Tens of thousands being dropped from US student loan relief program

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October marked 10 years since the George W. Bush administration enacted the Public Service Loan Forgiveness (PSLF) program as an incentive to young college graduates to pursue careers as teachers, in government, or at non-profit institutions. The program was advertised as a way for some recent graduates to see an exit sign on their student loan debt.

In 2006, average student loan debt for undergraduates was just under $20,000. For graduate students it was nearly $40,000. For the class of 2016, average undergraduate debt had climbed to $37,172. For graduate students, the average is considerably higher. In that same period, college tuition has increased 63 percent.

Over the past 10 years over half a million graduates have signed up for PSLF. However, according to a recent article in *Rolling Stone*, more than half of those have been disqualified for myriad bureaucratic reasons. Last month a total of only 137 individuals were deemed eligible to have the balance of their student loans wiped clean. Thousands are just finding out that their years of paying on time won't count under the federal forgiveness plan because they took out the wrong type of loan, their employer has been disqualified, or their original lender sold the loan to an unqualified institution. President Trump's budget proposes eliminating the program entirely for borrowers after July 2018.

As many of these borrowers are now discovering, if your employer hasn't provided the correct proof of employment in a qualifying position, if the loan you are carrying is not through the sole federal direct-loan program, if you have missed even one of the 120 payments required within the 10-year span, or if you paid extra in one payment and skipped the next, you can be disqualified.

A *New York Times* article from October 27 profiles a 46-year-old teacher who enrolled in the PSLF plan the year it was announced, thinking he had done everything according to the rules, only to discover in 2015 that he had been enrolled in a "particular type of ineligible payment plan and would need to start his decade of payments all over again." One of the online comments from November 5 announces that several class action suits have been launched on behalf of borrowers who were not informed their loans were out of compliance.

Another commenter says: "By the time I'd learned that [one of the loans did not qualify], my loans had ballooned to $90k because I was only paying interest on them with 8.5 percent. … that nonsense impacted my career choices (deciding to stay in nonprofits to secure the forgiveness), my retirement funds, and my sanity. I will end up paying more than $55K in interest on my $60k loan. Truly criminal."

Among the thousands disqualified or affected are teachers, doctors, lawyers, even police. A lawsuit by the American Bar Association was filed earlier this year after the Department of Education (DoE) announced it had "rescinded without explanation the association's status as a qualified employer under PSLF and notified ABA employees and others who had previously been approved for participation in the program that they no longer qualified," according to the DoE website.

Most of those applying for the PSLF program are those with postgraduate degrees. Currently there is no limit on the amount a graduate student can borrow, and it is not uncommon for a graduate student to embark on their first job out of school with $100,000 in debt. To discover, after 10 years working at a public service job, known for low salaries, that you don't qualify for the program after all, not only impacts the financial wellbeing of the individual, but can have serious psychological effects.

Jason Delisle, a resident fellow at the American Enterprise Institute, a conservative think tank, revealed that when the PSLF program was first created, it was *intended* to be small and unattractive. "Washington policymakers did not foresee the program growing to its current size. After all, 10 years is a long time to work in a qualifying job, so many experts thought people wouldn't sign up," he wrote in *Politico* in July. "They also thought borrowers were averse to making loan payments linked to their incomes, as hardly anyone enrolled in an earlier version of the government's income-based repayment plan."

In fact, Delisle speaks for that section of the ruling elite who are determined that not even a small segment of students in debt will get any relief. Delisle argues that the PSLF program should be eliminated because it encourages graduate students to maximize their debt load, since the larger amount will be forgiven after 10 years. It's easy for him to ignore the dire consequences for those who get the reality check that they don't qualify after they have made their regular payments and then face decades of additional payments when they thought they might be able to buy a house or start a family.

As of July this year, the interest rates for Direct Loans increased to 7 percent for graduate students, and 4.45 percent for undergraduates. Trump's budget proposal includes a provision to eliminate entirely the federal Subsidized Stafford Loan, which has traditionally allowed students to defer payment while enrolled in a college or university, and had a somewhat lower interest rate upon graduation. Another provision proposed in the House version of the next budget would require that all tuition waived, either through a federal program, employer benefit or university tuition waiver, be counted as taxable income.

The overwhelming burden of student debt for borrowers at all levels is becoming worse every year. This past spring, total student loan debt surpassed $1.45 trillion, about $620 billion more than all US credit card debt. Among the 44 million borrowers, the average monthly payment is $351. Trump is proposing to abolish subsidized federal loans and institute a single program for all federal student lending as a single income-based repayment plan at 12.5 percent of adjusted gross income. Today's recent graduate can look forward to at least half a lifetime of penury as the cost of an undergraduate degree. And for those who can't afford more than the interest every month, it's a lifetime.

Currently, 11.2 percent of student loan dollars are in default and another 11 percent are in forbearance (a temporary payment suspension granted at the discretion of the lender while interest continues to accrue). According to the September 28 *Washington Post*, "millions of people had not made a payment on about $144 billion in federal student loans for at least nine months as of June, a 12 percent increase in defaults from a year earlier."

Although the default rate has declined slightly from its 14.7 percent peak in fiscal year 2010, it is still well above rates prior to the 2007-2008 mortgage collapse and Wall Street crash—from 8.8 percent in 2009 and 7 percent in 2007. The total number of borrowers in default is at an all-time high, with 1.1 million new borrowers defaulting in 2016.

According to the Department of Education's latest figures, the third quarter of 2017 saw a major increase in loans going into default for at least a second time. Thirty-thousand borrowers defaulted on $64 million. This was a jump of 7,100 unique loans in just three months. The previous record was set in the first quarter of 2016, with 24,500 borrowers re-defaulting on $57 million.

College graduates face an increasingly bleak future, despite being told that a college education is a necessity to get a "decent" job today. As has been widely reported, Americans between the ages of 18 and 34 are more likely to be living with their parents, rather than a spouse or partner. Employer-paid health care and pension plans are a relic of the past, forcing millions of college graduates to foot the bill for thousands of dollars in expenses in addition to the student loans. The average net worth of the 2016 college graduate is a negative $33,984.

This crushing debt provides fertile hunting grounds for rapacious debt collectors. For the fiscal quarter ending in March 2017, more than $2 billion had been "successfully" recouped for the lenders by 30 national collection agencies. Of this, $182 million was the result of wage garnishment. It should come as no surprise that feelings of despair and suicidal thoughts are so prevalent today.

As the teacher interviewed by *Rolling Stone* explained, the debt collectors "called day and night." Calculating his "rehabilitated" debt at over $100,000, he said, "Not one dollar goes toward principal. I will never be able to pay it off. My only hope to escape from this crushing debt is to die."

Significantly, a recent report by Experian, the consumer credit reporting agency, notes that of the generation of borrowers now making payments, aside from students currently enrolled and thus just beginning to accrue loans, millennials have the highest percentage of past due amounts on loans in repayment (not deferred). Millennials also have the highest number of loans, 4.4 on average. This is also the generation that indicated, by a majority (51 percent) in a recent poll, that they would rather live in a socialist or communist society than under capitalism.