Loan Sharks: The Case Against Parent PLUS Loans

By “Coach Vance” Trefethen

***Resolved: The United States federal government should substantially reform its banking, finance, and/or monetary policy.***

PARENT PLUS loans are loans provided directly by the US federal government (Dept. of Education) to parents of college students to pay for college expenses. There is no maximum limit on the amount of money they can borrow and the credit checks are minimal. Homeless people and minimum-wage workers have been known to qualify for many thousands of dollars in Parent PLUS loans, making them sound a lot like the “predatory” loans that the government is always trying to shut down when private lenders do them.

And it’s difficult or impossible to escape once you’ve signed up, since normally even bankruptcy does not discharge such loans. Colleges have a habit of deceiving parents by listing PLUS loans as part of the total package, along with aid, scholarships, work/study, allowing colleges to get off the hook for making college more affordable and tricking parents into thinking they’re some kind of “aid,” when in fact they are simply massive debt.

This plan simply abolishes Parent PLUS loans. Justification 4 answers pretty much all Negative objections: Those who need Parent PLUS loans can’t pay them back. Those who can pay them back don’t need them.  
  
Note: Don’t mix these with Graduate Student PLUS loans, which are a separate issue and not covered by this plan.

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Finance Policy. Student loan programs, and regulations to prevent abusive lending practices, are part of financial markets and finance policy. 4

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Average of all Parent PLUS loans is $25,600 but it’s rising. Loans starting in 2014 average $38,800 9

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Parent PLUS loans are rapidly growing, and colleges deceive parents into signing up for them 10

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Parent PLUS loans have high interest rates and result in high costs to the borrowers 12

College Affordability 12

Loans provide unlimited funding, so colleges can jack up prices with no incentive to contain costs 12

PLUS loans sabotage efforts at college affordability by destroying incentives for schools to reduce costs 12

Loans enable colleges to overcharge for low-value programs 13

A/T “Federal programs don’t ‘cause’ higher tuition” – Regardless, they enable it and remove incentives for cost control 13

A/T “Studies find no link between federal aid and tuition hikes” – They didn’t study PLUS loans separately, which do give an incentive for it 13

Predatory Lending 14

Colleges steer parents toward PLUS loans with no regard for ability to pay them back 14

Unqualified borrowers. PLUS loans are targeted to people we know can’t pay it back 14

Parents are led to believe PLUS loans are part of a financial aid package. Colleges push PLUS loans even though they’re more expensive 14

Colleges deceive students & parents by telling them PLUS loans are part of their financial aid 14

Parent PLUS loans are predatory lending that put parents too deeply in debt 15

Parents deceived: They’d be far better off with a second mortgage, but they’re trapped into thinking government loans are safer 15

Parent PLUS program is so bad that if it were offered by a private company, the government would stop them 15

No safeguards and no limits means parents can get into a deep hole 15

Lives hurt: 41,000 Parent Plus borrowers had Social Security checks garnished in 2015 16

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Parent PLUS loans should be terminated: It increases debt while failing to ease the cost of college over time 16

We need to end overreliance on PLUS loans: They just enable colleges to keep demanding more money 16

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A/T “Poor can’t afford college without loans” 17

Turn: Poor can’t afford college BECAUSE of loans 17

A/T “Historically black colleges & universities (HBCUs) lose money” 17

Black college advocate Johnny C. Taylor agrees with AFF: PLUS loans are not the answer 17

Even Pres. Obama admitted: HBCU’s are failing their students and should be allowed to fail themselves 17

A/T “Students harmed by not getting loans / missing out on college” 18

Do community college instead: Community colleges are already tuition-free for most low-income students. 18

Do community college instead: Pell Grants provide free community college for financially disadvantaged students 18

1) Many aren’t graduating. 2) The students aren’t ready for college. 3) They don’t get valuable skills 18

College doesn’t necessarily ensure “better jobs”: Too many are majoring in fields that don’t get jobs 18

College doesn’t guarantee good jobs and there are lots of good jobs that don’t require college 19

A/T “Building human capital” 19

Not building anything: PLUS loans destroy parents’ futures 19

A/T “Loan payments help reduce the federal deficit” 19

There is no federal deficit crisis 19

Deficit panic distracts us from real crises we need to deal with today. 20

Historical example: Experts were whining about the deficit 10 years ago and missed the housing bubble disaster. Oops! 20

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Loan Sharks: The Case Against Parent PLUS Loans

One federal student loan program is so abusive it’s been compared with loan sharking worthy of “The Sopranos.” If it were offered by the private sector, the federal government would shut it down. Please join my partner and me as we affirm that: The United States Federal Government should substantially reform its banking, finance, and/or monetary policy.

OBSERVATION 1. We offer the following DEFINITIONS.

Finance Policy. Student loan programs, and regulations to prevent abusive lending practices, are part of financial markets and finance policy.

Cheryl R. Cooper 2019 (Analyst in Financial Economics with Congressional Research Service, the non-partisan policy research agency of Congress) 12 July 2019 “An Overview of Consumer Finance and Policy Issues” <https://www.everycrsreport.com/reports/R45813.html>

In consumer finance, three types of policy interventions are common: (1) standardized consumer disclosures; (2) regulation to prevent deceptive, unfair, or abusive financial institution practices; and (3) regulation to prevent discrimination in consumer-lending markets. Yet, policymakers need to be aware of unintended consequences of proposed policies, and often find it challenging to determine whether a policy intervention will help or harm a particular market's efficiency.

**END QUOTE. She goes on to say later in the same context QUOTE**:

The major consumer financial markets include mortgage lending, student loans, automobile loans, credit cards and payments, payday loans and other credit alternative financial products, and checking accounts and substitutes.

Parent PLUS Loans

Zack Friedman 2018 (former chief financial officer of an international energy company, a hedge fund investor, and worked at Blackstone, Morgan Stanley, and the White House) FORBES magazine 3 Dec 2018 “Here's How Parents Can Repay Parent PLUS Student Loans” <https://www.forbes.com/sites/zackfriedman/2018/12/03/parent-plus-loans-repayment/#e4f6d0639b56>

A PLUS loan is a federal loan that graduate students, or parents of dependent undergraduate students, can borrow to pay for college or a career school. Parent PLUS Loans, in particular, refer to loans borrowed by parents on behalf of a dependent undergraduate student. The parent is the borrower, and the lender is the U.S. Department of Education. A parent can borrow an amount up to the cost of attendance, less any financial assistance received.

OBSERVATION 2. INHERENCY, or the conditions of the present system. One simple FACT:

3.4 million borrowers owe $87 billion, and it’s growing rapidly.

