Justin Draeger:
Hi everyone. Welcome to a special edition of Off the Cuff. I'm NASFAA president, Justin Draeger. Today I'm joined by three guests. Do you want to introduce yourselves?

Persis Yu:
Sure. Hi, my name is Persis Yu. I'm the director of the Student Loan Borrower Assistance Project at the National Consumer Law Center.

Tamara Hiler:
Hi, I'm Tamara Hiler, and I'm the director of education at Third Way.

Preston Cooper:
Hi, I'm Preston Cooper, and I'm a visiting fellow for higher education at The Foundation for Research on Equal Opportunity.

Justin Draeger:
Thank you all for being here. The topic of student loan debt forgiveness has become a hot button issue, as proponents debate the merits of canceling some or all federal student loan debt for millions of borrowers. President Joe Biden campaigned on a promise that he would support loan forgiveness, or at least $10,000 of it. But progressives have pushed further. Senator Schumer and Warren have publicly pressured the president to forgive up to $50,000, "with the flick of a pen." But this week, President Biden ruled out canceling $50,000 in loan debt per borrower, saying he's more comfortable with forgiving somewhere around $10,000 per borrower. White House spokesperson Jen Psaki poured more cold water on unilateral presidential forgiveness saying the president plan to hold off on making any decisions on student loan debt until his appointees at the Justice Department has had a chance to review the issue.

Justin Draeger:
On the other side, many economists and fiscal conservatives have called into question everything from the objectives of loan forgiveness, to the equity and fairness of it, and have raised questions about the long-term sustainability of forgiving these loans today when students and parents will borrow another $100 billion next year. And of course, there are unsettled legal questions about the president's authority to even do so. Should the president or Congress for that matter, forgive student loan debt, if so, how much? And would this money be better spent elsewhere? Well, we're going to try to answer those questions with our three experts today. Persis, let's start with you at the basics. Why? What do we hope to achieve by widespread loan forgiveness?

Persis Yu:
Sure. Thanks Justin. And thanks for inviting me to this very important and obviously very timely conversation. Look, why? Student loan borrowers are in a crisis. And frankly, they've been in a crisis for a very long time. The student loan system is broken, roughly 45 million Americans hold student loan debt which is, for context, more than folks owe on auto loans, credit cards, or any other non-mortgage debt. And even before the pandemic started, over 1/4 of those borrowers were behind on their loans. Simply
put, the student loan debt crisis before the pandemic was already hampering families and the nation's economy stability. And then now we've entered into this period of a crisis, right? We're in the pandemic. And we know that the pandemic is hitting low-income folks, women, people of color, especially hard. Incidentally, student loan debt also impacts low-income folks, people of color, and women, especially hard.

Persis Yu:
So the folks who are getting hit hardest by the pandemic are also the folks getting hit hardest by student loan debt, and they need a meaningful path to recovery out of the pandemic. And widespread student loan cancellation is a simple and effective measure to deliver a lot of relief to a lot of borrowers. We needed it yesterday. But yes, as you mentioned, we believe that President Biden can do that with the flick of a pen. And we think that's an absolutely critical and necessary step to do.

Justin Draeger:
Okay. Tamara, do you agree?

Tamara Hiler:
I mean, I certainly agree that we know that we have a broken student loan system. I don't think there's anyone on this call that would disagree with that. That we have a lot of students and we've been talking about for many, many years, this problem was not created by this pandemic. It's not going to go away after this pandemic. We've seen tuition costs loans being taken out at higher rates for a long time. And we need to have a serious conversation about that, particularly about the borrowers who are most impacted by high loan debts that are being taken out. That being said, I don't necessarily think that universal debt cancellation is going to address a lot of the problems that are on the table around this issue. So if we're thinking about affordability issues and the fact that college tuition has been rising, those costs have been rising for a long time.

Tamara Hiler:
Even some of the stimulative effects that I think are being promised by student loan debt cancellation, the fact that we have bad return on investment at certain institutions and what does that mean for broader accountability conversations? I don't think that student loan debt forgiveness is going to address the much bigger issues that there is widespread agreement on. What I do think is beneficial of course, though, from this is that to Persis' point, there is a messaging win in debt forgiveness, right? It is a very easy, simple, clean thing to understand people do inherently believe that there is a debt crisis, but what often gets lost in that narrative of course, is one layer below. And what does that actually mean?

