

MEMORANDUM

November 14, 2023

TO: Interested Parties
RE: [Negotiated Rulemaking 2023] Currently Enrolled Student Loan Borrowers

OVERVIEW

As the U.S. Department of Education (the Department) and negotiators continue the negotiated rulemaking process around student debt relief, we urge the Department to consider an overlooked borrower population: currently enrolled student borrowers. These borrowers likely fit under multiple categories that negotiators have discussed and will soon find themselves in the complicated existing student loan system.¹

BACKGROUND

Before the pandemic, one out of four borrowers were behind on payments, and nearly nine million were in default.² Contrary to popular belief, the current student debt crisis is not the result of borrowers being irresponsible with financing their college education. Millions of borrowers were encouraged to go to college to pursue their American Dream – also exhibited by states’ attention to college attainment goals.³

Yet, almost simultaneously, college costs skyrocketed while wages for college graduates and young people stagnated over the same period.⁴ Coupled with state and federal disinvestment in higher education, which researchers have found correlates to students taking on more of the costs of college. In return, students turn to student loans to finance the total college costs – including housing, transportation, food, and childcare. Student borrowers did not create this crisis and do not deserve to let a lifetime of debt crush their opportunities and aspirations.

Without an intervention made by the Department, these borrowers are likely to continue to struggle to keep pace with even modest debt balances and find themselves in similar predicaments as previous borrowers.

¹ <https://www2.ed.gov/policy/highered/reg/hearulemaking/2023/session-2-borrower-hardship-issue-paper.pdf>

² <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-07-13/federal-student-aid-posts-quarterly-portfolio-reports-fsa-data-center>

³ https://www.luminafoundation.org/stronger-nation/report/static/States_with_Higher_Education_Attainment_Goals.pdf

⁴ <https://cew.georgetown.edu/cew-reports/allonesystem/>

CHANGES PROPOSED FOR THE RULEMAKING

For currently enrolled Pell Grant recipients, on a continuing basis up to six months after the student graduates, the student will receive forgiveness established by the final rule up to a maximum of 120 monthly payments.

Students must demonstrate exceptional financial need to qualify for the Pell Grant Award. The Department of Education continues to grapple with the current affordability crisis and cannot omit currently enrolled students impacted by high college costs. Providing currently enrolled students with debt forgiveness established by the rule up to ten years after is crucial to ensuring the student debt crisis does not continue to hinder future generations. This provision considers that graduates may face various life events and economic fluctuations during the initial years of their careers. It also allows for greater flexibility in financial planning and reduces the immediate financial pressure on recent graduates.

Allow students and parents the option to enroll in an income-driven repayment plan while signing the Master Promissory Note.

As the department noted in question two of the session one issue paper, some borrowers would be eligible for the income-driven repayment (IDR) plan but did not apply.⁵ All borrowers must sign a master promissory note (MPN) affirming their commitment to repay borrowed loans. Therefore, allowing borrowers to enroll in the IDR while they sign the MPN ensures they will not miss the opportunity to enroll in an IDR.

For Parent Plus borrowers whose student is a currently enrolled Pell Grant recipient, on a continuing basis up to six months after the student graduates, the Parent Plus borrower will receive forgiveness established by the final rule up to a maximum of 120 monthly payments.

According to data from the Department of Education, there are approximately 2.2 million borrowers of Parent PLUS loans whose children receive the Pell Grant award.⁶ To be eligible for the Pell Grant award, students must demonstrate exceptional financial need.⁷ One of the ways that a student can demonstrate exceptional need is by using their parent's income information and determining whether it is sufficient to cover the cost of their college education. Therefore, borrowers of Parent PLUS loans should have their loans forgiven if their student receives the Pell Grant.

5

<https://www2.ed.gov/policy/highered/reg/hearulemaking/2023/session-1--issue-paper-student-loan-reliefom-committee.pdf>

⁶ <https://www2.ed.gov/policy/highered/reg/hearulemaking/2023/data-on-older-borrowers-and-parents-session-2.pdf>

7

<https://studentaid.gov/understand-aid/types/grants/pell>

Students currently enrolled in programs that fail to meet the statutory requirement of preparing students for gainful employment in a recognized occupation and subsequently lose access to Title IV before the student can complete their degree or credential program should receive complete loan discharge.

In alignment with the Department of Education's (Department) belief, students should not be forced to remain in programs with failing outcomes, according to statutory requirements established by the Department in gainful employment.⁸ Additionally, it is necessary to relieve current students' debt so they can seamlessly withdraw from the program and pursue other available programs within the same institution or nearby.

CONCLUSION

As negotiations continue, conversations must include how currently enrolled students will have access to forgiveness established by the Department of Education as they continue addressing the concerns and issues with the current student loan debt system. If you have any questions, please contact Jada Sanford at jada.sanford@younginvincibles.org.

⁸ https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/gainful-employment-notice-of-final-review-factsheet.pdf?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=