Zack Friedman 2018 (former chief financial officer of an international energy company, a hedge fund investor, and worked at Blackstone, Morgan Stanley, and the White House) FORBES magazine 3 Dec 2018 “Here's How Parents Can Repay Parent PLUS Student Loans” <https://www.forbes.com/sites/zackfriedman/2018/12/03/parent-plus-loans-repayment/#e4f6d0639b56>

According to recent [data](https://www.brookings.edu/research/parents-are-borrowing-more-and-more-to-send-their-kids-to-college-and-many-are-struggling-to-repay/), at least 3.4 million Parent PLUS borrowers owe $87 billion (not including any consolidated loans). That represents approximately 6% of total outstanding student loan debt of $1.5 trillion. The rise in Parent PLUS Loans has been driven by increased tuition, the elimination of borrowing caps and regulatory changes, among other reasons. Today, the average Parent PLUS Loan balance is $25,600, with annual borrowing amounts having more than tripled over the last 25 years.

OBSERVATION 3. We offer the following PLAN implemented by Congress and the President

1. Congress votes to amend Title IV of the Higher Education Act to abolish the federal Parent PLUS loan program   
2. Timeline: New lending ends 6 months after an Affirmative ballot. Existing loans must be paid back by their current due date or Dec 31, 2040, whichever comes first.  
3. Affirmative speeches may clarify.

OBSERVATION 4. JUSTIFICATIONS

JUSTIFICATION 1. Financial train wreck

1. The Problem: Over ½ million PLUS loans are delinquent

Josh Mitchell 2017 (journalist) 24 Apr 2017 The U.S. Makes It Easy for Parents to Get College -2-, FOX BUSINESS NEWS <http://www.foxbusiness.com/features/2017/04/24/u-s-makes-it-easy-for-parents-to-get-college-2.html>

As of September 2015, more than 330,000 people, or 11% of borrowers, had gone at least a year without making a payment on a Parent Plus loan, according to the Government Accountability Office. That exceeds the default rate on U.S. mortgages at the peak of the housing crisis. More recent Education Department data show another 180,000 of the loans were at least a month delinquent as of May 2016.

1. The train wreck: PLUS loans have high default rates and massive bills that can’t be paid back

Mike Shedlock 2017 (registered investment advisor representative for SitkaPacific Capital Management) 24 Apr 2017 “Parent Plus Student Loans: How to Screw Parents and Kids in a Single Shot” <https://mishtalk.com/2017/04/24/how-to-screw-parents-and-kids-in-a-single-shot/>

It’s easy to get student loans thanks to the aptly named “Parent Plus” program, a subprime loan trap that ensnares parents plus their college-age children. The program was enacted by Congress in the 1980s, but president Obama promoted it heavily. The results speak for themselves: Nearly 40% of the loans are subprime. The default rate exceeds the rate for U.S. mortgages at the peak of the housing crisis. Kids graduate from college with useless degrees, plus parents and kids are stuck with massive bills that cannot be paid back.

JUSTIFICATION 2. College affordability

A. Link: Unlimited borrowing allows colleges to keep raising prices to get as much “free” money as they can

Andrew P. Kelly 2015 (director of the Center on Higher Education Reform at the American Enterprise Institute, a non-profit, non-partisan public policy research organization) “Reforming higher education finance to align the incentives of colleges, students, and taxpayers” 30 Sept 2015 testimony before the Joint Economic Committee (the “Bennett Hypothesis” suggests that more federal money for education, supposed to make college more affordable, actually makes it more expensive by giving colleges an incentive to raise prices to collect more of the free money) <https://www.aei.org/wp-content/uploads/2015/09/Kelly-JEC-Testimony-Student-Loans_Final1.pdf>

First, the federal aid system essentially empowers colleges to capture as much federal aid as they can—both by increasing sticker prices of tuition but also through price discrimination. Federal aid programs determine how much aid a student is eligible to receive by comparing a students’ “Expected Family Contribution” (generated by a formula that incorporates family income and family size) to the cost of attendance. Institutions set their own cost of attendance, and as it increases, so does the amount of aid students receive. Researcher Andrew Gillen has described this as “an invitation to raise tuition” and a main driver of the Bennett Hypothesis. Undergraduate loans feature annual and lifetime limits, but loans for parents and graduate students (PLUS Loans) allow for unlimited borrowing up to the cost of attendance.

B. Link: Higher cost means fewer can go to college

Daniel Pianko and Michael Horn 2017 (Pianko – Co-Founder and Manageing Director, University Ventures. Horn – Principal Consultant, Entangled Solutions and Co-Founder, Clayton Christensen Institute for Disruptive Innovation) " The Progressive Case for Income Share Agreements" 7 Feb 2017 <https://www.realcleareducation.com/articles/2017/02/07/the_progressive_case_for_income_share_agreements_110116.html>

The specter of high college costs deters far too many low-income students and families away from higher education. Perhaps with good reason: over [20 percent](https://trends.collegeboard.org/sites/default/files/2016-trends-student-aid_0.pdf%3E) of federal aid comes in the form of a parent co-signed loan. But few students from disadvantaged backgrounds have such a co-signer. And if they do, that low-income co-signer is on the hook for the total value of the loan. As it turns out, our loan-based system of student aid—designed to unlock the democratic promise of higher education—cares a lot more who your parents are than what your major is.

C. The Impact: Lost economic benefits. College education brings economic growth for everyone and economic self-sufficiency for the graduates

J. Noah Brown 2015 (President & CEO of Association of Community College Trustees) 31 Aug 2015 <https://evolllution.com/managing-institution/government_legislation/americas-college-promise-will-mend-our-economy/> (brackets added to correct a typographical error in the original)

- An estimated 60 percent of job openings will require at least an associate degree or higher by 2020, and many of those in the other 40 percent do no[t] provide a livable wage for American families.  
- The average internal rate of return for the nation’s students earning their associate’s degrees in community colleges is 17.8 percent.  
- Individuals with at least two-years of college earn 38 percent more than those with only a high school diploma or its equivalence—and the gap is widening.  
These data are evidence of real return on investment. Business leaders would do summersaults over profitability results such as these. America is no different. The investment in college will reverse the decades-long slide in educational attainment that is eroding our GDP and our ability to compete with nations that have upped their game by investing more as a percent of their wealth in the education of their people. More important, it moves us closer to fulfilling the true promise of America—that each new generation will do better than their parents and achieve greater economic self-sufficiency.

JUSTIFICATION 3. Predatory lending

1. Unethical behavior. If Bank of America did something like PLUS loans, the government would stop them

Josh Mitchell 2017 (journalist) 24 Apr 2017 The U.S. Makes It Easy for Parents to Get College -2-, FOX BUSINESS NEWS <http://www.foxbusiness.com/features/2017/04/24/u-s-makes-it-easy-for-parents-to-get-college-2.html> (brackets in original)

The program checks only a borrower's past five years of credit for major blemishes such as bankruptcy or foreclosure, and the past two years for delinquency on debts of more than $2,085. Consumer counselors are hearing from borrowers who make as little as minimum wage but borrowed tens of thousands of dollars and now can't repay. Some expected their children to get good jobs and pay off the loans for them. In many cases, their balances have grown with interest -- most Parent Plus loans issued over the past decade carried rates of between 6% and 8% -- and thousands of dollars in fees the government charges when borrowers default. Federal law prohibits borrowers from discharging student loans in bankruptcy, except in extremely rare circumstances. Instead, the government reduces tax refunds and Social Security checks of borrowers, leaving some with below-poverty incomes, the GAO reported in December. "If Bank of America did that, Sen. [Elizabeth] Warren would have them in the biggest hearing you've ever seen," says Betsy Mayotte, a consumer advocate and student-loan expert.

