

# #INTHERED ACT

The *In The Red Act* incorporates a number of college affordability measures to put America on the path to debt-free higher education:

## **Allows Borrowers to Refinance Student Loans at Lower Rates**

The *In The Red Act* will allow student loan borrowers to refinance their outstanding student debt at lower interest rates, saving students and graduates billions of dollars in interest. The *In The Red Act* incorporates Senator Elizabeth Warren's *Bank on Students Emergency Loan Refinancing Act* and would allow students to refinance their student loans and take advantage of lower interest rates — the same way people refinance a mortgage, a car loan or business debt.

Specifically, this provision would:

- Allow all eligible federal FFELP and Direct student loan borrowers to refinance their high-interest loans down to the rates offered to new federal borrowers in the 2013-2014 school year under the Bipartisan Student Loan Certainty Act.
- Allow eligible student loan borrowers to refinance their private loans into the federal program. The bill would allow borrowers whose loans are in good standing the option of refinancing their high-interest private student loans down to the rates offered to new federal student loan borrowers in the 2013-2014 school year. Those who refinance will also have access to the benefits and protections of the federal student loan program. Participation is fully voluntary.

The U.S. Department of Education estimates that 24.2 million borrowers would save an average of \$1,896 if they were able to refinance under the *In The Red Act*. [Department of Education, 12/15]

Refinancing will help the most burdened student loan borrowers. According to the CFPB, 81% of the most burdened borrowers – those with more than \$40,000 of student debt – have private student loans with interest rates of 8% or higher. The *In The Red Act* would allow eligible borrowers to refinance their high-interest private loans down to the rates offered to federal student loan borrowers. [Federal Reserve, 1/8/16; CAP, 11/21/13; Time, 10/18/13; Brookings, 5/14]

## **Strengthens Pell Grants to Keep Pace with Rising Costs**

The *In The Red Act* will address the significant loss in the value of Pell Grants by adjusting them for inflation, so they keep pace with rising costs. This provision from Senator Mazie Hirono will prevent the purchasing power of Pell Grants from eroding, which would make it significantly more difficult for students and families to afford higher education.

Indexing the Pell Grant means that, compared with current law, the maximum Pell Grant award will increase by \$1,300 in the 2026-2027 award year, resulting in larger awards for 9.2 million students. [White House, 1/19/16]

Pell Grants are critical for low- and moderate- income families. In 2015, Pell Grants helped more than 8.2 million students from low- and moderate-income families pursue higher education, and 73% of all Pell Grant recipients had a total family income at or below \$30,000. [Department of Education, 2/15]

### **Makes a New Investment in Community College**

The *In The Red Act* provides a more affordable opportunity for students to gain the skills they need to succeed. This provision would create a new federal-state partnership to invest in our students, their workforce readiness and the future of our economy by making two years of community college tuition-free. This would help students earn an associate's degree, the first half of a bachelor's degree, or the skills they need to succeed in the workforce without having to take on crippling debt.

By incorporating Senator Baldwin's *America's College Promise Act*, the *In The Red Act* could save a full-time community college student an average of \$3,800 in tuition per year, and, if all states participated under this program, an estimated 9 million students throughout the country could benefit. More information on this provision is available [here](#).

Specifically, this provision would:

- Create a new partnership between the federal government and states and Indian tribes to help them waive resident tuition in two years of community and technical college programs for eligible students, while promoting key reforms to accelerate student success;
- Provide a federal match of \$3 for every \$1 invested by the state to waive community college tuition and fees for eligible students before other financial aid is applied;
- Ensure that programs offer academic credits which are fully transferable to four-year institutions in their state, or occupational training that leads to credentials in an in-demand industry;
- Maintain and encourage state funding for higher education; and
- Establish a new grant program to provide pathways to success at minority serving institutions by helping them cover a significant portion of tuition and fees for the first two years of attendance for low-income students.

### **Ensures Colleges Provide Students with High-Quality Degrees**

In order to participate in the new partnership supporting community colleges under the *In The Red Act*, states must take a number of steps to maintain their commitment to higher education funding, provide high-quality academic and occupational training programs, and adopt institutional reforms and innovative practices that improve outcomes. This includes describing evidence-based reforms and practices they will implement to improve student outcomes, including completion/transfer rates; promoting alignment between public and secondary and postsecondary education; making reforms to higher education funding; and committing to maintaining higher education funding.

Additionally, the *In The Red Act* includes a Senate resolution supporting efforts to enhance accountability for institutions of higher education and provide them with strong incentives to ensure students graduate with high-value degrees and credentials by:

- Enhancing accountability for institutions of higher education for quality and cost of degree programs, including student debt burden;
- Holding institutions of higher education and their leaders financially accountable when they engage in fraud or misconduct that violates federal and state laws;
- Creating incentives and tools that will allow state governments and institutions of higher education to curb tuition inflation and maintain investment in higher education;
- Creating incentives for institutions of higher education to direct more resources to their academic programs and to provide pathways to ensure that all students can complete their degrees and credentials in a timely manner; and
- Guaranteeing that the servicing of federal student loans issued by these institutions of higher education will meet the highest standards of quality, customer service, and compliance with the law to promote borrower success and minimize defaults.