Negative: Parent PLUS Loans - Good

By Paul Prentice

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

The AFF plan abolishes federal Parent PLUS loans. These are loans made directly by the US Dept of Education to parents of college students. Plan does not change “graduate student” PLUS loans, so be careful when citing evidence dealing with “PLUS Loans” to be sure it applies to “Parent” loans.   
PLUS loans are maligned under the theory that they are deceptively getting parents into huge and unnecessary debt to pay for their children’s education. But in reality, Parent PLUS loans are a vital part of the college education process. Many students would not be able to attend college without them, leaving them without the life-long benefits of a college degree. And there are numerous flexible options and repayment strategies, with exceptions for hardship and various circumstances, that make PLUS loans better than any of the other options available.

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OPENING QUOTES / NEGATIVE PHILOSOPHY

A critical lifeline for students

UNCF Office of Public Policy and Governmental Affairs 2017 (United Negro College Fund -American philanthropic organization that funds scholarships for at 37 private historically black colleges and universities; directed by Tralonne Shorter, former public policy director for NNEDV and Senior Advocacy & Policy Associate for YWCA, and Cheryl L. Smith, former staff director of the U.S. House of Representatives’ Subcommittee on Labor-HHS-Education Appropriations.) “Parent PLUS Loans” Mar 2017 <https://www.uncf.org/wp-content/uploads/fpa_letters/Parent_PLUS_Loans_3_14_17.pdf>

Parent PLUS Loans are a critical lifeline to a college education for hundreds of thousands of students who do not receive sufficient federal Pell Grants and Stafford Loans to fully cover their college expenses.

One must honor their debts

Dr. Frederick M. Hess 2015 (director of education-policy studies at the American Enterprise Institute. An educator, political scientist and author; serves as executive editor of Education Next, as lead faculty member for the Rice Education Entrepreneurship Program, and on the review boards for the Broad Prize in Urban Education and the Broad Prize for Public Charter Schools. He teaches or has taught at the Univ of Virginia, Univ of Pennsylvania, Georgetown Univ, Rice Univ and Harvard Univ.; M.A. and Ph.D. in Government, M.Ed. in Teaching and Curriculum, from Harvard Univ) “Liberals Now Think It’s ‘Predatory’ to Expect Borrowers to Repay Taxpayers” 23 Jun 2015 <http://www.nationalreview.com/article/420161/liberals-now-think-its-predatory-expect-borrowers-repay-taxpayers-frederick-m-hess>

Education is an active pursuit, and one part of that is having skin in the game and honoring the debts incurred to pursue one’s studies. The Left’s assault on student lending reflects an inclination to treat borrowers as passive victims. Now, it’s true that when it comes to higher education, colleges need to do much better by their students. But students also have a critical role. Education is an active pursuit; students need to do their half. And one part of that is having skin in the game and honoring the debts incurred to pursue one’s studies.

MINOR REPAIRS

Reform instead of abolish; counseling, loan amount caps, better college accountability

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>

For this reason, any move that Congress or the White House makes to discontinue the federal PLUS program will face staunch pushback from the higher education community and many consumer advocates. However, some common-sense reforms are far more likely in the short term, such as increased counseling and information for parent borrowers before they borrow, borrowing caps on PLUS loans and annual publication of the parent PLUS default rate so that colleges can be held accountable for higher-than-average rates.

Advocacy: Minor Repairs are better than abolishing

UNCF Office of Public Policy and Governmental Affairs 2017 (UNCF -American philanthropic organization that funds scholarships for at 37 private historically black colleges and universities; directed by Tralonne Shorter, former public policy director for NNEDV and Senior Advocacy & Policy Associate for YWCA, and Cheryl L. Smith, former staff director of the U.S. House of Representatives’ Subcommittee on Labor-HHS-Education Appropriations.) “Parent PLUS Loans” Mar 2017 <https://www.uncf.org/wp-content/uploads/fpa_letters/Parent_PLUS_Loans_3_14_17.pdf>

Parent PLUS Loans are an essential college financing option for some students and parents that can be improved; however, the program must be repaired, not repealed. Parent PLUS Loans can be improved by lowering excessive origination fees and interest rates that raise borrowing costs for families; mandating robust loan counseling for all borrowers; and establishing income-based repayment options for parents to better manage loan repayment.