1. The Impact: Lives ruined. PLUS loan debt ruins lives and hurts the families they were intended to help

CHRONICLE OF HIGHER EDUCATION 2012 (journalists Marian Wang , Beckie Supiano and Andrea Fuller) 4 Oct 2012 “The Parent Loan Trap” <http://www.chronicle.com/article/The-Parent-Loan-Trap/134844>

A joint examination by ProPublica and The Chronicle of Higher Education has found that PLUS loans can sometimes hurt the very families they are intended to help: The loans are both remarkably easy to get and nearly impossible to get out from under for families who’ve overreached. When a parent applies for a PLUS loan, the government checks credit history, but it doesn’t assess whether the borrower has the ability to repay the loan. It doesn’t check income. It doesn’t check employment status. It doesn’t check how much other debt—like a mortgage or other student loans—the borrower is already on the hook for. “Right now, the government runs the program by the seat of its pants,” says Mark Kantrowitz, publisher of two authoritative financial-aid Web sites. “You do have some parents who are borrowing $100,000 or more for their children’s college education who are getting in completely over their heads. Those parents are going to default, and their lives are going to be ruined, because they were allowed to borrow far more than is rational.”

JUSTIFICATION 4. Uselessness Dilemma

Those who need the loans the most can’t pay them back. Those who can pay them back don’t really need them

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

In another hearing, an administrator of a North Carolina college shared a sad vignette about a homeless woman who was denied a PLUS loan, implicitly suggesting the government should have extended her virtually unlimited credit. In fact, that’s exactly what would have happened if her credit had been clean. Nobody would have been allowed to try to gauge whether her income or assets gave her any hope of repayment. Parent PLUS suffers from a paradox that also afflicts government loans for agriculture, shipbuilding and just about everything else: It’s highly risky for borrowers who need it most desperately, while the borrowers who could most easily handle the debt could probably get by without it.

2A Evidence: Abolish Parent PLUS Loans

OPENING QUOTES / AFFIRMATIVE PHILOSOPHY

PLUS debt: It’s like the Sopranos, except it’s the government

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

“You feel so guilty that you haven’t done enough for your kid, and they make it so easy to get the loans,” said Elizabeth Hill, a 57-year-old property appraiser from the Boston suburbs with more than $30,000 in PLUS debt. “Then they’ve got you by the cojones. It’s like ‘The Sopranos,’ except it’s the government.”

DEFINITIONS / BACKGROUND

Consumer borrowing is part of finance policy

Cheryl R. Cooper 2019 (Analyst in Financial Economics with Congressional Research Service, the non-partisan policy research agency of Congress) 12 July 2019 “An Overview of Consumer Finance and Policy Issues” <https://www.everycrsreport.com/reports/R45813.html>

Consumer Finance Policy Issues and Regulation  
Consumer finance refers to the saving, borrowing, and investment choices that households make over time. These financial decisions can be complex and can affect households' financial well-being both now and in the future. Understanding why and how consumers make financial decisions is important when considering policy issues in consumer financial markets.

Congress sets interest rates on Parent PLUS loans and there are no income-driven repayment plans

Zack Friedman 2018 (former chief financial officer of an international energy company, a hedge fund investor, and worked at Blackstone, Morgan Stanley, and the White House) FORBES magazine 3 Dec 2018 “Here's How Parents Can Repay Parent PLUS Student Loans” <https://www.forbes.com/sites/zackfriedman/2018/12/03/parent-plus-loans-repayment/#e4f6d0639b56>

Each year, Congress sets the rates on federal student loans, including Parent PLUS Loans. For the 2018-2019 academic year, the interest rate on a Parent PLUS Loan is 7.6%, and the one-time fee is 4.248% of the amount borrowed. For parents who borrowed a Parent PLUS Loan from 2006-2013, the interest rate was even higher at 7.9%. Like all federal direct loans, each borrower receives the same interest rate regardless of credit score. Unlike federal student loans, Parent PLUS Loan borrowers are ineligible for income-driven [repayment](https://www.makelemonade.co/student-loan-repayment-guide/) plan and many borrower protections.

This year’s Parent PLUS loan interest rate is 7.08%

WASHINGTON POST 2019. (journalist Michelle Singletary) “Why you shouldn’t take on Mom’s debt even if she defaults on the Parent PLUS loan for your education” <https://www.washingtonpost.com/business/2019/07/11/why-you-shouldnt-take-moms-debt-even-if-she-defaults-parent-plus-loan-your-education/?noredirect=on>

When the loan is made to a parent, it is commonly referred to as a Parent PLUS loan. Parents can borrow as much as the cost of attendance, which is determined by the school, minus any other financial aid the student receives. The current interest rate for federal PLUS loans disbursed on or after July 1 and before July 1, 2020, is 7.08 percent for the life of the loan.

INHERENCY

The federal Parent PLUS loan program – in Part B of Title IV of the Higher Education Act

Brittany Corona and Lindsey Burke 2014 (Cronoa – Research Assistant, Heritage Foundation. Biurke - Will Skillman fellow in education policy at The Heritage Foundation) Eliminate the PLUS Loan Program <http://budgetbook.heritage.org/education-training-employment-social-services/eliminate-plus-loan-program/>

Part B of Title IV of the Higher Education Act authorizes federal PLUS loans. The $21 billion PLUS loan program provides federal loans to graduate students and the parents of undergraduate students. Parents of undergraduate students are able to borrow up to the cost of attendance at a given college.

Average of all Parent PLUS loans is $25,600 but it’s rising. Loans starting in 2014 average $38,800

Dr. Adam Looney and Vivien Lee 2018 (Looney – PhD economics. Lee – research assistant at Brookings Institution.) 27 Nov 2018 “Parents are borrowing more and more to send their kids to college—and many are struggling to repay” <https://www.brookings.edu/research/parents-are-borrowing-more-and-more-to-send-their-kids-to-college-and-many-are-struggling-to-repay/>

Currently, the average Parent Plus balance is about $25,600—but it ‘s rising. The chart below shows that a typical parent borrower whose last loan entered repayment in 1990 had about $6,200 in debt. In 2014, parents had about $38,800 in debt. This increase is widespread but is especially sharp for parents supporting students at private non-profit colleges. Due to increased borrowing amounts, more parents owe very large balances. [Looney and Yannelis (2018](https://www.brookings.edu/wp-content/uploads/2018/02/es_20180216_looneylargebalances.pdf)) find that 8.8 percent of parent borrowers entering repayment on their last loan in 2014 owed more $100,000, compared to just 0.4 percent in 2000.

