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WEBINAR

THE FUTURE OF STUDENT LOAN REPAYMENT POLICY

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REBER: Welcome and thank you for joining us for this discussion of the future of the student loan program. This is a critical moment for the student loan program. The Department of Education recently announced plans to begin garnishing wages for borrowers in default. House Republicans have proposed sweeping changes to student loan repayment through the reconciliation process, and millions of borrowers face uncertainty about their payment obligations and options. I'm excited to discuss these developments with this extremely knowledgeable panel today. Jason Delisle is a non-resident senior fellow in the Center on Education Data and Policy at the Urban Institute, Jill Desjean is the Director of Public Policy Analysis at the National Association of Student Finance Aid Administrators, Lesley Turner is a professor at the University of Chicago Harris School of Public policy, and Sarah Turner is a professor of economics and education at the University of Virginia. Notably, Sarah is also the co-author of a report explaining income-driven repayment policy that we published a couple weeks ago, and you can find that on the Brookings website.

So, I wanna thank the panelists for being here for what I'm sure is gonna be a very informative discussion. And viewers can ask questions by emailing events@brookings.edu or on X tweet or message to @BrookingsEcon using the hashtag #studentloans. So, without further ado, I want to start by going back in time a little bit to provide some context for the current situation. So, thinking back to 2020, before the pandemic and the changes introduced to the student loan program by the Biden administration. There was a lot of talk about a student loan crisis and that continues. And the issue figured prominently in the 2020 election. So, I wanna start by asking the panelists what they see as the major problems facing the student loan program. You know at that time before the pandemic Was there a student loan crisis and, you know, what do you see as the major longstanding problems with the student loan system? So, I want to ask all of our panels to weigh in on this, but maybe. We'll start with you, Sarah.

S. TURNER: Thanks, Sarah. It's really great to be here with Jill, Lesley, and Jason as well, who just know so much about this terrain. But looking back to the pre-pandemic era, I want to start with the observation that student loans have actually worked very well for many people enabling high returns on their investment, allowing people to acquire skills and better jobs. But those positive outcomes haven't transpired for all students and as you looked at the point of 2020. Before the pandemic, there was much discussion of, as you noted, a repayment crisis. And I will suggest that it's not just a repayment crisis, but also a crisis of accountability and college choice in student lending, essentially people borrowing for programs at the front end didn't always have uh... High returns So when you got to 2020. There were a number, a substantial number of people struggling with negative amortization and delinquency. I think we ended up with about a million borrowers per year entering default, and you could think about this as driven by both ... um... debt taken on often from for-profit institutions after of the Great Recession in that period from 2009 to 2012.

But also, a dramatic growth in borrowing from graduate education that took place after 2012. With essentially the uncapping of uh... Grad Plus? So, by the time you get to 2020, I'd say that you have a festering of all of these problems. And I would underscore that on top of that you had uh... What we'll call multi-administration problems of administration and dysfunction in the student loan. So, at that point, even though PSLF had been on the books for well over I should define terms, public service loan forgiveness for more than a decade less than 400 students had gotten relief at the end of 2018. You also had many borrowers uh... who ended up not able to access programs like income-driven repayment that could have potentially provided relief from repayment challenges. So, let me stop there with those observations and turn it over to others.

REBER: Thank you. Thank you, that's really helpful. Jill, do you want to add on to that or disagree If you, if you do?

DESJEAN: I'll just add on to that or maybe supplement that, all great points. I think private loan debt is not as big of a part of the conversation as it needs to be when we talk about whether there's a student loan crisis or not. Pre-pandemic numbers, average student debt for bachelor's recipients was about $30,000. But when you talked about just federal debt, it was closer to 20. We talked about private, it's closer to 35. And that trend has continued throughout the pandemic with private loan debts taking up so much of the total amount borrowed by students. And so, when we're having these public policy conversations about tackling the student loan debt crisis, and we're talking about income-driven repayment, and we are talking about time-based forgiveness or broad-based forgive, we're talking about public service loan forgiveness, that's only addressing the federal student loan piece.

You know, there are other policy decisions that we can make that can address student loan borrowing, but they aren't necessarily on the borrowing side because we need to address borrowing as a whole, federal and private, not just the problems with federal loans.

REBER: Thanks, that's really helpful.

L. TURNER: Um, so. I think in addition to sharing the last name with Sarah, I largely agree with the point she made, I think when folks talk about a student loan crisis. There's sort of two sides of potential crisis we can think about the first is the front end, the reliance on student loans to finance higher education, investments in human capital. And is this a problem? And then on the back end. Are borrowers able to afford loan repayments and sort of manage in the current system that we have. I think Sarah did a very nice job summarizing the sort of potential issues on the front end and the potential problem. This is less an issue Higher Ed affordability and more an issue of the quality.

