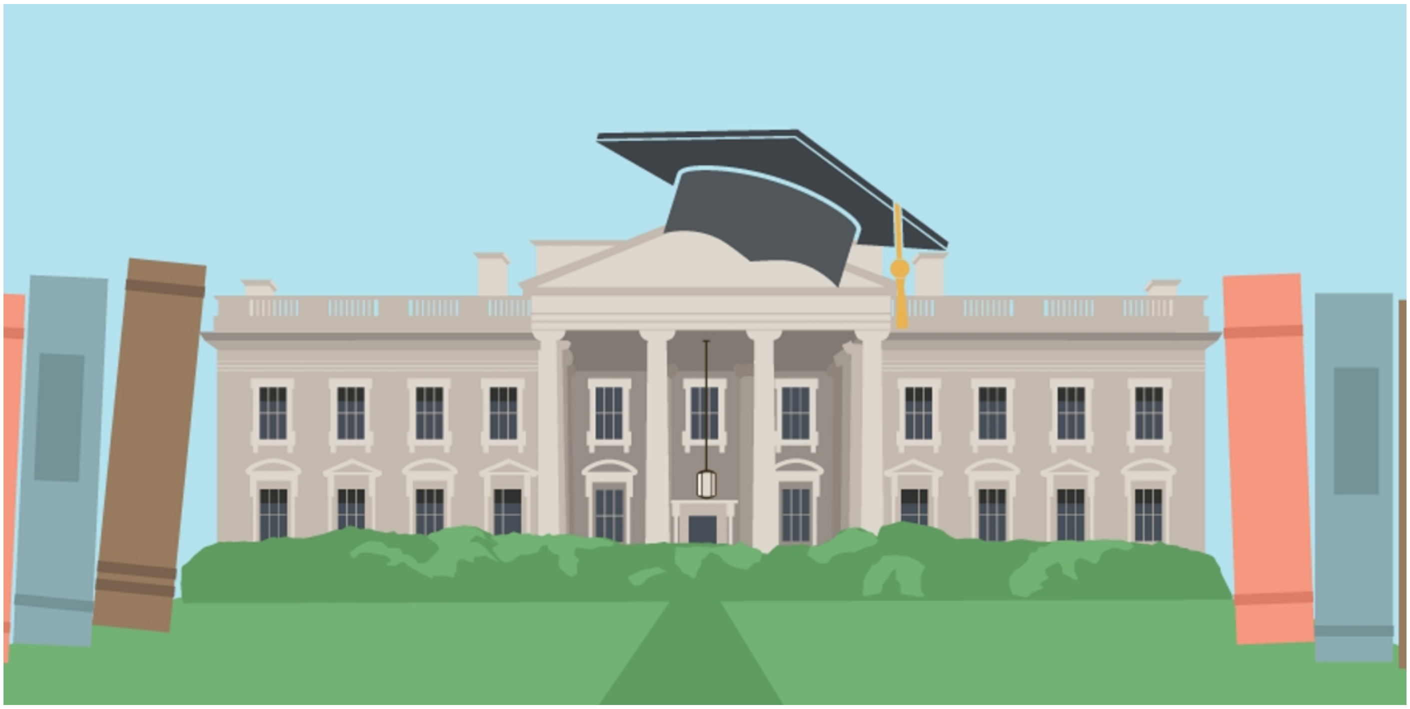
COMMENTARY HIGHER EDUCATION

A Guide to Trump's Proposed Student Loan Changes



MAY 18, 2017

Portions of the Trump Administration's education budget have beenleaking out in advance of the formal release of the budget expected next week. It's important to note that there is a long road between a budget and actual changes enacted by Congress. But with the caveat that not all of the details are clear, here is our quick sense of what the changes to the federal student loan program could mean for future and perhaps current borrowers.

One major unknown is the extent to which these proposals would be applied to today's borrowers or just to future borrowers. That is a political decision, but it also has a legal dimension: can the federal government take away a borrower benefit, such as Public Service Loan Forgiveness (PSLF), that students were counting on when they took out their loans? The budget documents so far do not indicate what stance the Trump Administration is taking.

Who?	What would change?	What is the effect?
Undergraduate borrowers taking need-based loans	Interest will be charged while borrowers are in school	Borrowers will owe more when they graduate; the program will cost taxpayers less
Borrowers with undergraduate loans *employed full-time in a public service job*	Payments capped at 12.5% of income instead of 10%, and payments end after 15 years instead of 10	Less generous for borrowers, reducing the incentive to enter public service careers; costs taxpayers less
Other borrowers with undergraduate loans	Payments capped at 12.5% of income instead of 10%, and payments end after 15 years instead of 20	Probably a wash for borrowers, depending on their income trajectories
Borrowers with graduate school loans *employed full-time in a public service job*	Payments capped at 12.5% of income instead of 10%, and payments end after 30 years instead of 10	Much less generous for borrowers, reducing the incentive to enter public service careers; costs taxpayers less
Other borrowers with graduate school loans	Payments capped at 12.5% of income instead of 10%, and payments end after 30 years instead of 20 or 25	Less generous for borrowers; costs taxpayers less

Robert Shireman, Senior Fellow

Robert Shireman is a senior fellow at The Century Foundation working on education policy with a focus on for-profit college accountability, quality assurance, and consumer protections.

Tariq Habash, Policy Associate

Tariq Habash is a policy associate at The Century Foundation focusing on higher education education policy and the for-profit sector.