Testimony of

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Paying for College in the Future"

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I would like to thank Senator Kennedy, Senator Enzi, and the members of the Health, Education, Labor and Pensions Committee for giving me the opportunity to discuss the issues of college access and affordability and the Reauthorization of the Higher Education Act. The federal government's efforts to increase college access and affordability are critical to the nation's future. Existing student aid policies have contributed to rising college participation levels and have eased the financial burden higher education imposes on students and families across the nation. Recent moves to increase the maximum Pell Grant are particularly encouraging, indicating a renewed willingness on the part of lawmakers to address the persistent problems of access to higher education in our society. Improving the financing mechanisms for students can also make a very real difference in promoting educational opportunity.

The Importance of Federal Student Aid

In 1974, fewer than half of U.S. high school graduates enrolled immediately in college. The increase in that proportion to two-thirds over the past thirty years[1] could not have occurred without the significant contribution of federal student aid programs. Along with the efforts of both states and institutions in providing financial assistance to students, Pell Grants, Stafford Loans, and other federal aid programs have opened the door to financial and personal success for millions of Americans.

[1] National Center for Education Statistics, *Digest of Education Statistics 2005,* Table 181.

Yet unacceptable gaps in college enrollment rates, and even larger gaps in college completion rates, persist between students from privileged backgrounds and those from low- and moderate-income families with similar academic qualifications. These gaps are not only inequitable, leading to the perpetuation of inequality from generation to generation; they also represent significant inefficiency for the U.S. economy. As great as the private benefits to higher education are, the social benefits are even higher. Society benefits in both financial and non-financial ways from increased educational attainment among the population. College-educated adults are our most active civic participants. Higher levels of educational attainment also reduce dependence on public income support programs, generate higher tax revenues, and lead to increased productivity and higher wages for all, including those who do not themselves have college degrees.[2]

Financial barriers provide only a partial explanation for the gaps in educational attainment across socioeconomic groups. The problems we face are also rooted in academic preparation, aspirations, and expectations. Efforts to increase affordability, both through moderating price increases and through providing student aid, cannot solve all of the problems in this area. However, it is clear that finances play an important role and that many students from low- and moderate-income backgrounds lack the financial wherewithal to enroll and succeed in college. More equitable and efficient policies with more generous funding have the potential to significantly reduce the barriers to educational attainment facing too many Americans today.

Congress now has the opportunity to make significant improvements to the current system of higher education finance. A number of bills sponsored by members of this Committee embody ideas that, if implemented, would represent major improvements in college access and affordability. Prominent among these are Senator Kennedy's Student Debt Relief Act, Senator Clinton's Student Borrower Bill of Rights, and Senator Reed's and Senator Enzi's proposals for revitalizing and expanding LEAP to increase the effectiveness of federal matching funds for need-based grant aid from states, institutions, and other entities. The HEA Reauthorization is a particularly important opportunity for improving the lives of our students and the future promise of the United States economy.

[2] Sandy Baum and Kathleen Payea, *Education Pays 2004*. The College Board.

Financial barriers to college access and success result both from the high and rising price of college and from the inadequacy of the student aid funds available to low- and moderate-income students. I will address these two issues in turn.

The Price of College

Rising college tuition has a long history.

Tuition increases make headlines. The focus is almost always on published tuition and fee levels and usually on the highest prices and the largest increases. While tuition and fees do consistently rise more rapidly than the Consumer Price Index, this information is hardly sufficient to evaluate the prices students face. The 51% increase in the inflation-adjusted average tuition and fees at public four-year colleges and universities over the past decade was very high by historical standards, and this growth is clearly not sustainable in the long run. However, the much smaller rates of increase in tuition and fees at private four-year colleges (where dollar increases are, of course, larger than in the public sector), and particularly at two-year public colleges, were actually smaller than the increases of recent decades. In other words, rapidly rising college prices are not a new phenomenon.[3]

Variations in tuition

The average prices that are reported by the College Board each year, as well as by the Department of Education, hide considerable variation not only across sectors, but also across states and geographical regions, and even within these categories. Students have many options. Forty-two percent of full-time four-year college students - and 58% of those in the public sector - are enrolled in institutions that charge less than $6,000 a year. Twenty-five percent of full-time college students, and a significantly larger proportion of part-time students, are enrolled in two-year public colleges, where average tuition and fees are about $2300.[4]