Of the institutions that students are going to, and we've got pretty good evidence. On what sorts of institutions tend to lead to the worst repayment outcomes, for-profit institutions, open access institutions with limited resources. And the Potential solution here is not necessarily that students shouldn't borrow, it's that they should go to a different institution or for these sort of low resource public institutions. That additional funding could benefit the students by allowing institutions to increase the quality. And in fact, we do have evidence that. When students who are going to four-year public institutions when they get access to additional loans and borrow more. They actually see improvements in their persistence completion. And earnings, and in fact, even improvements in their student loan repayment. On the back end, I think.

One thing I'd like to highlight is just there's lots of frictions in the system that existed back in. 2020 or 2019 that have important implications for the effectiveness of programs that are intended to help borrowers be able to afford their payments. And I know we'll spend a lot of time today talking about income driven repayment and be able to get more into. This, but one sort of friction that I'll just highlight is that. I'm in other countries that have income-driven repayment. Payments adjust automatically with income because they're automatically withheld from a borrower's paycheck, like

Social Security taxes are withheld. And so, there's this automatic adjustment of a borrower sees their income fall or they lose their job. Their payments automatically fall. Whereas in the way that IDR works, income-driven repayment works in the U.S. Borrowers have to actively apply and opt into these programs and by nature, the link between income and payments is retrospective because it's based on. A borrower's tax return from the previous year and there's not this automatic adjustment. And so, the intention of income driven repayment to help borrowers buffer against shocks to their income doesn't work as well as it potentially could.

REBER: Thank you. And Jason.

DELISLE: Yeah, I think I'll echo uh... Sarah's point about the graduate student debt, graduate student debt, you know, grew a lot. Uh in the 2000s in the you know in the around 2010, 2011, 2012 right after the Great Recession. There was a policy change there, you know, you used to be able to borrow $20,000 a year and Congress changed it to unlimited. I also think more people went, more people pursued graduate degrees, so you have, you know, both those things sort of working together, so bigger balances, and then I think the other piece that's really important is the, it's still, it’s also kind of a post Great Recession thing, where a lot of people went to school, they went back, they tried it for the first time, they were older.

So, this is a really different demographic of people who went and borrowed and, you know, I think, and Adam Looney, who's pointed this out, I think in some Brookings papers, you know, that the, you were a different group of students that had worse outcomes. And so, there's that sort of cohort of debt and borrowers that, you know, people dropped out and they had much more difficulty repaying. So, I think those two things together made the student loan program look different than it has historically and looks, you know, sort of riskier and weaker performance.

REBER: Great, OK, so now that we've gone back to 2020, let's talk a little bit about the changes that happened during the Biden administration. So, the loan forgiveness plan that the Supreme Court struck down in 2023 has got a lot of attention. But there were a lot of other actions around student loans during the Biden administration, including the introduction of the SAVE plan, a new IDR plan.

And so, I'm going to ask, Lesley, could you just briefly explain what is IDR and what is SAVE? What was the SAVE, what is was? We can talk about whether this is a past tense or a present tense situation. What's the SAVE plan? And then I'll ask others to chime in on any other developments that happened kind of during the Biden administration.

L. TURNER: Great, so income driven repayment or IDR plans are a set of repayment plans that link borrower's payments to their income, which is in contrast to the quote unquote standard repayment plan that amortizes a borrower's interest payments over a 10-year period and the borrower pays the same amount each month until the loan is paid off. I think in the US, IDR plans have a few main features that are all shared. So, the first is that there's some threshold level of income. Below this threshold, a borrower doesn't have to make payments or they have a zero-dollar payment. Above this threshold. Borrowers pay some percentage, a payment rate, so some percentage of their additional earnings. This historically was 10 to 20 percent of earnings above that zero-dollar payment threshold. And then the third common feature is that after a certain number of payments Any remaining balance that a borrower has is forgiven.

And historically, this was between 20 and 25 years. The SAVE Plan, which is an acronym for Saving for Valuable Education is the most recent plan that was developed by the Department of education. And it was quite a bit more generous than the existing options along several dimensions. So, the first thing was that it reduced the or increased the zero-dollar payment threshold from 150% of the federal poverty line to 225%, so more borrowers would not have to make payments. It reduced the payment rate. For borrowers with undergraduate debt to five percent. Third, it provided an interest subsidy that effectively prevented borrower's balances from increasing. So, if a borrower's scheduled payment wasn't enough to fully cover their accrued interests. That interest wouldn't be added to their existing balance. And then the final feature is that it offered a shorter timeline to forgiveness.