HARMS / SIGNIFICANCE

A/T “Financial train wreck”

Parents spending less on college

Reuters news service 2017 (journalist Beth Pinsker Deputy Money Editor at Reuters. previously a freelance writer and editor and contributed to many publications, including the New York Times, Wall Street Journal. “Sallie Mae” refers to SLM Corp., a student loan lender) “U.S. parents spending less on college tuition, study finds” 17 July 2017 <http://www.reuters.com/article/us-money-university-tuition-idUSKBN1A305N>

NEW YORK (Reuters) - Despite a record-high U.S. stock market and a positive economic outlook, U.S. parents spent less on college tuition during the 2016-17 school year, according to Sallie Mae's 10th annual "How America Pays for College" report.

Low default rates, one of the best repayment histories – far better than other student loans

UNCF Office of Public Policy and Governmental Affairs 2017 (United Negro College Fund -American philanthropic organization that funds scholarships for at 37 private historically black colleges and universities; directed by Tralonne Shorter, former public policy director for NNEDV and Senior Advocacy & Policy Associate for YWCA, and Cheryl L. Smith, former staff director of the U.S. House of Representatives’ Subcommittee on Labor-HHS-Education Appropriations.) “Parent PLUS Loans” Mar 2017 <https://www.uncf.org/wp-content/uploads/fpa_letters/Parent_PLUS_Loans_3_14_17.pdf>

Parent PLUS Loans have low default rates and one of the best repayment histories of any federal student loan program. Ultimately, over 91 percent of PLUS Loans are repaid over the life of the loans. In contrast, lifetime default rates for unsubsidized Stafford Loans and subsidized Stafford Loans come in at 16.7 percent and 14.2 percent, respectively.Considering interest earnings and fees, the cash recovery rate for Parent PLUS Loans is 99 percent.

A/T “High default rates” – PLUS loan default rates are nothing like other federal student loans

Michael Stratford 2014 (covers federal higher education policy and student loans at Inside Higher Ed; education reporter for POLITICO Pro, with previous bylines at Associated Press, Chronicle of Higher Education, and Kiplinger’s Personal Finance magazine; graduated from Cornell Univ, where he was managing editor of The Cornell Daily Sun.) “Default Data on Parent PLUS Loans” 3 Apr 2014 <https://www.insidehighered.com/news/2014/04/03/education-department-releases-default-data-controversial-parent-plus-loans>

The national default rate for Parent PLUS loans has nearly tripled in recent years, but it remains well below the default rates for other federal student loans, according to data released for the first time last week by the U.S. Department of Education.

Whatever their problems, Parent PLUS loans are better than the alternatives: More safeguards, deferrals, and flexibility

Mia Taylor 2019 (journalist) 18 January 2019 “Parent PLUS Loan Equals Another, Older Generation Mired in Student Debt” <https://www.thesimpledollar.com/loans/blog/parent-plus-loans/>

It’s natural for a parent to want to help their child, and that includes assisting with the cost of education. To that end, some financial advisors say Parent PLUS loans can be a good way to create access to higher education. “We suggest using a Parent PLUS loan if you don’t have any other way to pay for college and you have a student who is focused on what they want to do,” said Dan Evertsz, a late-stage college planning expert with [College Money Pros](http://collegemoneypros.com). ”The positive side is that they’re federal loans, so you have alternatives in case down the road you get sick. There are a lot of safeguards in there.” Unlike subsidized student loans, Parent PLUS loans begin accruing interest immediately upon issue of the loan and monthly payments begin immediately as well. However, payments on the loan may be deferred (with interest) while your child is attending college. What’s more, similar to a student loan, if you’re unable to make loan payments, it’s possible to change your repayment plan to lower the monthly payment or request a [deferment or forbearance](https://www.thesimpledollar.com/loans/student/student-loan-deferment-and-forbearance-what-they-mean-and-when-to-use-them/), which allows you to temporarily suspend payments. “The Parent PLUS loan has a lot of the benefits or flexibility,” continued Evertsz. “If something happens, if mom gets laid off, I can defer the payments until my wife gets a job. If you have a private loan, it’s just like a mortgage or a car payment. If you don’t make payment, it’s a ding on your credit.”