Non-tuition expenses

[3] The College Board, *Trends in College Pricing 2006.*
[4] The College Board, *Trends in College Pricing 2006.*

Although the sticker price exaggerates the amount the majority of students pay for college, the reality is that the cost to students of participating in higher education is significantly higher than just tuition and fees. Room, board, and other costs of attendance contribute to the affordability problem. Even if a student has a Pell Grant that covers the full tuition and fee charges at a two-year public college, s/he must cover living expenses as well. Tuition expenses constitute less than 20% of the total out-of-pocket cost for students at community colleges who cannot live with their parents. Moreover, it is foregone wages that constitute the largest cost for many college students. Successful participation in higher education usually involves diminished labor force participation. Particularly for students with family responsibilities, the loss of income may be the real culprit in making higher education unaffordable. While student aid policies clearly cannot solve all of the economic problems students face, the adequacy of funding must be evaluated with these realities in mind.

Net price: What students actually pay

Over half of all college students, and two-third of full-time students, receive grant aid that reduces the net price of college.[5] Many others receive tax credits and deductions that reduce the net price they pay. Net tuition after grant aid is what determines affordability, so our focus should not just be on published tuition and fees. Over the past decade, net price actually fell in real terms at two-year public colleges. It grew more slowly than published tuition and fees at both public and private four-year colleges.

It is important to remember that the difference between net price and sticker price is the result of a combination of federal and state subsidies to students and the discounts, or institutional grant aid, which colleges and universities provide to their students. Institutional grant aid grew about 80% in inflation-adjusted dollars over the decade from 1995-96 to 2005-06.[6]

The net price of college requires neither an unmanageable nor a rapidly growing portion of income for students from affluent families, even if they have not saved in advance. In 2003-04, full-time dependent students from families in the top quarter of the income distribution paid

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[5] Lutz Berkner et al, *Undergraduate Financial Aid Estimates for 2003-04 by Type of Institution.* National Center for Education Statistics. NCES 2005-163. 2005.

[6] The College Board, *Trends in Student Aid 2006*.

about 4% of their incomes for tuition and fees and 11% for the total cost of attendance at the average four-year public college. A decade earlier, these percentages were 3% and 10%. The net tuition at four-year private non-profit colleges and universities constituted 12% of income and the net total cost of attendance 19% for these high-income students in 2003-04.

The situation for families in the lower half of the income distribution is quite different. For those students from the lowest quarter of the income distribution who did manage to enroll in college full-time, despite the low tuition and fees, the net total cost of attending a public two-year college rose from 29% of income in 1992-93 to 37% in 2003-04. In 2003-04, the net cost of attending a public four-year college required 47% of income for these low-income families, and at private colleges, the figure was 83%.

Students from the second income quartile paid only 7% of their incomes for net tuition and fees at public four-year colleges in 2003-04, but the total net cost of attendance required over a quarter of family income. These lower-middle-income families used 41% of their incomes to attend private non-profit colleges. Students enrolled in the for-profit sector pay net prices very close to those in private nonprofit institutions.[7]

Net Price as a Percentage of Income for Enrolled Students

	Lowest 25% by Income		2nd 25% by Income		3rd 25% by Income		Highest 25% by Income	
	1992-93	1994-95	1992-93	1994-95	1992-93	1994-95	1992-93	1994-95
Public 2-year								
Tuition & Fees	2%	3%	2%	3%	2%	2%	1%	1%
Total Cost of Attendance	29%	37%	15%	19%	13%	13%	6%	7%
Public 4-year								
Tuition & Fees	7%	8%	5%	7%	5%	6%	3%	4%
Total Cost of Attendance	41%	47%	22%	26%	16%	18%	10%	11%
Private 4-year								
Tuition & Fees	24%	35%	17%	20%	14%	16%	11%	12%
Total Cost of Attendance	60%	83%	33%	41%	25%	28%	17%	19%

[7] The College Board, *Trends in College Pricing, 2005*. Based on data from the National Postsecondary Student Aid Study.

For-profit	29%	34%	14%	19%	12%	11%	6%	7%
Tuition & Fees	70%	78%	29%	36%	24%	24%	13%	15%
Total Cost of Attendance								
Source: The College Board, *Trends in College Pricing 2005*								

Students do not have adequate information about net price. Both the federal government and institutions must do a better job of providing them in advance with information about how much they will actually be expected to pay.

Why is tuition rising so rapidly?