Parent PLUS default rates are rising and repayment rates (how fast they are paying off the debt) is declining

Dr. Adam Looney and Vivien Lee 2018 (Looney – PhD economics. Lee – research assistant at Brookings Institution.) 27 Nov 2018 “Parents are borrowing more and more to send their kids to college—and many are struggling to repay” <https://www.brookings.edu/research/parents-are-borrowing-more-and-more-to-send-their-kids-to-college-and-many-are-struggling-to-repay/>

**Repayment outcomes of parent borrowers are getting worse, and this is driven by increasing default rates across the board and increases in the number of parents borrowing at for-profit institutions.** The Department of Education does not regularly provide standardized, routine indicators of parent borrower outcomes, and thus there is no official source that tracks them. But our estimates suggest that parent outcomes appear to be getting worse: the 5-year default rate was about 7 percent in 2000, but about 11 percent in 2009. Repayment rates have also fallen drastically. Parent borrowers entering repayment in 2000 had repaid about 56 percent of their loan balance after 5 years, compared to only 36 percent in 2009 ([Treasury tabulations of NSLDS, Table 15](https://www.brookings.edu/research/the-student-loan-crisis-a-look-at-the-data/)).

A/T “Student borrowing is decreasing” – But Parent PLUS loans are increasing

Dr. Sandy Baum, Kristin Blagg and Rachel Fishman 2019 (Baum – PhD economics. Blagg – Master’s in Public Policy; research associate in the Center on Education Data and Policy at the Urban Institute. Fishman – master’s degree in higher education; deputy director for research with the Education Policy Program at New America) April 2019 “Reshaping Parent PLUS Loans” <https://www.urban.org/sites/default/files/publication/100106/2019_04_30_reshaping_parent_plus_loans_finalizedv2.pdf>

The use of Parent PLUS loans—federal loans for parents of dependent undergraduates—is increasing, even as student borrowing is declining. Parent PLUS loans were originally designed to provide liquidity to high-asset families who could not cover their expected family contributions (EFCs) with current income.

13% of undergraduates have parents with PLUS loans, and many are falling into debt traps

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

Parent PLUS was created in 1980 to provide small loans to help reasonably well-off families finance the American Dream of an undergraduate education. But in an era of skyrocketing education costs, it has grown to look a lot like publicly funded predatory lending, providing almost any borrowers with almost unlimited cash to attend any school with almost no regard to their ability to repay. Thirteen percent of undergraduates now rely on Parent PLUS, and many of their parents are falling into debt traps.

Parent PLUS loans are on the rise. 3.3 million parents paying more than $75 billion

US NEWS & WORLD REPORT 2017. “Parent PLUS Loans Face Potential Reform” 26 Apr 2017 <https://www.usnews.com/education/blogs/student-loan-ranger/articles/2017-04-26/parent-plus-loans-face-potential-reform>

The use of home equity loans, once a prime competitor to PLUS [loans](https://www.usnews.com/education/best-colleges/paying-for-college/student-loan), declined as home prices sank during the last recession and many families found themselves upside down on their mortgages. The National Center for Education Statistics reports that [20 percent of parents](https://nces.ed.gov/programs/digest/d13/tables/dt13_331.95.asp) took out parent PLUS loans for their child’s education in 2011-12, up from just 4 percent in 1989-90. Around 3.3 million parents are repaying more than $75 billion in outstanding PLUS loans.

Parent PLUS loans have no upper limit and don’t even ask about borrowers’ income or ability to pay

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

When Congress created Parent PLUS 35 years ago, the loans were capped at $3,000 per year, until that was lifted in 1992 so families could borrow as much as they wanted toward the cost of attendance at any public or private school. But the rules do not allow colleges to ask about their income or their ability to pay. And the borrowers don’t have to start making payments until the student leaves school, although the interest accumulates the whole time.

Parent PLUS loans are rapidly growing, and colleges deceive parents into signing up for them

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

AS STATE AID for higher education has plunged while the cost of college has escalated, PLUS loans have become an increasingly routine method of filling the gap, with about 700,000 new loans every year. Some schools actually include PLUS in their financial aid offers, telling parents they’ve qualified to take out, say, $20,000 in PLUS loans, a rather disingenuous way of saying the actual offer will leave them $20,000 short of the school's official cost of attendance.

A/T “Obama put restrictions to protect hi-risk borrowers” – Restrictions were removed

Josh Mitchell 2017 (journalist) 24 Apr 2017 The U.S. Makes It Easy for Parents to Get College -2-, FOX BUSINESS NEWS <http://www.foxbusiness.com/features/2017/04/24/u-s-makes-it-easy-for-parents-to-get-college-2.html>

Obama administration officials, worried Parent Plus was heaping debt on high-risk borrowers, put in place tighter restrictions in 2011. But after schools argued stiffer underwriting would prevent many students from covering tuition, thus reducing college access for minorities and poor students, the administration rolled back the new rules.

A/T “Programs exist to reduce or resolve student debt” – They don’t apply to Parent PLUS loans

Liz Weston 2015 (journalist with Reuters news service) 10 Aug 2015 Parent Education Loans Can Ruin Your Retirement <http://time.com/money/3990585/plus-loan-parents-college-debt/>

The Obama administration in recent years expanded income-based repayment programs for struggling student borrowers, typically reducing payments to 10% or less of their incomes. The lowest-income student borrowers do not have to pay anything, and forgiveness of remaining balances is possible after 10 years for those in public service jobs and 20 years otherwise. There is no similar help for parents. The income-contingent repayment plans available are not as generous, and there is no forgiveness. As with student loans, parent PLUS loans are extremely difficult to erase in bankruptcy and the government has extraordinary powers to collect, seizing tax refunds, getting wage garnishments without going to court and taking a portion of defaulted borrowers' Social Security checks, which are off-limits to other creditors.

A/T “Helpful repayment options exist for PLUS loans” – Not really, most don’t apply, and those that do aren’t so good

Adam Minsky 2018 (attorney specializing in student loan cases) 17 Oct 2018 “How Bad are Parent PLUS Loans?“ <https://bostonstudentloanlawyer.com/how-bad-are-parent-plus-loans/>

Federal student loans generally are eligible for a wide menu of repayment options, including Extended plans, Graduated plans, and multiple income driven repayment plans such as Income Based Repayment (IBR) and Pay As You Earn (PAYE), where the borrower’s income can help determine the payment amount. As a general rule, Parent PLUS loans have fewer repayment options. While they can sometimes be repaid under Extended or Graduated plans, they cannot be repaid under IBR, PAYE, or Revised Pay As You Earn (REPAYE). Parent PLUS loans *can* be repaid under another income-driven plan called Income-Contingent Repayment (ICR) if the loans are first consolidated via a Direct consolidation loan. However, Direct consolidation is not the right decision for everyone, and ICR is almost always going to be more expensive than IBR, PAYE, or REPAYE.