College affordability

Decades of research show that increased financial aid does not enable higher tuition

Jen Mishory 2016 (executive director of Young Invincibles, a policy and advocacy organization for millennials, and i Adjunct Professor of Law at the Georgetown Univ Law Center; has testified before Congress in both the House and Senate on the issue of financial aid and student loans, and served as the consumer advocacy negotiator for the Department of Education's 2012 negotiated rulemaking around student loans.) “The Real Tuition Story” 5 Aug 2016 <https://www.usnews.com/opinion/articles/2016-08-05/increasing-need-based-aid-doesnt-drive-up-tuition-at-public-colleges>

Thirty years ago, then Secretary of Education William Bennett wrote a brief op-ed speculating that increasing financial aid could lead colleges to increase tuition. Despite decades of research showing that boosting need-based aid does not impact public college tuition, the theory continues to pop up. Recent suggestions that plans like former Secretary of State Hillary Clinton's to make public college tuition-free for most families could spike tuition represent just the latest example. But even a generous interpretation of the evidence demonstrates that greater investment in grant aid like the Pell Grant program does not cause public colleges to increase tuition, and that it is state divestment that is exacerbating our college affordability problem.

Research discounts the theory that loans lead to tuition increases

Dr. Marybeth Gasman 2017 (Professor of Higher Education in the Graduate School of Education at the University of Pennsylvania; has written over 200 peer-reviewed articles, scholarly essays, and book chapters; serves on the board of trustees of The College Board as well as Paul Quinn College) “Don’t Sleep on the Trump Administration and Student Loans” 26 Mar 2017 <http://www.huffingtonpost.com/entry/dont-sleep-on-the-trump-administration-and-student_us_58d7093ae4b0c0980ac0e6db>

Another common charge is that loans lead to tuition increases, known in higher education circles as the “Bennett Hypothesis.” In 1987, then Secretary of Education William Bennett suggested that providing financial aid to students could encourage colleges to increase tuition. This has been cited often, despite research discounting this theory. A Federal Reserve Bank of New York report noted a possible link between financial aid and tuition. Yet, its authors cautioned that they did not find a statistically significant effect between Pell and tuition, and a marginal effect on subsidized student loans and tuition. Others have noted substantial limitations to the report.

Predatory lending

A/T “Loans targeted to people who can’t pay it back” – Those with financial trouble are denied

U.S. NEWS & WORLD REPORT Updated 2017 (U.S. News & World Report releases their annual Best Colleges rankings with the help of qualified statisticians, data analysts, higher education experts, and student loan experts. All of these people make up the Report’s Education site, helping educate all on various topics regarding higher education.) “Parent Plus Loans: Frequently Asked Questions” Originally published 17 Aug 2010, statistics and information have been updated to reflect the current year as of 19 Jul 2017 <https://www.usnews.com/education/best-colleges/paying-for-college/student-loan/articles/2010/08/17/parent-plus-loans-frequently-asked-questions>

Does everyone get approved for a PLUS? No. The government rejects parents who've had significant financial trouble known as adverse credit such as a recent bankruptcy or bills more than 90 days overdue. Parents can reapply if they can find a cosigner with good credit.

Reputable loans, with requirements

Teddy Nykiel 2016 (journalist; Her work has been featured by the Associated Press, USA Today, the Chicago Tribune and Reuters.) “The Best Student Loans for Parents” 22 Aug 2016 <https://www.nerdwallet.com/blog/loans/student-loans/best-parent-plus-loans/>

The federal government’s Direct PLUS loan for parents is your best bet if you want peace of mind that you’re borrowing from a reputable lender. While many private lenders have been offering parent student loans for only a few years, the government has been lending Parent PLUS loans since 1980. You need a credit report that’s free of recent bankruptcies and unpaid debts to qualify for a PLUS loan. But unlike with private lenders, your credit scores won’t affect your interest rate. All federal loans issued in a given year have the same interest rate, which is set based on financial markets, and that rate will stay fixed throughout the life of the loan.