State appropriations:

It is no surprise that the 34% real increase in tuition and fees at public four-year colleges and universities between 1999 and 2004 was so much larger than the 14% increase at private four-year colleges, since state appropriations per student fell by 14% in inflation adjusted dollars over this five year period.[8] Examination of changes in tuition and fees at public institutions over time reveals a consistent pattern, with rapid increase coinciding with tight state budgets and more stable college prices prevailing when appropriations are more generous.

Cost drivers:

Cycles in state funding do not, of course, explain private college tuition, nor do they provide a complete explanation for increases in public college tuition. While this answer never quite seems satisfactory, the explanation lies primarily with the labor-intensive nature of the process of educating students. While more innovations are certainly possible, it is much more difficult to increase productivity in education than in manufacturing industries propelled by technological innovation. Some prices will always rise more rapidly than the average price in the economy, while others rise more slowly. Education is likely to remain in the former category unless we settle for significant compromises in educational quality.

Tuition increases in recent years have also been fueled by rising costs of health care, energy, and technology. Between 2000-01 and 2005-06, the Consumer Price Index rose 14%, while the

[8] State Higher Education Executive Officers. Data cited in *Trends in College Pricing 2006,* The College Board.

prices of the goods and services purchased by colleges and universities, as measured by the Higher Education Price Index, rose 22%. Colleges spent 72% more on utilities in 2005-06 than they had five years earlier and 31% more on fringe benefits for employees.[9] Both student services and student aid consume increasing portions of campus budgets.

Competition for students is also a factor. Institutions find themselves in a sort of arms race, investing in ever more elaborate facilities and services in order to attract students to their particular campuses. Marketing expenses may enhance the bottom line, but they do little to further the quality of education available to students.

Federal student aid is not responsible for tuition inflation.

Some participants in the debates over appropriate federal policy for higher education have argued that more generous financial aid only serves to push prices higher as it increases the demand for college. While effective student aid policies do increase the number of students who are able and willing to pay for college, the clear consensus of empirical investigations into this issue is that publicly funded student aid *does not* significantly contribute to rising tuition levels.

Perhaps the most obvious evidence in this regard is that neither Pell Grant levels nor federal loan limits have been rising in the recent years of rapid tuition increases. One of the many factors fueling price increases may, in fact, be that colleges and universities supplement federal and state aid with their own funds, so less generous publicly funded aid can increase pressure on institutional aid budgets.

Concerns over the impact of third-party payment are exaggerated, since students and families pay the incremental costs when tuition rises. A few are eligible for more subsidized loans but in general, increases in tuition don’t increase eligibility for non-institutional aid. The students who actually pay the published tuition price are not federal aid recipients and their willingness and ability to pay are not increased when federal aid becomes more generous. In other words, few institutions have the incentive to increase tuition in response to federal aid availability.

[9] The College Board, Trends in *College Pricing 2006*. Data from the Common Fund Institute.

What can we do to slow tuition increases?

It is imperative that institutions find better ways to control costs without compromising quality. There are impressive efforts underway to develop strategies such as coordinating purchasing, using technology effectively, and reducing time to degree. But there is no doubt that resistance to innovation is a problem and that much more progress is needed.

While there may be room for the federal government to encourage innovative cost-saving practices, no form of price controls or restriction on student aid is likely to solve the pricing problem. Students and families are already voting with their feet, choosing less expensive institutions with increasing frequency. Public policy should focus on assuring quality public higher education to all who can benefit from it, not on the few most visible high-price private colleges.

Student Aid

Student aid is the best vehicle Congress has to increase college access and affordability. The focus should be on assuring that student aid programs are designed to optimize equity and efficiency, to be well-coordinated, and to minimize the burden of education debt for the many students who will continue to rely on borrowing. Basic principles for policy design include simplicity, predictability and targeting, in addition to adequacy of funding. Moreover, aid policies should be designed not only to provide funds for the transition to college, but also to encourage preparation and promote persistence to degree completion.

Simplification:

The need for simplification applies to both the application process and the array of programs and eligibility criteria, to the extent that they complicate the system from the student's perspective. Students should be aware of the aid available and the approximate amount for which they will be eligible early enough to allow them to take the necessary steps to prepare themselves academically for college. They should be able to apply for federal financial aid without filling out a form that is more complicated than income tax forms. Susan Dynarski and Judith Scott-Clayton of Harvard University's Kennedy School of Government are among the researchers who have provided clear evidence that FAFSA could be considerably shortened without having a major impact on the distribution of federal aid.[10]

Efforts to simplify the form and the process would likely be furthered by recognition that the federal methodology creates an eligibility index; it is not a real need analysis or measure of financial capacity. In the longer run, it is surely possible to effectively use the existing income tax system to collect the information necessary to determine eligibility for federal student aid.