For borrowers with low balances. So, for borrowers who had received $12,000 or less in total federal student loans, it reduced the repayment period to 10 years. And I think these latter two provisions were intended. To address in part some of the reasons that borrowers who could benefit from IDR weren't taking it up. Um, so, specifically borrowers who have pretty low balances also tend to be borrowers who dropped out. So, if you only go to school for a few semesters. You mechanically can't accrue that much debt, at least as an undergraduate. And there was evidence that while these borrowers really could benefit from getting on an IDR plan, many of them would see zero-dollar payments, they were discouraged by this 20, 25-year timeline before they would get forgiveness and the prospect of seeing their balances increase. And so, sort of the specific targeting of low-balance borrowers was intended to make this new plan a better, be viewed as a better option for them and help bring in some of these borrowers who potentially could benefit.

REBER: Thank you. So, do other folks want to weigh in on other things other developments or comments about the SAVE plan? The pandemic.

S. TURNER: Well, it's hard to beat Lesley's comprehensive description of the legislation. I want to just sort of put it in a little bit of context of really the other things that were going on in relation to student loans beginning essentially in March of 2020. And I've sort of flagged three pieces that I just want to make sure are in the background, they're not... The first is that the student loan payment pause was something that took effect in March of 2020 and actually carried on well beyond the CARES Act into September of 2023. So, you had that bit of relief that was ongoing, we can sort of write whole papers on that. We'll come back to a different moment. But that, the primary beneficiaries of that pause were actually not the people who were struggling the most with repayments.

So, the essentially upper-income borrowers with lots of debt got the biggest relief from the payment pot. There are two other policies that were put in place that merit note and they're sort of closely coupled but not the same thing. The first is the PSLF waiver, which essentially adjusted and made more payments eligible for public service loan forgiveness. So, you had, by 2023, you had a dramatic increase in eligibility and receipt of relief under that program and then related to that was also what's called the income-driven repayment waiver, which included a similar payment count adjustment. I think we should probably not go into those gory details here. But these three things put together with the proposed SAVE plan and this proposed forgiveness, which was ultimately eliminated by court action, changed the landscape quite dramatically for student loan repayment in the sense that we created a whole level of policy uncertainty.

That is, borrowers did not know if they could expect, and indeed going forward, what, um, whether they could expect forgiveness, what the terms of different repayment programs would be going forward. And I think that that is a big point that needs to be on the table as we think of how the 8 million borrowers who are now on SAVE are looking at their options under new policy regimes and so forth. Let me stop there.

REBER: Yeah, Jill, I don't know if you could speak to maybe the uncertainty that institutions have been feeling or kind of how the, you know, what's been going on in the last five years has been received at institutions of higher education.

DESJEAN: Yeah Sarah really hit the nail on the head there with the policy uncertainty. It's really, you know, whether you agree or disagree with the SAVE plan as policy, I think everyone can agree that this like protracted litigation is really harming borrowers because they're just, they're hot in the middle. Repayment was already very confusing to be clear, you know, we had all these different repayment plans you know, mildly different terms, you know navigating the application process, figuring out who you repay, who your servicer is. That was all really complicated already. Then we threw a new repayment plan out there that was super generous. Then immediately the courts got involved. Pieces of it got tossed out. The application came down. The application come back up. Some plants got sunsetted, then they got resurrected. It's just, it's hard for us at NASPA to keep track of this and it's all we do. And so, imagine if you're a student and you have an actual life and you just want to make a student loan payment trying to figure out what your options are. Is really, really hard right now. So, yeah, the uncertainty is a. A huge concern here. Again, regardless of where you land policy wise, we need to land somewhere that's simpler for borrowers.

REBER: Yeah, so maybe picking up on that, you mentioned the courts and the back and forth on the SAVE plan. So, Sarah, could you just describe briefly about what has been happening? What is the status of the SAVE plan? What's going on in the courts that's brought us to it? Bring us up to the present in terms of what's happening with SAVE.

S. TURNER: Yeah. So, let me try to do this as efficiently as possible. I feel like, I mean, it really does require, as Jill suggested, a flow chart and a timeline. In different colors. Uh... To explain uh... Essentially how we uh... Uh... Someone was, I believe, SAVE started taking applications in the fall of 2023. The litigation came to an end. In June of 2024, it was played in both the 6th and the 8th circuit Um, come July 18th an injunction was put in place. Uh... That forbid across the board forgiveness It also called into question uh... The legality of other Um... Particularly ICR, the old pay uh, and repay. Which had also been designed by administrative rulemaking. Uh, so you have the show and we are still, um, in the court system waiting for a ruling. In the meantime. Those 8 million borrowers who had signed up for SAVE have been put in a state of administrative forbearance. The good news for them is that they are not being charged interest, but for those borrowers who expected to get a potential forgiveness either through regular IDR or PSLF, they are also not getting payment Credit. And then, this is where things get very confusing, as Jill suggested.

