

United States Senate

WASHINGTON, DC 20510

September 12, 2022

President Joseph R. Biden
The White House
1600 Pennsylvania Ave NW
Washington, D.C. 20500

Dear President Biden:

Thank you for extending the pause on federal student loans and your plan to provide student debt cancellation for the millions of Americans in need of immediate relief. This meaningful cancellation will provide relief to 95% of all federal student loan borrowers,¹ changing the lives of millions of Americans held back from financial stability and economic opportunity by the burden of student loan debt.

We write to urge you to consider Parent PLUS borrowers in any administrative changes and executive actions you undertake to improve the Department of Education's (Department's) student loan programs and provide student loan relief.

Currently, there are over 3.6 million Parent PLUS borrowers owing more than \$107 billion, accounting for about 10% of all student loan debt.² Congress created the Parent Loan for Undergraduate Students (Parent PLUS) loan program in the 1980 reauthorization of the Higher Education Act to meet demands for increased federal student lending and as a response to families who needed assistance covering their expected family contribution.³ In 1992, Congress removed caps on this type of lending, allowing parents to borrow up to the full cost of attendance and increasing access to higher education opportunities for students with the greatest need.⁴

However, the increased access to lending came at a high cost for parent borrowers and their families. The Parent PLUS program has less favorable terms than other types of federal student loan programs, including higher interest rates and origination fees. Under the Higher Education Act, the origination fee for Parent PLUS loans is nearly four times higher than the origination fee for Stafford loans offered by the Department of Education (Department).⁵ In addition, the current interest rate for Parent PLUS borrowers is nearly double⁶ the interest rate of other types of undergraduate loans offered by the Department, with an astounding cap of 10.5%

¹ Brink, M. (2022, August 25). *Inside Biden's Debt Relief Plan*. Inside Higher Ed. Retrieved from <https://www.insidehighered.com>.

² The Office of Federal Student Aid. "Portfolio by Loan Type." United States Department of Education. Retrieved from <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfoliobyLoanType.xls>.

³ Baum, S., Blagg, K., & Fishman, R. (2019, April 16). *Reshaping Parent PLUS Loans: Recommendations for Reforming the Parent PLUS Program*. Retrieved from <https://www.urban.org>.

⁴ S. 1150 *Higher Education Amendments of 1992*. Retrieved from <https://www.congress.gov/bill/102nd-congress/senate-bill/1150>.

⁵ See HEA §455(c)(1)&(2).

⁶ The Office of Federal Student Aid. "Interest Rates and Fees for Federal Student Loans." United States Department of Education. Retrieved from <https://studentaid.gov/understand-aid/types/loans/interest-rates>.

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for these borrowers.⁷ High origination fees and high interest rates for Parent PLUS borrowers have forced the lowest income borrowers, Black, Brown, and older borrowers to face difficult tradeoffs in order to keep up with student loan payments, resulting in possible loan default or, in the case for some seniors, offsets in Social Security benefits.

Recent studies show that an increasing number of Parent PLUS borrowers are among the lowest income families receiving Pell Grants, have among the lowest estimated family contributions (EFCs), and are typically parents of students attending public institutions or Historically Black Colleges and Universities (HBCUs). Parent PLUS loan debt also impacts low-income Black and Latino families disproportionately. A study based on Department calculations found that, in 2018, about 42% of Black Parent PLUS borrowers and 26% of Latino/a Parent PLUS borrowers had a zero EFC, while only 8% of white Parent PLUS borrowers had a zero EFC.⁸ A substantial portion of the children of Parent PLUS borrowers are Pell recipients, including 50% at public colleges and universities, 71% at for-profit colleges, and 80% at HBCUs.⁹

Upon graduation, the average Parent PLUS loan debt held by a student's family member is \$30,860.¹⁰ After ten years of repayment, over half of that initial balance remains, due in part to high interest charges each month. Parent PLUS borrowers for students who attended the fifty colleges with highest shares of white undergraduate students owe an average of 47% of their principal over the same time period. For Parent PLUS borrowers whose children attended the fifty colleges with highest shares of Black undergraduate enrollment their remaining balance is higher, owing an average of 96% of their loan principal after ten years of repayment.¹¹ These disparities in repayment outcomes, coupled with the systematic barriers that Parent PLUS borrowers face in accessing student loan forgiveness programs, if left unaddressed, could exacerbate the racial wealth gap for families across this nation.

Parent PLUS borrowers who are disabled, seniors, or approaching retirement are at risk of being pushed into precarious financial circumstances. In 2016, the Government Accountability Office (GAO) reported that 55,200 disabled or retired Parent PLUS borrowers had defaulted on their student loans, and over 13% of those borrowers saw portions of their Social Security benefits garnished as a result. Additionally, more than half of borrowers who had such offsets in fiscal year 2015 were receiving Social Security disability benefits rather than Social Security retirement

⁷ Hegji, A. (2021, June 21). *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*. Congressional Research Service. Retrieved from <https://www.crs.gov>.

⁸ Granville, P. (2022, May 31). *Parent PLUS Borrowers: The Hidden Casualties of the Student Debt Crisis*. The Century Foundation. Retrieved from <https://www.tcf.org>.

⁹ Ibid.

¹⁰ National Center for Education Statistics. "Table 331.95." Institute of Education Sciences. Retrieved from https://nces.ed.gov/programs/digest/d21/tables/dt21_331.95.asp.