Tamara Hiler:
Who's holding the debt? Who's actually struggling despite there being a $1.5 or $1.6 trillion loan outstanding loan debt portfolio? I think that those are conversations that require more nuance that aren't going to be addressed by this other than it being a nice bumper sticker slogan. And I think that there of course are still a lot of important questions on the table about whether or not President Biden could actually do this administratively without there being some ramifications that could have even longer term implications for students if they're caught in some sort of limbo in the courts that ends up hurting them in the long run.

Justin Draeger:
So Persis, you frame this in the crisis that we're currently in with the pandemic, as Tamara pointed out this very simple people can wrap their minds around it. They understand loan forgiveness solution, Tamara also pointed out an agreement in terms of the broken student loan system, although Tamara sounds like you would be looking at maybe a more nuanced approach than across the board forgiveness. Preston, I want to bring you into this for a second. Let's focus on the crisis for just a moment. The thing that Persis has pointed out, which is we know that there are disproportionate populations that are impacted negatively by student loan debt, whether that's in the amount or the loan status itself, and certainly impacts people differently. And then how that plays out in other areas of their life. So your take, student loan forgiveness, does it get at the crisis issue?

Preston Cooper:

Thanks Justin. Well, first of all, I want to say that I definitely agree with Persis and Tamara, that there are a lot of problems in the student loan system as they exist now. But I also want to acknowledge that the median college graduate will have about $30,000 in debt when they graduate college. But statistics also show that college graduates are going to earn about $750,000 more over their lifetimes than people with only a high school degree. So if you do finish college, you're going to come out well ahead. And most people at least, are definitely going to be able to afford the debt that they've been taking on. And we know from the survey of consumer finances and other data sources, that the vast majority of student debt is held by people who are above median income and people with very high earnings potential over their lifetimes.

Preston Cooper:

We also know that since the pandemic has begun, the vast majority of the job losses and the vast majority of the people who are out of work and still have yet to get their jobs back, are people with only a high school degree, including many people who never went to college at all, who don't have any student loan debt at all. And if I'm thinking about, well, our government has finite resources. We have a finite amount to spend on relief. Student loan debt forgiveness is really not the best use of that money. I would much rather see us spend our limited coronavirus pandemic relief funds on direct cash relief for working class families, regardless whether they have student debt or not.

Preston Cooper:

It doesn't really make any sense to me that we should be giving government handouts to rich doctors and lawyers, people who went to Yale Law School, people who are doing fine, people who are able to do all of their work on zoom, and haven't lost their jobs during this pandemic, when there are working class families who don't have student loan debt at all, who are suffering and who need that money a lot more.

Justin Draeger:

Okay. So let me do one follow-up question to you Preston. I want to go to Persis for a response to another big issue that you raised. But one is, one of the things you just talked about was limited funding and directing that to people who really need them. So I guess my question is, would you be for more targeted loan forgiveness then? Not the doctors from... and lawyers.

Preston Cooper:

Well, targeted loan forgiveness would certainly be better than universal loan forgiveness, but I don't really see a need if we want to get cash to working class families. If we want to get money, if we want to
get financial relief to people who really need it, I don't really see the need to go through the student loan system at all, because the lowest income people, most of the people who have lost their jobs during this pandemic, most of them don't have student loan debt at all. And so I'm just thinking that, if we're going through the student loan program, even if it is targeted.

Preston Cooper:
I mean, there's going to be a lot of money that's going to people who really don't need the handouts, and we know that your income and your job loss status, those are much better predictors of whether you're going to be in financial distress as a result of this pandemic and going into the future. And we have the tools to target financial relief directly to working class families based on their income and based on whether they've lost their job. And so I really don't see the need to bring student loans into this at all.

Justin Draeger:
So Persis, I wonder, heading back to the crisis that you mentioned. We have right now a suspension of payments and those suspended payments are still counting towards long-term loan forgiveness. Is that in and of itself a stimulus, I mean, is the stimulus happening? What does loan debt forgiveness give you if you're currently off the hook for any payments, at least until September-ish?