Parents must be eligible and willing

Andrew Kreighbaum 2016 (journalist with Inside Higher Ed; federal policy reporter; master's in data journalism at the Univ of Missouri) 26 Oct 2016 INSIDE HIGHER ED <https://www.insidehighered.com/news/2016/10/06/college-admission-counselors-raise-concerns-over-packaging-plus-loans-students>

Federal PLUS Loans help parents cover the difference between the financial aid a student receives from their college or university and the full cost of attendance. They're also not a sure thing -- parents must be deemed eligible based on creditworthiness and be willing to borrow for their child's education.

Better than the alternatives: Even if PLUS loans have low credit criteria – all the other federal students loans don’t have any standards at all

Deanne Loonin and Alys Cohen 2008 (Loonin - worked as an attorney with the National Consumer Law Center (NCLC) and was the founding Director of NCLC’s Student Loan Borrower Assistance Project. Cohen - staff attorney at the National Consumer Law Center's Washington office) “Paying the Price: The High Cost of Student Loans and the Dangers for Student Borrowers” Mar 2008 <http://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/Report_PrivateLoans.pdf>

With the exception of PLUS loans, federal loan borrowers do not have to meet creditworthiness standards to obtain federal loans. The assumption is that it is unfair to price student loans based on credit scores since students generally have artificially low credit scores due to their limited credit histories. Private loans, in contrast, are priced according to credit worthiness standards. In September 2002, the Institute for Higher Education Policy found that only two of 259 private loan products it reviewed were credit-blind.

SOLVENCY

Nothing will change: Private loans without borrow limits would fill the gap

Deanne Loonin and Alys Cohen 2008 (Loonin - worked as an attorney with the National Consumer Law Center (NCLC) and was the founding Director of NCLC’s Student Loan Borrower Assistance Project. Cohen - staff attorney at the National Consumer Law Center's Washington office) “Paying the Price: The High Cost of Student Loans and the Dangers for Student Borrowers” Mar 2008 <http://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/Report_PrivateLoans.pdf>

There are loan limits for the various federal loan programs. The only exception is PLUS loans. Parents or graduate students may take out PLUS loans equaling the cost of attendance minus any other financial aid received. For private loans, the PLUS loan exception is the rule. There are no regulations setting a maximum dollar amount on how much a student can borrow. Generally, lenders allow students to borrow up to the cost of attendance minus other aid.

DISAVANTAGES

1. Lost college affordability / Lost access to college

Link: Without PLUS loans, hundreds of thousands denied in one year

Allesandra Lanza 2017 (director of corporate public relations for American Student Assistance. She has nearly 20 years of experience in the student loan industry; B.S. in journalism from Boston Univ) “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>

A few years ago, though, we saw a preview of what a world without federal PLUS loans might look like. Prior to 2010, private lenders that made parent PLUS loans through the Federal Family Education Loan Program used a set of adverse credit standards that were more stringent than those that the federal government uses for direct PLUS loans. In 2010, Congress ended FFELP, and in 2011, the Obama administration brought the credit criteria for direct PLUS loans in line with the then more rigorous rules that lenders used. As a result, Kevin Carey, director of New America Foundation's education policy program, said, “The proportion of Parent PLUS applications denied because of bad credit increased from 28 percent to 38 percent in a single year. Over all, some 400,000 applications were denied.”

Link: Hundreds of thousands of qualified students denied per year

Allesandra Lanza 2017 (director of corporate public relations for American Student Assistance. She has nearly 20 years of experience in the student loan industry; B.S. in journalism from Boston Univ) “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>

Many colleges were adversely affected with enrollment declines. And while some would argue that’s 400,000 parents who weren’t caught in a predatory loan, it’s also still 400,000 students who had to either turn to some other form of financing or make the heart-wrenching decision to drop out. Private loans, with much tougher credit criteria, would never be an option for someone denied a PLUS loan without a co-signer.