Predictability:

It should also be possible to use the income tax system to provide advance information about student aid. For example, when families with children file their income tax returns, they could receive a statement informing them about their potential Pell Grant eligibility. Moreover, if the formula were simplified, it would be possible to construct a look-up table that would provide an estimation of the Pell Grant amount for which students and families with different income levels would be eligible.

Targeting:

Student aid from all sources – federal and state governments as well as colleges and universities themselves – is less targeted on those who rely on it to enroll and succeed in college than it was in the past. The federal focus on tax benefits, particularly deductions, the trend towards basing eligibility for state aid on grades and test scores, and the use of institutional non-need-based aid to attract students, all deserve careful review. Financial aid may well serve purposes other than increasing access to educational opportunities, but those purposes should be clearly articulated and evaluated. The central goal of federal student aid should be to increase educational attainment among students who are interested and able to benefit from higher education, but who do not have the resources to make this achievement a reality.

[10] Susan Dynarski and Judith Scott-Clayton. "The Cost of Complexity in Federal Student Aid: Lessons from Optimal Tax Theory and Behavioral Economics," Kennedy School of Government, 2006.

Federal incentives for states and institutions:

The federal government's role is broader than the distribution of federal dollars. If the national agenda for student aid is based on increasing educational opportunities for those students for whom finances create insurmountable barriers and assuring the strength of the nation's future labor force, Congress should also focus on influencing how other partners in the higher education financing process spend their money. This does not require new bureaucracy, but can be achieved through incentives. There is precedent for this strategy in the Leveraging Education Assistance Partnerships (LEAP) program, under which the federal government matches state need-based grant dollars. Efforts to revitalize this approach have the potential to maximize the effectiveness of limited federal dollars.

The federal government could use a similar approach to influence institutional policies, without creating new rules and regulations. If Congress were to provide financial incentives for colleges and universities to enroll and graduate low- and moderate-income students, institutions would find ways to help students succeed that would be most suitable to the specific circumstances on their own campuses. It is vital that these subsidies focus not only on enrollment, but also on successful transfer or completion, so as not to exacerbate the program of getting students into college but not through college. While there is, on average, a positive economic return to some college, even in the absence of a degree or certificate, that return is much lower than the return to completed credentials. Many students who enroll and then abandon their studies prematurely are left with debt that dwarfs any earnings premium they might enjoy. Encouraging degree completion should be a primary focus in the design of student aid programs.

Anti-trust regulations

Another strategy likely to encourage institutions to focus their dollars on students with the most limited financial resources is to loosen the anti-trust restrictions now preventing colleges from communicating about financial aid. Destructive competition is pushing many of them to provide too generously for affluent students at the expense of those with higher levels of need. It is not the wealthiest or the most selective institutions that are engaged in the merit aid wars. The elite private institutions with the highest levels of tuition, as well as some prominent flagship publics, distribute very generous aid packages to low-income students and have largely avoided the strategic use of student aid for other purposes. But those colleges that have less secure finances, that sometimes struggle to fill their seats, and that tend to enroll fewer affluent students, are using many of their aid dollars to attract students with high test scores and/or deep pockets away from competitor institutions.

In several states, the private college associations have expressed considerable concern about this problem and are seeking solutions. They find themselves unable to proceed because of the anti-trust restrictions preventing colleges from cooperating on efforts to direct more of their aid to low- and moderate-income students. Congress could act to relieve this situation and hold the institutions accountable for socially desirable results if they are granted the privilege of cooperation.

Federal aid allocation methodology:

Another measure, and a simpler one, that would promote institutions meeting the financial need of their students, would be abolishing the over-award restrictions that prevent colleges from allocating as much need-based aid for many students as their assessment determines is necessary. Currently, students lose their eligibility for subsidized Stafford loans and federal campus-based aid if the institution meets need that is not revealed by the Federal Methodology. Specific components of the federal formula have made this problem increasingly common.