Persis Yu:
Yeah, I mean, I think that's a great question. And I think the payment suspension is of course vitally important, but I think what it's doing is it's ultimately just kicking the can down the road, right? Eventually, we're going to turn payments back on, presumably. And when that happens, folks are going to have a flood of needs for their limited resources. And I think, if I can just address a couple of the things that Preston mentioned, there's two main categories. One is the limited resources. And I think that this is not the right way to look at what we're doing right now. First of all, I am absolutely in favor of getting cash assistance to low income families. So to be clear, I think we can do both.

Persis Yu:
I don't think it's an either or, we have spent $4 trillion on relief efforts right now, and so we're not talking about one solution to solve the entire pandemic and the entire economic crisis. We are talking about a piece of it. And I think that we should not be looking in this very restrictive environment when there is billions of dollars going into various different industries. There's billions of dollars going to lots of different efforts. And what we're talking about here is student loan borrowers that are in a crisis, and that we've all acknowledged are in a crisis. And I think it's important also to talk about who those borrowers are. I think when we talk about which student loan borrowers hold the most amount of debt, I think that's a really misleading way to talk about the student loan portfolio, right?

Persis Yu:
Because it is true that if you look at the amount of debt, who holds it is higher earning borrowers. But if you look at the borrowers themselves, that is actually much more evenly distributed across the income spectrums. So yes, the dollar amount is certainly held by higher income borrowers, but that's not actually reflective of who has student loan debt and who is being hurt by that right now.
Persis, let me ask you a question about that. So one of the things that we've known for a long time is that students that drop out have relatively low amounts of loan debt end up sometimes in the most amount of trouble.

Persis Yu:
That's right.

Justin Draeger:
So I guess, doesn't that beg the question though, that if we were to do loan forgiveness, and it was just a smaller amount, that that would actually cover most of the borrowers that are in the most amount of trouble while getting to Preston's point about, people who have the most loan debt aren't off the hook because they probably have advanced degrees and are at least statistically doing better?

Persis Yu:
I mean, look, this gets into the question about, what is the amount of debt cancellation, right? And I think certainly we see benefits of debt cancellation at various different amounts. So certainly even Biden's $10,000 promise would totally wipe out a significant amount of debt for a lot of low-income folks because they do hold a lot of it. I think the other piece to look at is the racial wealth gap though. Because the other piece that we haven't talked about is that student loan debt is disproportionately held by black borrowers. And that's true again, across all income quintiles, right? High earning black borrowers are still disproportionately likely to hold student loan debt.

Persis Yu:
And I think the other piece that gets conflated here is this notion of income versus wealth, right? We have a huge racial wealth gap here. So even when you're talking about higher earning borrowers, that doesn't mean that they're doing fine, right? Black households in this country have significantly less wealth than white families do. And so even at a higher income, they are not protected as much as white families are from the income fluctuations. And we see that 40% of black households, even at the top income quintiles still hold student loan debt, whereas only 20% of higher income white families do.

Justin Draeger:
Tamara, you were nodding your head at one point when Preston was talking. And I think it was around the idea of limited resources and where we direct those, whether it's loan forgiveness or something else. And Persis is talking about, yes, we've thrown $4 trillion at this. The Democrats have a vote for another $2 trillion, but I'm curious-

Persis Yu:
Which does not include student loan debt by the way.

Justin Draeger:
It doesn't it, right?[inaudible 00:00:14:46] as of today. And so I'm curious if you buy into the idea of we are operating in a world of limited resources, where else would you put that, if not loan forgiveness?
Yeah. I mean, I think in many ways that makes the point right, that the package that's being negotiated on the table right now is $1.9 trillion. And if we were to forgive all of the student loan portfolio, we're looking at $1.6 trillion. I mean, I just don't think that that is even within the realm of possibility, which then of course begs the question, "Okay, how can we do this in a more targeted way and really get at the heart of the borrowers who need it most?" I do think that there is evidence and why I was probably nodding my head when Preston was speaking was around the fact that we know that potentially just giving payments directly to American families who are struggling, families of color people on safety net programs. We know that that is going to actually have a longer stimulative effect for the economy.

