BREAKING THE SYSTEM: EXAMINING THE IMPLICATIONS OF BIDEN'S STUDENT LOAN POLICIES FOR STUDENTS AND TAXPAYERS

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT

OF THE

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BREAKING THE SYSTEM: EXAMINING THE IMPLICATIONS OF BIDEN'S STUDENT LOAN POLICIES FOR STUDENTS AND TAXPAYERS

Thursday, March 23, 2023

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HIGHER EDUCATION
AND WORKFORCE DEVELOPMENT,
COMMITTEE ON EDUCATION AND THE WORKFORCE,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:17 a.m., in room 2175, Rayburn House Office Building, Hon. Burgess Owens (Chairman of the Subcommittee) presiding.

Present: Representatives Foxx, Thompson, Grothman, Stefanik, Owens, Good, Houchin, Wilson, Scott (*ex officio*), Courtney, Sablan, Bonamici, Takano, Adams, Jayapal, McBath, Omar, and Manning.

Staff present: Cyrus Artz, Staff Director; Nick Barley, Deputy Communications Director; Jackson Berryman, Speechwriter; Hans Bjontegard, Legislative Assistant; Solomon Chen, Professional Staff Member; Christina Delmont-Small, Investigator; Tyler Dufrene, Research Assistant; Cate Dillon, Director of Operations; Daniel Fuenzalida, Staff Assistant; Sheila Havenner, Director of Information Technology; Amy Raaf Jones, Director of Education and Human Resources Policy; Alex Knorr, Staff Assistant; Andrew Kuzy, Press Assistant; John Martin, Deputy Director of Workforce Policy/Counsel; Hannah Matesic, Director of Member Services and Coalitions; Audra McGeorge, Communications Director; Ethan Pann, Press Assistant; Gabriella Pistone, Legislative Assistant Oversight; Mary Christina Riley, Professional Staff Member; Chance Russell, Professional Staff Member; Kent Talbert, Investigative Counsel; Brad Thomas, Senior Education Policy Advisor; Brittany Alston, Minority Operations Assistant; Amaris Benavidez, Minority Professional Staff Member; Daniel Foster, Minority Health and Labor Counsel; Rashage Green, Minority Director of Education Policy; Christian Haines, Minority General Counsel; Rasheedah Hasan, Minority Clerk and Member Services; Stephanie Lalle, Minority Communications Director; Kota Mizutani, Minority Deputy Communication Director; Véronique Pluviose, Minority Staff Director; Banyon Vassar, Minority IT Administrator; Sam Varie, Minority Press Secretary.

Chairman OWENS. The Subcommittee on Higher Education Workforce Development will come to order. I'll note there is a quorum that's present. Without objection, the Chair is authorized to call a recess at any time. The Subcommittee is meeting today to hear the testimony of the Implications of President Biden's Student Loan Policies for Students and Taxpayers.

Good morning, everyone, and welcome to today's hearing. Thank you everyone for your attendance, and for your witnesses, and for our witnesses taking time out of your busy schedules to be here. This hearing is titled Breaking the System, Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers, addresses what I believe is one of the greatest concerns pressing American's education and our economic competitiveness.

The purpose of this hearing is to examine the impact of the President's radical agenda to push its free college through the Federal student loan program at the expense of students, institutions and taxpayers. Hopefully, our efforts will help shine a light for the American public on the failures of this administration and present an alternate vision of what would lower college costs, limit excessive borrowing, and ensure students and taxpayers get a return on their investment in postsecondary education.

Many people in this room probably have student loans. The blanket bailouts that turn loans into target grants and saddle future generations with someone else's debt is not a solution. It has been the American way, from our beginning, to leave a legacy to our children of more opportunities, not less, particularly when it comes to their limits are due to our short-sighted, self-centered, and intergenerational debt.

The Biden administration's proposal is a patchwork attempt to fix a structural problem that will only make worse the issues of rising prices, and low-quality education. It is one that leaves students worse than if they had never enrolled in the first place. Four-inten students leave college with debt and no degree.

This has left millions of Americans with student debt that far exceeds the financial value of their degree, and with taxpayers forced to cover the bill. It is thus unsurprising that a direct loan program has resulted in 200 billion dollars in losses prior to the President's student loan schemes.

Yet rather than work with the Congress to fix our financial system, the Biden administration has taken the go it alone approach at the expense of students and taxpayers. The non-partisan Congressional Budget Office calculated that the blanket debt cancellation will cost the American taxpayers 400 billion dollars.

However, this hearing will take a look at the totality of the administration's actions, which will cost upwards to one trillion dollars, with a laser focus on inflationary spending, the Biden administration has all but ignored the challenges their actions have created for their partners and their borrowers that they serve.

Just yesterday we learned that one of the services was being forced to layoff half of their staff at one time, at a time when the customer service is needed more than ever. It's impossible for the typical American to make the financing plans where they have no idea when, and if, they have to pay back the loan.

It's also impossible for servicers and institutions to give guidance when the Department of Education refuses to provide it. Bipartisan legislation, like the FAFSA Simplification Act, and ensuring borrowers have the resources needed to return to repayment are an aftermath from this administration, and so too is the good stewardship of taxpayer dollars.

Indeed the analysis in their proposed income driven repayment plan the Department's cost estimate was ridiculously out of touch with the reality in about half of what the CBO put forward last week. So, I ask my colleagues, is all this chaos and confusion worth it?

An even better question, is all this chaos and confusion on purpose? What is the end game of an administration that sprints away from common sense? The strategy of purposeful chaos is not new. It was first imposed in 1966, by two Marxists, Richard Coward and a college professor, and Frances Fox Piven, an activist. The Coward Piven strategy was based on the idea that orchestrating a crisis that only the government could solve, could purposely create enough misery and hopelessness among the populous, that their only recourse is relief from D.C. bureaucrats, their taxpayer dollar providing saviors.

The question we need to ask ourselves, and the purpose of this hearing is the chaos and destruction of our present student loan system worth degrading our systems of checks and balances? Is it worth the economic hardship placed on taxpayers forced to pay a loan they never asked for, or received, and is it immoral to do something that no previous generation has ever done, to mortgage our children's future with additional trillion dollars added to our out of control 31 trillion-dollar national debt?

All because President Biden made a campaign promise he had no right or standing to make. I for one say no. Enough is enough. It's time we face our soaring college prices head on, not to kick the can down the road for another day. With that I look forward to the expert testimony today. With that I yield to Ranking Member Wilson for her opening remarks.

[The statement of Chairman Owens follows:]

STATEMENT OF HON. BURGESS OWENS, CHAIRMAN, SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT

Thank you to everyone in attendance and to our witnesses for taking time out of their busy schedules to be here.

This hearing titled, "Breaking the System: Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers," addresses what I believe is one of the greatest concerns pressing American education and our economic competitiveness.

The purpose of this hearing is to examine the impact of the President's radical agenda to push his free college through the Federal student loan program at the expense of students, institutions, and taxpayers. Hopefully, our efforts will help shine a light for the American public on the failures of this administration and present an alternative vision that will lower college costs, limit excessive borrowing, and ensure students and taxpayers get a return on their investment in postsecondary education.

Many people in this room probably have student loans. However, blanket bailouts that turn loans into targeted grants and saddle future generations with someone else's debt is not a solution. It has been the American Way from our beginning to leave a legacy to our children of more opportunities-not less. Particularly when their limits are due to our short sighted, self-centered, and intergenerational debt. The Biden administration proposal is a patchwork attempt to fix a structural problem that will only make worse the issues of rising prices and low-quality educations-it is one that leaves students worse than if they had never enrolled in the first place.

Four in ten students leave college with debt and no degree. This has left millions of Americans with student debt that far exceed the financial value of their degree-and with taxpayers forced to cover the bill. It is thus unsurprising that the Direct

Loan program has resulted in $200 billion in losses prior to the President's student loan schemes.

Yet, rather work with Congress to fix our financing system, the Biden administration has taken the 'go at it alone' approach at the expense of students and taxpayers. The non-partisan Congressional Budget Office calculated that blanket debt cancellation would cost the American taxpayer $400 billion. However, this hearing will look at the totality of the administration's actions which will cost upwards of $1 trillion.

With a laser-focus on inflationary spending, the Biden administration has all but ignored the challenges their actions have created for their partners and the borrowers they serve.

It's impossible for the typical American to make their financing plans when they have no idea when and if they will have to pay back their loan. It is also impossible for servicers or institutions to give them guidance when the Department of Education refuses to provide it.

Bipartisan legislation like the FAFSA Simplification Act and ensuring borrowers have the resources needed to return to repayment are an afterthought for this administration. And so, too is good stewardship of taxpayer dollars. Indeed, in announcing their proposed income-driven repayment plan, the Department's cost estimate was ridiculously out of touch with reality and about half of what the CBO put forward last week.

So, I ask of my colleagues, is all this chaos and confusion worth it? An even better question-Is this chaos and confusion on purpose? What is the endgame of an Administration that SPRINTS away from Common Sense?

This strategy of purposeful chaos is not new. It was first proposed in 1966 by two Marxists, Richard Cloward, a college professor and Frances Fox Piven, an activist. The Cloward/Piven Strategy was based on the idea of orchestrating crises that only the government can solve. To purposely create enough misery and hopelessness among the populace, that their only recourse is relief from DC Bureaucrats-their taxpayer dollar-providing saviors.

The question we need to ask ourselves-and the purpose of the hearing-is the chaos and destruction of our present student loan system worth degrading our system of checks and balances? Is it worth the economic hardship placed on taxpayers, forced to pay a loan they never asked for or received and is it fair, or moral, to do something no previous generation has done-to mortgage our own children's future with an additional Trillion dollars added to our out of controlled $31 Trillion dollar national debt? All because President Biden made a campaign promise he had no right or standing to make?

I for one say no. Enough is enough. It's time we face soaring college prices head on, not kick the can down the road for another day.

With that, I look forward to the expert testimony today.

Ms. WILSON. Good morning. It is a pleasure to welcome our witnesses and Members for our first Higher Education and Workforce Development Subcommittee Hearing of this Congress. I also want to welcome the students who are in the room, and those that are watching online. The work we do here today has direct consequences on your lives, and futures. I hope all of my colleagues will keep today's hearing grounded in our most important priorities, supporting your success and pursuit of the American dream.

We all know that a college degree is the surest pathway to economic mobility. When I speak, I speak from the prism of a young teacher, my very first job in life. It was good. I had no loans. I bought a car, married, bought a home, raised children, never struggled. My daddy paid for my college monthly like a mortgage, no loans.

As the economy slowed, and college costs rose, we ushered in student loans for some. Then in 1973, because the loans were overwhelming, Pell Grants were born. But the Pell Grant could not keep up with the cost of college. So, through the years of student debt crisis grew, and now the crisis has turned into a catastrophe—

a life altering catastrophe that is about to cancel lives and must be addressed and rectified now.

There are people in their 60's and 70's still paying student debt, and in some instances the principal has not changed. There are families who are on the brink of disaster because of the toll to parent plus loans, and life altering decisions had to be delayed. Some have lost their homes. The cost of college keeps rising out of control.

So, President Biden said erase student loans up to $20,000.00 for some, and $10,000.00 for most, and the republicans are whining. They bailed out American Airlines, bailed out the automobile industry, especially in Detroit. General Motors became known as Government Motors.

State governments balance their budget because of Federal money during the pandemic, and local governments got tons of money. Members of Congress got their loans forgiven, and nobody said a word. A little bad press here and there, but when we decided to bail out the children, the students, the hard-working want to be somebody college graduates, who will contribute to the economy, all hell breaks loose.

And the whining turns to outrage. Where were you when we bailed out the airlines, the automobiles, the State governments, the local governments, your republican colleagues and the billionaire farmers every season? In fact, a high-ranking Member of this Committee filed for bankruptcy forgiveness five times.

When republicans controlled both chambers and the White House in 2017, they gave billionaires 1.7 trillion with a T and tax breaks, but today they've come here to lecture this Committee on the implications of giving everyday Americans 1.7 trillion in student loan forgiveness, a double standard, which speaks volumes to our values.

Let us help our children. Let us help the hard-working people who are making a difference, and who deserve our support, and who will help our economy, and our economy will prosper. But despite these challenges, Congress still has a responsibility to solve the underlying problems that caused student debt crisis in the first place.

So, what do we do about it? What about the class of 2024? How do we prepare them for college while addressing the student debt crisis? Ranking Member Scott and I recently reintroduced The Lowering Obstacles to Achieve Now Act, or the LOAN Act. This bill would double the Pell Grant, improve the public service loan forgiveness programs, cap interest rates on new loans at 5 percent and make other critical reforms to make our student loan system work for students.

The LOAN Act will help improve the lives of student loan borrowers, both now and in the future by making loans cheaper to take out, and easier to pay off. To the students in the room, and tuning in, please note that your advocacy sends the clear message that reforming our student loan system is a sound investment for students, for workers and for our economy.

So I look forward to our discussion, and the work we have ahead. Thank you, Mr. Chair.

[The statement of Ranking Member Wilson follows:]

STATEMENT OF HON. FREDERICA S. WILSON, RANKING MEMBER, SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT

Good morning. It is a pleasure to welcome our witnesses and Members for our first Higher Education and Workforce Development Subcommittee hearing of this Congress.

I also want to welcome the students who are in the room and watching online. The work we do here today has direct consequences on your lives and futures. I hope all my colleagues will keep today's hearing grounded in our most important priority: supporting your success and pursuit of the American Dream.

We all know that a college degree is the surest pathway to economic mobility.

When I speak . . . I speak from the prism of a young teacher. my very first job in life. It was good. I had no loans, I married, bought a car, bought a home, raised children, struggled. My daddy paid for my college monthly like a mortgage. no loans.

As the economy slowed and college costs rose, we ushered in student loans for some. Then in 1973 loans for some. Then in 1973 because the loans were overwhelming Pell Grants were born. But the Pell Grant could not keep up with the cost of college. So, through the years the student debt crisis grew. And now the crisis has turned into a catastrophe. Life-altering catastrophe that is out of control and must be addressed and rectified now!

Some families are people in their 60's and 70's still paying student debt and in some instances, the principal has not changed.

Some families are on the brink of disaster because of the toll of parents plus loans. And many have lost their homes or delayed purchases as the cost of college keeps rising out of control. So, President Biden said to erase student loans up to $20,000 for some and $10,000 for most and the republicans are whining.

Bailed out the Airlines. Bailed out the automobile industry, especially in Detroit. General Motors became known as government motors.

State governments balanced their budgets because of Federal money. And local governments got tons of money.

Members of Congress got their loans forgiven and nobody said a word. A little bad press here and there. But when we decide to Bail out the children, the students, and the college graduates who will contribute to the economy. All hell breaks loose. And the whining turns to outrage.

Where were you when we had bailed out the airlines, the automobiles, the State governments, the local governments, your republican colleagues, and the billionaire farmers every season? A high-ranking member of this committee filed for bankruptcy forgiveness five times.

When Republicans controlled both chambers and the White House in 2017, they gave billionaires $1.7 Trillion with tax breaks. But today they've come here to lecture this committee on the implications of giving everyday Americans $1.7 Trillion in student loan forgiveness.

A double standard that speaks volumes to our values. Let's help our children. Let's help the hardworking people

who are making a difference and who deserve our support and our country and our economy will prosper.

So, what do we do about it? What about the class of 2024? How do we prepare them for college while addressing the student debt crisis?

Traditionally, Republicans have once again put big banks and hedge fund owners over everyday Americans.

Meanwhile, the average American can't get a bailout and as a result, they are robbing Peter to pay Paul to cover

student loans on a degree that we told them would ensure economic prosperity.

The cost of attending college today is more than triple what it cost to attend college in 1980.

The declining value of the Pell Grant-the bedrock of our financial aid system-has also increased the burden for students and families. In 1975, the Pell Grant covered nearly 80 percent of the average cost of tuition, room, and board at a public 4-year university. Now, it covers just less than a third of the average cost, leaving far too many low-income students and families with unmet needs.

As a result, many students are saddled with a lifetime of student loans.

I am particularly troubled by the number of students who have been left behind with not only significant student loans but also no meaningful degree.

In the last decade, at least five large for-profit college chains have collapsed overnight, leaving tens of thousands of students with debt and often without degrees. These school closures can be devastating for students, plunging them into financial and emotional despair while robbing them of the education and opportunities they deserve.

Regrettably, taxpayers also bare the cost. As of 2022, the non-partisan Government Accountability Office reported that low-quality for-profit institutions have cost taxpayers $8.2 billion.

Thankfully, in response, the Biden-Harris administration has taken historic steps to provide borrowers with a clear pathway to repayment and protect students, families, and taxpayers.

The administration has forgiven more than $24 billion in student loan debt for more than 1 million borrowers who were defrauded by their institution or have a total and permanent disability.

Since the beginning of the pandemic, we have ensured that borrowers of federally held student loans were spared from making payments on their loans and accruing interest on them.

The Administration has also streamlined the income-driven repayment program to make paying back loans more affordable.

And finally, President Biden has forgiven more than $25 billion for more than 370,000 public servants by making time-limit improvements to the Public Service Loan Forgiveness program.

Even in the face of Republican opposition, the Biden-Harris administration has taken these historic steps to get us back on track. However, we know there is more work that still needs to be done.

That's why President Biden announced a plan to forgive up to $20,000 in outstanding Federal student loan debt. This plan would provide debt relief for 43 million current borrowers-some of whom are in this room-and clear the remaining debt of roughly half of those borrowers.

Unfortunately, Republican politicians are denying students-including an estimated 114,000 borrowers in my district-the relief they need to make ends meet.

Despite these challenges, Congress still has a responsibility to solve the underlying problems that caused the student debt crisis in the first place, such as the declining value of the Pell Grant and our flawed student loan system.

To that end, Ranking Member Scott and I recently reintroduced the Lowering Obstacles to Achievement Now Act-or LOAN Act.

This bill would:

- Double the Pell Grant;
- Improve the Public Service Loan Forgiveness program;
- Cap interest rates on new loans at 5 percent; and,
- Make other critical reforms to make our student loan system work for students.

The LOAN Act will help improve the lives of student loan borrowers-both now and in the future-by making loans cheaper to take out and easier to pay off.

To the students in the room and tuning in, please know that your advocacy sends the clear message that reforming our student loan system is a sound investment for students, workers, and our economy.

I look forward to our discussion and the work we have ahead.

Chairman OWENS. Thank you, Ranking Member Wilson. Pursuant to Committee Rule 8(c), all Members who wish to insert written statements to the record may do so by submitting them to the Committee Clerk electronically in Microsoft Word format by 5 p.m., fourteen days after the date of this hearing, which is April 6, 2023, and without objections the hearing record will remain open 14 days to allow such statements and other extraneous material reference during the hearing to be submitted to the official hearing record.

I would now like to turn the introduction to our distinguished witnesses. Mr. Marc Goldwein, a Senior Vice President and Senior Policy Director for the Committee for the Responsible Federal Budget, a non-partisan, non-profit organization committed to educating the public on issues with significant fiscal policy impact.

Mr. Adam Looney is Executive Director of Marriner S. Eccles Institute for Economics and Quantitative Analysis at the University of Utah. He previously served as Deputy Assistant Secretary for Tax Analysis for the U.S. Department at the Treasury during the Obama administration.

Mr. Sameer Gadkaree, President of The Institute for College Access and Success, an organization dedicated to research and design and advocacy of student-centered higher education policies.

And Carlos Salerno, is an Economist and Financial Aid Expert, two-time entrepreneur with over two decades of experiencing conducting research for both the public and private sector and building first to market solutions to help students and families help finance a college education.

We want to thank all the witnesses for being here today and look forward to your testimony. I would like to remind the witnesses that we have read your written statements, and they will appear in full in the hearing record.

Pursuant to the Committee Rule 8(b) the Committee practice, I would like to ask that each of you limit your oral presentation to a five-minute summary of your written statement. I would also like to remind the witnesses to be aware of their responsibility to provide accurate information to the Subcommittee. Before you begin your testimony, please remember to press the button on the microphone in front of you, so it will be turned on and Members can hear you.

As you begin to speak the light in front of you will turn green. After 4 minutes the light will turn yellow to signal that it's 1 minute remaining. When the light turns red your five minutes have expired. We ask you to please wrap up at that time. Also, as a long-standing Committee practice, we will let the entire panel make their presentations before we move to Member questions.

When answering a question please remember to once again turn your microphone on, and then off when finished. I first would like to recognize Mr. Goldwein for your testimony.

STATEMENT OF MARC GOLDWEIN, SENIOR VICE PRESIDENT AND SENIOR POLICY DIRECTOR, COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET, WASHINGTON, DC

Mr. GOLDWEIN. Thank you so much. Chairman Owens,

Ranking Member Wilson, and Members of the Subcommittee. Thank you again so much for inviting me today to speak on the implications of our current student debt policies. I am Marc Goldwein. I'm the Vice President, Senior Vice President, and Senior Policy Director at the Committee for Responsible Federal Budget.

We're a non-partisan, non-profit think tank here in Washington, DC. focused on fiscal policy issues. There is no question that we need to reform America's higher education system. Costs are too high, outcomes are too variable, accountability is mostly lacking, and many borrowers are feeling burdened by high levels of student debt.

And as we consider reforms to higher education, we should focus on policies that are fiscally responsible for the taxpayer, that are justified on economic and financial grounds, that are targeted to those that are most in need, and that improve the quality and affordability of education—of higher education, in particular.

Unfortunately, the administration's approach, in particular, the ongoing debt pause, the blanket debt cancellation, and the reforms to the income driven repayment program do not meet these criteria. At best, in my view, they will serve as a temporary band-aid, and more likely they're actually going to worsen many of the structural problems in the current system.

Taken together, we estimate that policies enacted since the pandemic have cost 970 billion dollars over a decade, over 900 billion of that is executive actions under the current administration. To put that in context, that is more than we've spent on higher education in the Nation's entire history. Let me say that again. The 970 billion dollar cost of higher education actions since the pandemic is more than every dollar the Federal Government has spent on higher education in its entire pre-pandemic history.

It's about three times the cost of the Pell Grants program over the next decade. It's 11 times the cost of the President's plan for free community college. It is extremely expensive. And this spending is coming at a time when inflation is surging, national debt is approaching record levels.

We're on course to borrow another 20 trillion dollars over the next decade, and interest costs are exploding. It's not clear that this massive amount of spending can be justified on economic or financial grounds. Yes, the pause made sense in March 2020. Back then the unemployment rate was headed toward 15 percent, and we were at risk of falling into an economic depression.

