



## Prospects for student loan overhaul hinge on election

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The prospects for major changes to student loan forgiveness hinge largely on the outcome of the November elections, both presidential and congressional.

Democratic presidential nominee Joe Biden and President Trump are offering significantly different proposals for the size and scope of canceling student debt, creating a crossroads that experts say could play a key role in how Americans approach higher education.

Student loans that can take years or even decades to pay off are crippling the personal finances of millions of U.S. households, a weight that many economists and policymakers say will hold back consumer spending at a time when the economy is trying to climb out of the worst recession since the Great Depression.

“A lot depends on the outcome of the election,” said Neal McCluskey, director of the Cato Institute’s Center for Educational Freedom, adding that a legislative fight for some type of student debt forgiveness “may be plausible” over the next two years if Democrats win control of Congress and the White House.

Even if Democrats win majorities in both the House and Senate, they’re likely to face some internal debate over how far to go with loan forgiveness. They’ll also have to get some Republicans on board in the Senate unless they take the controversial step of doing away with the legislative filibuster.

The proposals put forth by Biden and Trump both aim to ease student debt, but in dramatically different ways.

Under Biden’s plan, individuals would pay 5 percent of their discretionary income toward their education debt, followed by forgiveness after 20 years. Individuals earning \$25,000 or less per year would not owe any payments on their federal student loans, nor would they accrue interest on their loans.

The plan would be coupled with lowering the cost of tuition to help reduce student loans.

Public colleges and universities would be tuition-free for families with incomes below \$125,000, while two years of tuition-free community college or training programs would be offered for certain students.

Key elements of Trump's student loan plan were outlined in his fiscal 2020 budget proposal. Overall, his approach would combine multiple income-driven repayment programs into one. Among the programs that would be eliminated is the Public Service Loan Forgiveness program, which cancels federal student loan debts for full-time government or nonprofit employees after a certain amount of years.

Trump's plan also calls for 12.5 percent payment of discretionary income with forgiveness after 15 years for undergraduate debt and 30 years for graduate students.

McCluskey said the two plans demonstrate "a traditional difference between the Democrats and Republicans."

"The Biden plan is to greatly expand or increase how borrower-friendly the student loan programs are, coupled with efforts to make college less expensive to students generally," he said. "The Trump administration approach isn't nearly as friendly toward students, at least in the short run. Although, it's not particularly hostile, I think, either."

U.S. households have amassed more than \$1.54 trillion in student loan debt, nearly doubling in a decade from \$855 billion, according to figures compiled by the Federal Reserve. As a point of comparison, the financial burden of students and graduates exceeds the nation's ongoing credit card debt accumulation.

Whitney Barkley-Denney, senior policy counsel for the Center for Responsible Lending, argued that the Biden student loan repayment program works more in favor of borrowers who are struggling to repay their debt.

"That monthly payment really matters," Barkley-Denney said. "The amount of money that you have to pay every month toward your student loans is make or break when it comes to actually paying that off, or even keeping your head above water."

Barkley-Denney added that the inclusion of some type of debt forgiveness from both candidates' plans was notable.

"The biggest story here is how quickly the narrative around student loan forgiveness has moved, and the idea that we need to forgive some portion of student loan debt," she said, noting that recent polling indicates bipartisan support for student debt reduction.

The president recently enacted a student loan forbearance following an announcement on Aug. 8 that allowed borrowers to forgo federal student loan payments through Dec. 31 without acquiring

interest. The move followed a similar administration-initiated pause on payments from earlier in the pandemic.

Brandon Barford, a partner at Washington-based Beacon Policy Advisors, said Trump's willingness to take those steps "just goes to show just how far the conversation has shifted to the left on student loan issues."

While both candidates have plans to change the state of higher education, the ability to put those plans into actions depends largely on the outcome of the 2020 election.

Barford said whether Biden or Trump is victorious, he expects they "are going to be interested in a unilateral approach."

"Trump is doing his thing unilaterally because the face-forward negotiations have broken down," he said. "I think Biden will adopt, after enough pushing, the [Sen.] Elizabeth Warren [D-Mass.] approach that she pioneered in her presidential campaign of using the clear language and prior history of the Department of Education actions to basically choose various classes of borrowers and to forgive all or a portion of their student loans."