Link: College access much more difficult or impossible for some qualified students

UNCF Office of Public Policy and Governmental Affairs 2017 (United Negro College Fund -American philanthropic organization that funds scholarships for at 37 private historically black colleges and universities; directed by Tralonne Shorter, former public policy director for NNEDV and Senior Advocacy & Policy Associate for YWCA, and Cheryl L. Smith, former staff director of the U.S. House of Representatives’ Subcommittee on Labor-HHS-Education Appropriations.) “Parent PLUS Loans” Mar 2017 <https://www.uncf.org/wp-content/uploads/fpa_letters/Parent_PLUS_Loans_3_14_17.pdf>

Cuts to, changes in eligibility for, or elimination of Parent PLUS Loans will drive some students and parents to private loans with less favorable terms and others simply will not qualify for loans, hurting college access. Without the Parent PLUS Loan program, parents with minor credit problems will be faced with private loans with exorbitant interest rates, far exceeding the rates charged in the federal program, and those with no credit history simply won’t be able to obtain private loans at all. This will only increase the cost of college for some students and hurt college access for others.

Impact: Lost jobs. College is essential to getting good jobs

National Conference of State Legislatures 2016. (national association of members of state legislatures) “FREE COMMUNITY COLLEGE” 25 Apr 2016 <http://www.ncsl.org/research/education/free-community-college.aspx>

State legislators are paying more attention than ever before to providing the opportunity for all citizens to have access to postsecondary opportunities. While a high school degree used to be adequate for many jobs, research estimates that by 2020 nearly 70 percent of all jobs will require some kind of post-secondary training, certificate, or degree. For this reason, states have been considering many strategies for improving opportunities for students to have options for both college and careers after high school.

A/T “Do community college instead” – Undermines the intent of federal student aid

Allesandra Lanza 2017 (director of corporate public relations for American Student Assistance. She has nearly 20 years of experience in the student loan industry; B.S. in journalism from Boston Univ) “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>

And yes, the student certainly could transfer to a cheaper college but that undermines the original intent of federal student aid for higher education: to ensure access and choice to academically qualified students.

College enrollment declines without PLUS loans. Example: experience with 2011 PLUS loan restrictions

Allesandra Lanza 2017 (director of corporate public relations for American Student Assistance. She has nearly 20 years of experience in the student loan industry; B.S. in journalism from Boston Univ) “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>

In 2010, Congress ended FFELP, and in 2011, the Obama administration brought the credit criteria for direct PLUS loans in line with the then more rigorous rules that lenders used. As a result, Kevin Carey, director of New America Foundation's education policy program, said, “The proportion of Parent PLUS applications denied because of bad credit increased from 28 percent to 38 percent in a single year. Over all, some 400,000 applications were denied.” Many colleges were adversely affected with enrollment declines. And while some would argue that’s 400,000 parents who weren’t caught in a predatory loan, it’s also still 400,000 students who had to either turn to some other form of financing or make the heart-wrenching decision to drop out.

Wasting time ignoring the problems facing college affordability

Dr. Frederick M. Hess 2015 (director of education-policy studies at the American Enterprise Institute. An educator, political scientist and author; serves as executive editor of Education Next, as lead faculty member for the Rice Education Entrepreneurship Program, and on the review boards for the Broad Prize in Urban Education and the Broad Prize for Public Charter Schools. He teaches or has taught at the Univ of Virginia, Univ of Pennsylvania, Georgetown Univ, Rice Univ and Harvard Univ.; M.A. and Ph.D. in Government, M.Ed. in Teaching and Curriculum, from Harvard Univ) “Liberals Now Think It’s ‘Predatory’ to Expect Borrowers to Repay Taxpayers” 23 Jun 2015 <http://www.nationalreview.com/article/420161/liberals-now-think-its-predatory-expect-borrowers-repay-taxpayers-frederick-m-hess>

When grievances are stoked to a breaking point, notions of reciprocal responsibility start to erode. If a contract is deemed fraudulent, it undercuts the borrower’s moral obligation to honor its terms. When Obama officials tell families they’ve been duped into taking on college loans, it’s giving them an excuse to them to not repay them. This will undermine programs that require those benefiting from taxpayer largesse to responsibly repay their debts. As that basic compact erodes, it gets a whole lot harder to find serious ways to address college affordability. Of course, it wouldn’t be the first time that the Obama administration has chosen to play grievance politics rather than pursue responsible solutions.