Short of depending what moment it was. Uh, um, I believe applications were sort of reopened briefly December 18th. Then everything was pulled down February 21st and then made some pay And IBR were made available March 26th and there was an interval there where you could on paper but not via electronic means in any event. Um... I know, I believe Jill has a staff to track these multiple policy changes, but it's very hard for an individual and particularly Um unsettling for those who are close to. Uh... Close to the point of achieving 120 pay qualifying payments. Under PSLF, there's been some added litigation from AFT, but let me stop there to say one SAVE is under an injunction. The Department of Education does not expect it to survive at this point. There's some, I will turn to Jason or well, others to explain why SAVE will probably stay on the books until... We get to the budget reconciliation bill.

REBER: Okay, so it's very confusing, but briefly before we turn to how IDR policy, SAVE, and how this might resolve, either in the courts or in the reconciliation process, I just want to bring up one other thing that's been in the news, which is the Department of Education has announced that they will start collecting on defaulted loans. And so, I'm going to ask Jason and if you can explain what that's all about and how does it relate to what we've been discussing with these kind of this turmoil in the repayment system?

DELISLE: So the, yeah, the- the- The Department of Education is going to start collecting on loans that are long-term delinquent, missed payments for somewhere around getting close to a year. That's a defaulted loan. The federal government has always done that, always collected on defaulted loans, with the exception of during the pandemic. So, when there was a payment pause and payments weren't due, the federal government also suspended collecting on defaulted loans. The Trump administration is restarting those collections, and there are two main ways that the government collects on them, defaulted loans. One is by seizing people's tax refunds. So that's money the government owes you but turns out you also owe the government until they take the payment. The other is by garnishing wages, so having part of your paycheck taken to satisfy the debt, so both of those things the Trump administration has signaled they're going to restart, which is actually a return to the policies that existed before the pandemic.

REBER: And what, which types of borrows. Oh, sorry, go ahead, Sarah.

S. TURNER: Well, if Lesley doesn't jump in, I am going to jump in and give a shout out to recent work done by the Federal Reserve Bank of New York, which shows delinquency, which is a precursor to defaults. As we, as the on-ramp has ended, uh, those are now being reported to credit bureaus, and there are two, one, one sort of fact, is that we are now up to the same delinquency rate, a little north of 21% as existed in the pre-pandemic period. Big thing that could hit markets in a very significant way is as those delinquencies are reported for the first time in what is now about five years. Many borrowers in those states will see a significant drop in their credit scores. And that has um real implications for capacity to buy cars, to, um, to access other forms of consumer credit.

REBER: But these wouldn't be borrowers who are not making payments because they're in the SAVE forbearance or something like that, because they are doing what they're supposed to be doing.

S. TURNER: Yes, these would be the borrowers who may be confused about how to access uh IDR at this stage and that are not enrolled in a repayment program. Again, because potentially one reason being uh, the state of uncertainty about the options that are available to them.

REBER: Okay, so let's talk about how this might resolve. Let's predict the future. So, the SAVE plan and some other Biden-era policies are blocked by the courts and the House Republicans have put out a plan. That includes major changes to the student loan program. So, Jason, can you give us a high-level summary of you know, sort of what? Is being proposed and where we are with the processes and what we might expect to see next.

DELISLE: Uh, yeah, so the House has, um, advanced a bill through committee so far. That makes a number of changes to the student loan program. It's part of a budget process designed to reduce spending on those programs. And there are two major changes to loan program. One is changes to how much students can borrow each year and in aggregate. We talked about the unlimited graduate borrowing that got created. This would undo the unlimited borrowing and create new limits. Those limits would be set at, and also for undergrads, so there's actually an increase in loan limits for undergraduates, the new loan limits would be whatever the median cost of attendance is for the program of study that you're enrolled in. So, sort of a new way of doing loan limits. And the other piece in that bill is sort of a total reworking of the income driven repayment plan.

So, going forward, there would be one plan and it would be a new plan. And it has 30-year loan forgiveness instead of 20 or 25, but it adds some new benefits, or it borrows a benefit from the SAVE plan, which is no, your balance can't grow due to unpaid interest, and they're also going to make a $50 monthly match to reduce the principal on loan, so your balance always goes down. So not only does it never grow, it always goes down if you're in that plan. The way that monthly payments would be calculated on that plan are different. I won't go into the details, but they're different than the way we've calculated them in the past. They're still based on income. It tends to increase with the amount of income that you have.

We think, you know, we have an Urban Institute paper coming out on this next week. Payments for most borrowers, you know, middle-income borrowers will be the same or lower than under, not SAVE, but under the plans that predate SAVE, the repay, income-based payment. They'll be higher for borrowers earning about $80,000 or more.

REBER: Great, thank you. So, I think --

L. TURNER: They'll also be higher for the lowest income borrowers because there's a minimum payment amount of $10 a month.

REBER: Well, and Lesley, do you want to talk about the minimum? Like the tradeoffs involved with having that minimum payment.