The pause at that point strengthened household balance sheets. It's propped up the macro economy, and there was a reasonable case for putting into effect because it can go a lot more quickly than say unemployment benefits or checks. But eight extensions later that justification has long since disappeared. The overall unemployment rate today is about the lowest it's been in 50 years, and among college graduates, only 2 percent are jobless.

The administration itself has bragged that "household finances are stronger than pre-pandemic." That's from the administration. Rather than support economic growth, as this policy would have done early in the pandemic, now it's stoking inflation, and increasing our risk of recession. We've estimated that the pause has added about 20 basis points to the inflation rate, and that the President's cancellation policy would add about 25 basis points.

The Federal Reserve, of course, is going to respond to that inflation, and is with tighter monetary policy and high rates. But we've seen the consequences of those actions. Those rate increases lead to financial turmoil, such as the recent banking crisis, the problems with the housing sector, and could put us into a recession.

At the same time these student debt policies mean higher costs and higher recession risks for everyday Americans. They disproportionately benefit high-income households. Only 13 percent of Americans hold student debt, and the largest balances are owned by doctors, lawyers, and other high-income professionals. It's not clear we should be providing them such a large financial windfall.

Finally, I'm concerned the recent student debt policies will actually worsen the very outcomes they're trying to improve. I have no doubt that many supporters of these policies have good intentions, but we're not focused on the unintended consequences. If the court's allow the President's unilateral debt cancellation to continue, the student debt program will become more like tuition roulette.

Some people won't end up having to pay anything back. Some will pay some back, and people won't really know in advance because of the arbitrary nature of this forgiveness. As a result, I expect borrowing to rise, tuitions to grow, and a huge expansion of low-quality programs that are going to hurt overall education outcomes. It's not too late to turn this around. It's not too late for Congress to act to do its job to truly reform our student loan program for the sake of borrowers and the taxpayers. Thank you.

[The prepared statement of Mr. Goldwein follows:]

PREPARED STATEMENT OF MARC GOLDWEIN

COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

Testimony of Marc Goldwein
Committee for a Responsible Federal Budget

Hearing before the Higher Education and Workforce Development Subcommittee of the House Committee on Education & the Workforce

"Breaking the System: Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers"

March 23, 2023

Chairman Owens, Ranking Member Wilson, and Members of the Committee, thank you for inviting me here today to discuss the implications of President Biden's student loan policies for students and taxpayers.

I am Marc Goldwein, Senior Vice President and Senior Policy Director of the Committee for a Responsible Federal Budget. The Committee for a Responsible Federal Budget is a non-partisan organization dedicated to educating the public and working with policymakers on fiscal policy issues. Our co-chairs include former governor and OMB Director Mitch Daniels, former Secretary of Defense and OMB Director Leon Panetta, and former Congressman Tim Penny. Our board is made up of some of the top budget experts in the country.

American higher education policy is in serious need of reform. College costs are too high and not always well aligned with value. Student debt balances continue to grow, imposing a substantial financial burden on many borrowers – especially those who don't ultimately complete their degree. Furthermore, a lack of serious accountability, in combination with current lending rules, has allowed an expansion of low-quality programs that deliver poor outcomes to their students.

The President was right to prioritize these challenges. Yet, the Administration's approach – especially the ongoing student debt pause, retroactive debt cancellation, and Income-Driven Repayment (IDR) reforms – is of serious concern. At best, these changes serve as a band-aid and ignore very real structural challenges. Likely, they will make the underlying situation worse. They are especially problematic with inflation surging and federal debt approaching record levels.

In my testimony, I will touch on five main points:

1. Recent student debt actions and proposals are costly, adding nearly $1 trillion to the deficit over a decade.
2. These student debt actions are, for the most part, economically unjustified.
3. The student debt pause and cancellation worsen inflation and recession risk.
4. The policies are poorly targeted, paying windfalls to high earners.
5. The policies would lead to more borrowing, higher tuition, more low-quality programs, and a more arbitrary higher education financing system.

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Recent Student Debt Policies Will Cost Almost $1 Trillion

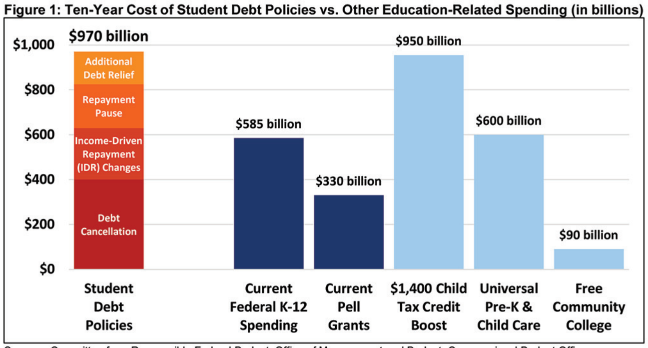
By our tally, student debt policies implemented or proposed since the pandemic will add **$970 billion** to the deficit over a decade, assuming the courts allow them to move forward.[1]

These figures are primarily based on Congressional Budget Office (CBO) estimates, including $400 billion from debt cancellation, $230 billion from the Administration's new IDR program, nearly $200 billion from the student debt pause (a quarter of which is from the Trump Administration), and almost $150 billion from a variety of other actions.[2]

The trillion-dollar cost of these measures is massive, particularly with the national debt headed to a record 118 percent of the economy in just ten years. For some context, the cost is:

- More than the federal government has spent on higher education over its *entire* pre-pandemic history *($744 billion from 1962 to 2019)*
- Triple what we are projected to spend on Pell Grants this decade *(about $330 billion)*
- Almost 11 times the cost of the President's free community college plan *($90 billion)*
- Enough to permanently increase the child tax credit by $1,400 per child *($950 billion)*

Figure 1: Ten-Year Cost of Student Debt Policies vs. Other Education-Related Spending (in billions)



Sources: Committee for a Responsible Federal Budget, Office of Management and Budget, Congressional Budget Office.

Importantly, the order of magnitude of this cost does not change under different sets of assumptions. Relying mostly on figures from the Office of Management & Budget and the Department of Education – which ignore most behavioral effects – the total cost would be about $800 billion. Using Penn Wharton Budget Model estimates where available, the cost would be $1.1 to $1.2 trillion. Although these estimates are (appropriately) made on a present value basis, we expect similar overall costs over a decade if estimates were generated on a cash basis.[3]

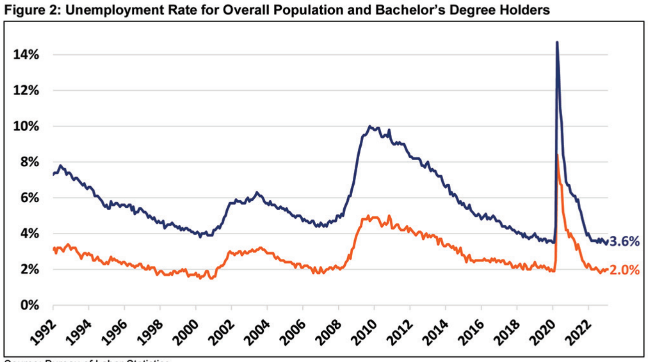
The Student Debt Policies Are Economically Unjustified

The government originally paused the collection of student debt payments in March of 2020, when economic activity was collapsing, the unemployment rate was headed toward a post-WWII record 15 percent, and there was a real fear the economy might be headed into a depression.

That temporary pause was justified financially to support households facing huge losses of income and massive uncertainty, macroeconomically to support spending and limit damage from the recession, and administratively as it could go into effect much more quickly than other COVID relief measures such as unemployment benefits, rebates, and small business support.

Eight pause extensions later, those justifications have long since disappeared. The unemployment rate sits at 3.6 percent – near a 50-year low – and it is only 2.0 percent among college graduates.[4] Meanwhile, households are spending 22 percent more than before the pandemic, balance sheets remain strong, and the economy is suffering far more from overheating than underperforming.

Figure 2: Unemployment Rate for Overall Population and Bachelor's Degree Holders



Source: Bureau of Labor Statistics.

Nor can broad debt cancellation be justified on these grounds, though the Education Secretary has argued in court it is needed to prevent borrowers from being "placed in a worse position financially" as a result of a national emergency.[5] In reality, most borrowers are financially better off as a result of the pandemic response, there is little evidence that delinquencies will spike *due to the pandemic*, high inflation has actually eroded the burden of student debt, and only a small share of debt cancellation helps those hurt by the pandemic.[6] Indeed, the Administration itself has argued "household finances are stronger than pre-pandemic, putting families in a better position to navigate the economic challenges flowing from disruptions to the global economy."[7]

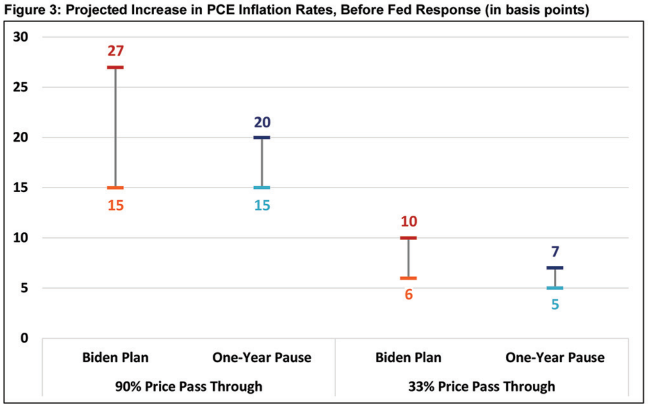
The Student Debt Policies Would Worsen Inflation and Increase Recession Risk

Inflation has been surging recently at the fastest pace in over four decades. CPI inflation totaled 6.8 percent in 2021 and 7.1 percent in 2022, while PCE inflation totaled 5.7 percent in both years.[8] This is well above the Federal Reserve's inflation target of 2 percent.

Unfortunately, the Administration's policies have contributed to this inflation and cancellation could further exacerbate inflationary pressures if allowed by the Supreme Court to go forward. This in turn puts more pressure on the Federal Reserve to raise interest rates, which disrupts the financial, housing, and labor markets and risks pushing the economy into a recession.[9]

By allowing borrowers to spend more money in the economy rather than paying down their debt, the student debt pause has boosted overall consumption. In an economy already operating above potential, this higher spending will mostly translate into higher prices. In the current economy, we've estimated that extending the pause boosted inflationary pressures by 15 to 20 basis points relative to ending it, which could translate into one or two additional Fed rate hikes.[10]

Figure 3: Projected Increase in PCE Inflation Rates, Before Fed Response (in basis points)



Source: Committee for a Responsible Federal Budget.

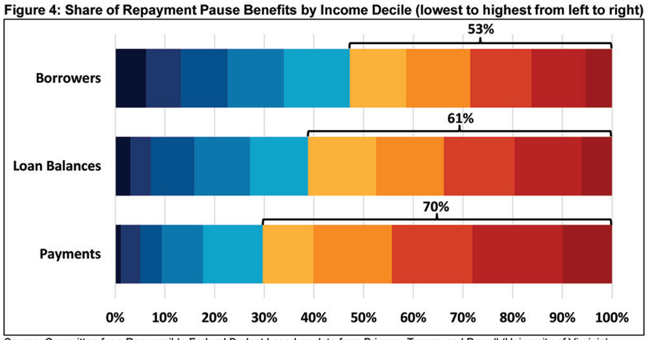
The President's student debt cancellation plan would likely boost inflation even more than extending the pause – by 15 to 27 basis points under our estimates. In addition to increasing spending in the economy by reducing repayments, debt cancellation would also significantly increase borrowers' net wealth – which a substantial body of economic literature has found adds meaningfully to consumption.[11] The plan would also put some upward pressure on tuition.

The Student Debt Policies Are Poorly Targeted and Benefit High Earners

Supporters of student debt relief are appropriately and admirably concerned about low-income borrowers burdened with large amounts of debt. Unfortunately, recent measures and proposals are poorly targeted toward these borrowers and offer large windfalls to higher earners.

The student debt pause is especially regressive, since it provides the largest benefits to those with the highest balances who face the highest interest rates. A new physician in 2019 will receive $60,000 of interest forgiveness from the pause and a new lawyer $37,000, compared to $5,000 for a four-year college graduate.[12] Diego Briones, Sarah Turner, and Eileen Powell of the University of Virginia found that those in the top half of the income spectrum have enjoyed 70 percent of the payment relief from the pause, while those in the bottom income quintile enjoy only 5 percent.[13]

Figure 4: Share of Repayment Pause Benefits by Income Decile (lowest to highest from left to right)



Source: Committee for a Responsible Federal Budget based on data from Briones, Turner, and Powell (University of Virginia).

Many elements of the IDR plan are also regressive, or at least far less progressive than intended, as higher education expert Adam Looney has explained.[14] The uncapped forgiveness offered in IDR rewards those with the most debt, who mostly enjoy the highest lifetime income. This issue is exacerbated by the proposed monthly forgiveness of unpaid interest, which provides an especially large windfall to physicians and other high-income professionals who appear to have low income early in their careers due to time in graduate school, residency, or similar positions.

Even the one-time debt cancellation – which was specifically *designed* to be progressive through a combination of means-testing, capped relief, and a double-benefit for those who used Pell Grants – disproportionately benefits high earners. Roughly half of the debt cancelled under that plan would go to those in the top half of the income spectrum, which we estimate would provide the top half with 57 to 65 percent of the total financial benefits.[15]

Recent Student Debt Policies Are Largely Counterproductive

Federal higher education policy should focus on lowering the cost of higher education, preventing student debt from placing an unaffordable burden on its students, improving the overall quality of and outcomes associated with higher education, and increasing transparency so that prospective students can make informed choices regarding their education. With a few small exceptions, the student debt actions taken to date either fail to achieve these goals, achieve them only on a very temporary basis, or – in most cases – make them worse.

Should the Supreme Court allow the President to unilaterally cancel student debt, and should the Administration's IDR plan move forward, the student debt system will be transformed into tuition roulette. Many will end up keeping their loan payments as effective grants, some will have to pay their entire loan back, and which group you fall into is determined in arbitrary and unpredictable ways. Future borrowers will take out debt not knowing if and how much might be cancelled under IDR or a future presidential cancellation edict.[16]

Although the proposals will temporarily reduce the amount of outstanding student debt, they will not stem further borrowing and in fact will encourage substantially *more* borrowing than under prior policy. Ignoring behavioral effects, loan balances would return to $1.6 trillion just five and a half years after cancellation.[17] The combination of the new IDR plan and the possibility of future presidentially initiated debt cancellation is all but certain to boost borrowing further.

CBO estimates the IDR plan alone will boost borrowing 12 percent.[18] This figure may prove conservative, given the $185 billion of eligible loans that go unborrowed *per year*.[19] If student debt cancellation is ruled legal by the Supreme Court, borrowing increases could be supercharged. These same factors will put upward pressure on tuition, encourage creation of and enrollment in lower-quality degrees, and further weaken an already frail accountability system.

On costs, CBO notes that any change in subsidization will lead some schools to increase tuition since borrowers will be less price sensitive, which is unsurprising given that schools already use existing forgiveness programs to advertise the potential "net costs" of their degree programs.[20] A similar dynamic will likely boost the price of university housing, food, textbooks, and other costs.

The new IDR program will also perversely encourage the proliferation of high-cost, low-quality programs. These programs, ironically, will receive some of the highest indirect subsidies from IDR since they do so little to boost the future income of their enrollees. The forgiveness will blunt the direct cost of these institutions to borrowers but cannot repay students for the use of limited Pell Grant money, lost time, or opportunity costs from attending a low-quality institution.

Automatic enrollment of delinquent borrowers in IDR will also make it more difficult to track delinquencies through the Cohort Default Rate, thus further limiting accountability for these schools.[21] Encouragingly, the Administration is taking some small steps to improve accountability – but these are far too small to address the damage that other student debt actions will cause.[22]

Conclusion

The current higher education financing and accountability system is in serious need of reform. Policymakers should work together to develop responsible solutions to improve the student loan system (especially the IDR program), strengthen institutional accountability, and create pressures and incentives for institutions to deliver quality education at an affordable price. They should also reauthorize the Higher Education Act, which was last reauthorized in 2008.

Except when the authority clearly lies with the Department of Education, these reforms should come from Congress and should originate within this Subcommittee. They should be designed responsibly so that new policies do not add to the deficit, distribute hundreds of billions of dollars in windfalls to those who do not need it, or inadvertently encourage more of the borrowing, tuition hikes, and low-value programs they are trying to address.

No president should distribute upwards of $1 trillion without explicit congressional authorization and input, particularly in a time of surging inflation and near-record levels of debt.

And while many supporters of these recent higher education policies surely have good intentions, too little thought has been put into *unintended* consequences.

The President should withdraw his plans to cancel $400 billion of student debt and to establish a new Income-Driven Repayment plan. Instead, he should work with Congress on a broader and smarter set of reforms.

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[1] See the following Congressional Budget Office reports, which include most of these costs: "Costs of Suspending Student Loan Payments and Canceling Debt", September 26, 2022, https://www.cbo.gov/system/files/2022-09/58494-Student-Loans.pdf "Costs of the Proposed Income-Driven Repayment Plan for Student Loans", March 13, 2023, https://www.cbo.gov/system/files/2023-03/58983-IDR.pdf "The Budget and Economic Outlook: 2023 to 2033", February 2023, https://www.cbo.gov/publication/58946, "Federal Student Loan Programs – Baseline Projections", May 2023, https://www.cbo.gov/system/files/2022-05/51310-2022-05-studentloan.pdf and see Committee for a Responsible Federal Budget, "Student Loan Pause Could Cost $275 Billion", November 22, 2022, https://www.crfb.org/blogs/student-loan-pause-could-cost-275-billion

[2] This includes the final rule of ED–2021–OPE–0077 on changes to Public Service Loan Forgiveness eligibility, closed school discharge, borrower defense to repayment, and changes to total and permanent disability discharges. It also includes closed school discharges initiated by the Biden administration as well as the temporary eligibility waivers for the Income-Driven Repayment and Public Service Loan Forgiveness programs.

[3] CBO estimates the direct debt cancellation would cost about $400 billion on a present value basis, which translates to roughly $300 billion through 2033 on a cash basis, or $350 billion with interest. Some other policies, such as the student debt pause, will cost *more* on a cash basis than present value basis since they delay payments. See the Congressional Budget Office, "Costs of Suspending Student Loan Payments and Canceling Debt", September 26 2022, https://www.cbo.gov/system/files/2022-09/58494-Student-Loans.pdf

[4] See Bureau of Labor Statistics, "Table A-1. Employment status of the civilian population by sex and age", March 10, 2023, https://www.bls.gov/news.release/empsit.t01.htm and Bureau of Labor Statistics, "Table A-4. Employment status of the civilian population 25 years and over by educational attainment", March 10, 2023, https://www.bls.gov/news.release/empsit.t04.htm

[5] See Department of Education, "The Secretary's Legal Authority for Debt Cancellation", August 23, 2022, https://www2.ed.gov/policy/gen/leg/foia/secretarys-legal-authority-for-debt-cancellation.pdf and Department of Justice, "Use of the HEROES Act of 2003 to Cancel the Principal Amounts of Student Loans" August 23, 2022, https://www.justice.gov/olc/file/1528451/download

[6] See Committee for a Responsible Federal Budget, "Student Debt Cancellation is Not Financially Justified", October 11, 2022, https://www.crfb.org/blogs/student-debt-cancellation-not-financially-justified

[7] See The White House, "The Biden-Harris Economic Blueprint", September 2022, https://www.whitehouse.gov/wp-content/uploads/2022/09/Biden-Economic-Blueprint-Report-720PM-MASTER-DOC.pdf

[8] See Committee for a Responsible Federal Budget, "2022 Inflation Hit a 41 Year Record", March 6, 2023, https://www.crfb.org/blogs/2022-inflation-hit-41-year-record

[9] See Committee for a Responsible Federal Budget, "Fiscal Policy in a Time of High Inflation", October 13, 2022, https://www.crfb.org/papers/fiscal-policy-time-high-inflation

[10] See Committee for a Responsible Federal Budget, "Student Debt Changes Would Boost Inflation", August 22, 2022, https://www.crfb.org/blogs/student-debt-changes-would-boost-inflation

[11] See Gabriel Chodorow-Reich, Plamen T. Nenov, Alp Simsek, "Stock Market Wealth and the Real Economy: A Local Labor Market Approach", National Bureau of Economic Research, June 2019, https://www.nber.org/system/files/working_papers/w25959/revisions/w25959.rev0.pdf and Karl E. Case, John M. Quigley, Robert J. Shiller, "Comparing Wealth Effects: The Stock Market Versus the Housing Market", National Bureau of Economic Research, November 2001, https://www.nber.org/system/files/working_papers/w8606/w8606.pdf

[12] For a discussion of these calculations, with estimates based on prior pause periods, see Committee for a Responsible Federal Budget, "How Much Student Debt Has Already Been Cancelled?", March 17, 2022, https://www.crfb.org/blogs/how-much-student-debt-has-already-been-cancelled

[13] See Diego Briones, Eileen Powell, Sarah Turner, "Student Loan Payment Pause Benefits High-Income Households the Most", Education Next, January 17, 2023, https://www.educationnext.org/student-loan-payment-pause-benefits-high-income-households-most-borrowers-unprotected-from-risk/

[14] See Adam Looney, "Biden's Income-Driven Repayment Plan Would Turn Student Loans into Untargeted Grants," Brookings Institution, September 15 2022, https://www.brookings.edu/opinions/bidens-income-driven-repayment-plan-would-turn-student-loans-into-untargeted-grants/

[15] See Committee for a Responsible Federal Budget, "Is Biden's Student Debt Cancellation Plan Still Regressive?", October 3, 2022, https://www.crfb.org/blogs/bidens-student-debt-cancellation-plan-still-regressive

[16] Under the IDR program, for example, Adam Looney estimates that 75 percent of undergraduates could expect some forgiveness and the average borrower will only pay 50 cents per dollar taken out. Because the forgiveness is so sensitive to the level of debt and timing of future earnings, it is unlikely to be either well targeted or easy to predict. See, Adam Looney, "Biden's Income-Driven Repayment Plan Would Turn Student Loans into Untargeted Grants," Brookings Institution, September 15 2022, https://www.brookings.edu/opinions/bidens-income-driven-repayment-plan-would-turn-student-loans-into-untargeted-grants/

[17] See Committee for a Responsible Federal Budget, "How Long Before Cancelled Student Debt Would Return?", September 1, 2022, https://www.crfb.org/blogs/how-long-cancelled-student-debt-would-return

[18] Congressional Budget Office, "Costs of the Proposed Income-Driven Repayment Plan for Student Loans", March 13, 2023, https://www.cbo.gov/system/files/2023-03/58983-IDR.pdf

[19] See Adam Looney, "Biden's Income-Driven Repayment Plan Would Turn Student Loans into Untargeted Grants", Brookings Institution, September 15 2022, https://www.brookings.edu/opinions/bidens-income-driven-repayment-plan-would-turn-student-loans-into-untargeted-grants/

[20] See Congressional Budget Office, "Costs of the Proposed Income-Driven Repayment Plan for Student Loans", March 13, 2023, https://www.cbo.gov/system/files/2023-03/58983-IDR.pdf, and Dylan Matthews, "How Georgetown Law gets Uncle Sam to pay its students' bills", The Washington Post, August 9, 2013, https://www.washingtonpost.com/news/wonk/wp/2013/08/09/how-georgetown-law-gets-uncle-sam-to-pay-its-students-bills/

[21] See Congressional Budget Office, "Costs of the Proposed Income-Driven Repayment Plan for Student Loans", March 13, 2023, https://www.cbo.gov/system/files/2023-03/58983-IDR.pdf

[22] The administration is taking some important steps in the right direction to strengthen gainful employment regulations, increase warnings and disclosures for low-value programs, expand instances of financial protection from low-performing schools, and attach conditions for low-performing schools to continue to receive federal financial aid.