1. Special harm to HBCUs (Historically Black Colleges & Universities)

Link: Qualified students unable to go to college, especially big impact on HBCUs

Dr. Marybeth Gasman 2017 (Professor of Higher Education in the Graduate School of Education at the University of Pennsylvania; serves on the board of trustees of The College Board as well as Paul Quinn College) “Don’t Sleep on the Trump Administration and Student Loans” 26 Mar 2017 <http://www.huffingtonpost.com/entry/dont-sleep-on-the-trump-administration-and-student_us_58d7093ae4b0c0980ac0e6db>

Financial aid such as parent PLUS loans enables students to enroll in college who would not otherwise be able to attend. Supporters of PLUS programs emphasize their necessity for access. This necessity is nowhere truer than in Historically Black Colleges and Universities (HBCUs) and other Minority Serving Institutions (MSIs). Parents use PLUS loans to cover college costs not accounted for by other forms of financial aid. The U.S. Department of Education made criteria stricter in 2011. Several studies found a statistically significant effect of the tightening of PLUS loans and a decline in enrollment in HBCUs. A recent study by Regional Educational Laboratory Mid-Atlantic’s Historically Black Colleges and Universities College Completion Research Alliance (REL) and Mathematic Policy Research updated earlier research to demonstrate the large effect this had on HBCU enrollment compared to other institutions. The report explains that the tightened parent PLUS loan standards led to a decrease in enrollment in many schools, but especially in HBCUs.

Link: Parent PLUS loans important for students, primarily low-income students at HBCUs

UNCF Office of Public Policy and Governmental Affairs 2017 (United Negro College Fund -American philanthropic organization that funds scholarships for at 37 private historically black colleges and universities; directed by Tralonne Shorter, former public policy director for NNEDV and Senior Advocacy & Policy Associate for YWCA, and Cheryl L. Smith, former staff director of the U.S. House of Representatives’ Subcommittee on Labor-HHS-Education Appropriations.) “Parent PLUS Loans” Mar 2017 <https://www.uncf.org/wp-content/uploads/fpa_letters/Parent_PLUS_Loans_3_14_17.pdf>

The Parent PLUS Loan program is particularly important for students at HBCUs, primarily low-income students of color, who rely on Pell Grants (70 percent) and federal loans (78 percent) to attend college.

* In the 2015-16 academic year, over 39,000 students at HBCUs relied on Parent PLUS Loans to meet their college expenses, about 13 percent of all HBCU students. Another 8,600 HBCU students received Graduate PLUS Loans.

Link: HBCUs are key to reversing historical disadvantages and discrimination against blacks

Post Secondary National Policy Institute 2015 (leading source of professional development for current and prospective federal policymakers working on higher education issues) 1 Jan 2015 “Historically Black Colleges and Universities (HBCUs)” <https://www.newamerica.org/post-secondary-national-policy-institute/our-blog/historically-black-colleges-and-universities-hbcus/>

In particular, the findings and purposes of the law acknowledge that HBCUs have contributed to the effort to attain equal opportunity in postsecondary education for black, low-income and educationally disadvantaged Americans; that state and federal governments discriminated in the allocation of land and financial resources to support black public institutions under the Morrill Act of 1862; that the current state of black colleges is partly attributable to this discriminatory practice; and, that financial assistance, especially for physical plants, financial management, academic resources and endowments are necessary to rectify past practices and help decrease future dependence on federal funds.

Brink: HBCUs financial futures depend on increasing enrollment

Post Secondary National Policy Institute 2015 (leading source of professional development for current and prospective federal policymakers working on higher education issues) 1 Jan 2015 “Historically Black Colleges and Universities (HBCUs)” <https://www.newamerica.org/post-secondary-national-policy-institute/our-blog/historically-black-colleges-and-universities-hbcus/>

Because HBCUs have traditionally been dependent on tuition dollars, they need to grow enrollment to ensure their financial futures. In addition to broadening recruitment and increasing diversity (see next bullet point), one way to raise enrollment involves strengthening the pipelines between the K-12 system and HBCUs to increase the number of African-American students who are eligible and prepared to participate in postsecondary education. Increasing retention will also stabilize enrollments and revenue by ensuring students persist year to year.