A/T “Helpful repayment options” – Turn: Makes it worse. They incentivize people to borrow even more that they can’t afford

Dr. Sandy Baum, Kristin Blagg and Rachel Fishman 2019 (Baum – PhD economics. Blagg – Master’s in Public Policy; research associate in the Center on Education Data and Policy at the Urban Institute. Fishman – master’s degree in higher education; deputy director for research with the Education Policy Program at New America) April 2019 “Reshaping Parent PLUS Loans” (brackets added) <https://www.urban.org/sites/default/files/publication/100106/2019_04_30_reshaping_parent_plus_loans_finalizedv2.pdf>

Aside from the behavior of current Parent PLUS borrowers, policymakers should be concerned with future borrowers who may take out more debt because of IDR [income-driven repayment] options. If parents know that their incomes will be low, they have an incentive to overborrow because under these plans, the total amount repaid before forgiveness is the same regardless of the amount borrowed. Some parents might even take on all the debt their children might otherwise incur. Under the current system, parent borrowing appears to be kept in check by the repayment requirements.

HARMS / SIGNIFICANCE

Financial Train Wreck

A/T “Parent Plus default rates are lower than student loans” – But they’re rising, and big trouble is ahead

Liz Weston 2015 (journalist with Reuters news service) 10 Aug 2015 Parent Education Loans Can Ruin Your Retirement <http://time.com/money/3990585/plus-loan-parents-college-debt/>

Parent PLUS default rates are still far below those for undergraduate student loans - 5% of parent borrowers in 2010 defaulted within three years compared to 15% of student borrowers. But the parent rate has nearly tripled over the past four years, suggesting a rising tide of floundering borrowers.

Parent PLUS loans have high interest rates and result in high costs to the borrowers

Adam Minsky 2018 (attorney specializing in student loan cases) 17 Oct 2018 “How Bad are Parent PLUS Loans?“ <https://bostonstudentloanlawyer.com/how-bad-are-parent-plus-loans/>

Federal student loan interest rates are set by Congress, and Parent PLUS loans have the highest possible interest rates of any federal loan program. Right now, Parent PLUS loan interest rates are 7.6%. Historically, they have been as high as 9%. Compare that to undergraduate Stafford loan interest rates, which are currently at about 5% (and historically have been as low as 2-3%). In addition, Parent PLUS loans are unsubsidized loans, meaning they start accruing interest as soon as they are disbursed – and it never stops. Subsidized federal Stafford loans, meanwhile, do not accrue interest while the borrower is in school or while the loan is in deferment. Taken together, the higher interest rates and lack of subsidy mean that Parent PLUS borrowers will wind up paying much, much more than they originally borrowed, and their payments will have to be quite high to keep up.

College Affordability

Loans provide unlimited funding, so colleges can jack up prices with no incentive to contain costs

Andrew P. Kelly 2015 (director of the Center on Higher Education Reform at the American Enterprise Institute, a non-profit, non-partisan public policy research organization) “Reforming higher education finance to align the incentives of colleges, students, and taxpayers” 30 Sept 2015 testimony before the Joint Economic Committee <https://www.aei.org/publication/reforming-higher-education-finance-to-align-the-incentives-of-colleges-students-and-taxpayers/>

Grants, loans, and tax credits bring down the out-of-pocket price for students, thereby enabling them to afford more than they would have in the absence of the aid. But these programs provide colleges with little incentive to contain their costs, and may provide reason to increase them. How much a student can borrow is based on the cost of attendance, which is set by colleges themselves; the higher their prices, the more aid their students are eligible for. While undergraduate loans have annual and lifetime borrowing limits, federal loans to parents and graduate students allow for unlimited borrowing up to the cost of attendance.

PLUS loans sabotage efforts at college affordability by destroying incentives for schools to reduce costs

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

PLUS loans have also become a key revenue source for many schools, particularly historically black colleges and for-profits that tend to serve lower-income families. But that just illustrates the increasingly tortured economic paradoxes at the heart of modern higher education, where schools have no incentive to provide affordable prices as long as they can count on federal dollars for making education affordable. Ultimately, Parent PLUS sluices more cash into the college-industrial complex, helping educators jack up their tuitions while pressuring parents to make up the difference with debt, while doing nothing to ensure they’re getting a real return on their investment. It enhances accessibility, but not really affordability, simply giving parents a way to punt the skyrocketing costs into the future. Even some advocates who fiercely defended Parent PLUS during a high-profile controversy in 2011, when the Obama administration briefly reined in loans to parents with sketchy credit histories, told me the program is deeply troubled and inherently flawed.

Loans enable colleges to overcharge for low-value programs

Andrew P. Kelly 2015 (director of the Center on Higher Education Reform at the American Enterprise Institute, a non-profit, non-partisan public policy research organization) “Reforming higher education finance to align the incentives of colleges, students, and taxpayers” 30 Sept 2015 testimony before the Joint Economic Committee <https://www.aei.org/publication/reforming-higher-education-finance-to-align-the-incentives-of-colleges-students-and-taxpayers/>

But the focus on price increases pays too little attention to a more pressing problem—the failure of student aid policy to promote educational quality. Put another way, tuition inflation is one important symptom of a broader problem: federal aid provides loans to high school graduates with essentially no questions asked, and allows those loan dollars to flow to any accredited college regardless of whether they provide a valuable education. Easy credit with no underwriting and imperfect information leads to a scenario where—per the Bennett Hypothesis—colleges can raise tuition prices without changing the quality of the education and still attract paying customers. Federal loans also allow students to enroll in low-value programs—those that are overpriced relative to their quality. Even if these institutions do not raise their prices in response to changes in federal aid, the availability of loans enables them to charge more for their programs than they would be able to in the absence of that aid.

A/T “Federal programs don’t ‘cause’ higher tuition” – Regardless, they enable it and remove incentives for cost control

Andrew P. Kelly 2015 (director of the Center on Higher Education Reform at the American Enterprise Institute, a non-profit, non-partisan public policy research organization) “Reforming higher education finance to align the incentives of colleges, students, and taxpayers” 30 Sept 2015 testimony before the Joint Economic Committee <https://www.aei.org/publication/reforming-higher-education-finance-to-align-the-incentives-of-colleges-students-and-taxpayers/>

It is important to note, though, that whether federal student aid causes an immediate increase in tuition is different from asking whether such aid enables colleges to raise tuition when they need or wish to raise revenue. Indeed, the focus on short-term causal effects likely understates the effect that federal aid has on the incentives for colleges to keep tuition low. Selective colleges pursuing prestige will seek out the resources needed to spend more on the kinds of amenities and student services that can attract top students. Less selective public institutions must find ways to cover their costs in the event that per-pupil funding from the state declines (as it has over the past decade). And open-access for-profit colleges, under pressure to maximize shareholder returns, may have incentive to raise tuition when policymakers increase aid.