Chairman OWENS. Thank you, Mr. Goldwein. Appreciate that. I recognize Dr. Looney. Would you mind also bringing that microphone a little bit closer to you to make sure we can hear you, if you can do that, if possible.

Mr. LOONEY. OK.

Chairman LOONEY. OK. All right. Thank you so much.

STATEMENT OF DR. ADAM LOONEY, DIRECTOR, MARRINER S. ECCLES INSTITUTE FOR ECONOMICS AND QUANTITATIVE ANALYSIS, UNIVERSITY OF UTAH, SALT LAKE CITY, UT

Mr. LOONEY. Thank you. Chairman Owens, Ranking Member Wilson, and Members of the Committee, thank you for the opportunity to testify today.

Our system of higher education financing is in crisis. Too many students enroll in programs that are too expensive, or that don't lead to good jobs, that leaves them saddled with debt they can't afford, and taxpayers on the hook. However, recent executive actions are poorly targeted to help struggling borrowers, that benefit highly educated and well-off students. They are costly to taxpayers, and they will increase tuition charged by institutions borrowing by students and enrollment at poor quality institutions.

The cumulative executive actions are expected to cost close to a trillion dollars, making these new student loan subsidies among the largest transfer programs in American history, exceeding the amounts of that will be spent on the earned income tax credit, or on food stamps, for example, over the next decade.

Taxpayers will now spend almost twice as much supporting student loan borrowers than it has ever spent on Pell Grant recipients, in the history of the Pell Grant Program. In contrast to those programs, however, student loans are not means tested, and eligibility is based on whether you go to college, how long you enrolled, and whether you go to graduate school.

That explains why student borrowers are better educated, why they earn higher incomes, grew up in more affluent families, than other Americans, particularly those who are served by means tested transfer programs. Next year for example, 70 percent of debt is expected to be owed by students who have gone to graduate school, and 39 percent by graduate students who will earn more than $100,000.00 per year over their careers.

That's also why expansive debt relief policies are regressive unless they are well targeted. In the case of the Department's proposed forgiveness program, for example, by forgiving debts of students who never received a Pell Grant, about a third of the 400 billion cost will go to a group of students who are well educated, mostly white, and disproportionately from high income families. The proposed changes to IDR plans are also elected to have significant unintended effects on students and educational institutions.

Students will borrow more. Borrowing has historically been a more expensive way to pay for college, but under the IDR proposal students will be expected to repay only a fraction of the amounts that they borrow, making student loans the cheapest way to pay.

The Congressional Budget Office projects that student loan borrowing may increase by roughly 100 billion dollars over the next decade as a result. Institutions are likely to respond to the new IDR rules by raising tuition and reducing institutional aid. For example, the elimination of loan limits for graduate students under the Grad Plus Program increased the amounts that students borrowed, increased tuition prices, but did not increase access to graduate study among historically underrepresented groups.

Likewise, under IDR, programs and institutions with the worst outcomes and highest debts will accrue the largest subsidies, and students who can't repay their loans will be automatically enrolled in IDR before they default, subverting the cohort default rate rules, which prohibit institutions with poor borrower outcomes from receiving Federal aid.

Historically, when the Federal loan program increased subsidies for low-quality institutions, and weakened accountability rules. That increased enrollment at low-quality programs, increased the amounts that students borrowed, and worsened borrower outcomes.

I don't doubt that cleaning up our student loan mess will require some degree of loan forgiveness for those who were harmed by bad government practices, and through IDR plans for borrowers who made good educational choices, but who fell on hard times.

But for many borrowers, their loans have helped them achieve economic success, and repaying them is a way to pay it forward to future generations of students. Looking ahead at the fundamental problems that caused the student loan crisis, useless degree programs and exorbitant costs can't be solved by encouraging students to take up bigger loans and promising to forgive them later.

Instead, Congress should decide which institutions and degreed programs taxpayers should pay for, which students are wealthy, or well-educated enough to pay their own way, and how to ream in incentives for institutions to raise their prices. Thanks. That concludes my prepared remarks.

[The prepared statement of Mr. Looney follows:]

PREPARED STATEMENT OF ADAM LOONEY

Testimony for Hearing "Breaking the System: Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers."

The United States House of Representatives,
Subcommittee on Higher Education and Workforce Development
March 23, 2023

Adam Looney[i]
Director of the Marriner S. Eccles Institute and Clinical Professor of Finance,
David Eccles School of Business, University of Utah

Chairman Owens, Ranking Member Wilson, and Members of the Committee, thank you for the opportunity to testify today.

Our system of higher education financing is in crisis. Tuition is too high. Many students enroll in programs that don't result in a degree, or their degree doesn't lead to a good job, leaving them saddled with debt they can't afford. The flaws in our student lending system impose huge costs on taxpayers, and cause many students to miss out on a chance for upward economic mobility. The problems students face with student debt are ultimately caused by well-intentioned, but flawed, federal policies, and any solution to our crisis requires federal legislative action to fix.

At the same time, however, the current system also finances high-quality education for millions of college, graduate, and professional students, and the educational investments they make help most student loan borrowers achieve good jobs, high incomes, and a host of other benefits associated with a college degree. Today and in the future, a well-functioning, fiscally sustainable student lending system will be necessary to finance such investments.

Further complicating the matter is the fact that not only do most students leave college with a good education and headed toward a good career, they also come from more affluent backgrounds to begin with. As a result, there are important issues of equity and fairness that should be taken into account when deciding whose education should be subsidized by taxpayers.

For all of these reasons, the efficacy of recent and proposed policy changes, regulatory or legislative, should be judged by their budget cost, distributional effects, and intended and unintended economic consequences.

Based on those considerations, recent executive and regulatory actions are costly, poorly targeted to help Americans who struggle financially, provide substantial benefits to highly educated and well-off borrowers, and exacerbate negative incentives in the market for institutions of higher education. Ultimately, the blunt tools available to the executive branch are insufficient to implement nuanced and targeted policies and fix the misguided incentives that caused this crisis. Legislation is needed.

Budgetary Cost of Recent Executive and Regulatory Actions in Perspective

Since the onset of the Pandemic, the cumulative cost of the suspension of loan payments, executive action to forgive student loan debt, the proposed regulatory changes to Income-Driven Repayment (IDR) plans, and other regulatory and executive actions is expected to cost more than $920 billion.[ii]

To put this cost in perspective relative to the federal budget and cost to the taxpayers, the increased subsidies for student borrowers ranks among the largest transfer programs in American history. The cumulative cost exceeds the cumulative amount projected to be spent over the next decade to supplement the wages of low-income, working parents through the Earned Income Tax Credit (EITC) ($739 billion).[iii] It's about equal to the amount in food assistance provided to families in poverty through the Supplemental Nutrition Assistance Program (SNAP or food stamps; $1,076 billion).[iv] It is almost three times more cosly than the cost of the Pell grant program over the next decade ($322 billion), which is offered only to low- and middle-income college students pursuing undergraduate degrees upon analysis of a detailed financial aid application.[v] In comparison to the programs, however, subsidies for student loan borrowers are far less targeted toward low-income, economically disadvantaged, or historically marginalized gorups.

Another way to put these costs in perspective is to compare them to the cost estimates at the time the programs were enacted. The legislation that authorized the Public Service Loan Forgiveness Program and Income-Driven Repayment plans anticipated that their combined 10-year cost would be $8 billion.[vi] The cost of the proposed regulatory changes to IDR plans alone are projected to be $230 billion.

Who Benefits from Student Loan Forgiveness Policies?

A key way to evaluate a subsidy or a transfer program is to examine who benefits. Compared to other Americans, student loan borrowers are better educated, earn higher incomes, are wealthier, and grew up in more affluent families.[vii] According to the Department of Education's proposed IDR regulation, for instance, among all federal student loan borrowers leaving school in 2024, 70 percent of debt will be owed by students who went to graduate school, and 39 percent of the total will be owed by graduate students expected to earn more than $100,000 annually over their careers.[viii] (Only 14 percent of Americans age 25 and over have a graduate degree.[ix] About 12 percent of Americans earned more than $100,000 in 2021.[x])

Likewise, student loan borrowers—including those expected to benefit from student loan forgiveness and reduced repayment under proposed changes to IDR—are better off than beneficiaries of other federal programs intended to reduce economic hardship.[xi] The SNAP program, for instance, serves households whose median income is about $19,000 a year (half are in poverty), and pays an average annual benefit of $2,300. Families that claim the EITC—the largest cash income support for working families—earn about $36,500; their average annual benefit is about $2,200. In contrast, the median income of households with student loans is

$76,400, and 7 percent are below the poverty line. Among those making payment on their loans (and who benefit directly from forgiveness and IDR changes), the median income is $86,500, and 4 percent are in poverty.

Looking specifically at the Department's recent debt forgiveness program, the average borrower is expected to receive a benefit of approximately $9,000 and the program is not well targeted to disadvantaged or struggling borrowers. The program would provide up to $20,000 in forgiveness to Pell grant recipients and up to $10,000 for borrowers who did not receive Pell. Despite the higher threshold for relief offered to Pell grant recipients—a group that is vastly more disadvantaged based on family income and parental education, less likely to complete an undergraduate degree, and more likely to come from an underrepresented group—both Pell and non-Pell groups would receive roughly the same amount of forgiveness. That's because many Pell grant recipients owe small amounts (and thus don't use even $10,000 of debt relief, let alone $20,000), are more likely to have subsidized loans, and are less likely to make full payments under existing plans. As a result, by failing to target relief exclusively to Pell recipients, the program diluted its effectiveness and increased its cost by awarding roughly $140 billion to relatively well-educated, mostly white students from affluent family backgrounds.

Another way to assess whether the debt forgiveness is well targeted to addressing the hardship of borrowers is to consider how much borrowers who slated to receive forgiveness would have paid under the proposed IDR plan. According to CBO estimates, if the Supreme Court invalidates the executive action to forgive student debt, borrowers would be expected to repay $354 billion of the total $400 billion in total forgiveness, even under the Department's generous new IDR program. In other words, almost 90 percent of the forgiveness program's benefits would go to borrowers whose incomes the Department deems high enough to be able to repay their loans under the prospective IDR plan.

Under the proposed IDR rules, borrowers will make no student loan payments (and no interest will accrue) if their income is below $32,805 in 2023. For perspective, that is about the median annual earnings of workers who paid Social Security payroll taxes in 2021. Under the Social Security and Medicare system, however, young workers today who earn the average wage owe about $649,000 in payroll taxes over their lifetimes in order to qualify for their retirement benefits.[xii] In other words, the proposed IDR system applies a different standard for college students than do other programs that support other American workers.

Unintended Consequences for the Market for Higher Education

There are several dimensions in which the proposed changes in Income-Driven Repayment plans are likely to have significant, unintended, negative effects on students and at educational institutions.

Increased borrowing and indebtedness
Today, virtually all American undergraduate and graduate students are eligible to borrow federal student loans, but those students borrow only about 31% of the amounts available to them because loans have typically been a costlier way to finance education. In 2016, undergraduate students left about $105 billion in unused borrowing eligibility on the table, and graduate students another $79 billion.[xiii]

In the past it made sense for students to minimize borrowing in most circumstances. As recently as 2017, CBO projected that student loan borrowers would, on average, repay close to $1.11 per dollar borrowed (including interest). Borrowing was often (accurately) perceived to be the least favorable way to pay for college.

But under the Administration's IDR proposal, borrowers who enroll in IDR are expected to repay less than $0.63 for each dollar borrowed, on average, and estimates from the Penn Wharton Budget Model suggest that more than 70 percent of borrowers would benefit from enrolling in the plan.[xiv] Undergraduate borrowers are expected to repay much less than the amounts they borrow. In these circumstances, it would be financially prudent to use loans rather than pay for college through other means.

Under the proposed IDR rule, most students would benefit from paying for college or graduate school with loans because it would cost less than paying out of savings or income. Those new borrowers are likely to be more affluent than existing borrowers. This raises the cost of the regulation and makes it less progressive.

Clearly, many students did not borrow because either they or their parents paid for college in other ways. Some borrowed for tuition but not for non-tuition expenses (living expenses). Some were eligible for loans despite not having financial need to borrow, because their costs were paid for by the GI Bill or other sources that are ignored for purposes of Title IV aid. But such students are eligible for loans and could take them if they wanted. (Even if the GI Bill pays for a student's entire tuition and living expenses, the student is still allowed to borrow against the same expenses.)

While the magnitude of the potential increase in borrowing is uncertain, a recent CBO analysis projects that the proposed IDR regulations will increase annual student loan borrowing by 12 percent or about $10 billion per year.[xv]

By encouraging students to enroll in IDR plans rather than the standard 10-year amortizing plan, borrowers will repay more slowly and hold balances longer, which may result in borrowers carrying student debt over a long time period.

It subsidizes low-quality, low-value, low-earning programs
Because the IDR subsidy is based primarily on post-college earnings, programs that leave students without a degree or that don't lead to a good job will get a larger subsidy. Students at good schools and high-return programs will be asked to repay their loans nearly in full. This is a

problem because most student outcomes—both bad and good—are highly predictable based on the quality, value, completion rate, and post-graduation earnings of the program attended. IDR can work if designed well, but this IDR imposed on the current U.S. system of higher education means programs and institutions with the worst outcomes and highest debts will accrue the largest subsidies.

Automatic enrollment of delinquent borrowers will increase borrowing among high-risk students and institutions because it effectively eliminates the Cohort Default Rate accountability system
Because delinquent borrowers will be placed into IDR before they technically default under the proposed IDR, the Cohort Default Rate rules will generally no longer apply, allowing high-risk institutions to participate in the loan program and enroll more borrowers.

The potential effect is substantial. Institutions enrolling roughly 1 million community college students did not participate in the loan program, largely because of concerns that their students are at such a high risk of default that participation in student lending would jeopardize the institution's eligibility to receive other Title IV funds.[xvi] Roughly 243,000 students at these institutions receive Pell grants annually, indicating that there are potentially hundreds of thousands of borrowers who would be newly eligible each year, likely to borrow, but who would be at high risk of nonpayment because of their low earnings. Outside of community colleges, these changes would allow low-quality, high-risk programs currently threatened with sanctions under existing rules to enroll high-risk borrowers. Given the generous terms of IDR for low-balance undergraduate, community college borrowers—most of whom would be eligible to make no payments and have debts discharged in 10 years—the Department should expect most institutions to offer federal loans and for students to take up loans at similar rates as at other community colleges.

The Department of Education intends to propose new Gainful Employment regulations that tie an institution's eligibility for federal Title IV funding to ensuring their students' success. It is anticipated that these regulations will prohibit programs whose students systematically experience poor employment outcomes and/or high debt-to-earnings ratios from participating in federal aid programs. Such accountability systems are a necessary and effective means to prevent taxpayer funds from being wasted on poor-quality institutions and for increasing the value that students get from the programs they attend.[xvii] However, the Gainful Employment rule only applies to a narrow set of programs including all for-profit programs and all non-degree programs at public and private non-profit institutions. As a result, there will not be any effective outcome-based accountability rules that apply to undergraduate, graduate, or professional degree programs at public and private non-profit institutions, which are collectively responsible for the vast majority of Pell grant recipients, student loan borrowers, and total federal financial aid dollars.

The proposed rules will facilitate abuse of federal loans
A large share of student debt is not used to pay tuition, but is refunded to students in cash for rent, food, and other expenses. At public colleges and for-profits, living expenses represent

more than half the estimated cost of attendance (which sets the upper limit on how much students can borrow). At many large for-profit schools, more than 30% of student loans are returned to students in cash. For graduate students across all sectors, about 30% of borrowing is for expenses in excess of tuition and fees charged by the university.

While students need to pay rent and buy food while in school, under the Department's proposal a student can borrow significant amounts for living expenses, deposit the check in a bank account, and not pay it all back. Indeed, if they never bother to make a payment (and have provided the necessary consent), they will be automatically enrolled in IDR. Gaming the system like this wasn't possible when students were asked, on average, to repay loans in full, and it's not a problem in systems where loans are used exclusively for tuition. But that's not the system we have. Some people will abuse the system by enrolling in programs simply for the purpose of taking out a loan rather than pursuing a degree, which will increase the cost of the regulation but not advance the educational purpose of the program.

Institutions will respond by raising tuition, reducing institutional aid, expanding low-value programs, or increasing recruiting intensity

There is substantial evidence that expansions in financial aid caused increases in tuition and borrowing, and increased enrollment at low-value institutions and programs. Increases in federal aid increases prices at for-profit schools.[xviii] High-price law schools have designed schemes to take advantage of generous debt forgiveness plans called Loan Repayment Assistance Programs (LRAPs), plans under which universities and students effectively shift the cost of tuition to taxpayers by exploiting debt forgiveness programs. It is likely that some institutions will change prices to take advantage of more generous IDR rules. Likewise research suggests that increases in federal aid (such as increases in Pell grant amounts) cause institutions to reduce (or "crowd out") the amounts of aid offered by the institution.

At the graduate level, it is clear that many students will never repay their loans at existing tuition and borrowing levels, and thus students and institutions will be indifferent if those programs raise tuition. The evidence from the Graduate PLUS program, which eliminated loan limits for graduate students, is informative. Eliminating loan caps increased federal borrowing, increased tuition prices, but did not increase access to graduate study among historically undrerrepresented groups.[xix]

Policy changes that expanded eligibility for federal loans to broader groups of institutions and programs increased borrowing (and worsened borrower outcomes) by encouraging the entry and expansion of lower-quality programs and by increasing enrollment of students in those programs. (And, likewise, excluding low-quality institutions from federal aid improves borrower outcomes.)[xx]

State governments may choose to reduce funding for public institutions

The rate of subsidy implicit in the proposed IDR regulations effectively turn loans into grants for most undergraduate and many graduate students. States may respond by reducing state appropriations or state grants (which are paid by local taxpayers) to federal loans (which are paid by federal taxpayers). “Crowd out” is a well-known concern regarding proposals to increase grant funding and other aid to states. If states reduce their funding to take advantage of increases in federal subsidies, this would increase the cost of the proposed rule to the federal government.

Conclusion

Most of the problems that student loan borrowers face are predictable based on the institution they attend, the program they enroll in, and the tuition and other costs associated with the program. A key flaw in our current student loan system is that it regularly offers loans to students knowing full well that they will never be able to repay those loans, at institutions and programs where students rarely complete a degree; at low-quality institutions, online programs, or certain degrees that provide little value in the job market and no boost to earnings; but also at elite masters and professional degree programs, where the quality of education is strong but where the tuition charged is simply too high.

Looking backwards, I don’t doubt that cleaning up this mess will require some degree of loan forgiveness for those harmed by bad government practices and, through IDR plans, for borrowers who made good educational choices but are unlucky. But for many borrowers, their loans financed valuable educational investments and helped them achieve economic success. Asking them to repay their loans is a way to pay it forward to future generations of students.

Looking forward, the fundamental problems that caused the student loan crisis—useless degree programs and exorbitant costs—can’t be solved by encouraging students to take out bad loans with promises to forgive them later. To address these fundamental problems, Congress must decide which institutions and degree programs taxpayers should pay for, which students are wealthy or well-educated enough to pay their own way, and how to reign in adverse incentives for institutions to raise prices. That requires legislative action to restore some form of underwriting of the institution and program to screen out programs that waste taxpayer money. It also requires imposing incentives to reduce tuition costs, like restoring limits on graduate and parent loans, working with states to lower educational costs, and increasing targeted, means-tested grant aid for low-income students. Those measures require an act of Congress.

There are thousands of educational institutions that regularly provide upward economic mobility to their students—including for low-income, first generation, and minority students.[xxi] I am optimistic that federal policies can help more Americans enroll in such programs and move them up the economic ladder.

[i] Adam Looney is Director of the Marriner S. Eccles Institute and Clinical Professor of Finance at the David Eccles School of Business at the University of Utah. In previous roles, he was the Joseph A. Pechman senior fellow in Economic Studies at The Brookings Institution, Deputy Assistant Secretary for Tax Analysis at the U.S. Treasury Department, senior economist the White House Council of Economic Advisers, and an economist at the Federal Reserve Board.

[ii] These costs include approximately $95 billion in costs associated with regulations for Public Service Loan Forgiveness, borrower defense, closed school discharges, total and permanent disability, and interest capitalization; $400 billion of loan cancelation; changes to IDR of $230 billion, the cumulative cost of the payment pause of $147 billion; and roughly $50 billion in announced relief for borrowers at specific institutions.

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Chairman OWENS. Thank you, Dr. Looney. I now recognize Mr. Gadkaree for your testimony.

STATEMENT OF MR. SAMEER GADKAREE, PRESIDENT, THE INSTITUTE FOR COLLEGE ACCESS & SUCCESS, LOS ANGELES, CA

Mr. GADKAREE. Chairman Owens, Ranking Member Wilson, and Members of the Subcommittee. Thank you for the opportunity to speak with you today. I'm Sameer Gadkaree, President of the Institute for College Access and Success or TICAS.