The other aspect of the federal allocation system that is particularly damaging to educational opportunities is the work penalty embodied in the federal methodology. Students who work many hours in order to supplement their family incomes and /or to make up for the inadequacy of their financial aid packages frequently lose future Pell eligibility as a result of their responsible behavior. The high assessment rate on student income discriminates against hard-working students, in favor of those who have access to other resources to supplement their aid awards.

Using aid to encourage preparation

The debate about whether the gaps in college enrollment and completion across socioeconomic groups are best explained by inadequate academic preparation or by financial constraints is not very constructive, since there is overwhelming evidence that both are major problems. Moreover, they are not entirely distinct. Young people from low-income families whose parents are not college-educated and who live in neighborhoods where college experience is rare are likely to believe that higher education is simply not an option for them. They have little incentive to prepare themselves to take advantage of an opportunity that is so far out of reach. Financial aid programs that provide not only early information about financial aid, but also early commitment of funds, have the potential to encourage academic preparation, in addition to alleviating financial constraints.

Promising policy approaches for financial aid to encourage preparation include:

Matched savings:

There is a growing movement across the country for individual development accounts, where savings of low- and moderate income families are matched by public and/or private entities. These IDAs could serve as a model for the student aid system.

Savings accounts for low-income students:

The federal government encourages families to save for college, subsidizing them through tax-exempt savings plans. Young people whose parents do not have the resources to participate in these programs could receive federal and state funding to serve the same purpose. Specific accounts for education, with earmarked deposits for young people from low-income families every year as they progress successfully through school would encourage academic success and help move our less-privileged youth into the so-called ownership society.[11]

[11] Sandy Baum, "Approaching the Dilemma from Both Sides: PROMISE Credits for Young Students," in *Course Corrections*, The Lumina Foundation, 2005.

Partnerships:

Partnerships involving the federal government, with incentives for participation by states, institutions, and private entities, can combine early commitment of funds and information about aid with the personal mentoring and support systems that have proven to promote access to higher education for low- and moderate-income students.

Student Debt

Education debt is good debt.

The typical student is not drowning in debt. The investment in college is an excellent one, both financially and in terms of other aspects of quality of life and opportunities. The median total debt level for students earning four-year degrees was $19,300 in 2003-04 and will probably reach about $22,000 this year.[12] Certainly college graduates would be happier not to face this debt, but with average earnings of about $50,000 a year for full-time workers who are repaying these loans – over $20,000 a year more than the earnings of high school graduates in the same age range – this burden is not excessive.

A colleague of mine at Skidmore College, Ngina Chiteji, has analyzed data on young adult debt from the Federal Reserve Bank's Survey of Consumer Finances. She concludes that young adults do not appear to have an unusual or distinctly troublesome relationship to credit markets. Increases in housing debt best explain the increase in the average amount of debt over time for this age group.[13]

Many students do need debt repayment relief.

The fact that the typical college graduate can reasonably pay off the typical education debt without undue burden does not diminish the need for federal policies to alleviate the problems of student debt. It does mean that these efforts should be appropriately targeted.

[12] U.S. Census Bureau, http://www.census.gov/hhes/www/income/histinc/p26.html.

[13] Ngina Chiteji, "To Have and To Hold: Young Adults and Credit Markets," Sheldon Danziger and Cecilia Rouse (eds), *The Price of Independence: The Economics of Early Adulthood* (New York: Russell Sage Foundation Press), forthcoming.

Despite the high average earnings premium for college graduates, there is considerable variation in earnings among those repaying their student debts. Many never earn degrees. Others enter occupations where they make significant social contributions but sacrifice personal financial gains. The median income for college graduates between the ages of 25 and 34 working full-time is about $50,000. But 25% of this group earns less than $30,000 and another 25% earns more than $75,000.[14] Clearly taking these earnings differentials into consideration is important in determining who requires additional subsidies from the taxpayers.

Although the average four-year public college graduate who borrows (about two-thirds do borrow for college), borrows only about $16,000, 15% of these students have accumulated over $30,000 in debt.[15] Clearly, focusing on the plight of these heavily indebted students is more constructive than searching for blanket solutions, as though any education debt were problematic. Efficient and equitable policies for alleviating the student debt burden must be targeted at those who are in particularly difficult situations.