A/T “Studies find no link between federal aid and tuition hikes” – They didn’t study PLUS loans separately, which do give an incentive for it

Andrew P. Kelly 2015 (director of the Center on Higher Education Reform at the American Enterprise Institute, a non-profit, non-partisan public policy research organization) “Reforming higher education finance to align the incentives of colleges, students, and taxpayers” 30 Sept 2015 testimony before the Joint Economic Committee <https://www.aei.org/publication/reforming-higher-education-finance-to-align-the-incentives-of-colleges-students-and-taxpayers/>

Gillen has also pointed out that it makes little sense to lump very different federal aid programs together under one Bennett Hypothesis, as grants, loans, and tax credits are likely to have different effects on pricing behavior. 24 Specifically, he argues that needbased aid (like Pell Grants) will have less of an effect on tuition prices than programs that provide money to students across the income spectrum (like loans and tax credits). Differences across loan programs are also likely important; PLUS loans for parents and graduate students, which allow for unlimited borrowing up to the cost of attendance, seem especially likely to inflate tuition. However, I am not aware of rigorous research that has examined this question.

Predatory Lending

Colleges steer parents toward PLUS loans with no regard for ability to pay them back

CHRONICLE OF HIGHER EDUCATION 2012 (journalists Marian Wang , Beckie Supiano and Andrea Fuller) 4 Oct 2012 “The Parent Loan Trap” <http://www.chronicle.com/article/The-Parent-Loan-Trap/134844>

Unlike other federal student loans, PLUS loans don’t have a cap on borrowing. Parents can take out as much as they need to cover the gap between other financial aid and the full cost of attendance. Colleges, eager to raise enrollment and help families find financing, often steer parents toward the loans, recommending that they take out thousands of dollars with no consideration as to whether they can afford it.

Unqualified borrowers. PLUS loans are targeted to people we know can’t pay it back

Josh Mitchell 2017 (journalist) 24 Apr 2017 The U.S. Makes It Easy for Parents to Get College -2-, FOX BUSINESS NEWS <http://www.foxbusiness.com/features/2017/04/24/u-s-makes-it-easy-for-parents-to-get-college-2.html>

"This credit is being extended on terms that specifically, willfully ignore their ability to repay," says Toby Merrill of Harvard Law School's Legal Services Center. "You can't avoid that we're targeting high-cost, high-dollar-amount loans to people who we know can't afford to repay them." Parent Plus is one thread in a web of higher education loan programs that have come to resemble the subprime mortgage industry a decade ago, given the shaky quality of many of the loans.

Parents are led to believe PLUS loans are part of a financial aid package. Colleges push PLUS loans even though they’re more expensive

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

Some schools actually include PLUS in their financial aid offers, telling parents they’ve qualified to take out, say, $20,000 in PLUS loans, a rather disingenuous way of saying the actual offer will leave them $20,000 short of the school's official cost of attendance. Colleges with tight budgets have little incentive to tell students they can’t afford to enroll, and strong incentives to encourage students to load up on PLUS loans that pass directly into their coffers. The president of Albany State University in Georgia even admitted at a public hearing that cash-strapped colleges have been steering students from student loans into more onerous and expensive Parent PLUS loans, because they’re required to report default rates for student loans but not for Parent PLUS.

Colleges deceive students & parents by telling them PLUS loans are part of their financial aid

CHRONICLE OF HIGHER EDUCATION 2012 (journalists Marian Wang , Beckie Supiano and Andrea Fuller) 4 Oct 2012 “The Parent Loan Trap” <http://www.chronicle.com/article/The-Parent-Loan-Trap/134844>

To the dismay of consumer advocates, some colleges lay out offers of tens of thousands of dollars in Parent PLUS loans directly in their financial-aid packages—often in the exact amount needed to cover the gap between other aid and the full cost of attendance. That can make it look like a family won’t have to pay anything at all for college, at least until they read the fine print. The offers are often included in financial-aid packages even for families who clearly can’t afford it. “It is deceptive,” says Greg Johnson, chief executive of Bottom Line, a college-access program in Boston and New York.

Parent PLUS loans are predatory lending that put parents too deeply in debt

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

When I spoke to White House education adviser Roberto Rodriguez about this conundrum, he emphasized that President Barack Obama has crusaded to make America the world’s leader in access to higher education, expanding Pell grants to low-income students and “income-based repayment” for burdensome student loans, while proposing to make community college free. Parent PLUS, he said, is another important tool to help young people pursue a better life. But he also said he's concerned that too many struggling parents are getting in too deep. When I asked him if the Education Department was running a predatory lending program, he didn’t say no. “That’s the heart of the matter,” Rodriguez said. “You want to expand access and choice, but you also want to make sure families can afford these loans.”

Parents deceived: They’d be far better off with a second mortgage, but they’re trapped into thinking government loans are safer

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

In 2014, the department announced the new PLUS rules, essentially reversing its efforts to tighten credit checks. Bad debts are no longer grounds for rejection if they’re less than $2,085 (versus $500 in the old rule) or less than two years old (versus five years). The department didn’t even require loan counseling for all PLUS borrowers, just those who managed to get loans despite adverse credit. “It’s a shame. Most parents would be better off taking a second mortgage,” said Natalia Abrams, director of the advocacy group Student Debt Crisis. “Instead, they’re getting trapped. They assume that if the government is offering these loans, they must be safe.”

Parent PLUS program is so bad that if it were offered by a private company, the government would stop them

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

OBAMA'S NEW CONSUMER Financial Protection Bureau has raised alarms about predatory lending by bankers and mortgage brokers. At a recent event, Richard Hunt, the president of the Consumer Bankers Association, posed a question to CFPB Director Richard Cordray: “Why aren’t you doing anything about Parent PLUS?” Cordray replied that he didn’t have jurisdiction over the federal government, but Hunt believes that if one of his members offered a similar loan product with similarly negligible underwriting standards, the bureau would be all over it.

No safeguards and no limits means parents can get into a deep hole

Kathy Kristof 2016 (journalist with Reuters news service) 13 Sept 2016 Parents of College Students Should Be Especially Wary of These Risky Loans, MONEY magazine <http://time.com/money/4489213/plus-loans-risk/>

Student loan debt is out of control, but really it is the parents we should be most worried about. There is only one type of educational loan available to families that has no restriction on how much can be borrowed and no formula for testing whether the borrower can afford the debt—and it is targeted at parents. No credit history? No job? Neither is a deterrent to securing the federal government's Parent Loan for Undergraduate Students program—better known as the PLUS loan. Horror stories abound, including one about an unemployed parent in Arizona who took out $120,000 in student loans to send her youngest to a pricey Midwestern university. Hearing the story, financial aid expert Mark Kantrowitz can only shake his head. "PLUS loans allow borrowers to dig themselves into a very deep hole," said the publisher and vice president of strategy at CappEx.com, a website that connects students with colleges and financial aid.