Tamara Hiler:
And it's also broadening up the universe of who can actually qualify from this benefit. And in making sure that we're not just looking at the 20% of Americans who even have loan debt in the first place and actually making sure that we're expanding that universe to include more people of color who the racial wealth gap absolutely affects whether or not they've gone to college or not. So I think that there are other programs that have been on the table, just the direct stimulus payments, better unemployment benefits. I think those are things that we could be doing while at the same time, figuring out, okay, is there a way that we really can target for the borrowers who this system really has been broken for them, they are in a place... For example, defrauded borrowers.

Tamara Hiler:
I think that there is a lot more bipartisan agreement about figuring out how can we make sure that we are forgiving debt for students whose schools were predatory and completely screwed them over in the process and really need that fresh start so that they can graduate or get whatever skills they intended to get, to get the jobs that they need to be able to contribute to the economy in the way that they want it. I think there's a lot of other options on the table. And while I would love to live in a world with unlimited resources, it's just not reasonable or in a real option on the table when we're looking right now at a $1.9 trillion stimulus package that is supposed to cover everything else outside of just debt forgiveness.

Justin Draeger:
So let me ask that question, because it seems like we've gotten to maybe one of the root issues here, which is unlimited resources, because Persis I hear you saying yes and let's do all of that. Tamara, you're saying that might be great to do, but in a world of limited resources, where do we focus the most? Preston, you raised the equity question, but I want to ask you a more fundamental question. If the US government is currently issuing debt at some astronomically low amount, the US is borrowing at such a low rate, wouldn't it make sense to maybe, I don't know if it's 1.6 trillion, but invest that back into U.S. Students or former students in some way, and then give them a leg up in their careers and building wealth and all the things that Persis has talked about?

Preston Cooper:
Well, we will eventually have to roll over some of the national debt and we might eventually have to roll that over at a higher interest rate. So I'm not sure if I totally buy the we're at a low interest rate environment right now and basically all the money in the world is free. But I would say that, before we talk about student loan forgiveness, I would like to hear more conversation about the existing safety net programs that we have for student loans. So we have income-based repayment, which was considered a huge victory when income-based repayment was expanded back in 2010. And now 10 years later, I basically don't hear anything about this at all, but this is a program that allows student borrowers to tie
their loan payments to their income, so that their payments go up and down with income, and if they're in poverty, they won't owe any loan payments at all.

Preston Cooper:
This is a very important safety net, a feature of the student loan program, which I fully support, but one of the problems is, the national post-secondary student aid study shows that only 43% of undergraduate borrowers actually know that this program exists. And so I'm thinking, wait a minute. We have all these folks clamoring for student loan forgiveness, but we haven't even made full use of the existing safety net programs that we have on the table. Not only income-based repayment, but also unemployment deferment and forbearance.

Preston Cooper:
And so I wonder, before we have a conversation about canceling $1.6 trillion in student loans, maybe we should try to make the existing safety net programs we have, better. Make them more widely used for a fraction of the cost. And I believe that if we are able to get some more student borrowers who are financially distressed and income-based repayments, much of the student loan crisis, not all, but much of it will be taken care of because students will be able to have affordable payments or sometimes even zero payment. Before we go off and cancel $1.6 trillion in student debt, I would like to see a bit more conversation about how we can leverage the existing safety net programs that we have.

Justin Draeger:
Persis, I want to go to you. But building off of Preston's point, we do have income-based repayment. We have loan forgiveness after so many years, you could probably move some of the margins on that. Maybe you're more generous with your loan forgiveness, but it is targeted towards students or borrowers current income. Maybe we do things like get rid of negative amortization. Maybe we offer everybody a subsidized loan. Are there iterative steps that we should be taking before we just sign off on widespread loan forgiveness that might not be very well targeted?

Persis Yu:
First of all, I'd like to remove what I consider to be a red herring of the cancel the $1.6 trillion portfolio, because I think that's not actually the policy solution on the table. And so I think that is a huge red herring to talk about that, that's the conversation that we're having right now. But yes, I would really love to talk about income driven repayment and why it is not the solution for this problem. Now look, I think income driven repayment is a hugely important program. We work with student loan borrowers directly, and it is ultimately the solution that we do work with our borrowers to try to achieve. The problem is, is that the existing programs, as Preston mentioned, they failed. They're failing, right? These programs have been completely underutilized since their inception. Which their inception by the way was in 1994.