TICAS is a non-profit, non-partisan organization that advocates for increasing college affordability, improving college access and completion, protecting students and taxpayers from fraud, waste and abuse, and increasing economic and racial equity in higher education.

A college degree remains a strong investment for most Americans. College graduates earn a substantial wage premium, and are much less likely to experience poverty, or unemployment, than people without a credential or degree.

However, even after Federal, State and college grant aid, college costs remain high enough that most students cannot enroll without taking on debt.

To cover the average cost of attending a 4-year public college, students from families making $30,000.00 or less, would need to spend 93 percent, nearly all of their total family income. To cover the cost of a 2-year college, these students would need to spend nearly two-thirds of their total family income. Why? For decades State funding has declined for public colleges and universities, and colleges have turned to tuition and fees to make up the gap.

Meanwhile, grant aid, including the Federal Pell Grant has not kept up with rising costs. The current maximum Pell award covers the lowest share of college costs in the program's more than 50-year history. Taken together, these trends mean that the average debt held by bachelor's degree recipients grew by 56 percent over a 15-year period, while outpacing inflation.

Even before the pandemic, too many Federal student loan borrowers were struggling. By the end of 2019, 25 percent of our all direct loan borrowers were either delinquent or in default, with over 1 million borrowers entering default in 2019 alone. Because of the racial wealth gap, along with persistent employment and wage discrimination, black students are more likely to borrow for college and have worse loan outcomes.

To help families during the pandemic in 2020, the Trump administration implemented a pause on payments, interest and collections from most Federal student loan borrowers, which the Biden administration has continued during ongoing public health and economic uncertainty.

The Biden administration acted to help low-and moderate-income families via its targeted one-time debt relief program. It sought to address the striking growth in college costs, the vulnerable students who have accrued some college debt, but don't have a degree, and the unique economic challenges created by the pandemic.

A third of the relief would go to borrowers over 40 years old, and the administration noted that the effort would reduce the racial wealth gap. A political analysis found that 98 percent of debt relief applications came from zip codes where the average annual income is under $75,000.00.

Meanwhile, as the administration transitions borrowers back into repayment, it is taking long overdue steps to reform the repayment system, and the insured borrowers can access existing relief programs, including the public service loan forgiveness program, and borrower defense to repayment.

Alongside these efforts, the administration is strengthening and simplifying the repayment system by implementing and improved income driven repayment plan. It ends ballooning balances and ensures students good stay in good standing with affordable payments.

The Biden administration's student debt actions have helped address some of the most serious consequences of rising student debt, which affects not only young Americans, but increasingly those approaching and in retirement.

The administration is taking targeted and common sense steps to address a growing problem affecting 44 million Americans, making existing relief programs function as intended. It's charging debt for borrowers who are deceived by their schools, offering those in default a fresh start, addressing poor loan servicing, and revising the income driven repayment system.

While these actions are a critical lifeline for millions of families, we must stop the debt pile up and address the root causes of this crisis. Policymakers can start by investing in the Pell Grant Program, which goes overwhelmingly to students from families with incomes below $40,000.00. They should work with states to drive down student costs and reduce reliance on debt.

They should support efforts to hold the worst-performing career education programs accountable for creating outsized debts with little earnings gain, and they should require colleges to provide students with clear, transparent, and comparable information about college costs, and the financial aid options available to cover them.

To truly drive economic growth, and help families recover from the pandemic, we must make college more affordable, hold colleges accountable for keeping costs down and providing a quality education, and ensure that student debt does not hold families back from prosperity. Thank you for the opportunity to provide these remarks. I look forward to answering your questions.

[The prepared statement of Mr. Gadkaree follows]

Prepared Statement of Sameer Gadkaree

Chairman Owens, Ranking Member Wilson, and members of the subcommittee:

Thank you for the opportunity to speak with you today.

I am Sameer Gadkaree, President of The Institute for College Access and Success (TICAS). TICAS is a nonprofit, nonpartisan organization that advocates for increasing college affordability, improving college access and completion, protecting students and taxpayers from fraud, waste, and abuse, and increasing economic and racial equity in our higher education system.

A college degree remains a strong investment for most Americans: college graduates tend to earn a substantial wage premium in the labor market and face significantly lower poverty and unemployment rates than those with no education beyond high school.[i]

However, college costs remain high enough that most students cannot enroll without taking on debt. To cover the average cost of attending a four-year public college, students from families making $30,000 or less would need to spend 93 percent — nearly all — of their total family income. To cover the cost of a two-year college, these students would need to spend nearly two-thirds of their family's total income.[ii]

Why? For decades, state funding has declined for public colleges and universities — which enroll more than three-quarters of undergraduates nationwide — and colleges have turned to tuition and fees to make up the gap.[iii] Meanwhile, grant aid, including the federal Pell Grant, has not kept up with rising costs.

The current maximum Pell award covers the lowest share of college costs in the program's more than 50-year history.[iv] Pell Grants are the federal government's most effective investment in college affordability, and there is clear evidence that need-based grant aid increases college enrollment and completion among low- and moderate-income students.[v] Pell Grants are especially critical for students of color, with nearly 60 percent of Black students, half of American Indian or Alaska Native students, and nearly half of Latino students receiving a Pell Grant each year.[vi] Pell Grant recipients today are more than twice as likely as other students to have student loans, and grant recipients who borrow end up graduating with over $4,500 more debt than their higher-income peers.[vii]

Taken together, these trends mean that the average debt held by bachelor's degree recipients grew by about 56 percent over a 15-year period, well outpacing inflation.[viii]

And this shift in funding of our higher education system does not just mean more debt for students. It can also lead to decreased instructional spending, fewer course offerings, larger class sizes, and cuts in student services, which can hamper students' ability to succeed.[ix] While every public college student has felt the impact of state budget cuts, community college students, including many enrolled in occupational programs, have felt the impact most severely.[x]

Even before the pandemic, too many federal student loan borrowers were struggling to manage their loans. This struggle was particularly acute among those who did not complete their degree or who were enrolled in a high-cost, low-quality program, often in the for-profit college sector. In addition, programs meant to help borrowers manage their debt were difficult to access: 25 percent of all Direct Loan borrowers were either delinquent or in default at the end of 2019 and over one million borrowers entered default in 2019 alone.[xi]

The vast majority of those who default on student loans have faced persistent economic and social vulnerability.[xii] As of 2017, 87 percent of those who defaulted within 12 years of enrolling in college had received a Pell Grant at some point, meaning that they had a household income of less than $40,000.[xiii] Those who were the first in their family to attend college are also more likely to default: nearly a quarter (23 percent) of first-generation students defaulted on their loans within 12 years, compared to 14 percent of non-first-generation students.[xiv]

Students who started school but never completed a degree or credential are at particular risk of default, as they have taken on debt but received none of the associated economic benefits of graduating college. These borrowers — who represent about half of all those who default — typically owe relatively small balances, with nearly two-thirds owing less than $10,000; more than one-third owe less than $5,000.[xv]

These trends are especially harmful for Black students: because of the racial wealth gap — along with persistent employment and wage discrimination — Black students are more likely to borrow to pay for college and have worse repayment outcomes.[xvi],[xvii]

Student debt also disproportionately affects women. Women hold 58 percent of outstanding student debt, and, on average, leave college with debt balances nearly 10 percent higher than men. These effects are even worse for women of color who are 12 percent more likely to have student loan debt than their peers.[xviii]

The COVID-19 pandemic significantly worsened economic precarity for student debt holders. A recent Philadelphia Federal Reserve survey found that “over half of education loan holders — a share significantly higher than observed in respondents without education debt — reported temporary employment and income disruptions over [the] one-year period.”[xix]

To help families during the pandemic, the Trump Administration implemented a pause on payments, interest, and collections for most federal student loan borrowers. In the face of ongoing public health concerns and economic uncertainty, the Biden Administration has continued the pause.

The Biden Administration acted to help to low- and moderate-income families via its one-time debt relief program, seeking to address the striking growth in college costs, the vulnerable students who accrued some college debt but do not have a degree, and the unique economic challenges of the pandemic. A third of the relief would go to borrowers over 40 years old. And the Administration noted that the effort would reduce the racial wealth gap.[xx] A Politico analysis found that 98 percent of debt relief applications came from ZIP codes where the average annual income is under $75,000.[xxi]

Meanwhile, as the administration transitions borrowers back into repayment, it is taking long-overdue steps to reform and simplify the repayment system and ensure borrowers can access existing relief programs, including the Public Service Loan Forgiveness (PSLF) program and — for defrauded borrowers — borrower defense to repayment.

For example, the administration’s PSLF waiver is addressing longstanding bureaucratic challenges with the program that led to fewer than one percent of applicants receiving the relief they reasonably believed they had earned.[xxii] In a similar vein, the administration is working to remedy decades of servicing errors and giving borrowers rightful credit toward loan discharge under income-driven repayment plans.[xxiii]

This summer, a new borrower defense to repayment rule will take effect, replacing a problematic rule that bipartisan majorities in both chambers of Congress rejected in 2020. The new rule will provide substantially stronger protections for borrowers who are defrauded by predatory institutions that often rely on aggressive and misleading recruitment tactics to lure students into enrolling and taking out federal student loans. Borrower defense provides protection for borrowers like the more than 200,000 defrauded borrowers now receiving relief under the settlement terms of *Sweet v. Cardona*.

The administration is also working to help borrowers in default get back on their feet and get their loans back into good standing via its "fresh start" initiative. This program protects borrowers from the financially devastating effects of default, including having their wages, tax credits, and other benefits seized.[xxiv] For the many borrowers who started but did not complete a degree and subsequently defaulted on relatively small amounts of debt, this offers a critical opportunity to try again.

Alongside these targeted relief efforts, the administration is working to strengthen and simplify the repayment system by implementing an improved income-driven repayment (IDR) plan.[xxv] When designed and implemented well, IDR can help millions of borrowers stay on top of their loans and avoid default, providing manageable monthly payments that are tied to their income and family size, as well as the promise that student loan payments will not last the rest of their lives.

However, despite the availability of IDR plans — and significant improvements to program design and generosity over time — too many borrowers continue to struggle with repayment. Many borrowers never make it into an IDR plan, and even for many who do, income-based payments can still be too high. Many also struggle to navigate the bureaucratic hurdles of enrolling in and staying enrolled in IDR plans, with some even defaulting despite being enrolled in IDR.[xxvi,xxvii] A significant number of borrowers who are successfully making monthly IDR payments still struggle with negative amortization if their monthly payments are not enough to cover accruing interest. As a result, they face ballooning balances even if they make regular, on-time payments.[xxviii]

The administration's proposed plan would provide meaningful financial relief to the very borrowers who have borne the brunt of rising costs. By lowering monthly payments, shortening the repayment term for borrowers with lower balances, and preventing balances from soaring due to interest charges, the proposed changes create a more practical path to managing student debt. The new IDR plan better recognizes and supports the economic reality that covering housing, food, childcare, and medical expenses must come first for families. It also includes new protections from the harsh, punitive consequences of loan default and helps students manage debt that has not paid off, including for those who start college but do not complete a degree.[xxix]

The Biden Administration's student debt actions have helped address some of the most serious consequences of rising student debt, which affects not only young Americans but, increasingly, those approaching and in retirement. The administration is taking targeted and common-sense steps to address a significant and growing problem affecting nearly 44 million Americans: making existing relief programs function as intended, discharging debt for those who were deceived by their schools, offering those in default a fresh start, addressing poor loan servicing, and revising the income-driven repayment system.

Ultimately, Congress must stop the debt pile-up and address the root causes of this crisis by lowering college costs and providing sufficient grant aid so that students do not need to take on unmanageable debt to earn a degree.

Policymakers can start by investing in the Pell Grant program, which is extremely well-targeted to students with high financial need: 80 percent of Pell recipients come from families with annual incomes at or below $40,000, including 40 percent with annual family incomes at or below $15,000.[xxx] Alongside that investment, federal policymakers should work with states to restore funding for public colleges and drive down tuition. And they should support efforts to hold the worst-performing career education programs accountable for creating outsize debts with little gain in earnings. Policymakers should also require colleges to provide students with clear, transparent, and comparable information about college costs and the financial aid options available to cover them.

To truly drive economic growth and help families recover from the pandemic, we must make college more affordable, hold colleges accountable for keeping costs down and providing a quality education, and ensure that student debt doesn't hold families back from prosperity.

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Chairman OWENS. Thank you, Mr. Gadkaree. Thank you so much. And last, but not least, I'd like to recognize Dr. Salerno for your testimony.

STATEMENT OF DR. CARLO SALERNO, ECONOMIST AND FINANCIAL AID EXPERT, LOS ANGELES, CA

Mr. SALERNO. Chairman Owens, Ranking Member Wilson, Members of the Subcommittee. Thank you for inviting me here today to share my observations. The combined public and private investment in college access and affordability today is in the hundreds of billions of dollars annually, and you have roughly four in ten Federal loan borrowers in repayment, pre-pandemic, a debt but no degree.

The challenges borrowers must hurdle to finance a degree are well documented. They are also shaped by policymaker's promises and actions. In the President's loan forgiveness proposal to the re-write of income driven repayment to repairing poorly designed PSLF Program, this administration has signaled its priority is to provide debt relief, but to defer and delay action on things that actually prevent the need for debt relief to begin with.

A strategy of mopping the floor while letting the faucet continue to run will not solve the college debt crisis. Without meaningful program reform from Congress, loan balances, delinquencies, and defaults will almost certainly continue to grow over time. What message does our government send when it insists on debt relief for former borrowers, but pushes the same, supposedly toxic loans on millions of current and future borrowers?

We know pre-pandemic borrowers entering repayment typically got a 6-month grace period. They gave loan servicers sufficient time to establish communication, provide repayment guidance, and process paperwork. What message is sent to borrowers and servicers about planning for repayment when pause extensions are announced only a few months, and in one case, literally just in days before a repayment is supposed to restart.

We know borrowers who can't be contacted can't be helped. What message does a perennially stalled next gen servicing platform send to the majority of defaulted borrowers who are unlikely to be skip traced in time to take advantage of fresh start eligibility?

What message is sent to a college financial aid community that's regarded by most as the gatekeeper of timely, authoritative aid advice, when the FAFSA Simplification Act, its implementation has already been pushed back once, finds itself yet on another delayed timetable.

Again, the student loan debt crisis cannot be mopped away. It can, however, be wrenched closed with solutions to keep college affordability and borrowing low, while simultaneously keeping degree completion and loan repayment high. Today's student's and taxpayers almost exclusively shoulder loan financing risk, even though we know the quality of programs colleges offer directly affects repayment success.

One way to provide more and better accountability, is have colleges partly share the repayment risk by cosigning the Federal loans they expect their students to take. Institutions would be incentivized to help more students complete more quickly. Taxpayers would see fewer write-offs, and academic programs would become more tightly aligned to labor market needs.

In return, we should also give institutions additional operating flexibility to, for example, raise or lower borrowing limits, and we should also consider making them eligible for additional financial grants where they exceed expectations. Another option Congress could consider is limiting borrower's repayment options to just the standard plan and an IDR plan, it could also consider providing whatever relief it does want to offer in the form of monthly payment to principal matches, rather than lump sums.

This would help keep negatively amortizing loan balances in check, and better target relief for the borrowers who need it most. PSLF could be sunset in favor of a new and better solution that offers micro loan forgiveness, and returns for micro acts of service. Doing it in this way better aligns outcomes with rewards. It also better targets relief toward those we know struggle most to repay the unemployed, and those with debt and no degree.

Finally, borrowing uncertainty gets reduced when consumers have access to the right data. Institutions could be required to publicly share and be financially held accountable for program level ROI metrics. They could also be encouraged to separate the processes of buying tuition from buying indirect support, like room and board, that not every student may need or want.

The Federal student loan system is a cornerstone of the public commitment to the United States economic well-being. I commend your efforts to consider more than just fixing policies of the past.

Thank you for the opportunity to offer testimony today, and I look forward to answering your questions.

[The prepared statement of Mr. Salerno follows:]

PREPARED STATEMENT OF CARLO SALERNO

Testimony of Carlo Salerno

Higher Education and Workforce Development Subcommittee

"Breaking the System: Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers"

March 23, 2023s

Chairman Owens, Ranking Member Wilson, and members of the Subcommittee: Thank you for inviting me here today to share my assessment of challenges of the president's student loan policies and potential reforms. Federal student aid, and the student loan program specifically, represent a critical aid pipeline that feeds the nation's civic and economic well-being. It is also a markedly inefficient funding channel: roughly 4 in 10 federal loan borrowers in repayment prior to the start of the pandemic held debt but no degree. This issue at hand today is both timely and warranted.

I am honored to be able to share the insights I have gleaned from more than two decades as a professional researcher, entrepreneur, and industry analyst of the postsecondary education finance space. Since the beginning of my research career at the United States Government Accountability Office, I have worked to better understand the economics of how students and families choose where to enroll, as well as how to implement affordable financing solutions that promote student success.

BACKGROUND

Each year approximately 8-million students receive $130-billion in combined federal loan and grant aid to help finance postsecondary degree programs.[i] These dollars eventually make their way to thousands of higher education institutions.

This continued and massive investment is supplemented by billions of dollars in additional aid from state programs, as well as private and institutional scholarships. Combined these resources exist to boost access and completion yet core education outcomes remain frustratingly low. Today only around 3 in 5 students will have completed their degree program after six years[ii] and more than 1 in 4 first-time students do not return for a second year.[iii]

Surveys that look to understand why students struggle to enroll and complete routinely list cost as one of the main barriers to success. College may be expensive, but the real issue with cost is not the dollar amount as much as it is the complicated way students are forced to buy it.

The challenges students, and particularly those who must borrow, face successfully navigating the existing federal financial aid system are well documented.[iv] Students must shop for, and apply for admission, only to have to wait months to be accepted and receive aid offer notifications letting before understanding precisely how much they to cover out-of-pocket.

Even then, approximately 60 to 70 percent of student families still report finding the phrasing or amounts on these awards unclear or confusing.[v] State grant aid programs offering additional support routinely leverage the Free Application for Federal Student Aid (FAFSA) as their own application, yet many lower-income and older, returning students file the FAFSA so late in the aid cycle that they miss access to key grant aid that can reduce their costs.[vi]

The frustrations with federal student aid continue long after students leave school. Borrowers who struggle while in repayment often must choose amongst multiple, often similar, economic hardship and repayment options that lead to capitalized interest and higher monthly payments, longer repayment terms and even negatively amortizing balances that grow rather than shrink over time.

A COMPOUNDED CRISIS

Financing a college degree today is a highly uncertain undertaking that forces millions of borrowers, young and old, to estimate everything from how long it will take to finish to how much they may eventually expect to earn afterwards. The assumptions student borrowers make throughout the financing lifecycle shape everything from how much debt they take on to how they eventually elect to pay that debt back.

The metaphor that best describes the current administration's efforts to effectively manage the student borrowing crisis has been to mop the floor while letting the faucet continue to run. From the president's student loan forgiveness initiative to the Department's rewrite of income-driven repayment regulations, to the continued repayment pauses long after the rest of the economy moved on from the COVID pandemic, the Department of Education has expended extraordinary resources on providing debt relief while almost completely failing to maintain or improve the aid system that drives excessive borrowing and unmanageable payments.

Excessive focus on debt relief intuitively feels like it should provide borrowers clarity and comfort. Instead, it sends a mixed signal to millions of former, current, and future borrowers that their student loan debt obligations are someone else's responsibility. In the absence of meaningful program reform by Congress, it is near certain that loan balances, loan delinquencies and loan defaults will increase, not decrease, in the coming years.

Examples of contradictory messaging and the confusion it has created are not difficult to find. When the president's student loan forgiveness proposal application was launched last fall, borrowers found some loans were included and some were not.[vii] Millions of borrowers who took on loans for the current academic year found out those recently taken on loans would not be eligible for forgiveness.

Why should loans disbursed only a year earlier be so economically shackling as to qualify for relief, yet loans distributed just weeks before the president's announcement was made were not? At issue for millions of current and prospective borrowers was not payment relief, it was confusion about why the same government that wanted to cancel billions of dollars in former students' debt was perversely pushing them to obtain the very same loans.

While the Department of Education devoted considerable time and energy over the past couple years towards attempting to shore up the widely criticized Public Service Loan Forgiveness (PSLF) program, millions of borrowers who will eventually have to resume making payments continue to receive no guidance about how this will eventually happen. Under the current system, borrowers get a six-month repayment grace period so they can prepare to fold that cost into their personal budgets, as well as for student loan servicers to establish contact, provide guidance, and complete administrative processing. And yet, amongst the last 4 repayment pauses, not one was announced with more than 3 months' lead time before payments were set to resume and the second to last was announced just days beforehand.

Leaving tens of millions of borrowers to wonder and worry about how to add an additional expense at the last minute is no less than a complete policy failure. Servicers traditionally responsible for helping borrowers manage repayment stress, and who act on the Department of Education's behalf, found themselves unable to serve their basic function in some cases because they too were learning about some of the repayment extensions the same way students were, by reading about it in the press.

The loan servicing community is well aware that borrowers who cannot be contacted cannot be effectively helped and none of this even starts to address the Department's Fresh Start initiative. Approximately 7.5-million borrowers are likely to see their defaults lifted but their balances, and quite likely the economic circumstances that drove them to default, will remain.[viii]

Servicers continue to warn the Department of Education of unnecessary delinquencies and months of resolution time unless both borrowers and servicers are given ample time to plan.[ix] If the case in front of the Supreme Court is announced in June and payments are set to turn back on in August, there is already less than 6 months for borrowers to adequately prepare.

Students and servicers have not been the only stakeholders who have seen the administration's actions compound the federal aid system's confusion. Within days of the president's student loan forgiveness announcement last August school financial aid offices found themselves inundated with phone calls and unprepared to offer guidance on the inquiries they were receiving about how to receive relief and, astonishingly, inquiries about whether they could immediately apply for federal student loans.

This school-managed uncertainty continues to this day. The FAFSA Simplification Act, passed more than two years ago and designed to help make it easier for millions to obtain federal aid, has already seen implementation pushed back a year and the Department has signaled it may need to push implementation beyond the start of the next aid cycle in October this year.