Lives hurt: 41,000 Parent Plus borrowers had Social Security checks garnished in 2015

Josh Mitchell 2017 (journalist) 24 Apr 2017 The U.S. Makes It Easy for Parents to Get College -2-, FOX BUSINESS NEWS <http://www.foxbusiness.com/features/2017/04/24/u-s-makes-it-easy-for-parents-to-get-college-2.html>

The number of Americans who had wages, tax refunds or Social Security checks reduced because of unpaid student debt increased 71% between September 2010 and September 2015, according to the GAO. About 41,000 Parent Plus borrowers were among one million student-loan recipients who had checks garnished in the 2015 fiscal year. The government garnished the Social Security checks of 173,000 borrowers from student-loan programs in 2015, up from 36,000 in 2002.

SOLVENCY / ADVOCACY

Parent PLUS loans should be terminated: It increases debt while failing to ease the cost of college over time

Brittany Corona and Lindsey Burke 2014 (Cronoa – Research Assistant, Heritage Foundation. Biurke - Will Skillman fellow in education policy at The Heritage Foundation) Eliminate the PLUS Loan Program <http://budgetbook.heritage.org/education-training-employment-social-services/eliminate-plus-loan-program/>

Part B of Title IV of the Higher Education Act authorizes federal PLUS loans. The $21 billion PLUS loan program provides federal loans to graduate students and the parents of undergraduate students. Parents of undergraduate students are able to borrow up to the cost of attendance at a given college. During the 2011–2012 academic year, the PLUS loan program provided 879,000 parents of undergraduate students with an average of $12,575. There is no limit (either in number of years or aggregate dollars) on how much a parent can borrow, and the loans are available in addition to federal loans that are already available to the students themselves. The availability of Parent PLUS loans, created in 1980, has resulted in families incurring substantial debt, while failing to ease the cost of college over time. The Parent PLUS loan should be terminated.

We need to end overreliance on PLUS loans: They just enable colleges to keep demanding more money

Rachel Fishman 2014 (master’s degree in higher education from the Harvard Graduate School of Education) “PLUS loans are not grants” April 2014 <https://www.newamerica.org/education-policy/edcentral/plus-loans-grants/>

What comes across overwhelmingly in these vignettes is the need for college “affordability.” But loans don’t make college more “affordable,” they enable access to finance college as costs keep rising. Now institutions are saying that Pell Grants aren’t enough, and that student loans aren’t enough, but they need parent loans too (preferably with no cap, almost [no restrictions](https://dev-edcentral.pantheon.io/tag/plus-loan-series/), and [no accountability](http://kelchenoneducation.wordpress.com/2014/04/03/the-black-hole-of-plus-loan-outcomes/)). That’s not college access, that’s institutional self-interest. Parent PLUS loans don’t really make an institution more affordable for a family. The price set by the institution, board, or state is what makes it more affordable. Institutional overreliance on PLUS loans must end. We need better solutions for students and families.

DISAD RESPONSES

A/T “Poor can’t afford college without loans”

Turn: Poor can’t afford college BECAUSE of loans

Daniel Pianko and Michael Horn 2017 (Pianko – Co-Founder and Manageing Director, University Ventures. Horn – Principal Consultant, Entangled Solutions and Co-Founder, Clayton Christensen Institute for Disruptive Innovation) " The Progressive Case for Income Share Agreements" 7 Feb 2017 <https://www.realcleareducation.com/articles/2017/02/07/the_progressive_case_for_income_share_agreements_110116.html>

The specter of high college costs deters far too many low-income students and families away from higher education. Perhaps with good reason: over [20 percent](https://trends.collegeboard.org/sites/default/files/2016-trends-student-aid_0.pdf%3E) of federal aid comes in the form of a parent co-signed loan. But few students from disadvantaged backgrounds have such a co-signer. And if they do, that low-income co-signer is on the hook for the total value of the loan. As it turns out, our loan-based system of student aid—designed to unlock the democratic promise of higher education—cares a lot more who your parents are than what your major is.

A/T “Historically black colleges & universities (HBCUs) lose money”

Black college advocate Johnny C. Taylor agrees with AFF: PLUS loans are not the answer

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” (“Taylor”is Thurgood Marshall College Fund President Johnny C. Taylor Jr., a leading advocate for historically black colleges and universities. FYI, Thurgood Marshall was the first black US Supreme Court Justice) <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

To my surprise, Taylor told me he agrees. Taylor was probably the most outspoken critic of the administration’s short-lived efforts to rein in Parent PLUS, and he still believes it was unfair to change the rules so suddenly after a brutal downturn. But he asked me not to describe him as a Parent PLUS defender. He said the program is so exploitative that he once investigated a class-action lawsuit, but found that debt-ravaged parents were too ashamed to go public. “It’s a horrible program, totally out of control,” he said. “We’ve got to figure out a way to make college affordable, but Parent PLUS is definitely not the answer.”

Even Pres. Obama admitted: HBCU’s are failing their students and should be allowed to fail themselves

Dr. Theodore R. Johnson 2015 (doctorate in Law & Policy, master’s degree from Harvard; Dr. Johnson is African-American.) “Not Too Black to Fail” NEW REPUBLIC 4 March 2015 <https://newrepublic.com/article/121224/history-cant-protect-historically-black-colleges-and-universities>

President Obama met with the Congressional Black Caucus in a contentious closed-door session two weeks ago to discuss historically black colleges and universities (HBCUs). He [reportedly](http://www.crewof42.com/cbc-2/president-obama-said-to-be-critical-of-hbcus-during-cbc-meeting/) said that those schools that could not improve their business practices and graduation rates should, as Rep. Hank Johnson (D-GA) characterized the remark, “go by the wayside.” Many members left the meeting trying to reconcile how the first black U.S. president could employ such cold calculus on HBCUs. The president is correct, however. When any college, let alone an HBCU, perpetually fails black students, the federal government needs to side with those students, not sanctify the institution. Salvaging a student body that’s been underserved by a poorly performing university is a higher priority than granting numerous reprieves in hopes that the school’s deficiencies will eventually be corrected.

A/T “Students harmed by not getting loans / missing out on college”

Do community college instead: Community colleges are already tuition-free for most low-income students.

Andrew P. Kelly, 2016 (director of the Center on Higher Education Reform and a resident scholar in education policy studies at American Enterprise Institute. His research focuses on higher education policy, innovation, financial aid reform, and the politics of education policy.) “Tuition Is Not the Main Obstacle to Student Success” Winter, 2016 <http://educationnext.org/tuition-is-not-the-main-obstacle-to-student-success-forum-community-college/>

Let’s start with the most basic objection: community colleges are already tuition-free for most low-income students. According to the College Board, students with annual family incomes under $65,000 received enough grant aid to cover the entire cost of tuition at community colleges in 2011‒12 (the most recent federal data available). In fact, dependent students in the lowest income quartile received enough grant and scholarship aid to cover the cost of tuition and leave $3,100 to cover other expenses (the average independent student received enough grant aid to cover tuition with $1,800 left over). Middle- and upper-income students pay a modest amount in net tuition, but that is because government aid is progressive. Free community college would provide a windfall to these families who would pay to send their kid to college in the absence of a free public option.

