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## **Impact of Sequestration on the Federal Student Aid Programs**

On August 2, 2011, Congress passed the Budget Control Act of 2011, which put into place automatic federal budget cuts, known as a “sequester,” to take effect if Congress failed to enact legislation to reduce the Federal deficit by March 1, 2013. Because Congress did not act, these budget cuts are now in effect. Below is a summary of the impact of these budget cuts on certain federal student aid programs:

### **Pell Grant Program**

The law specifically exempts the Pell Grant Program from the effects of the sequester. Therefore, the maximum Pell Grant award for the current 2012-13 Award Year remains at \$5,550 and the maximum Pell Grant award for the upcoming 2013-2014 Award Year remains at \$5,645.

### **Direct Loan Program**

While this law does not otherwise change the amount or terms or conditions of Direct Loans, it does raise the loan fee paid by borrowers for Direct Loans first disbursed after March 1, 2013.

- For a Direct Subsidized or Direct Unsubsidized Loan, the loan fee will increase from 1.0 percent of the principal amount of a loan to 1.051 percent. For example, the fee on a loan for \$5,500 will be increased by \$2.80 from \$55.00 to \$57.80.
- For Direct PLUS Loans for both parent and graduate student borrowers, the loan fee will increase from 4.0 percent to 4.204 percent. For example, the fee on a \$10,000 Direct PLUS Loan will increase by \$20.40 from \$400.00 to \$420.40.

The Department of Education will be notifying borrowers individually of these fee increases and providing them with additional information within the next few days.

### **Iraq and Afghanistan Service Grants**

The Iraq and Afghanistan Service Grant is provided to certain students whose parent or guardian was a member of the U.S. armed forces and died as a result of military service performed in Iraq or Afghanistan after the events of 9/11. Award amounts for any Iraq and Afghanistan Service Grant that is first disbursed after March 1, 2013, must be reduced by 37.8 percent from the award amount for which a recipient would otherwise have been entitled. For example, the 2012-13 maximum award of \$5,550 is reduced by \$2,097.90, resulting in a maximum award amount of \$3,452.10; and, the 2013-14

maximum award of \$5,645 is reduced by \$2,133.81, resulting in a maximum award of \$3,511.19.

### **Teacher Education Assistance for College and Higher Education (TEACH) Grants**

The TEACH Grant program provides grants to students who are completing, or plan to complete, coursework needed to begin a career in teaching and agree to teach, for at least four complete academic years, in a high-need field at an elementary school, secondary school, or educational service agency that serves students from low-income families. Award amounts for any TEACH Grant that is first disbursed after March 1, 2013, must be reduced by 12.6 percent from the award amount for which a recipient would otherwise have been eligible. For example, the maximum award of \$4,000 is reduced by \$504, resulting in a maximum award amount of \$3,496.