the first year is critical to a lifetime of good habits: students who make their first 12 payments are only one-fourth as likely to default. At the urging of Rep. Clay and Sen. Harkin, Congress authorized the Direct Student Loan program to offer repayment incentives in 1998.
- **Save Students Hundreds Of Dollars.** By making the first 12 payments on time, the average undergraduate borrower could receive a $150 interest rebate on new loans and save $500 through lower interest on a consolidation loan. The average graduate borrower has $25,000 in loans and could save $375 and $1,250, respectively.
- **Save Taxpayers Money.** The initiative is expected to save the U.S. government $5 million over five years because: 1) more students will repay their loans on time, and; 2) more students will choose to convert their guaranteed loans into direct loans, eliminating federal subsidies for lenders. A similar lower interest rate on consolidation loans in 1998 saved the government over $200 million, even while it saved 340,000 students over $30 million. (Guaranteed student loans are made by private lenders in return for federal subsidies and guarantees against default; direct loans are made by the U.S. Department of Education.)

THE PRESIDENT ALSO WILL PROPOSE A STEP TO EASE COLLEGE DEBT FOR TEACHERS IN HIGH-NEED COMMUNITIES. Today, the U.S. Department of Education will propose a new rule providing loan forgiveness for teachers in lower-income areas that have trouble retaining teachers. The new rule — which implements a provision of the Higher Education Amendments of 1998 — would forgive up to $5,000 in loans after five consecutive years of teaching in needy schools, at least one of which must have been 1998-99 or later. Through 2003, over 25,000 teachers will receive $122 million in loan forgiveness. Teachers must not have had either: 1) outstanding student loans on October 1, 1998, or 2) outstanding loans when they obtained new loans after October 1, 1998. This policy will help today's students afford college, become teachers in needy areas, and stay for at least five years. The final rule is expected to take effect on July 1, 2001.

- Over the next decade, U.S. schools must hire 2 million teachers to accommodate increasing enrollments and the retirement of many veteran teachers. (U.S. Department of Education, *Prospectus: The Educational Excellence for All Children Act*, 1999)
- More than one-fifth of all new teachers leave the profession within their first three years. (Ibid.)

EIGHT YEARS OF STUDENT LOAN REFORM. Today's announcement builds on eight years of effort to reform the student loan program and create more opportunities for college. The Clinton-Gore record includes:

- **MORE AFFORDABLE LOANS.** In its first budget in 1993, the Clinton-Gore Administration reduced student loan fees from a maximum of 8 percent to 4 percent. Student loan interest rates were reduced in 1993 and again in 1998. Last year, the Administration reduced direct loan fees to 3 percent and today's announcement adds an interest rebate equal to 1.5 percent. In addition, the Direct Loan program offers discounts for students who consolidate before entering repayment and who repay electronically. Many guaranteed lenders also offer student discounts. All told, students today can save up to $1,300 in interest and fees over the life of $10,000 in loans, compared to the cost of that loan in 1992.
- **THE DIRECT STUDENT LOAN REVOLUTION.** The Direct Student Loan program has helped more than 5 million students pay for college since it was founded in 1994. It gives students and schools an alternative to traditional guaranteed student loans, injecting healthy competition into the marketplace.
  - **Direct student loans help students quickly, simply, and cheaply.** The program applies free-market principles by raising capital efficiently through U.S. bond sales and making loans through competitively awarded, performance-based contracts with private firms. It has saved taxpayers over $4 billion by eliminating costly bank subsidies.
  - **Over 1,200 schools have chosen to join Direct Lending.** It makes about one-third of federal student loans.
  - **A sliding scale allows graduates to adjust their monthly repayments depending on their income,** so they can undertake public service careers without fear of being unable to repay their loans.
- **DOUBLING STUDENT AID.** Students will receive nearly $60 billion in federal grants, loans, and tax credits this year, up from $25 billion in 1993. The new Hope Scholarship tax credit provides up to $1,500 in tax relief for the first two years of college and the Lifetime Learning credit provides up to $1,000 for juniors and seniors, graduate students, and adults seeking job training. Together, they will save 10 million American families $7.3 billion this year. Over 3.8 million needy students receive a Pell Grant scholarship of up to $3,300, a $1,000 larger maximum grant than in 1993. To help disadvantaged youth prepare for and succeed in college, the Clinton-Gore Administration expanded our investment in TRIO programs by two-thirds and created the new GEAR UP initiative.
- **HALF AS MANY DEFAULTS.** Seven years ago, more than 22 percent of borrowers defaulted within two years of entering repayment; that rate has fallen for seven straight years and is now a record-low 8.8 percent. At the same time, collections on defaulted loans have tripled from $1 billion to $3 billion under this Administration.

CALLING ON CONGRESS TO INVEST IN AMERICA'S EDUCATION PRIORITIES. In February, the Clinton-Gore Administration sent Congress a balanced and responsible budget that made investments in key education initiatives to expand college opportunity, raise standards, and invest in what works. However, the Republican budget:

- Excludes the $36 billion College Opportunity Tax Cut to make college more affordable and accessible. The College Opportunity Tax Cut would allow families to deduct up to $10,000 in tuition from their taxable income, saving them up to $2,800, when it is fully phased-in in 2003.
- Denies 600,000 disadvantaged students mentoring, academic support, and preparation for college through GEAR UP.
- Ignores the President's plan to improve teacher quality through $1 billion for standards-based professional development, teacher recruitment, teacher peer review programs, teacher quality awards, and professional development for early childhood educators. Research shows that teacher quality is a key indicator of student performance.
- Fails to strengthen accountability and turn around failing schools, reduce class size, build and modernize 6,000 schools and make emergency repairs to another 25,000, provide after-school learning opportunities to over 1 million children, and help bridge the digital divide.