Again, for millions of students and the advocacy community, the Department of Education's unwillingness or inability to commit to a timetable risks unnecessary delays that will hamper access and delivery of much needed aid. For thousands of financial aid administrators across the country who require months of advance notice to educate staff, ensure regulatory compliance and process aid applications,[x] it is a logistics nightmare. Absent firm commitments, the nation's financial aid offices will struggle to execute a rushed implementation that will create aid processing delays, leading to student financing shortages, and ultimately result in some students leaving school before finishing their degree program.

COMPONENTS OF A MORE RESPONSIVE, FAIR AND ACCOUNTABLE FEDERAL STUDENT AID SYSTEM

Optimizing and maximizing student loan forgiveness may be a worthwhile policy objective, but it is an ancillary one that only helps students after they have left. A fairer and more economically aligned federal financial aid system should serve students, taxpayers, and institutions equally well throughout the entire buying process.

One way is to achieve better outcomes is to establish more balanced accountability. Today students and taxpayers almost exclusively shoulder the loan financing burden even though the quality of the education programs institutions provide directly shapes loan repayment success. Greater accountability and equity can be achieved by asking colleges and universities to act as co-signers on the Title IV loans they expect their students to take out to cover tuition and fees.[xi]

The bargain is straightforward. Colleges and universities maintain reasonably priced academic programs that don't overload students with debt and help them secure career-related employment. Where this doesn't happen, schools should be obligated to step in and help repay part of the loans that they induced those students to take on to begin with.

Students would benefit from all kinds of new academic and career support services, as colleges would be incentivized to help graduates and dropouts alike obtain employment and encourage them to proactively direct resources to struggling students in order to help them get over the finish line in the least time and at the lowest cost. Unnecessary spending by students would translate into unnecessary potential repayment liability for institutions later.

For Congress and the Department of Education, making colleges and universities cosigners streamlines student loan servicing and would technically drive defaults to zero. It also encourages schools to actively work to ensure former student borrowers were aware of, and successfully got into, loan repayment plans that minimized chances monthly payments get missed.

Additional accountability should be accompanied by additional operating flexibility. In return, institutions could be given greater latitude to either raise or lower their own borrowing limits and Congress could also consider financially reward schools that provide exceptional value to graduates with additional institutional aid resources.

Another system improvement would be to streamline the student loan system to minimize borrower repayment confusion and better align debt relief with real economic outcomes. Congress could consider limiting borrowers' repayment options to just a standard plan and an income-driven repayment (IDR) plan. If forbearance is to be kept, it could be constrained to no more than two to three months to prevent borrowers from falling into the capitalized interest trap. In the case of IDR, Congress could improve on the current model by structuring a graduated monthly matching subsidy payment that would eliminate the problem of negative amortizing balances and tailor relief more towards those who need it most.

Patching up poorly designed debt relief programs like PSLF sis proving to be both costly and politically unpopular given the ambiguous groups it tends to benefit. A better strategy would be to sunset the existing PSLF program and replace it with a program of real-time micro loan forgiveness payments in return for acts of service rather than employment in public service.[xii]

State and local governments would create registries of public projects that borrowers could sign up for — think cleaning up a public park or working a food bank or , or possibly even employment opportunities that address key workforce needs in their state. In return, the federal government and states could share in the cost of providing small, immediate reductions in the participant's next student loan payment. Borrowers could participate in as many or as few projects as they would like, without caps or limits, and different projects could pay different amounts.

Micro loan forgiveness would allow borrowers to more actively incorporate debt relief into their school financing strategy since students could hypothetically perform those service acts while still enrolled. As a matter of equity, opening up repayment assistance to any borrower regardless of degree attainment, academic program, career path, or — critically — employment status — would fix to of the worst features of the current plan by also allowing unemployed borrowers and those with debt but no degree a forgiveness path.

Finally, borrowing uncertainty gets reduced when borrowers have access to the right data presented in the most valuable way.[xiii] Requiring all institutions publicly share, and financially be held accountable for, program-level return on investment (ROI) performance would align better with the fact that practically every student who enrolls in college today does so to obtain gainful employment. So too would rethinking the kind of data students care about when selecting, or choosing between, colleges. No student enrolls in a postsecondary degree program thinking they will drop out and annual costs are effectively meaningless to people who earn money and pay bills monthly. Adult and returning students in particular are more apt to care about the financial impact on their monthly budgets, night and weekend class availability or childcare access than the median salary of graduates 10 years after leaving school.

In terms of how the information gets delivered, for some students, cost of attendance may only mean covering tuition and fees while for others it also means supplementing basic living needs like room, board and transportation costs. Not every student necessarily needs money to support these latter expenses, yet today they're lumped together into an all-encompassing cost of attendance measure. For students whom we know already struggle to accurately budget, it's a recipe for under- or over-borrowing. A more straightforward way to help students budget for what they truly need to pay for education is to separate the process of paying for education into buying learning and buying living support.

The U.S. Department of Education's College Scorecard should present prospective students with income-adjusted tuition and fees and support costs estimates for those that want or need them. In the funding phase, pricing transparency can be boosted through the use of sequential aid offers that first present only tuition and fees less any grant or scholarship aid and then, for students and families looking for living expenses, a check-the-box option that says something like, "I would like to see a financial aid package to cover additional living-related expenses," and be presented with information about those expenses as well as a mix of financing options to pay for them.

CONCLUSION

The federal student aid system is a cornerstone of the public commitment to the United States' economic and civic well-being. If that system is to continue serving the critical role it plays, it is important to acknowledge its shortcomings and be strong enough to recognize that sometimes fixing poor policy is more expensive than building smarter new solutions. I commend you for considering what a reimagined federal student aid system would entail and it can be constructed to achieve the higher education system's access, completion, and affordability goals. Thank you for the opportunity to offer testimony in this important hearing. I look forward to presenting these comments and evidence to the committee and answering questions.

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Chairman OWENS. Thank you, Dr. Salerno. I appreciate that. Under Committee Rule 9(a), we will now question witnesses under the five-minute rule. Without objection, Representative Omar will be permitted to question witnesses after all regular Members of the Subcommittee have had their opportunity to ask questions under the five-minute rule. I will now recognize myself for the purpose of asking questions.

Dr. Looney, I think almost everyone in this room agrees that borrowers should have access to affordable repayment options when they fall on hard times. But what the administration has put forth would put a safety net for borrowers into a financial distress, and a financial distress into an unsustainable drain on taxpayer support.

What recommendations do you have for Congress when it comes to designing and effective income-driven repayment plan to protect students from unmanageable payment burdens, at the same time protecting taxpayers from excessive subsidy costs?

Mr. LOONEY. Thank you, Ranking Member, or sorry, thank you Chairman Owens. So, I think that most of the problems that borrowers face are entirely predictable based on the institutions and programs they attend. So a lot of the problems that borrowers face with repayment default, struggling with debts that are too high, arise because they enroll in a program where the tuition is too high, or where students systematically leave those institutions without a degree, or with a degree that doesn't lead to a good job.

So, I think in order to have a coherent income-based repayment system, or a repayment system in which students are expected to repay their loans, you have to have a front end that has some underwriting, or accountability for the institutions that insures that taxpayer money flows to those institutions that provide a good quality degree.

And likewise, I think you need to have policies that put downward pressure on tuition and borrowing, things like restoring limits on graduate debt that used to exist, that insure that borrowers didn't take on debt that was too high relative to the programs that they enrolled in.

Chairman OWENS. Thank you. Dr. Salerno, in your testimony you propose a solution that would allow institutions the flexibility to control borrowing, and return to having schools cosign their students loan. Can you describe how your proposal would benefit students, taxpayers and institutions?

Mr. SALERNO. Chairperson Owens thanks for the question. Yes. Students benefit from risk sharing because institutions that are held financially liable for their students success will put more effort into getting those students through the system faster and more cheaply. They will be economically incentivized to get graduates done in the shortest amount of time, and they will be incentivized to help those graduates find good payment repayment afterwards, or good-paying jobs afterwards.

Because if they don't, they will be held financially liable. Taxpayers benefit because again part of the risk of loss gets covered by an entity that does not have to be skip-traced and compelled to repay. These institutions have financial resources and have different solutions available to them to help recover losses on defaults. That alleviates the taxpayer investment, which is as important as protecting students in this case.

And finally, institutions, while being subject to more accountability, are—benefit from having greater flexible, autonomy. And by that I mean and greater control over how they conduct their business, and by giving them greater control, more flexibility to operate on a day to day basis. They benefit as well.

Chairman OWENS. Thank you. You also indicate in your testimony that accountability is more than just sanctioning and should include financially worthy institutions that keep costs low, and to serve at risk students success with. Can you elaborate a little on that.

Mr. SALERNO. Sure. I think again, any system of accountability should not be built just on sticks, it needs to be built on carrots and sticks, and so if we're going to ask more of institutions, we should give more to the institutions who exceed expectations and do well.

One of the big challenges that we know with enrolling low income and at-risk students, for example, is that while Pell Grants level the funding playing field, we know that these students need more resources than the typical R word, the typical student that enrolls.

It's harder for them to complete. They need more institutional resources to succeed. By giving institutions who perform well more of those resources up front it only better positions them to continue to provide additional resources for those students.

Chairman OWENS. Thank you. I yield back my time. I now recognize Ranking Member Jayapal for the purpose of questioning the witnesses.

Ms. JAYAPAL. Thank you so much Mr. Chairman and thank you to Ms. Wilson for allowing me to go first, so that I can get my questions in before I have to leave. President Biden made the historic choice to propose canceling debt for 16 million low-and middle-income borrowers.

Unfortunately, many of the Congress Members opposing cancellation actually represent districts with the most low-and middle-class borrowers that stand to benefit. Six of the top ten congressional Districts that have the most approved cancellation applications are actually represented by my republican colleagues.

In this Subcommittee, three of the top five are also republican. So instead of attacking this restorative action, I wish that this Committee was focusing on the reasons why low-and middle-class borrowers have such high levels of student debt to start with, and that's what my questions will be about.

Mr. Gadkaree, four decades ago the Pell Grant was able to cover more than 75 percent of the cost of attendance at a public 4-year college, which enroll 81 percent of black, Latino, and Native American students. What does the maximum Pell cover now at the public 4 years?

Mr. GADKAREE. Representative, about one-quarter of the total cost of attendance.

Ms. JAYAPAL. 25 percent. One-quarter of the total cost. And as Federal investment and affordable higher education has dropped off, have the states begun funding more? What has happened to State funding for higher education?

Mr. GADKAREE. Unfortunately, State funding has declined, and colleges, especially public colleges have had to turn to tuition and fees to make up the difference.

Ms. JAYAPAL. So, State funding has also declined, and at the same time costs of higher education have gone up. What does a 2-year, or a 4-year public college cost today, compared to say 20 years ago?

Mr. GADKAREE. The average cost of college has more than doubled in the 21st Century, with an annual growth rate of 7 percent.

Ms. JAYAPAL. More than doubled. And in fact, the Student Borrower Protection Center analyzed the costs of public universities that republican Members of this Committee went to, and the cost of those very institutions have doubled and tripled in the last few decades, while by the way, Federal minimum wage has stagnated since 2009. And so, Mr. Chairman, I ask unanimous consent to enter into the record the Student Borrower Protection Center document that analyzes each of the Committee Members that went to a public college on this Committee on the republican side.

And actually, says what the cost of college was when those Members graduated, and what it costs today.

Chairman OWENS. Without objection.

Ms. JAYAPAL. Thank you. Given these high costs, isn't it true that higher education is not paying off for everyone, even though the need for higher education to get a job is still very real?

Mr. GADKAREE. Well Representative, the good news is that the return on investment continues to go up on average, but it's important to address the many student loan borrowers, about a third, who have debt but no degree.

Ms. JAYAPAL. So let's talk about that third. I appreciate that clarification to the question. Let's talk about who in particular is hurt by the high cost of higher education, and the Federal Government's disinvestment. What racial, geographic and gender gaps are getting exacerbated by the current system?

Mr. GADKAREE. Well unfortunately, what we see, and we see this pre-pandemic, and I suspect we will see it when payments resume, is that the students who come from the most economically disadvantaged backgrounds are the ones who struggle the most. So, pre-pandemic there was a study in 2017 that showed that 87 percent of defaulters were former Pell Grant recipients.

Again, these are people whose family incomes are less than $40,000.00. Those are the people who are struggling most with debt and default. There was also a study that showed that the median black borrower owed more than they borrowed 12 years after entering repayment, and so those are some of the borrowers who we see struggling the most with repayment, unfortunately.

Ms. JAYAPAL. Thank you. And actually, I think there's also a statistic that I saw among rural Americans, that 6.5 million owe an average of 35,000, and 21 percent of blue-collar workers in production, repair and agriculture have debt. So, it's a really interesting, diverse, and specific population. So, would you say that President Biden's debt cancellation plan, and other measures to ease student debt will benefit the most vulnerable, the most needy?

Mr. GADKAREE. Yes Representative, thankfully in the debt cancellation plan 60 percent of the borrowers had a Pell Grant, which again is associated with a low family income, and they're twice as likely to be black. So, the administration noted that their action would have the tendency to close the racial wealth divide.

Ms. JAYAPAL. Students turn to college for long-term economic success, not debt. This crisis is the result of decades of disinvestment, and I'm so glad that President Biden is making it easier for low-income borrowers struggling with student debt, and has also endorsed my College for All Act, which I hope will move forward. Thank you so much, and I yield back Mr. Chairman.

Chairman OWENS. Thank you. I now recognize for five minutes, Ms. Stefanik.

Ms. STEFANIK. Thank you. The American people are rightly concerned about just how fundamentally unfair and unjust the Biden administration's trillion-dollar student loan bailout and policies are for hard-working American families. Those hard-working American families who may have chosen not to go to college, or perhaps could not afford it, or worked responsibility to pay off their loans.

But yet, they're going to foot the bill for this trillion-dollar bailout, and they'll also feel the effects or more and more painful Biden inflation. Mr. Goldwein, in your testimony you mentioned the Biden Plan would increase inflation by 15 to 27 points, while lining the pockets of the wealthy, and those with advanced degrees.

For the folks on the panel, just so you know, in my district in Upstate New York in the north country, approximately three-quarters of constituents that I represent do not hold a bachelor's degree or higher. That includes my immediate family members, who are very successful, community leaders, who are very successful, local elected officials, CEO's of successful manufacturers and small businesses.

What sorts of negative impacts will nearly those three-quarters of my constituents see as a result of Joe Biden's painful policy proposal? That question is for you Mr. Goldwein, and for you, Mr. Looney.

Mr. GOLDWEIN. Well, anybody that's not benefiting directly from the debt forgiveness is going to be hurt indirectly by the higher inflation it causes. As you mentioned, we estimate about a quarter point increase in inflation. That means higher prices at the grocery store, higher rents, higher prices at gas pumps, you name it.

But the real risk is if that higher inflation pushes us into a recession. As the Federal Reserve responds by raising rates, we saw just these last couple weeks what that can do to destabilize the banking sector, the housing sector. And if there's a big spike in unemployment, it's those without college degrees that are going to be hurt the most.

Ms. STEFANIK. Mr. Looney?

Mr. LOONEY. Thank you. Well you know, one of the most important divisions in our country is between those who have a college degree and those that don't in terms of how much they earn, and the quality of jobs they have. You know, whether they're married or divorced, you know, whether they die of debts of despair.

And so, you know, college graduates tend to be better off on average, and so the policies that transfer income to those advantaged groups, and paid for it effectively among those that don't, you know, increase in equality rather than reduce it.

Ms. STEFANIK. Dr. Salerno, shifting gears here. The Department has traditionally relied on debt to earnings measure for assessing whether programs led to gainful employment for their graduate, but that doesn't consider the 30 billion dollars in Pell Grants we disburse every year, that may be paying for programs that provide a negative return on investment.

The Promoting Employment and Lifelong Learning Act, or the PELL Act, that I introduced along with the Chair of this Committee, Dr. Foxx, and other Members of this Committee, propose strong accountability guardrails, including measuring whether the program's price is aligned with the earning's boost graduates receive 3 years after obtaining their credential. Is this metric something that could be applied to all programs at all institutions receiving Federal student aid dollars if Congress were to rewrite gainful employment in statute?

Mr. SALERNO. Congresswoman, thank you for the question. I think the answer is yes it would. A 3-year metric has a value in the sense that it gives enough runway for students to get into their career earnings, but it also limits the time of exposure to a point where we can no longer attribute their gains to something other than college, so I think it's valuable.

I think it's also easy to understand. I think we understand the concept of ROI. We understand it in different capacities in our lives. The fact that it could be used here not for just one class of institutions, but for all institutions, again improves transparency and reduces uncertainty, and improves comparability.

Ms. STEFANIK. Thank you. I yield back.

Chairman OWENS. Thank you. I now recognize Ranking Member Miss Wilson.

Ms. WILSON. Thank you, Mr. Chair. I have a letter that I'd like to submit for the record on behalf of the Center for Responsible Lending.

Chairman OWENS. Without objection.

Ms. WILSON. The cost of attending college today has more than tripled what it cost to attend college in 1980. The declining value of the Pell Grant, the bedrock of our financial aid system, has also increased the burden for students and families. In 1975, the Pell Grant covered nearly 80 percent of the average cost of tuition room and board at a public 4 year university.

Now it covers just less than a third of the average cost, leaving far too many low-income students and families with unmet needs. As a result, many students are saddled with lifetime of student loans. Mr. Gadkaree, recent students have shown that disparities and student loan debt are deeply rooted in racial wealth disparities, according to data collected by the National Center for Education Statistics.

Black college graduates owe an average of $25,000.00 more in student loan debt than white college graduates. Some of my colleagues across the aisle have framed these disparities as simply a result of unnecessary borrowing, and a lack of limits on borrowing. While black, Latino, and low-income students often lack the resources to pay for college courses mean that these students need to borrow more to access higher education.

How can Congress and the Department work to address racial and socioeconomic disparities and student loan use, and student loan default?

Mr. GADKAREE. Ranking Member Wilson, thank you so much for the question. We need comprehensive reform in higher education, and that needs to have multiple components. The first one is greater affordability, including increasing the value of the Pell Grant, or doubling the Pell Grant, as well as creating a Federal State partnership to create a more affordable system that drives costs down.

We need accountability for a career education programs that generate a lot of debt, but don't generate an increase in earnings. We need to promote college completion with evidence-based reforms. We need to fix the student loan servicing system, including through many of the targeted fixes that we're talking about during this hearing today.

And we need to make sure that student have consistent and clear information about the grants, loans, and student aid options that are available to them.

Ms. WILSON. Mr. Goldwein stated in May 2022 that canceling student debt would mostly provide financial relief to current borrowers, mostly in the upper middle class. He stated that it would mostly provide a windfall for those at the top of the income spectrum. Mr. Gadkaree, how do you respond to his argument, and the argument that even high earners with student loan debt may be struggling to make ends meet due to burdens of their debt.

Mr. GADKAREE. Ranking Member Wilson, the administration's estimate was that 90 percent of the dollars would go to individuals earning less than $75,000.00. That a political analysis found that those who applied 98 percent of them came from zip codes with an average income below $75,000.00. And the double relief for Pell Grant borrowers who come from families making less than $40,000.00 means that those individuals would see more relief.

Ms. WILSON. I yield back. Thank you.

Chairman OWENS. Thank you. I recognize for five minutes Chairwoman of the full Committee, Miss Foxx.

Mrs. FOXX. Thank you very much Mr. Chairman. I want to thank our witnesses for being here today, and say that I read your written testimony, and very pleased to have a lot of the information that you've provided there. I regret to say that the title of this hearing could not be more fitting.

Rather than work with Congress to fix our student loan system, this administration is intentionally attempting to break it regardless of who's harmed along the way. The now 3-year repayment policies meant that over 40 million borrowers have been completely disconnected from the loan system, while servicers have been forced to cut their staffs by hundreds of employees because the administration continues to play political games with people's lives.

And now we hear that because they have decided to throw around taxpayer dollars like Monopoly money to please their progressive base, they'll need to reduce services, resources, even further, which will inevitably mean more staffing cuts.

Dr. Salerno, as both an economist and someone who has worked on the ground with servicers, what will be the implications of these layoffs for the millions of borrowers who are expected to resume repayment in just a few short months?

Mr. SALERNO. Chairwoman Foxx, thank you for the question. I think any time you remove resources that are designed to assist borrowers, you create an environment that will adversely affect those borrowers. Right now, layoffs in the servicing industry, reductions in staff force in the industry, either means servicers who still are there are going to have to work longer hours.

They are going to be stretched thin. That means fewer opportunities to engage with struggling borrowers. In the end, I think these things all collectively work together to limit borrower's access to good information, and to make timely decisions. That's going to translate into difficulties getting back into successful repayment, and so in all likelihood, we will probably see more delinquencies, and eventually more defaults as a result of stretching thin the resources that borrowers need to succeed.

Mrs. FOXX. Thank you. Dr. Looney, I thought there was bipartisan consensus that tuitions should be lower, the quality of education should be higher, and students should not be forced to borrow excessively to obtain a college degree. Yet you, and countless other experts have concluded that the administration's income driven repayment proposal would achieve the very opposite.

If finalized in its current form, what will this plan mean for college cost, student borrowing, and the higher education marketplace?

Mr. LOONEY. Chairwoman Foxx, thanks for that question. What's clear under the proposed IDR rules that many, if not most borrowers will repay only a fraction of the amounts that they borrow, and so what that means is that students will want to borrow more. They'll want to pay for tuition by borrowing, rather than out of pocket, or other ways.

They will be less sensitive to the cost of the institutions they attend because they won't have to pay for them. And so, the CBO says that the increase in borrowing might be 100 billion dollars over the next decade. Likewise, it will encourage institutions to raise their tuitions, knowing that some of those costs will be shifted on to taxpayers, rather than borne by the students themselves.

And furthermore, the proposal subverts important elements of our accountability system that are effective in at least screening out the worst actors and institutions through the core default rate rules. And so, you know, our experience with when we weaken accountability rules is that students borrow more. They attend lower quality institutions, and student outcomes get worse.

Mrs. FOXX. Thank you very much. Mr. Goldwein, has there ever been an executive action or regulation costing as much as the administration's IDR in debt relief proposals?

Mr. GOLDWEIN. The debt relief alone is 400 billion. I'm not aware of any executive order that costs even half that much.

Mrs. FOXX. Thank you. What do you recommend Congress and the administration consider with this in mind as we approach the debt limit, in such a few short months?