Persis Yu:
We have been failing at this program for 26 years. We have failed to utilize adequately income driven repayment. I've actually been doing some freedom of information act requests from the department about the cancellation rates because income driven repayment cancellation has in theory been an option. Has been available since 2016 when the repay regulations were implemented. So we've had five years in which borrowers could in theory be eligible for cancellation under income driven repayment. I actually just got this data a couple of weeks ago. I'm really excited that you guys were the first people
that I'm actually sharing the real number with, but in five years of theoretical income driven repayment cancellation, 32 people have had their loans canceled. 32, that's not working. All right?

Persis Yu:
And we've been trying to make it work. We've known about under-utilization about income driven repayment for a long time. And it's actually gotten better to the number that Preston mentioned, but it is not at full utilization and we've never gotten there and it is not without effort. And so, what I posit to you is that we should not be holding borrowers hostage as we try to tinker around the edges and fix programs that have time and time again for decades been failing. We need to acknowledge that we have failed these borrowers and it is not their fault that we keep failing to properly service these loans, right? Income driven repayment is also not an option for the 9 million borrowers who were in default.

Persis Yu:
So we have failed the vast majority of the student loan portfolio. When a product is broken, you give relief to the consumer. As a lawyer, that's the way that I look at this. Look, it's been broken. We've been failing these folks. Do we really want to say, "Look, I promise, this time we're really going to fix income driven repayment. Really, we're going to get it right this time. And in 20 years, you're going to get cancellation." That has never made a single one of my clients feel better, that in 20 years they're going to get cancellation. And many of these borrowers have been in repayment for decades and they have not seen the benefit of these programs.

Justin Draeger:
Persis, let me ask one other question, and then I want to follow up with Tamara for a second. The question about providing them relief because the system is so broken, we owe them this relief. What happens next year? If we provide the loan forgiveness, loans don't just disappear though. What do you do for the incoming class? And does this become rolling forgiveness on an ongoing basis?

Persis Yu:
Look, I mean, here's the thing. This is the piece about... We need to walk and chew gum at the same time folks, right? We need to fix the affordability program. We need to fix income training payment. I don't think we should stop working on it. I think we need to keep doing that. And yes, please stop allowing fraudulent schools to get Title IV funds and please cancel the loans for the folks who have been waiting for years, again, another failed student loan program, the borrower defense, right? We have hundreds of thousands of borrowers who have been waiting for years for relief. Yes, let's please fix those programs, but let's not hold folks hostage while we do that. And here's the thing, we need to fix the affordability and accountability systems. We need to do that. But going forward, doesn't help the folks who have the debt now. So I think we need to do both. And at the end of the day, if we keep failing, then maybe we do need cancellation down the road, but that should be on us to fix the system, not on the borrowers who hold the debt.

Tamara Hiler:
So if I can jump in, I think that there's a lot of valid points that you're making, but I also think that you're right, we're talking a lot about unlimited resources and that sort of being the conversation. But I also think that there's unlimited political capital and while we need to be doing all of those things, 100% agree. And I think that, that's actually one of the biggest pitfalls of some of the debt cancellation conversation or the movement is that it is happening in a vacuum, even though there is widespread
agreement that there needs to be more systemic changes happening. But those conversations are getting lost, to my point earlier, is that they're not as easy to say on a bumper sticker. People don't understand if you start talking about wonky IDR fixes and all these other little accountability things that we could be doing to help the whole system.

Tamara Hiler:

But I think in a world of unlimited political capital, I think that's where some of the trade-offs or where even moderate Democrats or other folks are trying to say, "Okay, yes, that is something we could be walking and chewing gum at the same time." We know how Congress operates. We know how the government operates. These things don't make that easy. So if we have unlimited political capital, let's focus those efforts on some of the bigger systemic issues. I would also just like to make two other points to that too, is that, I like to think about it, or I think that we need to be thinking more about it as Maslow's hierarchy of needs. I think there's widespread agreement that at the bottom of the pyramid, there are borrowers that this system has failed them. That maybe just universal, straight up debt cancellation needs to take place to your point, to make them whole, to push that reset button.

Tamara Hiler:

But then that's where it gets trickier, is as you start moving up, there are a lot of borrowers in this current conversation who actually aren't harmed by the loan system. The loan system has been working for them, to Preston's earlier point, they're able to meet their payments, they are going to earn more over the course of their lifetimes. And the loan system has been very useful to them in being able to get advanced degrees. I think we as a movement in general, around this conversation, need to do a better job of actually having more pinpointed and addressing different areas of that triangle with different policies that can pinpoint and get to different pieces of that.