L. TURNER: Sure. So, you're probably talking about a study that I co-authored with Tomás E. Monarrez at the Philadelphia Fund where we look at the effect of. Being eligible for a zero-dollar payment on income-driven repayment. One of the pre-saves versus having say a $10 payment or a very small payment. And what we find is that in the short run, when borrowers in their first year on the program having a zero-dollar payment provides the intended benefits so there less likely to be delinquent, they're less likely to default. This is somewhat mechanical because if you have a $0 payment, you can't become delinquent or default. But we also find evidence that they are less connected to the student loan system overall. So, they're less likely to sign up for automatic payments or auto debit, even though there's an interest benefit, so there's a quarter point reduction in the interest rate. Which matters, because on these pre-SAVE plans... Unpaid interest still accrues.

So, this sort of affects the growth and the balance. And then sort of in their second year after they first applied for IDR, we find borrowers with a zero-dollar payment are more likely to fall off of the program. They're less likely to reapply because in the U.S., you have to... Re-certify every year for IDR. So, you have to submit an application every year, provide proof of what your income was. And so, these borrowers are slightly less likely to do so, and as a result over the longer run. The sort of reduction in delinquency and default that we saw in their first year erodes and it seems like most of that reduction was just re-timing us, these borrowers fail to stay on IDR, they're more likely to become delinquent or enter into default. I think, you know, one interpretation of this is that, oh, if we had a minimum payment. This disconnection from the student loan system could be prevented. I think my interpretation is slightly different, that... There are sort of other ways to do this. Uh, I, I mentioned automatic paycheck withholding like is the case in the United Kingdom and Australia and in the US for social security taxes. There's also evidence that outreach to borrowers can really help them become reconnected to the student loan system, even just receiving an email, letting borrowers know about options to help them uh, reduce uh, or, or become current on their payments can lead to significant increases in payments and reductions and delinquencies.

And so, I'm not sure that eliminating the zero-dollar payment provision is necessarily going to be the best way to deal with this disconnection. Even in sort of countries where payments are automatic, there's still provision for zero-dollar payments if income falls below a certain level.

REBER: I guess you'd be worried about people who have very low incomes or maybe they are out of work. And so, it's quite difficult to come up with the in send the $10 a month and then they're not getting that credit towards forgiveness and making progress on the loan. So, I want to open it up sort of more generally to people's thoughts about the house proposal and the RAP plan, which I think I may have already forgotten what it stands for. And so maybe, Jill, can I start with you to just kind of like, what do you about these proposed changes and Are they addressing some of the problems we talked about in the beginning?

DESJEAN: Yeah, sure. So, repayment assistance program. That's what the RAP stands for. Um, yeah, the acronyms are hard to hard to follow. Um, things we like, you know, I think the interest subsidy, the no negative amortization, you know, that's a, that a real psychological barrier to repayment, I think, for students when they actually are making income-based repayments and they see their balance continue to grow, you don't feel very motivated to want to keep doing that, you know. Um, so that's good thing, the matching principal payment again, to keep those loan balances from just ballooning and ballooning, which is the common criticism we hear of some of the income-driven plans. We like the simplicity, a single standard plan and a single IDR plan.
You know, I mentioned this before having 15 different repayment plans that are all just a little tiny bit different from each other and saying, go ahead and pick the one that works best for you. Doesn't work for students, you know, they want fewer options. They want affordable options, but they don't want to be given this menu of all these things that they can't distinguish from. And the repayment length that's

on the standard plan that's tied to the balance borrowed, that makes sense to us, you know, to not just have this one standard 10-year repayment plan length And the things we don't like, I think the 30 years to cancelation is a long time, it's longer than what's out there now. Uh, the $10 monthly payment, you know, I understand from what Lesley just described that as zero payment is problematic in some ways in terms of engagement. It's just so hard to imagine that a person who's making 10 or $20,000 a year and would have to rely on public benefits just to, you know, meet their minimum living standards would be able to find $10 a month. So, I think that's something that worries us.

REBER: Thank you. Other thoughts on? Um, RAP compared to what we have, um, compared to other possibilities.

DELISLE: Oh, I mean, I'll just, you know, I'm jumping here and take, you I mean, one of the, one of the. All right, I mean. Issues I think with the income driven repayment plans that we had prior Um that you know that the RAP would be replacing is that they were the benefits were hugely slanted in favor of high-debt graduate borrowers. It was not really a program that provided much benefit to undergraduates in terms of loan forgiveness. It was mainly they could use it temporarily, their balances would grow, they probably weren't going to get loan forgiveness because 20 or 25 years was too long. Um And so it really wasn't a big benefit for undergrads, but for graduate students who could roll in both their undergrad and their graduate school debt and got the exact same terms as undergrads were far more likely to be on track to receive a big loan forgiveness benefit. And I think what the House Repayment Assistance Plan does is it addresses that issue.

