



Foxx, Stefanik, Banks Offer Alternative to Biden's Student Loan Scheme

The Problem: As of August 2022, the administration forgave, canceled, or waived over \$200 billion in federal student loans—all without Congressional approval. The report released by the Government Accountability Office last week shows that the federal student loan program is bleeding taxpayers dry. We now know that loans issued during the last two decades have already cost taxpayers \$200 billion. Those costs will only grow as President Biden continues to act. The President's actions do not help borrowers who are most in need. Instead, the President's student loan swindle disproportionately benefits borrowers making six figures. And the President expects the two-thirds of Americans without a bachelor's degree to pay for it.

The Solution: The *Responsible Education Assistance through Loan (REAL) Reforms Act* is a fiscally responsible, targeted alternative to Biden's reckless student loan scheme. Specifically, the bill:

Targets relief for the borrowers most in need:

- Provides targeted student loan relief to borrowers, who made years of payments, but saw their balances explode due to Democrats' poorly designed repayment policies.
- Ensures responsible, existing borrowers enrolled in income-driven repayment (IDR) plans pay back only what they owe taxpayers by ensuring their outstanding balance doesn't grow beyond a loan's principal and 10 years of interest and credits borrowers' payments towards that amount.
- Offers a way for borrowers to pay down their principal if they previously made payments for 10 years but those payments only covered interest.
- Eliminates interest capitalization that unnecessarily allows interest to balloon on a borrower's loan balance, increasing their monthly payments, and setting borrowers years back from repaying their loans.

Targets relief (continued):

- **Allows defaulted borrowers to get back on track** to repayment by giving them a second chance to rehabilitate their loans and enroll in an affordable repayment plan, removing the black mark of default from their credit report.

Protects students, borrowers, and taxpayers:

- **Bars the Education Secretary from issuing regulations that cost taxpayers tens of billions** of dollars without approval from Congress, like Biden's latest proposal costing taxpayers at least \$85 billion.
- **Ends the costly and regressive repayment pause**, which was extended four times by this administration and cost taxpayers \$4.3 billion per month to provide de facto loan forgiveness of at least \$5,500 to every borrower.
- Streamlines the confusing web of IDR plans into **one transparent and predictable plan** that ensures borrowers only repay their principal with the standard 10 years' worth of interest, but have the time they need to do so affordably.
- **Blocks the Biden administration from issuing a SIXTH IDR plan** that is expected to be far more generous than those currently on the books.

Reins in runaway loan forgiveness programs:

- Eliminates the costly and regressive Public Service Loan Forgiveness (PSLF) program for future borrowers.
 - **PSLF was intended to be a limited program to help public servants**, but now favors high-income, graduate student borrowers and encourages schools to overcharge students under the promise of forgiveness. This program **costs taxpayers at least \$28 billion**; not including the President's proposed regulations which could **add as much as \$59 billion** to the backs of taxpayers.
 - New estimates show that more than \$145 billion could be forgiven through Biden's PSLF waiver with doctors receiving an average of \$134,000 in loan forgiveness.

Reins in runaway loan forgiveness programs (continued):

- Ends time-based forgiveness under IDR, which **allows borrowers to make payments as little as \$0** to receive loan cancellation.
 - IDR plans were expected to cost taxpayers \$212 billion even before President Biden took office. Over **two-thirds of loans being cancelled under these programs are held by graduate students.**

Limits outrageous borrowing:

- **Ends uncapped borrowing for graduate students** through the higher interest Grad PLUS program which enables colleges to charge exorbitant prices, buries students in unaffordable debt, and is set to **cost taxpayers at least \$6.4 billion in losses** over the next decade.
- Institutes reasonable loan limits that will **keep the doors of graduate education open** to students from all socioeconomic backgrounds while also **ensuring low-quality programs cannot access unlimited taxpayer dollars.**
- **Allows institutions the flexibility they need** to lower borrowing limits based on student's major or other circumstances to **protect students from taking out debt they cannot afford** to pay back or for degrees with little to no return on investment.

Expands Pathways to the American Dream:

- Allows Pell Grants to be used for short-term, career-focused programs that provide valuable credentials for in-demand jobs.
- Requires the new Workforce Pell Grant to go to programs that are **equipping graduates to move up the economic ladder** quickly and at a fraction of the cost of a baccalaureate degree.
- **Protects students from programs with a low return on their investment** by prohibiting tuition and fees of the program from exceeding the earnings boost students receive from the credential.