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PUBLIC HEARING ON PAY AS YOU EARN
U.S. DEPARTMENT OF EDUCATION
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STATEMENT OF CHERYL L. SMITH, SENIOR VICE PRESIDENT, PUBLIC POLICY AND GOVERNMENT AFFAIRS, UNCF (UNITED NEGRO COLLEGE FUND)

Thank you for the opportunity to present UNCF's views on the Pay as You Earn (PAYE) plan that will be subject to negotiated rulemaking next year. UNCF commends the Obama Administration for advancing Pay As You Earn and hopes that expanded repayment options can be made available to parent borrowers as well as to all student borrowers.

Now in its seventieth year, UNCF has always had college access and completion for students of color, especially African American students, as its mission. UNCF provides financial support to 37 Historically Black Colleges and Universities (HBCUs) and supports over 60,000 students at these and other institutions across the country.

Success in accessing and completing college for students of color means both being able to pay for college and repay loans after completion. Pay as You Earn Repayment, Income-based Repayment and Income-contingent Repayment are critical tools for students to manage their loan debt based on their post-college income. This is a particularly important issue for students at HBCUs, who must borrow to attend college at greater rates than other students: 79 percent of full-time, first-time undergraduates receive student loan aid at four-year HBCUs compared with 60 percent at all four-year public and private nonprofit colleges.

Moreover, income-driven repayment options can help to boost college-going rates for students of color who might otherwise choose not to attend college for fear of falling into a lifetime of debt. Thus, we see the Pay As You Earn initiative as an essential strategy to help boost the number of college graduates in the U.S. by the year 2020.

UNCF believes that Pay as You Earn can and should be expanded to allow parents to utilize this repayment option in repaying Parent PLUS Loans for dependent students. With inadequate grant and work-study assistance, parents of low-income students and students of color are relying on PLUS Loans to help close the gap. This is especially true at HBCUs, where nearly 13 percent of undergraduate students rely on PLUS loans compared to approximately 5 percent at all colleges and universities.

Students and their parents at HBCUs have always had to struggle to find the resources necessary to pay for college, but that struggle intensified over the last several years. The Great Recession – which wiped away nearly half the wealth of African American families – coupled with the 2011 change in the Department of Education's credit criteria for PLUS loans, resulted in a double hit to students and their parents seeking to help finance their children's education. Fortunately, the Department has finalized new underwriting standards for PLUS loans. However, the PLUS Loan crisis at HBCUs has reminded us of the need to ensure that all college debt financed through federal student loan programs has affordable repayment options. The significance of parent-financed college debt in enabling students of color to earn their degrees argues for more flexibility around the repayment plans parents can access, and specifically toward expanding Pay as You Earn to parents repaying PLUS loans.

Unfortunately, the existing multiple repayment options not only are confusing to parents and students alike, but also they unfairly differentiate benefits based on what type of loan was taken out and whether it was taken out by the student or parent. With PLUS loans, loan proceeds are used to pay for students' tuition, fees and other education-related expenses – all costs that students could finance through Stafford loans if limits on these loan programs did not exist. Whether the education loan is a Stafford Loan, a PLUS Graduate Loan or a Parent PLUS Loan, these education loans are investments that pay significant dividends in better futures for students. However, parents are restricted from accessing Pay as You Earn and Income-based Repayment options even though these plans have better benefits than standard, extended or graduated repayment plans. Parents should not be forced to risk financial peril to educate their children any more than should the students themselves.

Some may argue, as the Department did in its 2012 regulations establishing Pay as You Earn, that statutory changes are needed to allow Parent PLUS Loans to be included under Pay as You Earn. We challenge the Department to think "outside the box." Much as the Department has been creative in looking for ways to expand Pay as You Earn, we urge the Department to take a strong look at its statutory and regulatory authorities in this area and devise a plan to further level the playing field for parents with PLUS loan debt.

Again, thank you for the opportunity to speak today.