Income-Contingent Repayment

The solution to the student debt problem requires taking financial circumstances during loan repayment, not just financial circumstances before college, into consideration when allocating subsidies. The income-contingent loan repayment plans proposed in legislation offered by Senator Kennedy and by Senator Clinton exemplify the approach we should take to this issue. In my research with my colleague Saul Schwartz of Carleton University, I have developed principles for a sound loan repayment plan. The policy would eliminate payment obligations for borrowers with incomes below approximately 150% of the poverty level, assure that payments do not exceed more than about 10% of income for the typical borrower, and require higher percentages of income from borrowers with higher incomes than from those with lower incomes.[16]

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[14] U.S. Census Bureau, http://www.census.gov/hhes/www/income/histinc/p26.html.

[15] The College Board, *Trends in Student Aid 2006*.

[16] Sandy Baum and Saul Schwartz, *How Much Debt is Too Much? Defining Benchmarks for Manageable Student Debt*. The College Board and The Project on Student Debt. 2006.

Congress should pass legislation embodying the principles incorporated in Senator Kennedy's Student Debt Relief Act and Senator Clinton's Student Borrower Bill of Rights, both of which propose comprehensive income-contingent repayment plans that would solve the problems of most former students.

Economic hardship provisions:

As long as we do not have comprehensive reform in this direction, the Fair Payment Assurance provisions in Senator Kennedy's Student Debt Relief Act would go far to mitigating the difficulties facing former students with excessive debt. Many of the most serious problems former students face are generated by compounding interest that causes the payment obligations of borrowers under financial duress to increase dramatically. The current system could be greatly strengthened by eliminating the all-or-nothing interest subsidy inherent in the current hardship provisions and removing some of the other work disincentives that have been highlighted by the Project on Student Debt in their analysis of current provisions for economic hardship.[17]

Loan forgiveness for public service:

Another approach to mitigating the problems some former students face because of their student debt involves a more comprehensive program of loan forgiveness for public service than we now have in place. I have recently developed a proposal together with Elizabeth Warren and Ganesh Sitaraman of Harvard Law School that we have called Service Pays. This program would forgive a year of debt for each year of public service performed by former students, in addition to assuring a living wage.[18]

Stafford loan limits:

Finally, any policies designed to address the student debt problem must take into consideration the increasing reliance on private loans, which now constitute about 20% of education borrowing. Federal debt relief policies will not affect these loans, some of which carry

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[17] Project on Student Debt, "White Paper: Addressing Student Loan Repayment Burdens," 2006. http://projectonstudentdebt.org/files/pub/WHITE_PAPER_FINAL_PDF.pdf.

[18] Elizabeth Warren, Sandy Baum, and Ganesh Sitaraman, "A Ticket to the Middle Class: Working Off College Debt," *Communities and Banking*, Federal Reserve Bank of Boston, Winter 2007.

stunningly high interest rates. Increasing Stafford loan limits is likely the only way to stem the growth of this rapidly growing market that has the potential to jeopardize the future financial security of college students.

Conclusion:

- Federal student aid policies have made and continue to make a significant contribution to increasing educational opportunities for American students.

- Financial barriers contribute to persistent and unacceptable gaps in college enrollment and success for students from the lower half of the income distribution.

- These financial barriers result from a combination of rapidly rising tuition and fee levels, the additional costs involved in attending college, and the inadequacy of student aid policies.

- It is the net price of college, after taking grant aid and tax benefits into consideration that determines how affordable college is for students and families. Focusing only on sticker prices is misleading and can lead to misguided public policy.

- Congress can best contribute to restraining growth in college prices by providing incentives for innovative cost-savings strategies on campus, assuring that students have adequate information, and maintaining well-funded and transparent student aid policies.

- Federal student aid processes and programs should be simple and predictable.

- To increase access to higher education, Congress should continue to increase Pell Grants and should simplify the application process.

- Congress should target its student aid on those students who need it most, focusing both on financial circumstances before college and on financial circumstances during the period of student loan repayment.

- The federal government should strengthen financial incentives for states and institutions to provide more generous need-based aid to college students.

- Congress should implement programs to encourage preparation for college, including education savings accounts for students from low-income families.

- Through policies such as income-contingent repayment and expanded loan forgiveness for public service, student loan relief should be targeted at the sizeable minority of borrowers whose debt is out-of-proportion to their incomes.

- Other promising approaches to improving the student aid system include raising Stafford loan limits, reducing the work-penalty in the Federal Methodology, loosening anti-trust restrictions on cooperating to increase need-based aid, eliminating over-award restrictions, and rationalizing student loan repayment hardship provisions.