¹¹ Granville, P. (2022, May 31). *Parent PLUS Borrowers: The Hidden Casualties of the Student Debt Crisis*. The Century Foundation.

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income.¹² While Parent PLUS loans account for about one in fourteen of all outstanding federal loans,¹³ the GAO reports that one in three of the senior borrowers whose Social Security payments were subject to offsets had a Parent PLUS loan at some point in time.¹⁴ Social Security was designed to help Americans achieve the secure retirement they have earned and provide a critical safety-net for people with disabilities who are unable to work. Parent PLUS loans should not force seniors into a difficult retirement and financial vulnerability.

Furthermore, Parent PLUS borrowers are met with limited options in regard to federal student loan forgiveness programs. Parent PLUS loans are ineligible for all but one of the Department's income-driven repayment (IDR) plans, which calculate borrowers' payments based on a percent of discretionary income and family size. Parent PLUS borrowers are only eligible for the income-contingent repayment (ICR) plan, which requires borrowers to pay the highest share of discretionary income of all the IDR plans.¹⁵ Parent PLUS borrowers also face numerous hurdles to qualify for the Public Service Loan Forgiveness (PSLF) program. To qualify under current law, Parent PLUS borrowers must consolidate their loans into Direct Loans and enroll in the income-driven repayment plan that is the least generous to borrowers. Like all borrowers seeking PSLF, they must also make 120 qualifying monthly payments within 15 days of the due date and certify employment for a qualifying employer for jobs held on or after October 1, 2007. Borrowers are only eligible if they, not their child, are in qualifying employment. The PSLF program is a promise to borrowers who pursue careers in service that the government will support them with loan relief. To fulfil this promise to public servants, we must also recognize student families' contributions to financing their children's education through costly Parent PLUS loans.

We are pleased to see the pause on federal student loans extended through December 31, 2022 and the Department's proposed rule to allow eligible borrowers to cap monthly payments on undergraduate loans at 5% of their monthly income – down from 10% today – while shielding more income from repayment and preventing debts from ballooning over time. We especially applaud this Administration's cancellation of up to \$10,000 per borrower making less than \$125,000 a year (for an individual) or \$250,000 (for married couples and heads of household), and the up to \$20,000 for such borrowers who received Pell Grants. We know that this Administration is deeply committed to reducing wealth disparities in our nation by tackling student loan debt for all borrowers, including Parent PLUS borrowers. Thus, we urge you to ensure the additional \$10,000 in student debt forgiveness is extended to Parent PLUS borrowers whose children were Pell Grant recipients, granted they meet the same income thresholds established in your student loan cancellation plan. These borrowers demonstrated significant financial need at the time they borrowed the PLUS loan, as evidenced by the fact that their

¹² Bawden, A. (2016, December). *Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief*. United States Government Accountability Office. Retrieved from <https://www.gao.gov/assets/gao-17-45.pdf>.

¹³ Granville, P. (2022, May 31). *Parent PLUS Borrowers: The Hidden Casualties of the Student Debt Crisis*. The Century Foundation.

¹⁴ Bawden, A. (2016, December). *Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief*. United States Government Accountability Office.

¹⁵ The Office of Federal Student Aid. "Income-Driven Repayment Plans." United States Department of Education. Retrieved from <https://studentaid.gov/manage-loans/repayment/plans/income-driven>.

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students qualified for Pell Grants based on family income. Like student borrowers who received Pell Grants, these borrowers also face numerous barriers to successful repayment and should receive relief.

We appreciate the Administration's historic efforts to address the past failures of the federal student loan programs and the harm done by institutions and pervasive mismanagement by loan servicers. However, we remain concerned that in some of these actions Parent PLUS borrowers have been left out. The Department's April 2022 announcement on the forthcoming IDR payment adjustment neglected to specifically address ways that the waiver would address shortcomings of the program for Parent PLUS borrowers. Under the limited PSLF waiver, Parent PLUS loans alone, even if consolidated, are not eligible. Without addressing this group of borrowers, any improvements to these programs will fall short in adequately addressing the multigenerational student loan debt crisis many families are facing.

By reducing barriers to this program for Parent PLUS borrowers and ensuring they are included in debt relief, we will move one step closer to remedying program-wide issues for these borrowers, narrowing the wealth gap, and addressing our country's student loan debt crisis. We strongly urge the Administration and the Department of Education to incorporate Parent PLUS borrowers in any administrative improvements to federal student loan programs, including the Public Service Loan Forgiveness and Income-Driven Repayment programs, extensions or creation of waivers, and in the implementation of executive actions to provide student debt relief.

Thank you for your consideration of this request.

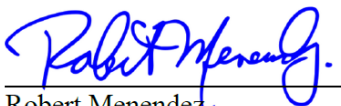
Sincerely,



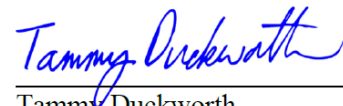
Chris Van Hollen
United States Senator



Sherrod Brown
United States Senator



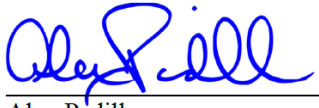
Robert Menendez
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Tammy Duckworth
United States Senator

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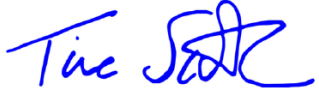
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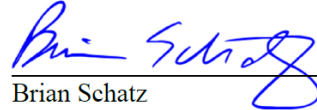
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