Tamara Hiler:

The third thing though is, even going further, I guess, forward or backwards in this, if we're looking at a spectrum of things that need to happen, I think the biggest issue on the table is really around the affordability crisis in general, and the fact that we need to be doing some front end fixes so that fewer students are actually having to take out massive loan debts to begin with, whether or not the repayment system is working for them on the backend. Which is why I think there's also a lot of conversations around, "Okay, couldn't we be investing this massive amount of money in doubling the Pell Grant, for example? Or tripling the Pell Grant so that it is already targeted towards students who need it the most and restoring that purchasing power so that we're not actually asking them to take out loans in the first place. I think those are other considerations to make in this conversation as well.

Justin Draeger:

Tamara, one follow-up question to you, and then Preston we'll be coming your direction. Tamara, I'm curious, political capital comes from public opinion. It comes from voters will, what they will vote on or what they'll maybe have backlash on. And I wonder, do you see any voter backlash with loan forgiveness? And this brings up a point that Preston touched on earlier, which is the idea of a lot of people who didn't go to college, who might be able to use the money themselves in other ways, feeling like this money is being spent on others who should be able to, for lack of eloquence, provide for themselves, might be the take, from those who don't have debt, and didn't go to college.

Tamara Hiler:
Yeah. I mean, I don't think there's any question that there would be some political backlash if you are targeting a benefit of this size towards only 20% of the American adult population to begin with. We've done a ton of public opinion research at Third Way. We're constantly talking to likely voters asking them their opinions. And in fact, in a survey that we just did that we released in December where we were talking to likely voters, we had laid out a list of, I think it was a dozen different policy ideas that the Biden administration could tackle to try to address some of the affordability and value issues that we have in higher education, and canceling all student loan debt actually ranked dead last in that list. So I think that there is certainly some populations who would feel left out from that kind of benefit to the point of families who are looking to send their children to college next year, they would be getting nothing out of this system.

Tamara Hiler:
And I think that there would be people who would resent the fact that they made certain choices to either not go to college, to go to a community college, for example, where they didn't have to take out loans or they paid back their loans that they had already taken out, feeling as though, "Hey, that's not fair." That being said, I think that if we're looking at what's happening right now with the pandemic and the student loan pause that's happening, we're not hearing of anybody actually saying that that is somehow unfair. I think most Americans are understanding and we've the Trump administration do this. We've now seen the Biden administration extend the payment pause. There is some understanding that specifically in this moment, we need to provide some of that relief. So I think that is an indication that maybe that wouldn't be as widespread and backlash as possible.

Tamara Hiler:
One other point I'll make and then I'll stop talking is that, I think to the point of the Americans who haven't actually gone to college or are facing down a recession in which they're going to have to either go back to college to upscale or go to college for the first time, I think that that's another consideration that needs to be made. If we're going to make an investment of this size, maybe we should put it towards some credit that could actually be used for people to either pay down their student loan debt or potentially have an education credit that they could apply to future upscaling. So that's an idea that we've been working on at Third Way, and are hoping that we can get some bipartisan legislation introduced to that effect in the next couple of weeks.

Justin Draeger:
Preston, one, do you agree with Tamara's assessment about public opinion on this? But maybe even more importantly, two, a lot of economists like to talk about moral hazard. And I'm wondering if you have any opinions on does this create the wrong incentive? When you tell folks you have an obligation to repay, but then we wipe it out entirely and the expectations that might create on future borrowing?

Preston Cooper:
Yeah. So the Congressional budget office estimates that we're going to issue $1.1 trillion in new student loans over the next 10 years. So that's not existing student loans. That's new student loans that will be going out the door. So you might forgive student debt today here in 2021, but in 2022, people will still be borrowing. And in a few years we might be right back up at $1.6 trillion. What's often the most frustrating thing about this whole conversation is that I really don't see any plan from the big proponents of student loan forgiveness in Congress to actually deal with this. I hear that student loans,
this great moral evil, and this failed social experiment, but I don't really see any plans to actually get rid of the federal student loan program if it is really this great moral evil.