Mr. GOLDWEIN. Well first, thank you for the question, Chairwoman Foxx. First of all, we need to raise the debt limit no matter what. We can't play chicken with a full faith in credit of the U.S. Government, but we should withdraw, the administration should withdraw both the IDR rule and debt cancellation.

I'd encourage the Subcommittee to work on a new more comprehensive reform.

Mrs. FOXX. Thank you very much. Mr. Chairman I yield back.

Chairman OWENS. Thank you. I recognize for five minutes Mr. Courtney.

Mr. COURTNEY. Thank you. Mr. Chairman thank you. To the witnesses for being here today, and so I just want to begin by saying to Mr. Goldwein, thank you, for foot stomping the need for Congress to do its—in my opinion, duty, in terms of protecting the currency and the full faith and credit of our government by re-increasing the debt limit.

We did it three times during the Trump administration to the tune of 8 trillion dollars. Some people like me weren't thrilled about voting for that because it was a way of covering the deficit that the Trump tax cut created, but again, our duty is to protect the currency in the full faith and credit of our country, and not use that lever as a way to create budgets. That is a totally separate and distinct process for Congress to engage in.

I'd like to talk a little bit, and I will get off my soap box. Talk for a minute about ways that the Biden administration is actually fixing the student loan system, and I want to use two specific examples. The first is the public service loan forgiveness program.

I was here in 2007, when Congress, by a bipartisan large majority passed the public service loan forgiveness program as part of the College Class Reduction Act, that was signed into law by a republican President, George W. Bush. Again, it said that people who serve in our military, who are police officers, teachers, nurses in non-profit hospitals who pay and stay current for 10 years in their student loans, should be eligible for discharge.

Fast forward to 2017, the DeVos Department of Education utterly butchered that program by creating totally gratuitous bottlenecks and barriers for people who had again, followed the rules for 10 years, and submitted their applications for discharge. Again, I'd like to ask Mr. Gadkaree, the reforms that Secretary Cardona has put into place, which is to basically untangle again for borrowers, the ability to count those 10 years of current activity has in fact finally started to get those discharges that people earned, and relied on, in terms of career choices to actually take place, and I was wondering if you could comment on that.

Mr. GADKAREE. Well Representative, what we see happening right now is that as the administration prepares to transition us back into student loan repayment, it's been important to make targeted fixes to a number of these programs that have been plagued by servicing inconsistencies, for five, ten, 15 years, that are all reflected in the stock of student debt.

And so, with PSLF, we saw the administration ask to address some of those past servicing errors to give students the credit they deserve as they begin to prepare to transition us back into repayment.

Mr. COURTNEY. And one example of that because I represent a district with a military base, 10,000 sailors up in Groton, Connecticut. What the Biden administration did was allow, again our service members who are deployed and out of country to account those months of deployment toward their discharge, again which the prior administration, the prior Department of Education, refused to do for people who are wearing the uniform of our country.

Again, the latest statistics in terms of what the Biden reforms have accomplished, is that 450,000 borrowers have had their loans properly discharged according to law, and it has resulted in savings of 31 billion dollars. And as we deal with workforce issues in critical parts of public service, getting that credibility back in this program I think is going to help our military, our police departments, our education systems.

The other is the IDR Program that I wanted to talk about, income driven repayment. Getting rid of the negative amortization, which is really the monster in our student loan system where you end up with more interest than what you started out with. Again, maybe you could talk again about the benefits of the Biden rule to avoid again, that interest sort of metamorphosis or mushrooming on borrowers.

Mr. GADKAREE. Thank you Representative. One of the aspects of the IDR Plan that's really important to highlight is the end of the ballooning balances, but our colleagues at the Education Trust called "Jim Crow Debt" because the black borrowers who had it could never see the end of it. It's important to know with IDR that it's still the case, that those who make more pay more, but it's an important safety net for borrowers, who otherwise wouldn't have affordable payments.

Mr. COURTNEY. Thank you. And again, the IDR Program was also part of the bipartisan College Cost Reduction Act. I yield back.

Chairman OWENS. Thank you. I know recognize for five minutes Mr. Thompson.

Mr. THOMPSON. Mr. Chairman. Thank you so much. Chairman, and Ranking Member, thank you for hosting this hearing. To all of our witnesses, thank you for coming in this very timely and important discussion that we're having. Mr. Goldwein, your testimony states that if the President's one time debt cancellation goes through, student loan debt will return to 1.6 trillion dollars in just five and a half years.

So, what you're saying is that not only is the President spending 400 billion on this reckless, and blatantly political bailout, in less than a decade taxpayers could very well expect to hear the same calls from the left to do it again.

Mr. GOLDWEIN. Thank you for that question, Congressman. At best, this is a band-aid that's going to buy us five and a half years. But that doesn't even account for the behavioral effects, the reality as some of my colleagues here have mentioned is that there's going to be more borrowing as a result of this cancellation in IDR, and so I would expect we'll be right back to where we started even faster than that five and half years as we estimate it.

Mr. THOMPSON. And we really, you know, we've heard a little bit on the root causes of student debt in that discussion, in terms of what universities do whenever there's—what do you think the result will be on tuition going forward with this debt relief? And I know it's a projection, it's a guess, but you know, some behaviors are predictable, and what are your thoughts on where tuition and universities and colleges go should this debt forgiveness go through?

Mr. GOLDWEIN. So I expect the President's policies will drive up tuition, especially graduate tuition. Maybe even more concerning, they're going to drive down the value of the programs. We're going to see a lot more low-quality programs that are high cost, and not giving much in return.

Mr. THOMPSON. It's fair to say that at the end of the day this for the next generation of learners is going to make education either impossible, or quite frankly, provide them with such a watered down education that it really doesn't have value in terms of earning possibilities.

Mr. GOLDWEIN. I don't know about impossible, but this is going to make overall outcomes worse, not better going forward.

Mr. THOMPSON. OK. Thank you. Dr. Salerno, the Government Accounting Office recently uncovered that the vast majority of institutions are at best misstating the actual price of their degree programs, and at worst, intentionally concealing them. Now if we want to solve the problem of excessive borrowing, and financing for degrees that simply don't pay off, it is critical that students have maximum transparency when it comes to the costs and the value of an institution's program offerings.

Given your expertise and knowledge about the shortcomings of the college financing process, and challenges it creates for students and families, what would maximum transparency look like from your perspective?

Mr. SALERNO. Congressman, thank you for the question. I can give you two things in particular, that I think would improve the situation greatly. The first would be to present data in a more clear and transparent way to students as consumers. Right now, we give students information on annual costs, and we give them information on annual salaries, but people don't think in terms of annual costs and annual salaries. We live our lives monthly. We earn our income monthly. We pay our bills monthly.

So, one very quick and easy improvement would be to just simply repackage the data that we give the consumers, into numbers that they understand, and that they're comfortable with in every other aspect of their financing life. A second thing that we can do also related to this, would be to alter the kinds of information we give institutions who are shopping.

We care about graduates, we care about debt ratios, but we also care about things like when the campus is open, and we care about childcare access, and we care about night and weekend resources. There's lots of other information that we can provide consumers to make them better shoppers, and last, we can present that information in a better way.

Right now, we package financial aid award letters to cover the cost of attendance, but as I said in my oral testimony, we don't always need to cover indirect costs. There are some students who only want to borrow for tuition and fees. It would be sensible for Congress to consider ways to split out award letters, or sequentially drive them in a way, so that if I don't want to cover additional costs, I'm not presented with the option to.

That alone would reduce borrowing for a sizable percentage of borrowers who may never want it but feel compelled to borrow it because of the way it's presented currently.

Mr. THOMPSON. Thank you. I think that's consistent with what many of us have worked on, and we will continue to work on in terms of increased financial literacy. I mean I'm a big supporter of year-round Pell, which encourages on time graduation at 3 and a half, 4 years, which saves significant additional costs.

And quite frankly, I love universities. I like giving them competition, and that's why I'm a huge proponent with a number of my colleagues across the aisle, we are on career and technical education, creating other pathways to success. Thank you.

Chairman OWENS. Thank you. I recognize now for five minutes Miss Bonamici.

Ms. BONAMICI. Thank you so much Chair Owens, and Ranking Member Wilson. When I learned that this Subcommittee was holding this hearing today, I was excited. Maybe we would engage in a substantive discussion with our colleagues on the other side of the aisle about how we can work together to fix the student loan system that doesn't work for millions of borrowers.

Could we advance legislation that makes college more affordable and accessible. But unfortunately, we're hearing too many partisan attacks on the President's historic actions to support some of our Nation's most vulnerable borrowers. In reality, the administration's recent actions have empowered borrowers, enabled families to contribute to the economy and cleared a path to reduce the cost of college.

I wish we were working on a bipartisan basis on this. In Oregon, the Department of Education's limited public service loan forgiveness waiver would help more than 2,000 public servants, and I've spoken with many of them, who are holding 120 million in Federal student loans.

Regulations that eliminate interest capitalization and allow the Department of Education to cover unpaid interest balances will significantly lower monthly payments for borrowers, increase their financial flexibility and give them more peace of mind. And I want to note when we have this conversation about the importance of programs that lead students to a well-paying career, there are many jobs that don't pay well that are still really important.

I know somebody who teaches at an alternative high school. He doesn't make very much money, but that's a really important job. So, we have programs like the Public Service Loan Forgiveness Program for that very reason. Mr. Gadkaree, I introduced bipartisan legislation called the Streamlining Income Driven Manageable Payments On Loans for Education, or SIMPLE Act, to streamline income-driven repayment.

And Ranking Members Wilson and Scott introduced the Lowering Obstacles to Achievement Now Act, to provide a comprehensive approach to reduce the cost of college capped spiraling interest rates, improve the PSLF Program, and create a safety net for vulnerable borrowers.

And it's evident that many of us have substantive, workable ideas, and we need to work together to get them across the finish line. How can Congress build on President Biden's proposed changes to the income driven repayment plans to further improve the student loan system for current and future borrowers?

Mr. GADKAREE. Thank you Representative, for the question. We need to increase college affordability by increasing the value of the Pell Grant, and by creating a system, a Federal State partnership that drives down college costs, and encourages State investment, and affordability in public colleges.

On the loan repayment system, we see the administration making targeted fixes that build on the SIMPLE Act, some of the ideas contained there to IDR. And one of the things that's really important to highlight about the IDR Program is that it helps limit material hardships for borrowers.

So, for those who are making between 200 and 300 percent of the Federal poverty line, 40 percent of those borrowers report material hardship, a challenge making rent, paying for food, paying for healthcare, and as a result this IDR Plan increases the income exclusion, the income that is not part of the repayment.

So, I think that those are some of the ideas that are compelling in some of the actions that they've taken. I think it would be important for the administration and Congress to work together to also hold low performing programs accountable. When they generate a lot of debt, and limited gain inference.

Ms. BONAMICI. Absolutely. Yes, we've worked on that too, especially with the for-profit institutions. I want to follow-up on some of the questions that have been asked about the Public Service Loan Forgiveness Program. The so-called Real Reforms Act from my republican colleagues includes an alarming proposal to eliminate the Public Service Loan Forgiveness Program.

And we know it's a powerful tool to recruit and retain public service workers. I urge all of my colleagues on both sides of the aisle to recognize the value of supporting educators, firefighters, nurses, and others who choose to serve our communities. And yes, we need to work upstream and overall make the costs less, but for people who do go into these public service jobs we need to have a path for them.

So, Mr. Gadkaree, why is the PSLF Program important, and how can it incentivize students, including those from low-income families, to pursue a career in public service?

Mr. GADKAREE. Well, the PSLF Program, which the administration has worked to fix, and make consistent with congressional intent, is intended to support public service, whether as in a nonprofit and military, for police officers, it helps to address the pay disparities that people in public service may face.

Ms. BONAMICI. Thank you so much. And Mr. Chairman, before I yield back, I would like to introduce into the record a letter from the National Education Association submitting their comments on the implications of President Biden's student loan policies.

Chairman OWENS. Without objection.

Ms. BONAMICI. Thank you very much Mr. Chairman, and I yield back the balance of my time.

Chairman OWENS. Thank you. And I now recognize for five minutes Mr. Sablan.

Mr. SABLAN. Thank you very much Mr. Chairman, and good morning, everyone. I'm going to indulge, please indulge with me for just a bit. This says, good morning, Congressman, I wanted to reach out to you about what benefits we can receive for employing individuals.

You see, I work and earn above the minimum wage. More than $7.25 less than $75,000.00 average. However, the more I earn, the more taxes they would pull plus I am not eligible for health and dental insurance for myself and my family, Medicaid, so she makes a lot more.

I have to pay a higher premium on the family plan to my employer, and with this deduction my take home pay is literally for bills, car payment, for which is a necessity for transportation to and from work and schools for kids, utility bills, school loans that I need to pay.

Thankfully, I was given time before I can restart paying back. The only positive thing in this really long email I'll tell you was thankfully I got that, the pause. And so, you know, Mr. Gadkaree, so you know, the global pandemic and yes, it's global. It affected everyone, including my district which is 15 time zones ahead of us, caused both an immediate and lasting impact on students and families across the country.

In response, the Trump administration instituted a pause on the payment of Federal student loans and extended the pause in response to continued economic concerns during the pandemic. The Biden administration subsequently continued to extend the payment pause, acknowledging the ongoing struggles of many families across the country.

Mr. Gadkaree, can you speak more about the direct impact the payment pause has had on borrowers who are facing serious economic challenges before the pandemic, and probably after the pandemic as this person has.

Mr. GADKAREE. Yes. Representative, thank you for the question. There was a Philadelphia Federal Reserve study that showed that half of student loan borrowers had faced an employment or wage disruption in the year prior to the study, and so those are the people who were helped with their student loan payments through the pause.

My understanding is that the pandemic emergency will end in May.

Mr. SABLAN. Yes. And on the IDR Rule, in January the Biden administration released a proposed rule on changes to improve the income driven repayment program, including amending terms of the repay plan, the revised pay as you earn, and streamlining the IDR Program in general. That's very important, I think.

So, from your view what are some of the most promising components of this proposed rule?

Mr. GADKAREE. Thank you Representative. So, I'll highlight a few things about the IDR proposal, and IDR in general. The first one, which I mentioned earlier, it's important to note that under the new IDR Plan, the proposed new IDR Plan, people who earn more would still pay more. The second thing that is very important, I've touched on a couple times is ending the ballooning balances.

People having to pay back many times what they borrowed. A third attribute of the proposed IDR plan is increasing the amount of income that's excluded from repayment. And that's important because there are many people, and we've talked about non-completers of college who hold debt, but don't have a degree. They are able to not be driven further into poverty or driven closer to poverty by earnings that are relatively close to the poverty line.

So those are some of the important elements.

Mr. SABLAN. A good plan I would say. Let me just ask do we have an agreement? I see this pandemic, I mean this you know, loan, well a loan program as something that happened in an emergency. We all agreed that there were an emergency during the pandemic, right. Do we have an agreement, the four of us, five of us at least? Yes? Mr. Looney yes? No? OK.

And so, this is a program Secretary Cardona has the authority to develop and propose this program during an emergency. Of course, there's some questions about it. That's before the Supreme Court now, we'll have to wait, I guess. But when there's a, say, a disaster in a part of the country, and emergency funds are sent there, including usually Congress will come up, pass supplemental bills, and you know, those emergencies are helping those people in the affected areas, not the rest of the country. We're not complaining. This is the same situation except that it's broad and I know I haven't asked my question 'he's already nodding. You're not agree with me sir, but that's a point of view I take, unless you disagree that we provide disaster supplemental appropriations, this is a situation where it's the same thing.

The Secretary had authority. He used it. It's a good program, including 15 time zones ahead of us. Thank you. I yield back Chairman.

Chairman OWENS. Thank you. I now recognize for five minutes Mr. Grothman.

Mr. GROTHMAN. Thank you. A couple questions. We'll go for either Mr. Goldwein or Looney or Salerno here. If we forgive these debts, do you think it's going to have an impact on the amount of loans students take out after their forgiven? I mean and also delaying payments and that sort of thing. Does this create an expectation for people to over borrow in the future because they think this is something the government is just going to do from time to time?

Mr. LOONEY. Thanks Representative. I mean yes, I think that under the proposed regulations students are going to want to borrow more. CPOs have said that borrowers might borrow an additional 100 billion dollars over the next decade. They'll carry those balances longer because they'll make fewer payments, and so they will have those balances for 20 or 25 years. So, the amount of debt is going to go up.

Mr. GROTHMAN. One of the things I'd like to have done, and I wonder if it's part of the proposal. Right now, I heard from some of the responsible colleges, which are the minority, responsible colleges that they have examples of kids taking out loans that are bigger than they should be.

Maybe they're bigger and they should be given their major. Maybe they're bigger than they should be because they're using it to fund a lifestyle. Right now, as I understand it, universities cannot discourage people from taking out loans. Is that right? And is that something that should be changed immediately?

Mr. SALERNO. Thank you for the question. Today students are allowed to finance their education by borrowing up to costs.

Mr. GROTHMAN. Yes, the question is if I'm a university, and I think given this kid's major, or given this kid's lifestyle, that he should not be taking out a loan for $8,000.00 this year. As I understand it right now, under the Federal program universities are forbidden to say Johnny, don't take out that loan. It's foolish?

Mr. SALERNO. Correct.

Mr. GROTHMAN. Shouldn't that be changed immediately? I mean I have such sympathy for the good universities who see Johnny making a mistake, and the Federal Government tells the universities you cannot tell Johnny, you know, find somewhere with less rent, or get a job otherwise, or get a better major. Shouldn't that be changed?

Mr. SALERNO. I think it should, and I think if we impose accountability standards, or risk sharing on institutions, we give them the opportunity to put those kinds of controls in place.

Mr. GROTHMAN. Absolutely that should be a priority. Next question. I hear complaints from—and this kind of gets to the Pell Grants. I hear complaints from the responsible middle class of my district, that if they have a sibling who's got kids, and that person has been living on public benefits their whole life, their kid gets the Pell Grant.

But damn it, if they work for a living, if both husband and wife are working for a living, all of a sudden, they're not eligible for Pell Grants. What would you tell someone in that position? If their kids got to take out loans, and their sibling's kid because they're on the, you know, on the government, they get the Pell Grants. How do you justify that?

Will you guys ever hear anybody justify that? Is there any way to justify this program, which is really just a slap in the face to the middle class American? You can take a stab at it. Nobody will even take a stab at it. Well, that's right, it's inexcusable. Does somebody want to take a stab at it?

Mr. GADKAREE. Well certainly, I'll say that I think there's a great virtue to expanding the Pell Grant, and I know that right now it's targeted at families with incomes below $40,000.00. I think that's one of the things that makes——

Mr. GROTHMAN. So, you can't justify it. All you can do is say we've got to add more people to the program. OK. Next question. Is it fair, this program, is it fair to people who either are not going to college, or more frequently are going to a low-cost, technical school? They're not leaving their parent's house; they're being really frugal about it.

Either they didn't take out loans, or have very small loans. Is it fair to these people to throw the cost of the student loans on people who are, you know, going to a much more high cost program maybe than medical school, or whatever. Is it fair to the frugal student, sometimes the wiser students if he's going to a trade school? If he is not going to college at all and is being trained by his employer for skills?

Is it fair to these people that they're going to have to in essence burden the debt of their peer group who doesn't do this?

Mr. GOLDWEIN. I mean at least 70 percent of the cost benefit is going to the top half of the income spectrum. No. I don't think it's fair that for a family of doctors and lawyers.

Mr. GROTHMAN. Yes, just really a kick in the teeth to the people who don't take out loans in the first place maybe because they stay at home. Maybe because they go to a trade school. OK. Thank you very much.

Chairman OWENS. Thank you. I recognize now for five minutes Miss Adams.

Ms. ADAMS. Thank you very much Mr. Chairman, and I also wanted to thank the Ranking Member for this hearing. It's quite vital. I'm still paying taxes for education. I've been out for a while. Life is just not fair about all things, but I think when you have a need, I think if we can support that we need to do it.

But let me just thank you very much for your testimony. And my first question is to Dr. Gadkaree. Reportedly, as recently as 2021, and dating back to 2010, employment rates among people aged 25 to 34 was higher for those with greater levels of education. Further data from studies like those conducted by Georgetown University Center on Education and Workforce, found that in many workforces, adults with bachelor's degrees earned a million dollars more than the median for workers with just high school degrees.

In other words, students and their families for decades entrusted the higher education system as a means of economic mobility and career advancement. And having spent over 40 years as a college professor, it's safe to say that I have interfaced directly with hundreds of student loan borrowers from different walks of life, varying levels of education, and different economic backgrounds.

On average, North Carolinians reportedly graduate with over $37,000.00 for the 7.9 percent of North Carolina's borrowers owe over six figures of loan debt. For millions of students, college education still proves to be one of the strongest pathways to the middle class. However, for many, the only way to move forward on the pathway that's been with the assistance of Federal student loan debt.

So, in the 115th Congress we passed the bipartisan Fostering Education Talent by Unlocking Resources to Education, the Future Act, that I was proud to lead with the support of many of the Members on this very Committee. This law was signed into law by President Trump, which allows for the IRS to share certain tax information to the Department of Education.

Well, we know that this is important, an important provision will allow for borrowers to transfer their income data more easily between the agencies. The Biden administration is currently in the process of implementing the FUTURE Act, so can you talk a little bit about how the implementation of this bill will make the FAFSA process, and student loan program easier for students and borrowers to navigate?

Mr. GADKAREE. Representative, thank you for the question. Yes. Sharing that information will make it much easier to streamline the servicing system. And it's important to give the Office of Federal Student Aid the resources that it needs to make improvements like that to the servicing system, as we prepare to transition borrowers back into repayment.

Ms. ADAMS. Well thank you for speaking on this important program, and to our students, and their families. I have an additional question. In April of last year, the Biden administration announced Operation Fresh Start, which allows borrowers in default prior to the pandemic loan repayment pause, to reenter payment in good standing, and provide benefits such as stock collections and credit report adjustments.

And although many of my colleagues across the aisle view this as irresponsible, I believe this temporary program will drastically benefit struggling borrowers, and to ground us, can you share information about how borrowers end up in default, why it's harmful for their financial outlook, and why is Operation Fresh Start an important step in addressing the needs and realities of defaulted borrowers?

Mr. GADKAREE. Thank you Representative. We see default as an unfortunately self-defeating system, one in which borrowers are losing anti-poverty programs, and access to anti-poverty programs, including social security, the earned income tax credit and the child tax credit.

