



Excusing Loan Payments vs. Paying Them

Kery Murakami

March 20, 2020

Senate Republicans and Democrats on Thursday unveiled plans to help students saddled by debt during the economic fallout of the coronavirus crisis, but a rift quickly developed over how.

Meanwhile, the Republican proposal, released late Thursday afternoon, also left Terry Hartle, senior vice president for government and public affairs for the American Council on Education, "deeply disappointed." At first glance, the plan does not include enough aid to help colleges and universities survive the economic effects of the crisis, he said. Some public and private university presidents are worried their institutions might close, he said.

The trillion-dollar Republican package aimed at boosting an economy disrupted by business closures most notably would give \$1,200 to Americans who qualify based on income. But it also proposes to give student loan borrowers a break from making payments for up to three months, without interest increasing. U.S. Education Secretary Betsy DeVos would be allowed to extend the deferments another three months, if she thinks it's necessary.

The Republican approach differed fundamentally from the plan proposed by Senate Democratic leaders. As first reported Wednesday by *Inside Higher Ed*, the Democratic plan unveiled Thursday proposes that the federal government pay down borrowers' loans. The Education Department would make monthly loan repayments on behalf of borrowers for the remainder of the national emergency declaration. Borrowers would have at least \$10,000 of their loans paid off by the federal government, according to the proposal by Senate Democratic leader Chuck Schumer; Patty Murray, the senior Democrat on the Senate education committee; and Senators Sherrod Brown and Elizabeth Warren.

Despite the division between the parties, advocates pushing for help to be included in the new package said they were heartened that both sides seem to back some form of relief.

"Seemingly everyone agrees that payments need to stop and borrowers need to be held harmless through no interest accumulation, plus technical fixes to help current students. I imagine the debate will center over whether payments get canceled and what that looks like, as well as the degree of state funding support the federal government ends up providing," Ben Miller, senior director for postsecondary education at the Center for American Progress, a liberal think tank, said Thursday before the release of the Republican proposal.

The two proposals came out a day after President Trump signed a \$100 billion measure approved by Congress this week to require insurers and government health-care programs to provide free coronavirus testing to those who need it. The legislation also pays for a new requirement for the

federal government and small businesses to provide up to two weeks of paid sick leave for employees who fall ill from the virus.

But lawmakers quickly said a new round of relief was necessary, including potentially sending \$2,000 to many Americans to stimulate the economy, and giving help to small businesses being hurt by the closure of restaurants and bars and other restrictions being imposed to prevent the spread of the virus.

With the Senate's 53 Republicans needing at least seven Democratic votes to clear a procedural hurdle to begin debate on any proposal, Mitch McConnell, the Senate majority leader, and Schumer said on the Capitol floor that they will begin negotiations today.

Murray had no immediate reaction to the Republican proposal. And spokespeople for Republican leaders had no comment on the Democrats' idea of paying down student loans.

However, Warren in a tweet Thursday evening said, "It's not enough to just waive student loan debt payments during this crisis. If we want to stimulate the economy and minimize the burden of a financial crisis, canceling student loan debt must be part of the next coronavirus stimulus package." Her spokeswoman, Ashley Woolheater, said Warren "feels strongly about this."

Policy groups also reflected the philosophical division over how to help those with student loans.

Neal McCluskey, director of the libertarian Cato Institute's Center for Educational Freedom, said right-leaning policy experts would have a problem with canceling debt, noting that some who would have their loans paid by the government continue to be well-off during the crisis and able to pay back their student loans.

But advocates pushing to give borrowers more relief than suspending loan payments were disappointed the Republican proposal didn't go further.

"It's a great start, but it doesn't go far enough," Justin Draeger, president and CEO of the National Association of Student Financial Aid Administrators, said of the Republican proposal. Draeger and other groups had wanted additional measures like keeping unpaid loans from going into default, or halting the use of wage and tax-refund garnishments to collect overdue payments during the crisis.

Similar to a proposal Murray announced last week, the Republican plan also would protect Pell Grant recipients from having to return money to the federal government if their institutions close midterm. It additionally includes a provision allowing institutions to issue work-study payments to students who are unable to work due to workplace closures. The money could be paid as a lump sum or in payments similar to paychecks.

"The Senate Republican plan has some good provisions -- especially protecting Pell eligibility for low- and middle-income students," said Kyle Southern, higher education policy and advocacy director for the millennial advocacy group Young Invincibles. "But just pressing pause on loan repayments for three months is unlikely to give borrowers the peace of mind they need to remain active in the economy or, for those rapidly losing jobs and wages, to regain their financial footing once the immediate public health crisis subsides."

Abby Shafroth, a lawyer with the National Consumer Law Center, said, "Merely deferring payments would simply kick the problem down the road for struggling borrowers. They would still face a huge balance in six months and a likely devastated economy."

Hartle, meanwhile, said he'd hoped the Republican proposal would include grants and low-interest loans to help higher education institutions weather the fallout from the outbreak.

"Colleges and universities are under a devastating cash-flow crisis," he said. "I've spoken to college and university presidents, both public and private, who are worried about their institutions closing if federal support is not forthcoming."

Still, he noted that Senate Democrats and Republicans will have to work out a bipartisan proposal, which would then have to be reconciled with proposals still being developed by the Democratic majority in the House.

"It's the first step in what's going to be a very long and complex legislative process," he said.