Preston Cooper:
I mean people like Elizabeth Warren and Bernie Sanders will propose, "Oh, we'll also have a free college, so we reduce the need for borrowing." But most borrowing doesn't take place at the public colleges that would be made free. Most borrowing takes place at graduate schools and private schools and out-of-state public schools. And none of that is going to be actually affected by free college. I mean, even if you do have that, you will still have probably $700 billion of new student loans going out the door over the next 10 years. And that is going to create problems if you forgive student loans today, because what is your college going to say if suddenly the government has created this expectation that every time outstanding student loan debt reaches some critical mass, we're just going to forgive a huge chunk of it.

Preston Cooper:
What kind of incentives is that going to create? The colleges are going to sense that the cost of borrowing is lower. That borrowers are going to sense that there's going to be some indeterminant chunk of student loan debt forgiven, at some point in the future. And colleges will probably take advantage of that to raise tuition, to charge higher prices. I mean, this is going to open a whole Pandora's box of perverse incentives just like we saw in the housing crisis. I mean, that large financial institutions sense that they were going to be bailed out by the government which of course they eventually were, and they adopted riskier behavior for that reason.

Preston Cooper:
So, I really don't think there's been enough reckoning with the fact that we are going to be issuing $1.1 trillion in new student loans over the next 10 years. And there's been even less reckoning with the fact that if we're going to forgive a huge chunk of student debts, we need a plan to actually make sure that we're going to be getting rid of student loans in the future. Because right now we have the upfront student loan forgiveness proposals, but not the backends hard work proposals of actually phasing out the program, if that's what people want.

Justin Draeger:
Okay. Persis, do you want to jump in? And I sense you might be chomping at the bit to respond to Preston.

Persis Yu:
I have a lot of thoughts about that. I mean, yeah. Look, I think moral hazard is the boogeyman we use anytime we want to deny poor people relief. What is the horror that is going to happen? Right? More people are going to try to get an education. Look, folks are already maxing out on their federal student loan limits, and student loans don't seem to be limiting the amount that schools are charging. So I don't really see where this moral hazard argument really has legs. I mean, I think I absolutely agree that we need a long-term solution. And I think that it gets short shrift to say that proponents of that cancellation don't want a longterm solution.

Persis Yu:
I think that there are a lot of folks who have made proposals about debt-free college. About yes, free community college and state programs. And so, I think that again, we need to keep walking and chewing
gum at the same time, but we shouldn't be pitting future students against past borrowers. I think that, that's a really unfair way to frame this dynamic. We need to deal with the 45 million borrowers who are struggling right now and we need to deal with future students so that they're not saddled with this debt absolutely. But we shouldn't do one at the expense of the other.

Tamara Hiler:
Can I just add one quick point to this too, that I often think is left out of this conversation, especially to the point of making sure we're also fixing accountability systems at the same time. One thing that I think that gets lost is the reality that if we were to cancel the student loan debt portfolio right now, literally the only federal accountability provision we have in place is the cohort default rate, which is highly insufficient. We've talked a lot about that. Only 10 schools are captured by it, but it's the only thing that we technically have. If we have no more debt, we wipe that out.

Tamara Hiler:
We're then basically absolving these institutions in the federal government's ability to actually have a better understanding of what institutions are failing students, not providing ROI in general. The same is going to be true. If GE, gainful employment, does come back on the scene. And we're talking about that debt to earnings, debt is a piece of that. So I just think that in general, there needs to also be consideration that, that could also mess up our ability, at least for the foreseeable future, to be holding these institutions accountable for some of their outcomes, at least any that would be related to repayment or default, et cetera.

Persis Yu:
But doesn't the payment pause already messed with those measures anyways? I mean, not to get us too far down this road, but I think that the federal government has other tools of accountability. The cohort default rates and GE are just are the ones that it actually uses, but they actually do have more tools at their disposal to ensure that schools and accreditors are doing their job.

Justin Draeger:
Let me hit a pause and I appreciate the passion and thoughtfulness you all bring to the conversation. I want to end with one question to each of you. I'm going to start with you Preston, which is if in your vision of the future, if you were to look out say five years, what does the student loan landscape look like?

