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Kennedy Introduces Legislation That Would Alter Federal Financial Aid

By Carina Zaragoza



On April 3 Senator Edward M. Kennedy (D-MA) introduced legislation that would make sweeping changes to federal financial aid. The bill, given the short name "Strengthening Student Aid for All Act," is intended to ensure students have sufficient access to financial aid, in the forms of both grants and loans.

Kennedy referred not only to the increased reliance of students on federal student loans but also to the current economic crisis as impetuses for the legislation.

"More than 6 million students relied on federal loans last year," cited Kennedy, who continued, "Americans are facing economic challenges at every turn. They see jobs disappearing, homes being foreclosed, [and] debts soaring."

Kennedy wishes to pass the bill to prevent students from being unable to pay for college.

The major components of the bill are as follows:

- Increase the federal Pell Grant for lowest-income recipients by \$750.
- Increase federal loan limits by \$1,000 for dependent undergraduate students and \$2,000 for independent undergraduate students.
- Allow deferment of Parent PLUS Loans while students are in school.
- Clarify the Secretary of Education's authority to provide lenders with capital.
- Allow the Department of Education to purchase loans from FFELP lenders.

Secretary of Education Margaret Spellings has responded to a portion of these concerns and requests. Spellings confirmed that the Department of Education has the authority to provide lenders advances under the lender-of-last-resort statutory provisions. In a letter to Representative George Miller (D-CA), chairman of the House Education and Labor Committee, Spellings indicated she will soon release guidelines as to how the program will be implemented if needed.

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Spellings was responding to legislation introduced by Miller and Ruben Hinojosa (D-TX). The legislation, similar to Kennedy's, is designed to protect student access to financial aid. Among the provisions are two key requirements that would help student and parent borrowers move away from costly private student loans. The legislation calls for an increase of federal loan limits for all students by \$2,000 as well as implementing longer repayment periods for Parent PLUS Loans.

On the Net

Higher Education Washington Inc.

Strengthening Student Aid for All Act