And on top of that we see that those are borrowers who are not in good standing and have trouble moving on with their financial lives. So, the Operation Fresh Start allows borrowers to apply to be part of a program, where they will be out of default and back in good standing. It applies to the 7.5 million borrowers who were in default as of the start of the pandemic.

Ms. ADAMS. Great. Well thank you very much. Mr. Chairman I've got some time left. I'll yield back.

Chairman OWENS. Thank you. I now recognize for five minutes Mr. Banks.

Mr. BANKS. Thank you, Mr. Chairman. Dr. Salerno, there's been a lot of focus today on the borrower, the student, but it occurs to me that erasing student loan debt also rewards bad activities, bad precedents from the universities. I mean over the just in the last 20 years the average tuition at a private university has grown from 19,000 to 44,000 dollars in just 20 years.

So can you unpack that a little bit for us, the bad—rewarding bad actions by universities, and what this will mean to—will the average cost of education continue to rise, or will erasing student loan debt do anything at all to lower the cost of a college education?

Mr. SALERNO. Thank you for the question, Congressman. I think the best answer to that question is that we don't know, but in all likelihood there's no reason to believe the costs will not continue to rise without guardrails or checks on accountability. If we don't provide institutions with again a balanced system of carrots and sticks, if left to their own devices, is there any reason to believe that loan forgiveness will not just be fully absorbed on the promise that just more loans will be made available in the future.

So again, I think, unless you create a system of checks and balances that creates accountability for these institutions, you will be left with a system where loan forgiveness will just continue to make those costs grow, and at the same time the borrower's balances as well.

Mr. BANKS. Dr. Looney or Dr. Salerno, can you talk about what are the biggest drivers of the increased costs of a college education? And what are colleges doing that is growing their bureaucracy so much that it costs so much more to get a college degree?

Mr. LOONEY. Well, I mean to give you some facts. I mean so a lot of the increase in the cost of college is actually graduate school, particularly when it comes to borrowing, so a lot of the increase in student debt over time is owed by students who have gone to graduate school, and particularly medical school.

That's because graduate students have long educational careers, and because they can borrow up to the cost of attendance, unlike undergraduate students who face limits and can only borrow for a few years. And so, you know, a lot of the fundamental increases in debt in particular are associated with those kinds of degrees.

An extra 70 percent of debt is going to be owed by students who have gone to graduate school.

Mr. BANKS. Would you agree though, it's bureaucratic? I mean the budgets of these colleges are being grown through more administration, more bureaucracy, and less direct in the classroom teaching of students?

Mr. LOONEY. I mean I'm a college professor, so I don't want to talk my book too much, but I mean I think there are a lot of——

Mr. BANKS. It's got to be though. It's common sense, right? It's obvious. Dr. Salerno?

Mr. SALERNO. Yes. I would support the idea that a lot of the investment in education that drives up these costs in recent years has been in wraparound services. We are helping provide a safer learning environment. We're providing more ancillary services, we provide more counselors, we provide better services to help students enjoy the larger learning experience.

We also constantly have to upgrade our facilities if we're an institution because we're competing for a limited pool of high-quality students, and high-quality faculty members. And so, if we don't improve our residence halls, and we don't improve our libraries and our IT infrastructure, we risk falling behind.

So, there's a constant pressure on universities to continue to spend as much as possible on a lot of things that may not directly relate to learning, but probably shape the learning experience in general.

Mr. BANKS. Yes. One study for 2021 says that the average university has 45 staff members, who are tasked with promoting diversity, equity and inclusion, and some schools have a lot more than that. Have either one of you looked at how much that would cost to administering a university?

Mr. SALERNO. I have not. No.

Mr. BANKS. Yes. I'd be curious. Hopefully, a study comes out soon that would talk about the overall cost of implementing left wing political agendas that some of these programs are. 45 staff members seems like that would be significant. Mr. Goldwein, can you talk about what it would do to add just another trillion dollars to the national debt, how that would impact students whose student loans are being canceled today, but what that trillion dollars more in a national debt will do to American's livelihood in the future?

Mr. GOLDWEIN. Thank you for that question. It's important to put this in context. Our debt is just 5 years from reaching World War II levels, as a share of the economy. So, we're already at record debt almost, and projected to rise another 20 trillion over the next decade. That means slower wage growth, higher interest rates, more risks of inflation, less ability to respond to the next crisis or recession.

And ultimately, it's unsustainable, which means in the future spending cuts and tax increases are coming.

Mr. BANKS. My time has expired.

Chairman OWENS. Thank you. I now recognize for five minutes Miss Manning.

Ms. MANNING. Thank you, Mr. Chair. Thank you to our witnesses for being here today. While it is important to discuss student loan issues, I'm concerned about the fact that our students are having to take out so many loans because not only the cost of education has increased so dramatically, but the investment in education by our states, and also the applicability, or the usefulness of Pell Grants has declined in terms of what it covers for costs.

So, I'd like to start Mr. Gadkaree, you noted in your testimony the declining value of Pell Grants for students, and I believe in 1978, a student attending a public 4-year university could have had about 70 to 80 percent of their costs covered—with their Pell Grant.

And today, that same Pell Grant only covers about 30 percent of their cost. So that is one reason why our students are having to take out so much more in student loans. Can you tell us what has driven this devaluation over the years, and how can Congress responsibly ensure that over the long-term Pell Grants keep pace with inflation, with the rising costs of college so that our students don't have to take out overwhelming student debt?

Mr. GADKAREE. Representative, thank you for the question. I first want to note that there would be great value in indexing the Pell Grant, so that it goes up and keeps pace with college costs. I also want to note that my organization, alongside 100 others, call for doubling the Pell Grant.

And I think those are important steps that we can take to increase affordability, and reduce the reliance on debt.

Ms. MANNING. Thank you for that. I believe we had a proposal out to double the Pell Grant, and last term the Pell Grant was increased by about $500.00, which doesn't do a lot more to cover the cost of education for our students. I want to move on to, I am hearing over and over from my constituents that they are having trouble attracting people into the fields of teaching, into the fields of nursing, into fields that are critically important, but are not high pay areas.

And one of the ways that we can be incentivizing people to go into those important areas is to help them with their student loans. And I know that Congress created the Public Student Loan Forgiveness Program to help encourage students to do exactly that, to enter public service fields.

But over the last few years as people had paid in their 10 years thinking that they would get forgiveness for their loans, it turned out that that program was not as effective as it was supposed to be. We know now that that field that the Public Service Loan Forgiveness Program needs significant reform so that people who should be getting their loans forgiven, are having their loans forgiven.

And I'm hearing that from advocates across a wide variety of fields. So how can—what can we be doing to make sure that those types of loans are forgiven appropriately, and how can Congress ensure that loans servicers are accountable for spreading accurate information about the PSLF?

Mr. GADKAREE. Yes. So, on the first question on PSLF, I'll note that the administration worked and one of its targeted fixes to the servicing system was to address some of the inconsistencies in terms of what payments were applied to PSLF historically, and that's why they created this PSLF waiver, and they've created a new rule to be more consistent going forward around PSLF forgiveness.

On the second question I would particularly note the need for resources for the Office of Federal Student Aid, which handles all of the servicing as a way to support the resources that are needed to create consistency in servicing and servicing oversight.

Ms. MANNING. Thank you. Let me go back to some work that your organization has done in the accountability space, and the negative impact of low-quality for-profit institutions on both students and taxpayers. I'd love to hear more about the need for increased accountability of low-quality institutions.

Can you tell us how Congress and the administration can continue to hold these institutions accountable for their predatory and harmful practices?

Mr. GADKAREE. Yes. First, and most important thing is reinstating the gainful employment rule, which created a measure of debt to earnings, and cutoff those programs that created a lot of debt for limited earnings gains. When that rule was in place, 98 percent of the programs that failed were at for-profit colleges, although there were more programs that were captured under the agents of the rule in other sectors.

And I would note that for-profit colleges accounted for 50 percent of loan defaults, although they are only 10 percent of the enrollment.

Ms. MANNING. Thank you very much. My time has expired. I yield back.

Chairman OWENS. Thank you. I now recognize for five minutes Mr. Good.

Mr. GOOD. Thank you, Mr., Chairman, and thank you to our witnesses for being with us here today. My questions to start with will be for Dr. Looney. Dr. Looney, the administration doesn't seem to understand some of these most basic terms. Is it possible for a student loan to actually be forgiven?

Mr. LOONEY. Thanks Representative. I mean it's forgiven to the student, but obviously someone else will pay.

Mr. GOOD. Yes. I call it the student loan transfer scheme. Like you said, it maybe transferring that debt from the borrower to those who did not borrow it. In your testimony you highlight that under the Biden administration's new income driven repayment plan, borrowers will only pay 63 cents for every dollar that they borrow. Would you classify that as a repayment plan?

Mr. LOONEY. Well clearly under that policy many borrowers will not repay their loans.

Mr. GOOD. Yes. I worked in the lending industry for 17 years, before coming to Congress, and 63 cents on the dollar would not be a repayment plan. So how would you characterize that instead of a repayment plan when they're only paying 63 cents on average on the dollar?

Mr. LOONEY. It is more like a grant program, but a grant program that's not based on income, or program, but basically how much you borrow.

Mr. GOOD. Talk about a failed business model. Any private lender would go out of business very quickly if they extended loans with the expectation that you'd only collect 63 cents back on the dollar, that would be a terrible, unprecedented default rate.

The administration also doesn't seem to understand the term emergency, since the authority that they're claiming, the legal authority they're claiming to transfer the student loan debt to nonborrowers, is from the National Emergency Status of COVID–19, and the Higher Education Relief Opportunities for Students Act of 2003, which was meant to provide, as you know, temporary leave to military members during the deployment following 911.

I know you're not an attorney, but how do you think—I'm sorry, do you think the administration has any real legal grounds for doing this under these so-called emergency provisions?

Mr. LOONEY. You're asking me if I think that I mean——

Mr. GOOD. If you think they have any legal authority to do this under these two pretenses.

Mr. LOONEY. I'm going to leave that to the Supreme Court to decide.

Mr. GOOD. Well, I'm going to tell you they certainly don't have that legal authority. I certainly believe the Supreme Court will overturn it. So, who is benefiting most from the so-called forgiveness, which is really again the student loan transfer scheme. Who is benefiting from that?

Mr. LOONEY. Well, it's good that the beneficiaries of the program are well-education, they're individuals who have had the opportunity to go to college. That's typically individuals who have, you know, come from more affluent backgrounds. They go on to have, you know, well-paying careers on average.

And because the program is virtually untargeted, the benefits are widely spread across borrowers.

Mr. GOOD. Yes. The student loan transfer scheme, or the vote buying scheme you might say, because it was announced right before the last election, is disproportionately affecting—impacting, I should say, positively impacting higher income individuals, graduate degree recipients. But what is the impact on those who did not go to college, or worked their way through college, or already paid off their student loans. What is the impact on them? The taxpayers across the country who fit into one of those categories I should say.

Mr. LOONEY. Well, I mean this has—this will cost, you know, close to a trillion dollars, and so obviously that will increase the national debt. Marc Goldwein just testified that it will increase inflation, and increase interest rates, and so those costs are imposed on all Americans.

Mr. GOOD. What do you think about the administration continuing to extend student loans, even while they're trying to excuse big borrowers from paying existing student loans?

Mr. LOONEY. Well, I mean clearly, it's a policy that has encourage students to take out more loans, and to repay them more slowly, and so that has increased, and will increase the amount that students owe.

Mr. GOOD. You can understand why an ambitious well-intended productive citizen who is trying to pay off their student loans early, or beyond the amount that they're required to pay, might think they might be a chump for paying off their student loans if the administration is going to continue to transfer or follow-through with their scheme to transfer that debt to those who didn't borrow it.

Since you mentioned Mr. Goldwein, Mr. Goldwein in your testimony you said no President should distribute upwards of a trillion dollars without explicit congressional approval, excuse me, authorization input. Can you help explain to our constituents, my constituents in Virginia, how unprecedented this executive action is, and help put that number in context, a trillion dollars.

Mr. GOLDWEIN. Well, the largest executive action I'm aware of to date cost 200 billion dollars.

Mr. GOOD. Wow.

Mr. GOLDWEIN. So, we're talking about across all these executive actions it's close to 900 billion just under this administration.

Mr. GOOD. Incredible. So that one trillion, or 900 billion is approximately $3,000.00 per U.S. citizens, or a family for four $12,000.00 per household with 300 million, a little more than that Americans. How many Americans in a survey would vote to support them incurring personally a share of $3,000.00 per citizen, or $12,000.00 for a family of four do you think?

Mr. GOLDWEIN. I don't know, but they are incurring the cost because this benefits 13 percent of Americans. The other 87 percent are paying higher prices at the grocery store for their rent, and they're going to be paying higher mortgages, higher car loans, and being at risk for recession.

Mr. GOOD. Yes. Well said. You know, I think there's a failure on my friends on the other side to understand the consequences of our day, ignoring the debt, pretending that it doesn't exist, and leaving this legacy of debt. Not just the inflation that it's causing today, as you've referenced, but what it will cost our children and our grandchildren in the future, and I yield back Mr. Chairman.

Chairman OWENS. Thank you. I'd like to now recognize for five minutes Mr. Takano.

Mr. TAKANO. OK. Thank you, Mr. Chairman. Mr. Gadkaree, I wonder if you would be able to comment on say the impact of the GI Bill after World War II, even as the Nation was in debt quite a bit from the war, we embarked on the GI Bill. Was the emphasis on loans, or was it on outright grants to soldiers?

Mr. GADKAREE. It was on grants.

Mr. TAKANO. And we embarked on this massive, massive education program for our veterans, large in numbers, right? We did this even as the country was so in debt. What was the impact of that investment?

Mr. GADKAREE. An unprecedented growth in college access.

Mr. TAKANO. Pardon me?

Mr. GADKAREE. An unprecedented growth in college access.

Mr. TAKANO. What was the impact to the national economy, 10, 20, 30 years because of that investment?

Mr. GADKAREE. It generated prosperity.

Mr. TAKANO. It generated huge prosperity. And I just want to point that out, even as the country was hugely in debt for paying for World War II, the country also embarked not on a loan program for veterans, but an outright grant to go to school. You know, can you just tell us, you know, just why it is important for the Federal Government to address issues of affordability, and prioritize targeted relief in higher education?

Mr. GADKAREE. We need to create a system of economic mobility. It's increasingly the case that a college degree, even an occupational college program will lead someone to a good job, and we need to have equitable access to the education that allows people to access those occupations and jobs.

Mr. TAKANO. And what is the public benefit—what public benefit does higher education provide to American society and the economy?

Mr. GADKAREE. It gives us the nurses we need, the x-ray technicians, the teachers, the early childhood educators, the plumbers, the police officers, teachers, and so on.

Mr. TAKANO. Well, you know, it seems to me that my republican colleagues want to demonize public higher education, higher education in general in this country, and it is a false sense of I don't know what kind of virtue signaling to an extreme base. Let me switch topics a little bit, but not completely.

This has to do with the consequences of students, for students who are defrauded by their school, for-profit schools, and misled about their career prospects. Can you—what are the consequences of that?

Mr. GADKAREE. Well unfortunately, there have been far too many students who have been saddled with debts that they can't repay, and one of the things the administration has done is work on a strong borrower defense through repayment rule and letting 800,000 borrowers who had been deceived by their schools, letting them off of their loans following congressional intent from rules that go back as far as 1992.

Mr. TAKANO. Yes. We've established that predatory recruiting practices by schools is terribly destructive for students. What is the impact of the Biden administration's reinstating of the borrower defense rule?

Mr. GADKAREE. Well, I think there's two things that are very important to note about it. The first one is that it helps hold students harmless when they've been defrauded, and through no fault of their own. The second is that it's created a process for recouping those funds from those who defrauded those students in the first place.

Mr. TAKANO. Can we just explain what borrow defense is? What is that idea?

Mr. GADKAREE. Yes. The idea is that if a student was deceived, defrauded by their institution, they were made false promises about the jobs they might get, about the education they were going to receive, about the occupations they'd be qualified for. The rule allows borrowers to show that to and be off the hook for those loans that they were made under false pretenses.

Mr. TAKANO. Well, you know, so that's would you say that this is one of President Biden's policies that was very beneficial for students?

Mr. GADKAREE. Absolutely.

Mr. TAKANO. Now, with regard to, you know, the targeted relief that he has for student borrowers in general, the contested relief that's in the Supreme Court, we're not talking about necessarily defrauded students, but what is the intention there behind this policy?

Mr. GADKAREE. We've transferred enormous risk onto students and families by making college so unaffordable, and this helps to address that risk at a time of pandemic emergency.

Mr. TAKANO. And would you say that today's students in general, let's just talk about public higher education, has that become less affordable for students of this generation than it was say, for the World War II, or the 1960's generation?

Mr. GADKAREE. Absolutely. The average cost of college has more than doubled in the 21st Century.

Mr. TAKANO. And then that's in real dollars, real comparisons, right? And so, the burden on the cost on students and their families of this generation is much, much higher than previous generations.

Mr. GADKAREE. It's no longer possible to attend a 4-year public college for a family whose income is below $30,000.00 without taking on debt. They have to pay on average 93 percent of their total family income.

Mr. TAKANO. Well so this is not about addressing defrauded students, this is about a generation that has been dealt an unjust hand because of the times they were born in. They can't be blamed for the fact that states don't support public higher education to the degree they used to 20–30 years ago. Is that right?

Mr. GADKAREE. Yes.

Mr. TAKANO. Thank you. I yield back.

Chairman OWENS. Thank you. I now recognize for five minutes Miss McBath.

Mrs. MCBATH. Thank you, Chairman Owens and Ranking Member Wilson, for holding this really important hearing today, and thank you to each and every one of the individuals that are testifying today. I have read your testimonies. As much as republicans want to say otherwise, President Biden, and Secretary Cardona are not breaking the system. They're taking tangible steps to improve the system and make it more accessible for low-income people, working families, and all of those who have been left behind by a higher education system that has historically been pay-to-play.

I'm very proud of the efforts that have been taken by Secretary Cardona and President Biden, to even the odds that are facing our working families today. From taking tangible steps to fix what was a completely broken, and neglected public service loan forgiveness program under President Trump, to increasing the Pell Grant, as opposed to trying to cut it. It is obvious to those that are paying attention who really has our students? best interest at heart. President Biden has successfully passed two different increases to the

Pell Grant into law, raising the maximum award from $6,495.00 in 2021, to $7,395.00 today, almost a 15 percent increase from when he took office.

While these changes are exciting, yes, they are very exciting, we still have a lot of work to do to ensure that every child, regardless of their socioeconomic background and standing, or their zip code, or where they were born into, can live up to their full potential.

As Mr. Gadkaree mentioned in his written testimony, the current maximum Pell award covers the lowest share of college costs in this country's history. That I find is a problem Mr. Chairman. If a college degree our credential continues to be the surest path to economic mobility in our society as we say all the time, a college degree is the best way to be successful, we need to make sure that every student has the resources that they need to make their own path.

And I am proud to say that Gwinnett Technical College in my district in Georgia, is one of many institutions in Georgia that is making an effort to narrow the funding gap for low-income and first-time students, and to ensure that they are getting the most out of higher education.

At Gwinnett Tech, 59 percent of full-time, first-time students take advantage of the Pell Grant Program. Without Pell, students in Georgia would not be able to take advantage of the truly life-changing opportunities that come with getting a degree, or credential at Gwinnett Tech, or any of the other incredible institutions, colleges and universities in Georgia.

We cannot expect greater returns in our society unless we are willing to invest more in our schools, and the future of our country, which is our students. In her opening statement, Ranking Member Wilson also highlighted the declining value of the Pell Grant, which is a serious concern of mine, and working families, and students across the country who wish to improve their lives through education.

I was proud to be an original cosponsor of the Pell Grant Preservation and Expansion Act last Congress, it would you know, basically gradually double the Pell Grant from the maximum award of $6,495.00 in 2021, to $13,000.00. My question for you Mr. Gadkaree is can you discuss why the Pell Grant is viewed as the cornerstone of Federal student aid, and what doubling Pell Grants would mean for college students all across this country?

Mr. GADKAREE. Yes. The Pell Grant is used by families whose family income is below $40,000.00. 60 percent of black students who attend college do so using a Pell Grant. About half of Latino students who attend college do so using a Pell Grant. 75 percent of HBCU students use a Pell Grant.

So, a Pell Grant expansion helps those students afford college, helps them close the unmet need gap that they otherwise would face in affording college, and helps them reduce their need for borrowing.

Mrs. MCBATH. Thank you so much. And in response to that in the last district that I represented, there was a for-profit institution that actually closed their doors, Argosy International. And I cannot tell you the consternation and the havoc that it wreaked on all those students that were not able to get their certification, their licensing, or their you know, degree, certificates.

And that should not be what we allow in this country. Every student deserves to be educated as well as they can be. That is their right, and I yield back.

Chairman OWENS. Thank you. Once again, I want to thank everyone. I would like to thank my witnesses for taking the time to testify before this Committee today and would like to recognize Ranking Member Wilson for any closing remarks she might have.

Ms. WILSON. Thank you, Mr. Chair. Thank you for co-hosting this important hearing today. And I just wanted to say that I'm particularly troubled by the number of students who have been left behind with not only significant student loans, but also no meaningful degree.

In the last decade at least five large for-profit college chains have collapsed overnight, leaving tens of thousands of students with debt, and often without degrees. These school closures can be devastating for students, plunging them into financial and emotional despair, while robbing them of the education opportunities they deserve.

Regrettably, taxpayers also bear the costs. As of 2022, the nonpartisan government accountability office reported that low-quality for-profit institutions have cost taxpayers 8.2 billion with a B. Thankfully, in response, the Biden Harris administration has taken historic steps to provide borrowers with a clear path to repayment, and protect students, families and taxpayers.

The administration has forgiven more than 24 billion in student loan debt for more than 1 million borrowers who were defrauded by their institution or have a total and permanent disability.

Since the beginning of the pandemic, we have ensured that borrowers of federally held student loans were spared from making payments on their loans and employing interest on them. We are just beginning. And finally, President Biden has forgiven more than 25 billion dollars for more than 370,000 public servants by making time limit improvements to the public service loan forgiveness.

Mr. Chair, I look forward to working with you as we move to help our children. Thank you.