Impact: Lost opportunities for low income/minority students

Brandon Patterson 2017 (journalist) 1 June 2017 MOTHER JONES “Trump Vowed to “Absolutely Prioritize” Black Colleges. Then Came His Budget.” <http://www.motherjones.com/politics/2017/06/historically-black-colleges-universities-hbcu-trump/>

Early this year, HBCU advocacy groups jointly [proposed](https://www.documentcloud.org/documents/3755573-HBCU-FY18-Funding-Request.html) a plan for federal funding to the Trump administration. They asked that two key Department of Education programs that support HBCUs be funded at $500 million, the maximum level permitted by Congress, and that the Trump administration commit to increasing for HBCUs the percentage of grants and contracts reserved for institutions of higher education in the federal budget. They argued passionately that HBCUs could play a key role in a Trump plan to create new opportunities for African Americans: The schools have an outsize impact, enrolling 8 percent of all black college students in America and producing approximately 15 percent of those who earn bachelor’s degrees. (The nation’s approximately 100 HBCUs constitute 3 percent of the nation’s colleges and universities.) The schools also graduate large numbers of first-generation college students; roughly 70 percent of the more than 290,000 students enrolled at HBCUs are low-income—more than twice the [rate](https://trends.collegeboard.org/student-aid/figures-tables/undergraduate-enrollment-and-percentage-receiving-pell-grants-over-time) for college students nationally.

Colleges hit hard by reform in PLUS loans, particularly HBCUs

Andrew Kreighbaum 2017 (journalist with Inside Higher Ed; master's in data journalism at the Univ of Missouri) “The Conservative Approach to Student Loans” 22 Feb 2017 <https://www.insidehighered.com/news/2017/02/22/consensus-forms-loan-policies-among-conservative-thinkers>

And recent attempts to modify how Parent PLUS loans are awarded have not fared well for federal policy makers. When the Department of Education under President Obama made it more difficult to take out Parent PLUS loans in 2011, the changes affected colleges of all sorts that serving large numbers of low-income students. But historically black colleges and universities were hit particularly hard by the changes and many leaders of those institutions were furious at the administration.

Parent PLUS loans important for college’s financial stability, primarily for HBCUs

UNCF Office of Public Policy and Governmental Affairs 2017 (United Negro College Fund -American philanthropic organization that funds scholarships for at 37 private historically black colleges and universities; directed by Tralonne Shorter, former public policy director for NNEDV and Senior Advocacy & Policy Associate for YWCA, and Cheryl L. Smith, former staff director of the U.S. House of Representatives’ Subcommittee on Labor-HHS-Education Appropriations.) “Parent PLUS Loans” Mar 2017 <https://www.uncf.org/wp-content/uploads/fpa_letters/Parent_PLUS_Loans_3_14_17.pdf>

Cuts to, changes in eligibility for, or elimination of Parent PLUS Loans will lead to enrollment declines and undermine the financial stability of HBCUs unless replaced by substantially better financial aid options, such as increased Pell Grants, Work Study, and Direct Loan limits. In the first year after the U.S. Department of Education instituted commercial credit standards in the program in 2011, the share of families at HBCUs with Parent PLUS Loans declined 46 percent, and the dollar amount of Parent PLUS Loans fell 36 percent—a larger decline than at other institutions of higher education. Enrollment at HBCUs declined 3.4 percent in the 2012-13 academic year, at the same time that enrollment was increasing at other institutions of higher education.

1. Increased federal deficit

Link: Parent PLUS loans reduce the deficit by $3 billion/ year

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>

The major obstacle to reform, beyond Washington’s general dysfunction and polarization, is the immense profitability of Parent PLUS. These days, the government borrows money at almost no cost, so lending at 7 percent plus fees can add up: Parent PLUS could reduce the deficit by $3 billion this year. That means any effort to scale it back and restrict it to creditworthy borrowers would cost the government a lot of money. Politicians generally don’t like paying more money to provide fewer benefits, especially when a well-organized political coalition has defended those benefits in the past.

