COLLEGE DEBT MANAGEMENT
POSITION PAPER

ISSUE: College debt is an issue for about 70% of graduates from four year private and public colleges. It impacts 40 million Americans and is now $1.3 trillion dollars. Since Betsy DeVos has become the Secretary of Education, there has been movement away from studentprotections put in place by previous administrations. The result may make it even more difficult and costly for young people to repay their loans.

OUR POSITION: College education is an important prerequisite for attaining a career in most fields of work. According to the U.S. Department of Education, college costs have increased from $8,911 in 1975 to $21, 003 in 2014. The U. S. Department of Labor reports that average salaries have increased only from $47,281 to $53,850 during that same time frame. We can anticipate greater debt as this cycle continues. Several states have moved toward free public two year college for their residents. In the absence of that possibility, we recommend that previous protections for people with education debt be reinstituted.

BACKGROUND: Several protections had been in place for federal education loans until recently. In 2015, fees were eliminated for those people who started paying off their debt immediately. That has now been overturned by the current Secretary of Education. College debt for those who had incurred it prior to 2010 was capped at no more than a 16% collection fee. Borrowers were also able to apply for "forgiveness" of their debt if they could prove that they were misled by their college about the loans or the actual education program. They could also receive "forgiveness" of their debt if they could prove the educational institution violated certain state laws, particularly consumer protection laws. Although debtors may still apply for these protections, they are no longer guaranteed.

Until June 21, 2017 The Federal Student Aid Department of the Department of Education worked with nine contractors to handle the provision of student loans. On June 21, Secretary Devos appointed A. Wayne Johnson to be the Chief Operating Officer of Student Aid. Mr. Johnson is the founder and former CEO of Reunion Financial Services. This company originates and refinances student loans. He holds a PhD in Higher Education Leadership. As a result, of no longer using nine contractors, there will be a $130 million savings on collecting. (It is of interest that his work at Reunion Financial Services was not included in the press release about his appointment). No further information was given as to how the Student Aid Office will be managed, but it appears that all loans will come from one provider- a provider with an obvious conflict of interest. This may be a good way for us to save $130 million on collecting debt but the lack of choice may result in higher interest rates or fees.

These policy changes are taking place every day. They are done legally by the directives of the Secretary of Education. Just as we see a movement toward privatization of education, we may be experiencing that same trend in other areas that are related to education. We need to stay vigilant.

SUMMARY: Student debt is a serious problem, not just in terms of the financial cost but also the cost to young graduates who are just establishing themselves in a career. We applaud states that have taken a stand and made free public college available for their residents.

We must support bringing back the previous protections for borrowers as well as monitor what's happening in the Student Aid Department. We need to watch changes that are being made at the Department of Education that may have a negative impact on students who must borrow money to attend college.