Chairman OWENS. Thank you so much for that Ranking Member. The questions asked earlier who benefits from this debacle of debt that we've come through the last decades. The only one that I see reaping benefits are these colleges who have on risks, no skin in the game.

They're paid regardless of whatever happens. They push out programs that mean absolutely nothing for their children that come through. They come out not only in debt, hating their country, not understanding free market system, and not loving the process that gave them the opportunities they had.

We've heard a lot of attacks on for-profits. It's not for-profits that got us into this problem we have today. We need to have solutions. We're at a point now where we need innovative disruption. The system we have had now for the last 150 years is not working for our kids today.

There's no way we should have the lack of education, the lack of opportunities in the greatest country in the history of America, and it falls so much shorter, this is only through by the way from K through 12, to higher ed. Our education is a mess. And it's now time for us to address that. I'm so thankful for this opportunity for experts like yourself, to come and educate the American people.

There is no better time where more Americans are truly trying to find answers. The upside of COVID, as bad as it was, is the curtains were pulled back. Americans are now asking the questions why are my kids going to school and coming back hating what we do and who we are?

Why are they coming back with debt they'll never be able to pay off, and why do we not hold our four-year school systems, colleges, accountable for what they do? So, we're going to start addressing that. I'm thankful again for this opportunity, and this is just the beginning of a bipartisan approach to understand what our problems are.

You know, get us back on track, and again I want to thank you all for being here today. And without objections, and with no further business, this Subcommittee stands adjourned.

[Additional submission by Ranking Member Wilson follows:]

Center for Responsible Lending

March 23, 2023

Hon. Burgess Owens, Chairman
Subcommittee on Higher Education and Workforce Development
House Committee on Education and the Workforce
2176 Rayburn House Office Building
Washington, DC 20515

Hon. Frederica S. Wilson, Ranking Member
Subcommittee on Higher Education and Workforce Development
House Committee on Education and the Workforce
2176 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Owens and Ranking Member Wilson,

On behalf of the Center for Responsible Lending (CRL), thank you for the opportunity to submit this letter for the record on the Subcommittee on Higher Education and Workforce Development hearing entitled, "Breaking the System: Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers."

CRL is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is also an affiliate of the Center for Community Self-Help, a community development lender headquartered in North Carolina that operates Self-Help Credit Union and Self-Help Federal Credit Union. Our collective work gave us a first-hand opportunity to gauge the detrimental impact that excessive student loan debt is having on American consumers. The results of our analysis are clear: *our country's system for financing college education is broken for students, parents, and taxpayers*.

The current Administration's policies go a long way toward fixing a student loan system that was already broken. Therefore, we urge the members of this Committee to not only support the Administration's efforts, but also encourage the Department of Education to do more to address the federal student debt crisis.

The dramatic reduction in federal and state funding for higher education over the past several decades has led to colleges and universities raising tuition costs at an alarming rate. Over the last 50 years, the cost of attending a four-year college in the U.S. has ballooned from $11,820 to $29,033 a year —a 146 % increase.[1] Average tuition and fees increased by about 10% at public 4-year institutions and

[1] U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 1986-87; Higher Education General Information Survey (HEGIS), "Institutional Characteristics of Colleges and Universities" surveys, 1969-70 through 1985-86; "Fall Enrollment in Institutions of Higher Education" surveys, 1963 through 1985; Integrated Postsecondary Education Data System (IPEDS), "Fall Enrollment Survey" (IPEDS-EF:86-99) and "Institutional Characteristics Survey" (IPEDS-IC:86-99); IPEDS Spring 2001 through Spring 2021, Fall Enrollment component; and IPEDS Fall 2000 through Fall 2020, Institutional Characteristics component. (This table was prepared in January 2022.)

Center for Responsible Lending

nearly 19% at private nonprofit 4-year institutions in the last decade alone.[2]

These tuition increases have outpaced incomes, forcing low- and-middle income families to increasingly depend on student loans to help foot the bill. The average student loan debt balance has increased at more than twice the rate of the median household income. Between 2009 and 2022, median household income grew from $63,011 to $70,784, or about 12 %. Comparatively, the average student loan debt grew nearly 32 %, from $27,874 to $36,096, during that period.[3]

Student debt poses a significant threat to our economy. To date, Americans have racked up $1.7 trillion in student loan debt. This debt prevents more than 44 million borrowers from fully participating in the American economy. It delays or denies borrowers the opportunity to buy a home, start a business, or invest in retirement, thereby widening the wealth gap for those who come from families with modest means. Education was sold to working-class families as the great equalizer, giving unlimited opportunity to those who would seize it. Yet, according to the Federal Reserve, every $1,000 increase in student loan debt lowers the national homeownership rate by about 1.8 percentage points for public 4-year college students.[4]

The negative impact of student loan debt is even more dramatic for communities of color. CRL's prior research found that it would take a typical Black household carrying student debt over 14 years longer to save for a 5% down payment for a median-priced home than a Black household with no student debt.[5] Simply said, the most effective way to narrow the wealth gap for communities of color, rural America, and working-class households is to provide significant student debt relief to borrowers and reform our educational system to ensure it is equitable for future students. Therefore, the Department of Education's loan forgiveness proposal is essential. We credit the Administration for listening to stakeholders, civil rights organizations, and consumer advocates on our suggestions to reform the federal student aid system. For millions of borrowers, many of whom live paycheck to paycheck, this one-time relief will allow them to erase their student debt entirely.

Forgiving up to $20,000 in federal student loan debt in response to the national emergency declared for the COVID-19 pandemic falls squarely under the *Higher Education Relief Opportunities for Students*, or *HEROES Act*. This law granted the Administration authority to "waive or modify any statutory or regulatory provisions applicable to" student financial assistance programs to ensure that recipients are not "placed in a worse position financially in relation to that financial assistance" during a national emergency. Every borrower's obligation to repay a federal student loan is directly created by federal statute and reinforced by the U.S. Department of Education's implementing regulations. Therefore, no

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[2] National Center for Education Statistics. (2022). Price of Attending an Undergraduate Institution. *Condition of Education.* U.S. Department of Education, Institute of Education Sciences. Retrieved July 20, 2022, from https://nces.ed.gov/programs/coe/indicator/cua.
[3] Ibid.
[4] Mezza, A., Ringo, D., Sherlund, S., & Sommer, K. (2020). Student loans and homeownership. Journal of Labor Economics, 38(1), 215–260. https://doi.org/10.1086/704609
[5] The median income for cash renters in 2019 was $34,100 for Black households, $44,000 for Latino households, and $52,132 for White households.

reasonable dispute exists on whether the Administration's loan forgiveness program is legally authorized by the *HEROES Act*.

Moreover, federal courts have routinely interpreted Congress' use of the phrase "waive or modify" to give government officials the power to reduce the federal obligation to comply with statutes and regulations and the ability to exempt an individual from the legal duty to comply with the obligation.

Mr. Chairman, we hope this subcommittee will support the Administration's loan forgiveness proposal and encourage it to make higher education affordable for future generations of working-class Americans. Congress should support programs like Borrower Defense to Repayment, Income-Driven Repayment, and Public Service Loan Forgiveness. Our nation's future economic prosperity will be closely tied to how much we invest in preparing that workforce. The greatest investment we can make as a nation is in education and preparing our students to succeed.

Thank you again for the opportunity to present these thoughts for the hearing record.

Sincerely,

Center for Responsible Lending

CONTACT: Jaylon Herbin, Director of Federal Campaigns & Student Loan Team Leader
jaylon.herbin@responsiblelending.org

David Ferreira, Government Relations Manager
david.ferreira@responsiblelending.org

[Additional submission by Ms. Bonamici follows:]

March 23, 2023

The Honorable Suzanne Bonamici
U.S. House of Representatives
2231 Rayburn House Office Building
Washington, DC 20515-3701

Dear Congresswoman Bonamici:

On behalf of our 3 million members and the 50 million students they serve, we would like to submit the comments below for the record of today's hearing on the implications of President Biden's student loan policies. These policies have a direct bearing on the lives of our nation's students and educators, as well as their families.

Overall, we are pleased by recent changes made by the Biden administration. In particular, we commend initiatives to help make higher education more affordable and accessible—specifically, by improving administration of the Public Service Loan Forgiveness program, providing broad student debt relief, and improving income-driven repayment plans.

Public Service Loan Forgiveness program
Part of the bipartisan College Cost Reduction Act of 2007, the Public Service Loan Forgiveness (PSLF) program was created to encourage talented people to pursue careers in education, medicine, and other areas of public service that typically pay less than private sector careers. PSLF promised to forgive any federal student debt remaining after 120 qualifying monthly payments made during 10 years of public service. Until recently, however, that has been an empty promise for the vast majority of applicants. The year before the Biden administration took office, 96 percent of those who sought PSLF were rejected.

The Biden administration has restored the promise of PSLF. In 2021, the Department of Education instituted a temporary PSLF waiver that allowed borrowers to count old payments, late payments, payments on ineligible federal student loans, and payments on different payment plans. Thus far, more than 450,000 public-service workers have received $31 billion in forgiveness under the temporary waiver. The Department of Education plans to issue final regulations codifying permanent improvements soon.

Broad student debt relief
For decades, we have struggled with a student debt crisis that crushes the dreams of millions of Americans. Student debt relief is just, necessary, and legal.

More than 40 million Americans would benefit from the student debt relief plan unveiled by President Biden in August of 2022 as part of efforts to help the nation recover from the COVID-19 pandemic. The plan calls for the Department of Education to cancel up to $20,000 in federal student debt for borrowers earning less than $125,000 per year ($250,000 for households). We are dismayed that several court orders have paused the plan, leaving in limbo the 26 million people who have applied—

and the 16 million already approved.

NEA filed an amicus brief in *Biden v. Nebraska* and *Department of Education v. Brown*, arguing that the Biden administration's life-changing student debt relief plan is a valid exercise of authority granted to Education Secretary Miguel Cardona by Congress.

Better income-driven repayment plans

The monthly payments on student loans required by current income-driven repayment plans are too big a stretch for many educators. Earlier this year, the Department of Education announced that it is working to implement a new income-driven plan for undergraduate loans that addresses this issue.

The new plan will increase the amount of protected income and require borrowers to pay no more than 5 percent of their discretionary income—down from 10 percent under current plans. In addition, it will reduce the total amount of time needed by most borrowers to pay off their loans and ensure that total balances do not grow due to interest charges, as long as the borrower continues to make monthly payments. With this change, according to White House estimates, a teacher with an undergraduate degree earning $44,000 a year would pay $56 a month on their loans—compared to the $197 they pay now. We look forward to the introduction of the plan later this year.

NEA thanks the committee for the opportunity to submit these comments.

Sincerely,

Marc Egan
Director of Government Relations
National Education Association

[Additional submission by Ms. Jayapal follows:]

Burgess Owens (UT-4)
University of Miami, 1972
Tuition Then: $2,633 ($19,166*)
Tuition 2023: $58,102
Increase: $38,936 (303%)
Min Wage Then: $1.60 ($11.65*)
Min Wage 2023: $7.25
In 1972 it would take 1,646 hours of work to pay one year of tuition. Today it would take 8,014 hours.
Owens declared bankruptcy five times and got at least $1.5 million of his debt forgiven.
He is trying to block student debt cancellation for 77,700 people who live in his district.

Glenn "GT" Thompson (PA-15)
Pennsylvania State University, 1981
Tuition Then: $1,641 ($5,643*)
Tuition 2023: $19,286
Increase: $13,643 (342%)
Min Wage Then: $3.10 ($11.92*)
Min Wage 2023: $7.25
In 1981 it would take 2,436 hours of work to pay one year of tuition. Today it would take 9,055 hours.
He is trying to block student debt cancellation for 82,700 people who live in his district.

Glenn Grothman (WI-6)
University of Wisconsin–Madison, 1980
Tuition Then: $1,006 ($3,868*)
Tuition 2023: $10,796
Increase: $6,928 (279%)
Min Wage Then: $3.10 ($11.92*)
Min Wage 2023: $7.25
In 1980 it would take 324 hours of work to pay one year of tuition. Today it would take 1,489 hours.
He is trying to block student debt cancellation for 76,800 people who live in his district.

Elise Stefanik (NY-21)
Harvard University, 2006
Tuition Then: $32,097 ($48,424*)
Tuition 2023: $52,659
Increase: $4,235 (109%)
Min Wage Then: $5.15 ($7.77*)
Min Wage 2023: $7.25
In 2006 it would take 6,232 hours of work to pay one year of tuition. Today it would take 7,263 hours.
She is trying to block student debt cancellation for 96,900 people who live in her district.

Jim Banks (IN-3)
Indiana University Bloomington, 2001
Tuition Then: $4,735 ($8,090*)
Tuition 2023: $11,560
Increase: $3,470 (143%)
Min Wage Then: $5.15 ($8.80*)
Min Wage 2023: $7.25
In 2001 it would take 919 hours of work to pay one year of tuition. Today it would take 1,594 hours.
He is trying to block student debt cancellation for 96,400 people who live in his district.

Lloyd Smucker (PA-11)
Franklin & Marshall College, 1986
Tuition Then: $8,160 ($ 22,274*)
Tuition 2023: $65,652
Increase: $43,378 (295%)
Min Wage Then: $3.35 ($9.14*)
Min Wage 2023: $7.25
In 1986 it would take 2,436 hours of work to pay one year of tuition. Today it would take 9,055 hours.
Smucker Company got $4.8 million PPP loans forgiven by the government.
He is trying to block student debt cancellation for 87,400 people who live in his district.

* Adjusted for inflation in January 2023 dollars

Bob Good (VA-5)

Liberty University, 1988

Tuition Then: $4,212 ($10,891*)

Tuition 2023: $23,800

Increase: $12,909 (219%)

Min Wage Then: $3.35 ($8.66*)

Min Wage 2023: $7.25

In 1988 it would take 1,257 hours of work to pay one year of tuition. Today it would take 3,283 hours.

He is trying to block student debt cancellation for 90,700 people who live in his district.

Nathaniel Moran (TX-1)

Texas Tech University, 1997

Tuition Then: $2,326 ($4,373*)

Tuition 2023: $11,852

Increase: $7,478 (271%)

Min Wage Then: $4.75 ($8.93*)

Min Wage 2023: $7.25

In 1997 it would take 490 hours of work to pay one year of tuition. Today it would take 1,635 hours.

He is trying to block student debt cancellation for 88,400 people who live in his district.

John James (MI-10)

West Point, 2004

Tuition Then: $0

Tuition 2023: $0

James's company Renaissance Global Logistics, LLC got $2.7 million PPP loans forgiven by the government.

He is trying to block student debt cancellation for 104,700 people who live in his district.

Lori Chavez-Deremer (OR-5)

California State University, Fresno, 1990

Tuition Then: $844 ($1,982*)

Tuition 2023: $6,660

Increase: $4,678 (336%)

Min Wage Then: $3.80 ($8.92*)

Min Wage 2023: $7.25

In 1990 it would take 222 hours of work to pay one year of tuition. Today it would take 919 hours.

She is trying to block student debt cancellation for 86,000 people who live in her district.

Erin Houchin (IN-9)

Indiana University Bloomington, 2001

Tuition Then: $4,735 ($8,090*)

Tuition 2023: $11,560

Increase: $3,470 (143%)

Min Wage Then: $5.15 ($8.80*)

Min Wage 2023: $7.25

In 2001 it would take 919 hours of work to pay one year of tuition. Today it would take 1,594 hours.

She is trying to block student debt cancellation for 89,700 people who live in her district.

Brandon Williams (NY-22)

Pepperdine University, 1990

Tuition Then: $13,210 ($31,020*)

Tuition 2023: $65,990

Increase: $52,780 (213%)

Min Wage Then: $3.80 ($8.92*)

Min Wage 2023: $7.25

In 1990 it would take 3,476 hours of work to pay one year of tuition. Today it would take 9,102 hours.

He is trying to block student debt cancellation for 115,400 people who live in his district.

* Adjusted for inflation in January 2023 dollars

Virginia Foxx (NC-5)

University of North Carolina at Chapel Hill, 1968

Tuition Then: $310 ($2,720*)

Tuition 2023: $7,019

Increase: $4,299 (258%)

Min Wage Then: $1.60 ($14.04*)

Min Wage 2023: $7.25

In 1968 it would take 194 hours of work to pay one year of tuition. Today it would take 968 hours.

She is trying to block student debt cancellation for 75,900 people who live in her district.

* Adjusted for inflation in January 2023 dollars

Adam Looney, Brookings

Dartmouth College, 1999

Tuition Then: $23,910 ($43,537*)

Tuition 2023: $60,687

Increase: $17,150 (139%)

Min Wage Then: $5.15 ($9.38*)

Min Wage 2023: $7.25

In 1999 it would take 4,643 hours of work to pay one year of tuition. Today it would take 8,371 hours.

Looney received $415,371 in total compensation from the University of Utah in 2022 putting him in the top 1%.

He is trying to block student debt cancellation for 40 million working class people, 90% of whom make less than $75,000.

Marc Goldwein, CRFB

Johns Hopkins University, 2007

Tuition Then: $33,900 ($50,104*)

Tuition 2023: $60,480

Increase: $10,376 (121%)

Min Wage Then: $5.85 ($8.65*)

Min Wage 2023: $7.25

In 2007 it would take 5,795 hours of work to pay one year of tuition. Today it would take 8,342 hours.

Goldwein received $208,660 in compensation from CRFB in 2020 putting him in the top 5%.

He is trying to block student debt cancellation for 40 million working class people, 90% of whom make less than $75,000.

Carlo Salerno

Eastern Michigan University, 1997

Tuition Then: $3,399 ($6,391*)

Tuition 2023: $15,500

Increase: $9,109 (243%)

Min Wage Then: $5.15 ($9.68*)

Min Wage 2023: $7.25

In 1997 it would take 660 hours of work to pay one year of tuition. Today it would take 2,138 hours.

He is trying to block student debt cancellation for 40 million working class people, 90% of whom make less than $75,000.

*** Adjusted for inflation in January 2023 dollars**

[Questions submitted for the record and the responses by Mr. Gadkaree follow:]

Questions for the Record from
REPRESENTATIVE ILHAN OMAR

HEWD Hearing:
"Breaking the System: Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers"
10:15 a.m.

Representative Ilhan Omar (D-MN)

1. The issue of student debt affects millions of Americans and has worsened over time, becoming a crisis. This burden disproportionately impacts communities of color, who are more likely to take out student loans and face challenges in repaying them. I have personally experienced the hardship of student debt and understand the difficult choices individuals must make while managing high healthcare costs, increasing living expenses, and family responsibilities while interest on their loans accumulates. My constituents and borrowers across the nation, some of whom are present in this committee room, have shared their stories about the transformative impact of student debt relief. Canceling student debt would enable borrowers to embark on the next chapter of their lives, whether that's starting a family, opening a small business, or owning their first home.

   Student debt is not just a financial issue, it's a moral issue that affects the fabric of our society. When young people are burdened with massive amounts of debt, it impairs their ability to fully participate in our economy and pursue their desired careers and aspirations. Currently, 43 million student borrowers owe a collective $1.7 trillion in student loan debt, with an average loan debt balance of approximately $37,000. Under the debt relief program, 20 million of the most vulnerable borrowers will become entirely debt-free. In my district alone, 111,600 borrowers are eligible for student debt relief, with 49,500 already fully approved for discharge but stuck in limbo due to politically motivated efforts by Republicans.

   When I came to Congress, I was proud to introduce the Student Debt Cancellation Act and have been at the forefront of the movement to cancel student debt from within Congress since day one. I have had the privilege of working alongside advocates, researchers, and organizations such as the Student Borrower Protection Center, Student Debt Crisis Center, the Debt Collective, Young Invincibles, and many others present in this room today, fighting for what is right.

   a) Question A: Mr. Gadkaree, can you share why student debt cancellation would boost the economy, benefiting everyone?

      Response: College has never been so necessary or so expensive for Americans. Rising costs, state disinvestment, declining household incomes, and grant aid that has not kept pace lead more students to borrow, and borrow more, to go to school. Student debt is a growing problem that affects 44 million Americans; a quarter of direct loan borrowers were in delinquency or default prior to the start of the pandemic, reflecting the economic hardships borrowers have been facing. The Administration's debt cancellation would deliver benefits for those borrowers, as would its actions to strengthen income-driven repayment and Public Service Loan Forgiveness, create the Fresh Start program, and others. My organization, TICAS, focuses on increasing college affordability and accountability and restoring higher education as a system that promotes racial equity and economic mobility. Unfortunately, we do not have empirical estimates we can offer on the effects of the cancellation on the economy.

b) Question B: Mr. Gadkaree, can you tell us who would qualify for student debt forgiveness and why that claim that student debt relief will merely pay of the debts of the elite is factually incorrect?

Response: Borrowers with outstanding federal loans with incomes below $125,000 ($250,000 for a married couple) would qualify for the one-time debt relief program. The Administration estimated that 90 percent of relief would go to people making less than $75,000 a year. Further, a Politico analysis showed 98% of debt relief applicants reside in ZIP codes with average incomes below $75,000.

c) Question C: Why is it important for Congress to address student debt?

Response: As I noted in my testimony, there has been a sea change decline in college affordability over the last generation. To cover the average cost of attending a four-year public college, students from families making $30,000 or less would need to spend 93 percent — nearly all — of their total family income. To cover the cost of a two-year college, these students would need to spend nearly two-thirds of their family's total income. In order for us to have a vibrant and prosperous nation, to have teachers, police officers, nurses, x-ray technicians, and IT network engineers; we need more college graduates, and we need them to come from an array of racial and economic backgrounds.

For decades, state funding has declined for public colleges and universities — which enroll more than three-quarters of undergraduates nationwide — and colleges have turned to tuition and fees to make up the gap. Meanwhile, grant aid, including the federal Pell Grant, has not kept up with rising costs.

The current maximum Pell award covers the lowest share of college costs in the program's more than 50-year history. Pell Grants are the federal government's most effective investment in college affordability, and there is clear evidence that need-based grant aid increases college enrollment and completion among low- and moderate-income students. Pell Grants are especially critical for students of color, with nearly 60 percent of Black students, half of American Indian or Alaska Native students, and nearly half of Latino students receiving a Pell Grant each year. Pell Grant recipients today are more than twice as likely as other students to have student loans, and grant recipients who borrow end up graduating with over $4,500 more debt than their higher-income peers.

[Whereupon, at 12:16 p.m., the Committee adjourned.]

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