Impact: Every increase in the deficit hurts the economy

Dr William Gale and Benjamin Harris 2010. (Gale - PhD in economics, Stanford Univ.; senior fellow at the Brookings Institution and co-director of the Urban-Brookings Tax Policy Center; former assistant professor in the Department of Economics at UCLA, and a senior economist for the Council of Economic Advisers under President George H.W. Bush; Harris - master’s degree in economics from Cornell University and a master’s degree in quantitative methods from Columbia University; senior research associate with the Economics Studies Program at the Brookings Institution) “A VAT for the United States: Part of the Solution” (notes about the date: This article is one of several in the overall publication at this source. The publication date was 2011, but this article was written in 2010) <http://www.taxcareerdigest.com/articles/VATReader.pdf>

But even in the absence of a crisis, sustained deficits have deleterious effects, as they translate into lower national savings, higher interest rates, and increased indebtedness to foreign investors, all of which serve to reduce future national income. Gale and Orszag (2004a) estimate that a 1 percent of GDP increase in the deficit will raise interest rates by 25 to 35 basis points and reduce national saving by 0.5 to 0.8 percentage points of GDP.

Backup Impact Evidence: Krugman admits in ‘17, Deficits are not harmless, let alone desirable

Dr. Paul Krugman 2017 (PhD economics) NEW YORK TIMES 9 Jan 2017 “Deficits Matter Again“ <https://www.nytimes.com/2017/01/09/opinion/deficits-matter-again.html>

What wasn’t quite so predictable, however, was that Republicans would stop pretending to care about deficits at almost precisely the moment that deficits were starting to matter again. Those apocalyptic warnings are still foolish: America, which borrows in its own currency and therefore can’t run out of cash, isn’t at all like Greece. But running big deficits is no longer harmless, let alone desirable.

Backup Link: Quantification. The federal government gains about 14 cents on each Parent PLUS dollar loaned

UNCF Office of Public Policy and Governmental Affairs 2017 (United Negro College Fund -American philanthropic organization that funds scholarships for at 37 private historically black colleges and universities; directed by Tralonne Shorter, former public policy director for NNEDV and Senior Advocacy & Policy Associate for YWCA, and Cheryl L. Smith, former staff director of the U.S. House of Representatives’ Subcommittee on Labor-HHS-Education Appropriations.) “Parent PLUS Loans” Mar 2017 <https://www.uncf.org/wp-content/uploads/fpa_letters/Parent_PLUS_Loans_3_14_17.pdf>

The Parent PLUS Loan program generates excess revenues for the federal government due to high interest rates and fees. The program generates more revenue than it spends, no matter which accounting method is used. Under federal credit reform accounting, the federal government earns 33 cents on each new dollar loaned in 2017 instead of incurring costs. Under fair value accounting, the government earns about 14 cents for each new dollar loaned.

Backup Link: Federal government makes a profit on Parent PLUS loans

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>

According to the White House budget office, the expected recovery rate for defaulted Parent PLUS loans is a remarkable 106 percent, a testament to Uncle Sam’s unique power as a collection agency. Overall, the program is expected to return $1.23 on every dollar it lends this year, thanks to its relatively high interest rates and minimal opportunities for debt relief, as well as the government’s relentlessness in tracking down overdue education loans.

1. Predatory lending

Private companies, who would replace PLUS loans, are worse than federal loans. They often change the terms in the fine print!

Raymond Arke 2016 (Assistant News Editor of the Duqesne Duke newspaper.) “Private student loans can be predatory, experts say” 15 May 2016 <http://www.duqsm.com/private-student-loans-can-be-predatory-experts-say/> (brackets added)

However, it is important to pay attention to one’s loans because some can be classified as “predatory.” This type of lending occurs when “the borrower is led into a transaction that is not what they expected,” according to the Washington State Department of Financial Transactions’ website. Antony Davies, associate professor of economics at Duquesne, described predatory loaning as “simply a loan with a high interest rate.” Often, predatory student loans come from private companies. “Families end up in trouble when they go to private loans,” [Director of Postsecondary Education at the Center for American Progress, Elizabeth] Baylor said. She suggested sticking with loans from the federal government. “Generally, borrowing from the Department of Education is a better bet than private loans,” she said. This is because private companies often present a good deal on paper, but the fine-print on the loans often will raise the rates substantially, Baylor added.

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