So, there's no giant sort of, you know, lottery ticket at the end of your student loan balance for graduate borrowers. They do that by extending the payment term out to... 30 years? Um But then they add new benefits. I think that can be equally earned by undergraduates and graduates, regardless of their level of debt. And that's... You know, stopping the interest accrual for loans, you know where the interest would otherwise pile up and also adding a principal subsidy. So, I think, you know, from like two different corners of the policy community, there have been those complaints about this plan. One is that it wasn't generous enough on the interest part and that it was too generous for graduate students and they solved both of those things.

S. TURNER: Let's see if I can do some quick comments, just adding on. Um, so, uh- a front and center for me, a sort of key issue. Is... a policy stability uh, for, uh, borrowers going forward under the RAP plan, we'd actually be changing the terms for a set of borrowers who thought that they agreed to a given set of plans, what can be changed by when Congress could then be changed again by another Congress, and that is, I think, something that is particularly challenging as no matter where you stand on the policy details. A well-understood, a clear and functioning student loan system, it is really needed here. And then the second issue, again, without getting too far into the weeds. The loan limits become more generous for undergraduates, much less generous for graduate students. It's very... And we still don't have any underwriting in the sense of tailoring the amount that you can borrow to expected program outcomes. And that is likely to still lead to some students borrowing too much. And other students particularly in health professions and the like not having enough access to loans and that's a challenge.

L. TURNER: The one thing I'll say that is. Not about rap directly, but about problems potential problems with the student loan system is that the house proposal also has provision for risk sharing. Whereby institutions would. Be on the hook to repay some portion of their borrowers student loans at certain conditions. Aren't met! This is You know, it seems like it would be complicated to administer logistically. But I think it does potentially address... One of the problems on the front end, which is students going to schools that are not providing a very good return on investment. It does so indirectly by having institutions put some skin in the game. So right now, the risk of taking out student loans that Don't pay off is borne by borrowers and is born by taxpayers uh, due to forgiveness policies and subsidies, but really institutions, there's, there is very little risk involved with making student loans to borrowers who won't repay. One way to do that is what Sarah mentioned, having there be an interest rate that takes into account the risk of the loan. But there's other ways to do it too, through accountability, through risk sharing. And so, I think that is worth mentioning as well.

REBER: Thanks, so we should, I want to go back to you Jason to just ask like procedurally, so this is the house. Uh... Committee proposal uh... What you know, what else needs to happen? What's going on in the Senate? Do we like do we think that this is, you know likely to be what Ends up. Being the new plan.

DELISLE: Yeah, not to sound too simplistic, but the House and Senate have to pass the exact same bill. In order for it to become law, and then the president has to sign it. So, what we've gotten so far is the House version of this budget reconciliation bill. And I think it's the important thing. I guess what's important here is that it is a budget reconciliation bill, which means it cannot be filled a budget. It only needs a simple majority to pass. It has to follow a bunch, there have to be a bunch of rules in place, and the bill has to comply with those. There has to be budget bill, but, but... I think that that's the main factor here. So, what we've seen so far is the Senate. I mean the House has put it through committee They haven't put it to the full house in fact, we just had we just saw a procedural vote fail in the house on the full on the whole package. So not a full vote in front of the house yet. We haven't seen anything from the Senate yet So we even know really where they're headed in terms of what they might want to do. So, we're looking, we're very early actually in this process. Historically, budget reconciliation bills tend to get finished around August. But I've seen some go as late as Christmas.

REBER: Thanks, OK, so that's important context that this is not a thing that is necessarily exactly what's going to be law, but is somewhere early-ish in the process. And I want to just circle back a little bit. We talked about the new system, where there would be one IDR plan and some changes to the standard payment plan, which I think we're in agreement that that's simplification, particularly if there could be some certainty about it going forward, which may be difficult because a future Congress always could change it. But for all the borrowers who have been experiencing this turmoil for the last five years, and maybe now they're in forbearance or they're an IDR plan, they're trying to get into IDR, assuming that this bill does become a law, and I'm happy to hear that the procedure for a bill becoming a law still involves both houses adopting it and the president signing it. If that would occur, what is gonna be the experience for all these existing borrowers who are in, in, you know, already in repayment or have already borrowed. I don't know who wants to. Take a stab at that.

DELISLE: But I mean, I'll jump in if nobody else will. But the, I mean, one issue that we already sort of alluded to is this injunction of the SAVE plan. And part of the court challenge to the SAVE Plan is challenging other parts of the other student income driven repayment plans that are in existence. And so, one of the things I think that Congress is looking to do in this reconciliation bill is also provide clarity, legal clarity for those plans or some alternative to them for existing borrowers. So, they have so that we know what their situation is. We know what plan they can access. And we know what their terms are, and I get the sense that the courts may be waiting to rule, to issue a final ruling on the SAVE plan and those other plans, because it looks like some sort of congressional action is imminent.

REBER: Thanks. Any other thoughts on how this might resolve for the? Current borrowers.

