THE HAMILTON PROJECT

IMPROVING COLLEGE OUTCOMES: A MODERN APPROACH TO FINANCING HIGHER EDUCATION

New Discussion Papers for Release on October 21, 2013

1. REDESIGNING THE PELL GRANT PROGRAM FOR THE TWENTY-FIRST CENTURY
Authors: Sandy Baum (George Washington University) and Judith Scott-Clayton (Columbia University)

The structure of the Pell Grant program—a one-size-fits-all voucher originally designed for recent high school graduates from poor families—has remained fundamentally unchanged since its inception in 1972. This paper proposes three major structural reforms to fit the needs of a twenty-first-century economy and student population. First, the authors propose to augment the Pell Grant program's financial support with guidance and support services, including separately tailored services for the distinctive circumstances of dependent and independent recipients. They also propose dramatically simplifying eligibility and the application process and strengthening incentives for student effort and timely completion.

2. LOANS FOR EDUCATIONAL OPPORTUNITY: MAKING BORROWING WORK FOR TODAY'S STUDENTS
Authors: Susan Dynarski (University of Michigan) and Daniel Kreisman (University of Michigan)

The current practice for federal student lending is for students to repay loans during the first ten years after college when incomes are relatively low and variable. In this paper, the authors propose a new, income-based repayment system for federal student loans, where payments automatically rise and fall with a borrower's income. This model could prove less costly for taxpayers than the current system and it could even be less expensive; the proposal would reduce defaults and cut the cost of loan servicing, as well as eliminate what would become redundant policies, such as the student-loan interest deduction and the in-school interest subsidy. For the very small percentage of borrowers who take on significant student debt, the authors propose improving bankruptcy protection as well as tightening regulation of the private lenders who own most of these very large loans.

3. SIMPLIFYING ESTIMATES OF COLLEGE COSTS: THE QUICK COLLEGE COST ESTIMATOR
Author: Phillip Levine (Wellesley College)

The "sticker price" for college is often considerably higher than the actual cost of attendance, particularly for lower- and middle-income families. The lack of clear information about the widening gap in perceived and actual costs can act as an impediment in the college decision-making process. In response to these concerns, the federal government mandated in the 2008 Higher Education Act that colleges and universities introduce a "net-price calculator" to provide prospective students with an estimate of the cost of attending the institution. Although these net-price calculators are now in place, they are often difficult to use and they are difficult to find at some schools. This fall, Wellesley College introduced the *Quick College Cost Estimator*, developed by author Phillip Levine, which aims to quickly and easily communicate to prospective students the net price that they should expect to pay based on just six basic financial inputs. This paper proposes expanding this estimator to other colleges and universities through collaboration with the College Board and affected universities.