Do community college instead: Pell Grants provide free community college for financially disadvantaged students

Dr. John Ebersole, 2015 (president of Excelsior College in Albany, N.Y.) “Free community college? Not so fast” September 24, 2015 <http://hechingerreport.org/free-community-college-not-so-fast/>

The most powerful argument against “free” degrees or “free” community college is that they already exist. Financially disadvantaged students now receive Pell Grants that cover nearly all the costs of attendance, including those costs outlined in each of the candidate proposals.

1. Many aren’t graduating. 2) The students aren’t ready for college. 3) They don’t get valuable skills

Andrew P. Kelly 2015 (director of the Center on Higher Education Reform at the American Enterprise Institute, a non-profit, non-partisan public policy research organization) “Reforming higher education finance to align the incentives of colleges, students, and taxpayers” 30 Sept 2015 testimony before the Joint Economic Committee <https://www.aei.org/publication/reforming-higher-education-finance-to-align-the-incentives-of-colleges-students-and-taxpayers/>

New data on graduate earnings, furnished by the College Scorecard, support that conclusion. Department of Education researchers found that “at 53 percent of institutions, more than half of alumni are not even earning more than a typical high school graduate within six years after starting at the school.” Not surprisingly, at nearly 350 colleges in the database, more than half of alumni had either defaulted on their loans or failed to pay down a dollar of principal within seven years after enrolling. In other words, the availability of federal aid not only creates little incentive to keep tuition under control; it also encourages any high school graduate to enroll in any accredited college, no matter how lousy. Low-quality programs, even inexpensive ones, waste taxpayer dollars and fail to raise skill levels or educational attainment. College not only costs too much; many colleges and programs cost far more than they are worth.

College doesn’t necessarily ensure “better jobs”: Too many are majoring in fields that don’t get jobs

Dr. Bob Luebke 2016 (senior policy analyst at Civitas Institute) “Why Free College Tuition is a Bad Idea” 4 Feb 2016 <https://www.nccivitas.org/2016/16909/>

Is there a shortage or merely a maldistribution of students? The sad fact is that for every student in business, engineering or a pre-professional program, there are others in less marketable areas such as art history, psychology and history majors. That’s nothing against those fields or those who choose to study in them. But we need to ask: Will our nation be better if we keep generating graduates who have difficulty finding gainful employment?

College doesn’t guarantee good jobs and there are lots of good jobs that don’t require college

Dr. Bob Luebke 2016 (senior policy analyst at Civitas Institute) “Why Free College Tuition is a Bad Idea” 4 Feb 2016 <https://www.nccivitas.org/2016/16909/>

However, the reality is a college education doesn’t always translate into social or economic mobility. We tend to overlook the other paths to success, such as starting your own business or becoming an apprentice. We tend to overlook the thousands of individuals who through their own ingenuity, resourcefulness and determination achieved the American dream without ever going to college. Moreover, newer statistics undercut the idea college is a sure pathway to a good-paying job and prosperity. According to the Economic Policy Institute, wages for university grads are 2.5 percent lower in 2015 than they were in 2000. The research found that the real (inflation-adjusted) hourly wages of recent college grads in 2015 was $17.94 or just over $37,000 a year. In 2000, the average hourly rate was $18.41.

A/T “Building human capital”

Not building anything: PLUS loans destroy parents’ futures

Michael Grunwald 2015 (senior correspondent for TIME magazine) 19 June 2015 “The U.S. government’s predatory-lending program” <http://www.politico.com/agenda/story/2015/06/the-us-governments-predatory-lending-program-000094>

For all the controversy swirling around student loans, lending money directly to students at least has a “human capital” rationale, since recipients pursue degrees that can boost their earning power and help them fulfill their obligations. But when parents borrow, they’re often taking on new debts just as their earning power is starting to dwindle. They’re not building human capital. They’re just getting closer to retirement, mortgaging their futures on behalf of their children. And if they default, the government can garnish their wages and even their Social Security checks — less brutal than “The Sopranos,” but just as effective.

A/T “Loan payments help reduce the federal deficit”

There is no federal deficit crisis

Dr. Paul Krugman 2016 (PhD economics) NEW YORK TIMES 22 Oct 2016 “Debt, Diversion, Distraction“ <https://krugman.blogs.nytimes.com/2016/10/22/debt-diversion-distraction/?_r=0>

What’s so bad about this kind of deficit scolding? It’s deeply misleading on two levels: the problem it purports to lay out is far less clearly a major issue than the scolds claim, and the insistence that we need immediate action is just incoherent. So, about that supposed debt crisis: right now we have a more or less stable ratio of debt to GDP, and no hint of a financing problem. So claims that we are facing something terrible rest on the presumption that the budget situation will worsen dramatically over time. How sure are we about that? Less than you may imagine. Yes, the population is getting older, which means more spending on Medicare and Social Security. But it’s already 2016, which means that quite a few baby boomers are already drawing on those programs; by 2020 we’ll be about halfway through the demographic transition, and current estimates don’t suggest a big budget problem.

Deficit panic distracts us from real crises we need to deal with today.

Dr. Paul Krugman 2016 (PhD economics) NEW YORK TIMES 22 Oct 2016 “Debt, Diversion, Distraction“ <https://krugman.blogs.nytimes.com/2016/10/22/debt-diversion-distraction/?_r=0>

If you try really hard, you can argue that locking in policies now for this future adjustment will make the transition smoother. But that is really a second-order issue, hardly deserving to take up a lot of our time. By putting the debt question aside, we are NOT in any material way making the future worse. And that is a total contrast with climate change, where our failure to act means pouring vast quantities of greenhouse gases into the atmosphere, materially increasing the odds of catastrophe with every year we wait. So my message to the deficit scolds is this: yes, we may face some hard choices a couple of decades from now. But we might not, and in any case there aren’t any choices that must be made now. Meanwhile, there are genuinely scary things happening as we speak, which we should be taking on but aren’t. And your fear-mongering is distracting us from these real problems. Therefore, I would respectfully request that you people just go away.

Historical example: Experts were whining about the deficit 10 years ago and missed the housing bubble disaster. Oops!

Dr. Dean Baker 2012. (PhD economics) “Deficit Reduction: The Great Distraction 14 May 2012 <http://www.huffingtonpost.com/dean-baker/deficit-reduction-the-gre_b_1516543.html>

Peterson is also known for his sponsorship of the “Economic Sleepwalk” tour, which was officially billed as the “Fiscal Wakeup” tour. This involved sending a group of policy wonks around the country to complain about the budget deficit at a time when the housing bubble was growing to ever more dangerous levels. While some of us were doing our best to [warn of the imminent disaster](http://www.cepr.net/index.php?option=com_content&view=article&id=405), Peterson was using his money and political connections to dominate media space at a time when the country’s debt-to-GDP ratio was actually falling

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