

## FINANCIAL AID FACT SHEET

In 1965, Title IV of the Higher Education Act created student financial aid programs to improve access to higher education. Through successive authorizations of the Higher Education Act as well as legislation regarding education programs and the tax code, Congress has created complex system of grants, loans, subsidized student jobs and tax credits designed to help students and their families finance postsecondary education.

## **Sources of Financial Aid 2011-12**

**Total Federal Financial Aid Investment (\$173.8 Billion)** 

Grants (Total: \$49.3 billion; Portion allocated to Pell: \$34.5 billion):

**Current Maximum Pell Grant Per Academic Year:** \$5,550 (depending on level of need and number of courses taken)

Number of students receiving the Pell Grant in 2011-12: 9.4 million

The Pell Grant is the foundational federal student aid program that provides access to undergraduate education for low-income students. According to Jason Delisle, Director of the Federal Education Budget Project at the New America Foundation, the Pell Grant is set to face a \$6 to 9 billion funding gap in FY 2013. Current calculations show it will cost approximately \$70 billion in additional funding over the next decade to sustain the current maximum Pell Grant under existing regulations for school and student eligibility. Other smaller federal grant programs for students also support college attendance, including \$12 billion in grants for GI Bill benefits.

Loans (\$105.3 billion): Federal loans are available to fill the gap between what parents and students can pay out of pocket, supplemented by grant aid, and the cost of education plus living expenses. These programs have various interest rates. Some accrue interest during college attendance and others have an in-school interest subsidy provided by the government. There are a variety of repayment plans available to students. Under the Income Based Repayment plan, a household's student loan monthly payment is capped at a percentage of Adjusted Gross Income (AGI). Debt is forgiven after 20 years.

Campus Based Aid Programs: Federal Work Study (\$1 billion), Federal Supplemental Educational Opportunity Grants (FSEOG), and Perkins Loans are programs distributed directly from the financial aid office at a college. Campus Based Aid Programs are distributed to financially needy students. However, not all institutions participate in this program. Perkins Loans are no longer funded. Some schools have reserves of Perkins funds and still offer these loans.

**Tax Credits and Deductions (\$ 18.2 billion):** Fourteen federal tax credits or deductions are available for students or their guardians but many taxpayers fail to realize they are eligible or file for the wrong

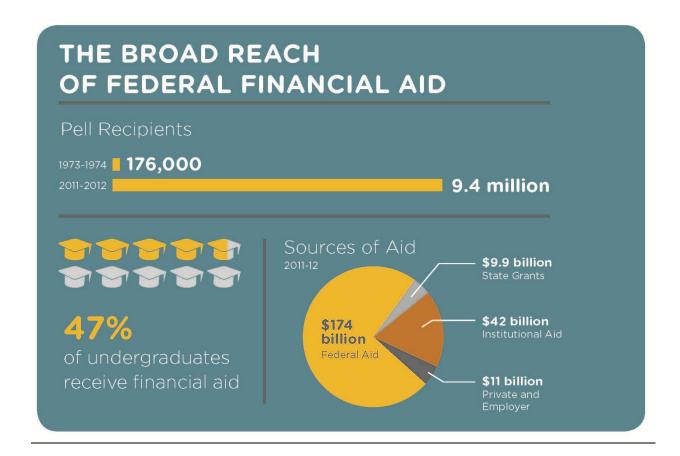
credit or deduction. The American Tax Payer Relief Act of 2012 permanently extended some higher education tax deductions and extended tax credits. Under the new law, the American Opportunity Tax Credit was extended till 2017 at a cost of \$67 billion.

## **Other Sources of Financial Aid**

**State Grants (\$9.9 billion):** Most states offer some type of grant program to low income or talented residents to obtain higher education. Seventy-three percent of state grant aid is based on the financial need of students.

College and University Investment (\$42 billion): Institutions often provide aid in the form of grants to students to encourage students' attendance and increase affordability.

Private and Employer Investment (\$11 billion): Private groups and employers offer scholarships.



Sources:

Trends in Student Aid 2012, College Board

New America Foundation

http://edmoney.newamerica.net/blogposts/2012/how the pell grant program overtook prek 12 education programs-74111