

Student loan relief wouldn't be much

Bob Kellogg and Russ Jones- OneNewsNow - 10/31/2011

An education analyst at a conservative think tank in Washington, DC, believes President Barack Obama's proposal for easing the burden of student loans sounds better than it would actually play out.

Cato Institute analyst Neal McCluskey says only a minority of individuals with student loans could benefit from the president's plan, and the difference would only be modest.

"What he has really just proposed would help some people on the margin," he notes. "So if you have loans from both the Federal Direct Loan Program and the Federal Guarantee Loan Program, if you have both those kinds of loans, you can consolidate them and get a modest interest rate deduction."

McCluskey estimates that only 6.5 million out of about 36 million students with student loans could see a benefit, and he points out that the real losers under the president's plan would be the American taxpayers.

"The taxpayers will end up paying for the lost revenue that comes from things that the president proposed," he explains. "But the administration has tried to say this will be at no cost to the taxpayer -- that is simply not true."

So while Obama is sending a message to "Occupy Wall Street" protesters and others with student debt that he cares about their financial woes, the education analyst concludes that the proposal would not make a noticeable difference for students.

And while one financial expert says loans from the government can encourage people to earn a college degree, he is criticizing the president's edict to reduce student loan debt. ([Listen to audio report](#))

The Obama administration is moving forward with a new "Pay As You Earn" budget proposal that caps monthly federal student loan repayments at ten percent of discretionary income. While the president assures it is a way to increase college affordability by making education debt easier to manage, financial strategist Clark Hodges, who runs the Dallas-based [Hodges Capital](#), says forgiving debt owed to American taxpayers is bad policy.

"Fundamentally, I think it's a great program that students can borrow money from the government and get an education, but they still have to repay it," he contends.

However, Occupy Wall Street protestors do not agree, as they urge the president to completely forgive all student loans.

"Although I agree with their right to protest, they need to go fight a war, go serve your country, go feed the homeless -- go do something productive to earn the right to request such a thing," Clark suggests.

Obama's directive would forgive all remaining debt on federal loans after 20 years, which is five years earlier than current law allocates.