Meanwhile, the tax cuts passed by the Congress this year would drain more than $900 billion of the surplus. Together with the substantial tax cuts supported by the Congressional Majority, this would return America to deficits and leave no money for key priorities. At the same time, the Congressional budget would cut domestic priorities $28 billion below the President's level, an average cut of 9 percent.

August 9, 2000

ROUNDTABLE ON EXPANDING COLLEGE OPPORTUNITY

DATE:	August 10, 2000
LOCATION:	DePaul University Chicago, Illinois
EVENT TIME:	11:25 am – 12:40 pm
FROM:	Gene Sperling Bruce Reed

I. PURPOSE

To participate in a roundtable discussion with members of the Chicago community about college opportunity and to announce two new efforts to make college loans more affordable and to allow graduates to choose rewarding careers. You will also call on Congress to enact your education budget to make college more affordable and strengthen education, including the College Opportunity Tax Cut.

II. BACKGROUND

Today, you will announce lower interest rates on student and parent loans for borrowers who repay their loans on time. This initiative will make college loans more affordable, allow graduates to choose public service careers, and save students and parents $600 million over the next five years. You will also announce that the U.S. Department of Education will propose a new rule to provide loan forgiveness to teachers in high-need areas.

INTEREST REBATE FOR TODAY'S STUDENTS. First, students and parents borrowing direct student loans will receive an immediate interest rebate equal to 1.5 percent of the loan. Over 1.7 million students a year will receive the rebate when they borrow, beginning this academic year. The average undergraduate could save $150 on $10,000 in loans.

REFINANCING OPPORTUNITY FOR GRADUATES. Second, students who consolidate their loans with the Direct Student Loan program will receive a new, low interest rate that is 0.8 percentage points lower than what they currently pay, saving a student with $10,000 in loans over $500. Over 400,000 students are expected to take advantage of this opportunity. This lower rate will apply to loans consolidated during fiscal year 2001 (starting October 1).

ENCOURAGING RESPONSIBILITY. Students and parents students must make their first 12 payments on time to keep this benefit. These repayment incentives strongly encourage students to meet their responsibilities during their first year of repayment. Data show that the first year is critical to a lifetime of good habits: students who make their first 12 payments are only one-fourth as likely to default.

SAVE MONEY FOR TAXPAYERS. As well as saving students money, the repayment incentives will also save the U.S. government $5 million over five years due to (1) more students repaying their loans on time and (2) more students choosing to convert their guaranteed loans into direct loans, eliminating the federal subsidies for lenders.

LOAN FORGIVENESS FOR TEACHERS. This new rule would forgive up to $5,000 in loans after five consecutive years of teaching in needy schools, at least one of which must have been 1998-99 or later. Teachers must have not had either 1) outstanding student loans on October 1, 1998, or 2) outstanding loans when they obtained new loans after October 1, 1998. This policy will help today's students afford college, become teachers in needy areas, and stay for at least five years, and the final rule is expected to take effect on July 1, 2001.

III. PARTICIPANTS

Program Participants:
YOU
Representative Rod Blagojevich (D-IL)
Kenneth McHugh, Vice President, DePaul University

Roundtable Participants:
YOU
Alicia Buie, teacher, high-need Chicago public school.
Heather Ely, student, DePaul University.
Pam McNeil, parent, concerned about college costs.
John Schoultz, Director of Student Financial Aid, DePaul University

IV. PRESS PLAN

Open.

V. SEQUENCE OF EVENTS

- **YOU** will be announced on stage accompanied by Representative Rod Blagojevich and Kenneth McHugh, Vice President, DePaul University.

- Kenneth McHugh will make remarks and introduce Representative Rod Blagojevich.
- Representative Rod Blagojevich will make remarks.
- Kenneth McHugh will return to the lectern and introduce **YOU**.
- **YOU** will make brief remarks and proceed to the vacant stool in the center of the stage where you will participate in a roundtable with four members of the Chicago community.
- Upon conclusion of the discussion, Kenneth McHugh will proceed to the lectern and make brief closing remarks.
- **YOU** work the ropeline and depart.

VI. REMARKS

Roundtable Discussion – See suggested discussion sequence attached.
Remarks – To be provided by speechwriting.

VI. ATTACHMENTS

- Roundtable Participants and Suggested Questions.
- Facts on College Affordability.
- Administration Record on College Opportunity.

DEPAUL
UNIVERSITY

ROXANNE F. OWENS
DePaul / Glenview Program
Elementary Education

School of Education
2320 North Kenmore Avenue
Chicago, Illinois 60614-3298
773/325-4329
FAX: 773/325-7748
rowens@wppost.depaul.edu
http://condor.depaul.edu/~educate/

DePaul University

School of Education
2320 North Kenmore
Chicago, Illinois 60614-3250
312/362-7740
FAX: 312/362-7713

August 10, 2000

Anna Richter
Office of Domestic Policy
White House
1600 Pennsylvania Avenue N
Washington, D.C. 20500

Dear Anna,

Thanks for the opportunity to assist you with the President's visit to DePaul University on August 10th. The university community was extremely excited to have him here and he received quite a warm reception.

If I can be of assistance in the future please do not hesitate to contact me. My areas of expertise include literacy, teacher education, and educational technology. I coordinate a highly regarded alternative graduate master's degree/teacher certification program for career change adults. I also serve as the Project Director for a federally funded Community Technology Center in an inner-city Chicago neighborhood. If your office ever needs assistance in any of those areas, I'd be happy to serve in whatever capacity would be useful.

It was a pleasure working with you.

Sincerely,

Roxanne

Roxanne Farwick Owens, Ph.D.
Assistant Professor
773.325.4329
rowens@wppost.depaul.edu