Trump and Student Loans

What you need to know

The following answers are based on in-depth research, not "alternative facts". They are provided by the Bluegrass Activist Alliance research committee.

Our Values

The Bluegrass Activist Alliance believes government should support higher education, thus making heavy student debt unnecessary. This should be done with the understanding that, just as good roads and electrical grids benefit us all, an educated workforce is the basis for a strong economy and strong democracy

At first glance, "ending student loans" is a terrifying headline. On closer examination, this may be a case where a government program is indeed having unseen consequences and needs to be reformed. The real answer is to make a college education more affordable for all students so that far fewer graduate with so much debt. Present proposals will NOT affect current loan holders.

Q: What changes is the Trump Administration proposing for the repayment of student loans?

A: Three changes are currently proposed.

· Changes in the terms of the Income Based Repayment Plan (IBR) program, which is different for graduate students and undergraduate students

· Eliminating Subsidized Stafford Loans

· Eliminating the Public Service Loan Forgiveness Program (PSLF) as of July, 2018.

Q: How will the terms of the Income Based Repayment Program be changed for graduate students and undergraduate students?

A: The IBR program would be changed from maximum payments of 10 percent of discretionary income per month to 12.5 percent of discretionary income per month for all students. The loan forgiveness period will decrease from 20 years to 15 years for undergraduate students and will increase from 15 years to 30 years for graduate students.

Q: How will the proposed changes to IBR affect graduate students?

A: The proposal would substantially reduce benefits for graduate students, but it has been argued that the current IRB program has subsidized graduate students too much, thus encouraging students to borrow more than their future incomes will support and possibly artificially increasing graduate school tuition. The current plan provides loan forgiveness to middle and high-income earners if they have a large enough debt. Nevertheless, the average medical student has a debt of $190,000. An increasing number of students face no debt upon graduating medical school because 60% of medical students are coming from families in the top 20% of annual income. For graduate school this proposal would make it less likely for a student from a low-income family to take on significant debt to attend graduate school.

Q: How will the proposed changes to IBR affect undergraduate students?

A: Borrowers with higher debts and moderate incomes will benefit the most from the proposed changes. Borrowers who have small balances and who earn low incomes will also benefit from the proposed changes.

Q: How will the proposal to eliminate subsidized Stafford Loans affect students?

A: Subsidized Stafford loans are need based loans. The federal government pays interest on the loan while you are in school and in the six-month grace period after graduation as well as if you have a loan deferment or a forbearance situation. Under the current plan, students can receive subsidized loans even if they are from a high- income family if they attend an expensive college. Students will have more debt due to having interest accumulate right away rather than after graduating; however, the changes to the IBR program would allow for loan forgiveness earlier and the monthly payment amount will be based on the student's income. Students can only borrow up to $23,000 for the Stafford Loan program.

Q: Will the proposal to end the Public Service Loan Forgiveness (PSLF) Program significantly affect borrowers?

A: The PLSF program forgives the remaining balance on federal direct loans after the borrower makes 120 qualifying monthly payments under a qualifying repayment plan while working full time for a public service employer. It probably cannot be applied to people currently employed in the program due to breach of contract rules. This program is now entering its 10th year and some consider it to be unsustainable because far more people are qualifying for loan forgiveness than the number originally anticipated.

When enacted, the assumption was that few people would qualify for it; however, the number of PSLF registrations grew from 25,683 in 2012 to 669,426 in 2017 according to the Department of Education's quarterly reports. The CBO estimated this year that the program will cost nearly $24 billion over the next 10 years.

For a more in-depth examination of this issue, see https://www.usnews.com/education/best-colleges/paying-for-college/articles/2017-10-03/the-fate-of-public-service-loan-forgiveness