

**Remarks on Education Reform**

*April 24, 2009*

Thank you. That was excellent. We might have to run her for something some day. That was terrific. Thank you, Stephanie. I want to also introduce Yvonne Thomas, who's Stephanie's proud mother. And we appreciate everything that you've done. And Stephanie's father Albert is around here as well.

There are few things as fundamental to the American Dream or as essential for America's success as a good education. This has never been more true than it is today. At a time when our children are competing with kids in China and India, the best job qualification you can have is a college degree or advanced training. If you do have that kind of education, then you're well prepared for the future, because half of the fastest growing jobs in America require a Bachelor's degree or more. And if you don't have a college degree, you're more than twice as likely to be unemployed as somebody who does. So the stakes could not be higher for young people like Stephanie.

And yet, in a paradox of American life, at the very moment it's never been more important to have a quality higher education, the cost of that kind of education has never been higher. Over the past few decades, the cost of tuition at private colleges has more than doubled, while costs at public institutions have nearly tripled. Compounding the problem, tuition has grown ten times faster than a typical family's income, putting new pressure on families that are already strained and pricing far too many students out of college altogether. Yet we have a student loan system where we're giving lenders billions of dollars in wasteful subsidies that could be used to make college more affordable for all Americans.

This trend, a trend where a quality higher education slips out of reach for ordinary Americans, threatens the dream of opportunity that America's promised to all its citizens. It threatens to widen the gap between the haves and the have-nots. And it threatens to undercut America's competitiveness, because America cannot lead in the 21st century unless we have the best educated, most competitive workforce in the world. And that's the kind of workforce—and the kind of citizenry—to which we should be committed.

And that's why we have taken and proposed a number of sweeping steps over our first few months in office, steps that amount to the most significant efforts to open the doors of college to middleclass Americans since the GI bill. Millions of working families are now eligible for a \$2,500 annual tax credit that will help them pay the cost of tuition, a tax credit that will cover the full cost of tuition at most of the 2-year community colleges that are some of the great and undervalued assets of our education system.

We're also bringing much needed reform to the Pell grants that roughly 30 percent of students rely on to put themselves through college. Today's Pell grants cover less than half as much tuition at a 4-year public institution as they did a few decades ago. And that's why we are adding \$500 to the grants for this academic year and raising the maximum Pell grant to \$5,550 next year, easing the financial burden on students and families.

And we are also changing the way the value of a Pell grant is determined. Today, that value is set by Congress on an annual basis, making it vulnerable to Washington politics. What we are doing is pegging Pell grants to a fixed rate above inflation so that these grants don't

cover less and less as families' costs go up and up. And this will help prevent a projected shortfall in Pell grant funding in a few years that could rob many of our poorest students of their dream of attending college. It will help ensure that Pell grants are a source of funding that students can count on each and every year.

Now, while our Nation has a responsibility to make college more affordable, colleges and universities have a responsibility to control spiraling costs. And that will require hard choices about where to save and where to spend. So I challenge State college and university leaders to put affordability front and center as they chart a path forward. I challenge them to follow the example of the University of Maryland, where they're streamlining administrative costs, cutting energy costs, using faculty more effectively, making it possible for them to freeze tuition for students and for families.

At the same time, we're also working to modernize and expand the Perkins Loan Program by changing a system where colleges are rewarded for raising tuition, and instead, rewarding them for making college more affordable.

Now just as we've opened the doors of college to every American, we also have to ensure that more students can walk through them. And that's why I've challenged every American to commit to at least 1 year of higher education or advanced training, because by the end of the next decade, I want to see America have the highest proportion of college graduates in the world. We used to have that; we no longer do. We are going to get that lead back.

And to help us achieve that goal, we are investing \$2.5 billion to identify and support innovative initiatives that have a record of success in boosting enrollment and graduation rates, initiatives like the IBEST program in Washington State that combines basic and career-skills classes to ensure that students not only complete college, but are competitive in the workforce from the moment they graduate.

And to help cover the cost of all this, we're going to eliminate waste, reduce inefficiency, and cut what we don't need to pay for what we do. And that includes reforming our student loan system, so that it better serves the people it's supposed to serve—our students.

Right now, there are two main kinds of Federal loans. First, there are direct loans. These are loans where tax dollars go directly to help students pay for tuition, not to pad the profits of private lenders. The other kinds of loans are Federal Family Education Loans. These loans, known as FFEL loans, make up the majority of all college loans. Under the FFEL program, lenders get a big Government subsidy with every loan they make. And these loans are then guaranteed with taxpayer money, which means that if a student defaults, a lender can get back almost all of its money from our Government.

And there's only one real difference between direct loans and private FFEL loans. It's that under the FFEL program, taxpayers are paying banks a premium to act as middlemen, a premium that costs the American people billions of dollars each year. Well, that's a premium we cannot afford, not when we could be reinvesting that same money in our students, in our economy, and in our country.

And that's why I've called for ending the FFEL program and shifting entirely over to direct loans. It's a step that even a conservative estimate predicts will save tens of billions of tax dollars over the next 10 years. According to the Congressional Budget Office, the money we could save by cutting out the middleman would pay for 95 percent of our plan to guarantee growing Pell grants. This would help ensure that every American everywhere in this country can out-compete any worker anywhere in the world.

In the end, this is not about growing the size of Government or relying on the free market, because it's not a free market when we have a student loan system that's rigged to reward private lenders without any risk. It's about whether we want to give tens of billions of tax dollars to special interests or whether we want to make college more affordable for 8½ million more students. I think most of us would agree on what the right answer is.

Now, some of you have probably seen how this proposal was greeted by the special interests. The banks and the lenders who have reaped a windfall from these subsidies have mobilized an army of lobbyists to try to keep things the way they are. They are gearing up for battle; so am I. They will fight for their special interests. I will fight for Stephanie and other American students and their families. And for those who care about America's future, this is a battle we can't afford to lose.

So I am looking forward to having this debate in the days and weeks ahead. And I am confident that if all of us here in Washington do what's in the best interests of the people we represent and reinvest not only in opening the doors of college, but making sure students can walk through them, then we will help deliver the change that the American people sent us here to make. We will help Americans fulfill their promise as individuals, and we will help America fulfill its promise as a nation.

So thank you very much. And thank you, Stephanie, and thank you, Stephanie's mom.

All right. Thanks, guys.

NOTE: The President spoke at 1:46 p.m. in the Diplomatic Reception Room at the White House. In his remarks, he referred to Stephanie Stevenson, student, University of Maryland, who introduced the President.

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