Preston Cooper:
Sure. Well, what I would like to see is to reform the student loan program to make it look a bit more like what they do in the UK and Australia. In which you don't have a servicer necessarily going out and collecting your loan payments, but you're able to just pay your student loans on your tax return, like you pay any other tax, which I think would make the whole system a lot more streamlined and would also enable a lot of the safety net programs that we do have right now to be automatic. Because if you're able to pay your loans on your tax return, then we know your income right away, so we can calibrate your loan payments through your income and ensure that your payments are never unaffordable. And the other advantage this gets you is this kind of references what Tamara was talking about.

Preston Cooper:
But if the government knows exactly how much in the way of payments are coming in from students who went to a particular institution, we can look at how much payments are coming in and what the students originally borrowed and see, do these actually line up? Is what students are able to pay actually commensurate with how much a taxpayer spends on financing this education? And if it doesn't pass muster, then we can cut that school off, or we can fine them, where we can penalize them somehow to improve accountability and make sure that taxpayer dollars are only going to schools that can actually prove their mettle and actually have programs where a reasonable number of students are graduating and where the students are actually getting into jobs that will earn them a living wage and will get them into the middle-class.

Justin Draeger:
All right. Thank you. Tamara, let's go to you next. Five years, what's your vision of the student loan landscape?

Tamara Hiler:
Sure. So in the spirit of holistic reforms, I was trying to think through, well, first I'd love to see a ban on student level of debt being lifted so that we can at minimum have a better understanding of exactly what students are paying, what institutions are providing them value in return, all of that. I'd love to see a more simplified aid process so that students know at the front end exactly what they're going to need to borrow what they're going to need to pay. A Pell Grant program that has been restored to its original funding levels or purchasing power so that we can reduce the amount of loans that students are needing to take out.

Tamara Hiler:
And that we are targeting that edge towards the students who need it most, a more streamlined repayment system in general that's automatically enrolling students in income driven repayment programs that's based on certain trigger points, right? So their income levels, their tax status, if they've been delinquent, if they've previously defaulted, I'd love to be able to see them getting the assistance that they need earlier on. And then we'd love to see more renewed conversations around some of the PLUS programs. I know those are tricky and sticky, but I think we need to revisit grad PLUS and parent PLUS in a more serious way. And then last but not least, institutional accountability, right? Making sure that institutions also have some skin in this game in a way that they don't now, and that they can be on the hook for some of this rather than just taxpayers.

Justin Draeger:
All right. And Persis, how about you, five years?

Persis Yu:
Five years. Yeah. I mean, I can start with the big picture, which I think hopefully there's some alignment on. But big picture looking forward, move towards financing education in a way that is not financed by debt. Right? We need to move away from the student loan system period. But I think there are more reforms that are needed to the student loan system. For sure, student loan payments need to be affordable and accessible. Both of those components are problematic right now. So that means reforming income driven repayment to be truly affordable for folks and creating systems where borrowers are more easily able to enroll in those programs. And we have suggested that where borrowers are delinquent on their loans, that that should be an automatic trigger to someone in income
driven repayment. Of course, staying in income driven repayment should be easier, right? So things about automatic renewal.

Persis Yu:
But I think we need a recognition that folks are going to fall behind. And that is reality. And we have an overly punitive student loan system, which we haven't even gotten into really too much today. But we have a student loan system that takes people social security benefits, that takes people's earned income tax credits, their child tax credits in full, and follows borrowers until they die. And that overly punitive system it's not fair. It is not the way we treat any other type of debtor in this country.

Persis Yu:
And so we need dramatic reforms to the consumer protections for the folks who do fall behind, so that it is not actually creating financial ruin for their families and for their communities. And I think it's important to recognize that borrowers do not live in silos. They live in families, they live in communities, so when a borrower earned income tax credit is seized, it means that they're also not able to pay their rent to their landlord, to spend that money in their communities. And that has a ripple effect nationwide.

Justin Draeger:
If any of those things happen in the next five years, we will have you back so we can celebrate together. All four of us, excuse me. Persis, Tamara, and Preston, thank you very much for coming on today. A very lively debate. And I appreciate all the thoughtfulness and passion that you guys are bringing to this conversation. Hopefully we can have you back again in the future. So to all the listeners, as we say always, remember to subscribe, tell a friend, send us your comments, let us know what you think about debt forgiveness. We'll share it with our panelists today, and we will see you again next time.