

Deficit Reduction Proposals & Student Aid Funding NASFAA Side-by-Side, Sen. Reid v. Rep. Boehner

Topic	Senator Reid [S.1323]	Representative Boehner [Sub. Amdt to S.627]
FY 2012 Pell Grant Funding (Mandatory)	<ul style="list-style-type: none"> Provides \$10.5 billion in additional mandatory funds 	<ul style="list-style-type: none"> Provides \$9 billion in additional mandatory funds
FY 2013 Pell Grant Funding (Mandatory)	<ul style="list-style-type: none"> Provides \$7.5 billion in additional mandatory funds 	<ul style="list-style-type: none"> Provides \$8 billion in additional mandatory funds
Elimination of Graduate Student Interest Subsidies	<ul style="list-style-type: none"> Eliminates interest subsidy for graduate and professional students for programs beginning on or after July 1, 2012 [Sec. 251 Federal Pell Grant and Student Loan Program Changes. <i>*(A) a graduate or professional student shall not be eligible to receive a subsidized Federal Direct Stafford Loan under this part]</i> 	<ul style="list-style-type: none"> Eliminates interest subsidy for graduate and professional students for programs beginning on or after July 1, 2012 [Sec. 502 Termination of Authority to Make Interest Subsidized Loans to Graduate and Professional Students. <i>*(i) a graduate or professional student shall not be eligible to receive a Federal Direct Stafford loan under this part]</i>
Exception to Elimination of Graduate Student Interest Subsidies	<ul style="list-style-type: none"> No language 	<ul style="list-style-type: none"> Provides exception for students taking preparatory coursework and those in programs leading to teaching certification where the credential is awarded by the state instead of the institution. Note, that these students are not considered graduate students, so they should not be subject to the elimination of the subsidy; however, the inclusion of this language provides clarification
Termination of Direct Loan Repayment Incentives	<ul style="list-style-type: none"> No language 	<ul style="list-style-type: none"> Eliminates Direct Loan Repayment Incentives beginning July 1, 2012, including (see Footnote on p. 2): <ul style="list-style-type: none"> Interest Rate Reduction for Electronic Debit Account Repayment Up-Front Interest Rebate Also prohibits the Secretary from authorizing or providing any repayment incentives, except that the Secretary may provide for an interest rate reduction for a borrower who does electronic payments
Negotiated Rulemaking/Master Calendar Inapplicability	<ul style="list-style-type: none"> Makes Negotiated Rulemaking inapplicable and provides Master Calendar exception 	<ul style="list-style-type: none"> Same

**Note difference in terminology, though both proposals refer to Subsidized Stafford Loans*



Footnote:

Interest rate reduction for electronic debit account repayment: Borrowers using electronic debit account repayment receive a 0.25 percent interest rate reduction while repaying under the EDA option.

Up-Front Interest Rebate: The rebate is equal to a percentage of the loan amount and is the same amount that would result if the interest rate on the loan were lowered by a specific percentage. The current interest rebate is .5 percent for Stafford Loans and 1.5 percent for PLUS Loans. The borrower receives the rebate up front, at the time of loan disbursement. To keep an up-front interest rebate, the borrower must make all of the first 12 required monthly payments on time when the loan enters repayment. The borrower loses the rebate if all of the first 12 required monthly payments aren't made on time. If the rebate is lost, the servicer will add the rebate amount back to the principal balance.