



COMMITTEE ON
**EDUCATION
& LABOR**
REPUBLICANS

VOTE NO S. 1098

BACKGROUND:

Under the now-defunct Federal Family Education Loan program, married borrowers were permitted to consolidate their loans together into one joint consolidation loan (JCL). Though this practice has ended, there are still approximately \$2 billion in JCLs outstanding.

Republicans support the intent of this bill. We want to ensure borrowers who need to separate their loans urgently—whether it be because of divorce or abuse—are not placed in a further harmful financial circumstance due to having a joint consolidation loan that cannot be separated.

S. 1098 delays support for borrowers who need assistance immediately, cedes more control to the Education Secretary, and fails to protect taxpayers.

S. 1098 FAILURES:

Delayed implementation. According to the Department of Education, implementation for this bill could take between 12 to 18 months.

In the cases of abuse victims, delaying implementation could subject these victims to an additional year or more of trauma and abuse by their former or current spouse.

Broadens the Secretary's authority which could be used to grant additional loan forgiveness.

Once the loans are separated and moved into the Direct Loan program, they will be eligible for the Biden administration's student loan scheme.

Additionally, this language gives the Secretary the authority to allow for new consolidation loans if it is in "the fiscal interest of the federal government." There is no definition as to what that is or means.

When vague authority is included in the law, it leads to the administration taking unilateral action and spending billions of dollars without authority—we cannot create loopholes to allow broad loan “forgiveness.”

No protections for victims under separate application process. When a borrower is trying to remove themselves from an abusive relationship, he or she can apply without the spouse’s permission to have the loans separated. If the loan is separated, the entire balance is given to the other spouse. The abusive spouse could claim economic harm by stating they were the victim while the true victim of spousal abuse would be responsible to pay off the entirety of the balance. This creates the potential for further abuse of the very individuals we want to protect.

Even if the true victim was the one filing the application, the former spouse could sue them for a violation of contract law as a form of retaliation, something the Education Department has stated is a concerning possibility.

THE REPUBLICAN SOLUTION WILL:

Allow borrowers to separate their loans immediately rather than having to apply for a new loan in the Direct Loan program and wait up to 18 months for implementation;

Ensure victims of abuse can sever their financial entanglement with their abuser without penalty and without adding to the spouse’s loan debt which could cause legal disputes between the two individuals in the long-term; and

Protect taxpayers by ensuring the authority is narrowly tailored to help those in need.

BOTTOM LINE: Democrats are taking advantage of a difficult situation for some borrowers to create a backdoor to “forgive” more student loans.