L. TURNER: So, I don't really have an answer to that, but one thing I'll mention is that the sort of ultimate outcome of the SAVE Court case. Matters in that the cost savings of any reconciliation are relative to status quo, and status quo currently includes SAVE, which is quite generous, and so. If SAVE was not an option, that would affect the savings. Not to pun, the savings from any changes to student loan repayment plans.

REBER: Great, so I think I'm gonna go to some questions that came from the audience. And I'll start on a follow-up of something Lesley talked about and also, Jill, in the beginning, you mentioned private loans don't get enough attention and then we didn't talk about it. And we had a question come in. For Lesley, but I think maybe Jill can also speak. Doesn't risk sharing incentivize schools to exit the federal student loan program, which leaves students with riskier private. Options. So, maybe, Lesley, if you could speak to potential downsides of the risk sharing and Jill to how private loans fit in with that. Or more generally.

L. TURNER: The big difference is that private student loans screen on credit worthiness. And so. For borrowers who are taking on federal student loans and not repaying them due to program is not providing a return on investment. I think it's reasonable to assume that the private market would also take that into account and potentially not offer private student loans to students attending those programs.

DESJEAN: Yeah, I guess I'll just tap on there that probably true that becomes an access issue. You know, I think at maybe like open access schools where, you know, they're not controlling who's coming to their school. They're not controlling who's borrowing they already many of them don't like a community colleges don't participate in the federal student loan programs because they're not pre-screening their applicants to sort of weed out the people that they think will be able to complete, be able be successful in the workforce or taking a chance on students. And so, they don't offer them the federal student loan programs. If private loan programs were the only option for some students, then college would not be an option for students. So, when you're forcing people into the private market, yes, you're passing the risk off for the risk to taxpayers for non-repayment, but you're placing some of the risk on students who might not have the opportunity to attend college.

L. TURNER: I think that's an important point that Jill raises about the open access public institutions. And I sort of think there's two sets of institutions that could be affected by risk sharing or any sort of accountability policy that applies to all sectors and the solutions are potentially different. So, I think we've already talked about the for-profit sector, so on average tends to have the worst outcomes for students in terms of their earnings and in terms their loan repayment. And then there's the open access four-year public institutions, community colleges that are under resourced, so they're sort of state appropriations have fallen, they are... Potentially doing the best they can with the resources that they have. And so. I think... You know, risk sharing will potentially affect. Both types institutions, although I even in community colleges that participate in federal loan programs, borrowing rates are quite low. That's sort of the lowest borrowing rate out of any sector.

Um, but I think I just would say you know, access to a school that time and money but doesn't provide any return on investment isn't necessarily a good thing. That's not to say that there's sort of additional provisions that could benefit. Open access institutions that are under resource and potentially could provide a good return on investment, but. I don't think access is necessarily um... Guaranteeing of success.

DELISLE: I would jump in on the on the risk sharing thing. I mean, you know, most of the conversations about the risk sharing and the risk-sharing provisions in the House bill are about the concept of risk sharing. But if you look at the real details, people who tend to be for it are for the concept. But you look at the details of the risk-sharing in the House plan. And it is extremely difficult to figure out what it will do. It's a very complicated, I would say, maybe eight- or nine-part formula for determining how much a school would pay, there is only one known analysis out there of what it would actually do by school. And with not a lot of detail on how those numbers were arrived at.

The other piece of the risk sharing thing that I think would, could, you know what I will probably be its undoing or force many schools to collapse or just go out of business right, or leave the program is that the risk-sharing payments are cumulative and every either and every year. So you're going to make a college is going to make risk sharing payments in year one for cohort one but in year two they'll make another set of risk-sharing payments for that old cohort plus the new cohort and every here, so on and so forth until you get to about 30 years when a new cohort of students replaces the old cohort of students. So, you imagine a school having to make 30 years’ worth of risk-sharing payments in one year. I just, I don't see it happening. I either see like... Congress turning that off when it finally kicks in, or someone realizing that's what happens. I just, I think there's too many surprises in a complicated formula like that for it to really survive.

REBER: Thanks. Okay, so.

S. TURNER: So, just piggybacking on this in terms of the complexity that Jason mentioned. Actually, implementing something like that when you've cut half the staff at FSA is going to be near to impossible. That is to get implementation right requires resources. And not only are these new complicated plans going to be very resource-intensive in terms of implementation no matter where you end in terms of a revised IDR program there needs to be planning for transition and assistance with getting it helping people to enroll and adjust to what is hopefully a new steady state.

L. TURNER: I will jump in here as well, which on a fairly minor point, but several pieces of the House bill relate to the median cost of attendance for a program of study. And that information isn't currently available to the Department of Education. Um, it, it would be collected under the Biden administration's gainful employment regulations. There's sort of an accountability piece to that and then a data collection piece, but. Um, if that uh, struck down or withdrawn, then there's no way to determine the median Attendance for a program of study.

