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The Worst Federal Student-Loan Program

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It's called PLUS, and it's especially risky for black families of limited wealth.

College debt feels out of control. Outstanding student loan-liabilities, almost all from federal loans, have more than doubled since 2009, to \$1.57 trillion. News of distressed graduates with six- and even seven-figure balances abound. Some presidential candidates have called for widespread debt forgiveness and “free” college.

The complexity of the federal student-loan program is one of the reasons borrowers struggle to get a grip on their finances. It also makes oversight by policy makers and taxpayers, who foot the bill for loans that default, more difficult. Now the Trump administration is proposing a step in the right direction, which has some political promise: Cap a particularly ill-designed type of loan.

The feds currently offer multiple loan types with a dizzying array of terms and as many as eight different repayment options. Perhaps the least equitable are PLUS loans. The loans—which come in “Parent” and “Grad” varieties—are available without regard to income and are capped only at the total price of attendance, which includes all living expenses. They aren't means-tested but require a credit check, which skews them toward wealthier families.

Since 1998, PLUS loans have increased from roughly \$4.4 billion to \$23.1 billion and nearly tripled as a share of all loan volume. As tuition fees and living costs have increased steadily in the past two decades, outstripping inflation by more than 2 points each year, so has PLUS loan borrowing. Or maybe it's the other way around: A recent Federal Reserve Bank of New York [report](#) suggests that every additional dollar of student credit fuels tuition inflation of up to 60 cents.

Recognizing the ever-increasing burden of student loans, the Trump administration has proposed limiting the amount of money available through PLUS loans (though the proposal doesn't specify the limit). That may have the rare feature of being both a step in the right direction and an area of bipartisan agreement.

People across the ideological spectrum have recognized the problem with these loans. In 2011 the Obama administration briefly increased creditworthiness assessments of potential PLUS borrowers, citing the need to limit students' exposure to ruinous debt. The left-leaning think-tank New America argues that PLUS loans pose particular risk to less-well-off African-American families, who have needed them to keep up with rapidly inflating prices yet often lack the wealth to cushion the repayments that follow.

There's a precedent for a cap. Until 1993, a PLUS loan could not exceed the equivalent of about \$7,000 a year in today's dollars. Today the average annual Parent PLUS loan is about \$16,500.

Even restoring the old limit would be a move in the right direction. That it might be able to get a fair hearing from left and right makes it especially enticing.

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