REBER: That's great. You answered another question that came in from the audience just there. So, but now in the... Five or six minutes we have left. I want to talk about public service loan forgiveness, PSLF. We got quite a few questions about PSLF and the future. And as one person puts it, is PSLF still a thing? And another says, for those of us who've been participating in the PSLF program, the auto payments stopped last fall. We're told that things were frozen due to the lawsuits and making payments since then. What is the best way forward in the midst this uncertainty? I guess maybe we can start briefly by just describing what the PSLF program is and then what, is it still happening, do we expect changes to that program, and how does it relate to the mess we were talking about earlier in terms of the litigation and all of that? So, we have six minutes left. I think we can hit these. So, who wants to describe what PSLF. Is.

S. TURNER: Let me see if I can do it really efficiently because I want to hear from Jill, Lesley, and Jason. So PSLF is coupled with an income-driven repayment program. Could be any of the income-driven repayment programs. To answer the first question, yes, PSLF is still a thing. It was part of 2007 uh... legislation, uh, so, it's- it, um, 10 years. 120 qualifying payments. Uh... And that is part of the law. Now. Um, there has obviously been a lot of, um, challenges under the litigation, but yes, PSLF is still a thing. I'm going to let others pick up from there.

REBER: So, Jill, do you?

DESJEAN: Um.

REBER: Yeah, thoughts on PSLF?

DESJEAN: Yeah, I think broadly speaking, just in terms of where PSLF is right now, confusing, yes, because people who are on SAVE right now are in this temporary forbearance, but they're not making progress toward PSLF. They're needing to make hard choices about do I switch out to an Expensive repayment plan or do I kind of wait this thing out even though I know that SAVE will eventually no longer be a thing and then figure out what happens to me at the end of it. Once you sort that out, there's also this buyback process where people who've been in this forbearance for all this time can actually go and make retroactive payments. So that they can have their time that they spent in service actually count toward their 120. Qualifying payments, but I think that is going to be really hard operationally because the Department of Education is half the size it used to be, and my understanding is the buyback calculations are largely manual, so I think that is going to be hard for people to figure out, and they're going to be waiting a really long time to even figure out how they can buy back to get into PSLF.

REBER: And are there changes to PSLF in the House bill or, you know, in the ether?

DESJEAN: There's a minor change to PSLF in the bill, but I will note that the aggregate limits on the undergraduate and graduate borrowing in the House bill will have an indirect impact on PSLF, because PSL becomes a lot less appealing when you have less debt to forgive. If again, going back to the private loan conversation, right, if you're a doctor and most of your debt comes from private student loans, you might be less incentivized to go into public service just for PSLF, because it's not going to give you as much of a benefit and you're still going to be paying off all of the private loan debt that you took on. And then, of course, there's a separate negotiated rulemaking process that's about to start in July that is actually going to go after certain types of not-for-profits and potentially eliminate their eligibility for their employees to be able to benefit from PSLF. Some more to come on that.

DELISLE: And I would just put a fine point on that, that the House Republican bill, for all the changes it makes to save money in the student loan program around income driven repayment and loan limits, doesn't directly change anything with PSLF. They don't repeal it, they leave it in place, the rules are essentially all the same. There's a minor change for, they’re not going to count residency for doctors. But otherwise, you know, so that's, I mean, that's a pretty big deal. So, you, know, to the question that came in, is it a thing? I mean I would say it's so much a thing that Republicans won't even touch it.

REBER: And it... Could potentially be a big savings to, it's a pretty expensive program now.

DELISLE: Yeah, it's about a third of the cost of the income-driven repayment. It's the whole system.

DESJEAN: Jason, yes, the PSLF has always enjoyed bipartisan support.

REBER: Okay, so I'm gonna put out one more question. How do we expect these changes to affect college going rates? Any thoughts on that?

DESJEAN: If no one else has anything, I don't have any predictions. So, don't, don't look for anything mind blowing from me right now. But, um, I do think there's just, there's so much confusion. I keep coming back to this, but, you know, so hard to get real information. Our members are telling us that students are literally calling them with questions like "Hi, now that there's no more Department of Education, will I get a Pell Grant disbursement next month?" Or "now that there's no more Department of Education, do I have to pay my student loans back?" A, there is still a Department of Education. Be those things are separate from that, you know, so like It is really hard, like it's great when these things make their way into the popular media so that people know these issues are happening but it's bad in that people don't get the nuance, they get a little bit, they absorb what they want to or what they have time to. And then they're even more confused. So... Yeah, I'll just, that's all I have to say there.

REBER: Well, thank you so much. I think that this has been a theme of our discussion, that there's a lot of complexity. There's a lotta confusion. It's not gonna be resolved. Super quickly, but it seems like there may be some changes coming down, and I really appreciate this panel for coming to talk about these issues with us, and thanks to everyone in the audience for listening.

DELISLE: Thanks, Sarah. Thank you.