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Trump Proposes Limits On Student Loan Borrowing



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(AP Photo/ Evan Vucci)

The Trump Administration released its new priorities to reform higher education, including limits on student loans.

Here's what you need to know -- and what it means for you.

Higher Education: Reforms

President Trump released a 10-point [plan](#) to reform the Higher Education Act, which is the primary legislation that governs higher education. If Congress reforms the Higher Education Act, it would be the first major reform since 2008. The Trump Administration believes that previous regulations increased the cost of college and student loan debt. Trump's goals are to "increase access to affordable, flexible, and innovative postsecondary education and skills attainment to meet the interests and lifelong learning needs of every American."

Among others, his goals include:

- provide students, families, and working Americans better and clearer information regarding higher education;
- encourage innovation;
- reduce the cost of higher education;
- ensure that students of faith are able to attend schools that reflect their values; and
- require educational institutions live up to protect free speech.

Student Loan Debt Statistics

According to the latest student loan debt statistics, there is \$1.5 trillion of student loan debt and more than 44 million borrowers. Student loan debt is now the second higher consumer debt type, second only to mortgages and higher than both auto debt and credit card debt. By 2023, 40% of student loan borrowers may default on their student loans.

10-Point Plan: Student Loans

Trump's 10-point plan includes various proposals related to higher education. Here are two related to student loans, including the potential rationale and potential impact:

1. Encourage responsible student loan borrowing

The administration notes that there few limits on educational institutions to limit the cost of tuition. As a result, parents and students bear the burden of student loans. The administration calls for limits on federal student loan borrowing and more guidance for borrowers on how likely they are to repay student loans.

Although the White House did not specify dollar amounts, the White House called on Congress to:

- Enact Parent and Grad PLUS loan limits;
- Enable financial aid administrators to help students limit and manage their student loan borrowing; and
- Require educational institutions to provide regular financial aid counseling.

Potential Rationale: Curb the rise of college tuition. Limit the rise in student loan debt.

Potential Impact: Lower education costs can mean less student loan borrowing. More financial aid counseling can help borrowers understand the true cost of student loan borrowing, including compound interest, and a borrower's ability to pay off student loan debt successfully.

2. Simplify Student Loan Aid

According to the Trump administration, there are too many income-driven repayment plans for federal student loans, which causes confusion for student loan borrowers. Trump's repayment plan would reduce the number of income-driven repayment plans to one, and offer student loan forgiveness for both undergraduate and graduate federal student loans. Trump calls for income tax data, with a borrower's consent, to be shared between the U.S. Treasury and U.S. Department of Education to facilitate the management and administration of federal income-driven repayment plans.

Trump has previously called for the **elimination** of the Public Service Loan Forgiveness program, and believes that student loan forgiveness should be available for all students, regardless of their career, and "eliminate the biases and administrative complications of the Public Service Loan Forgiveness program."

Undergraduate student loans: Monthly student loan payments would be capped at 12.5% of income. After 15 years of monthly payments, any remaining student loan debt would be forgiven. This is five years earlier than current income-driven repayment options for undergraduate student loans.

Graduate student loans: Monthly student loans payments would be capped at 12.5% of income. After 30 years of monthly payments, any remaining student loan debt would be forgiven. This is five years later than current income-driven repayment options for graduate student loans.

Potential Rationale: Reduce confusion for borrowers and simplify choices. Provide student loan forgiveness based on undergraduate or graduate degree, not based on career choice (such as public service vs private sector).

Potential Impact: The proposal could save borrowers time and limit confusion. Undergraduate student loan borrowers can receive [student loan forgiveness](#) sooner, while graduate student loan borrowers would wait longer for student loan forgiveness. Under Trump's proposal, public servants can still receive student loan forgiveness. However, they would be eligible for student loan forgiveness after 15 or 30 years, depending on the type of student loan debt.

Final Thoughts

If you are a student loan borrower, it's important to [make informed decisions](#) regarding [student loan refinance](#), [student loan consolidation](#), [student loan repayment](#) and [student loan forgiveness](#).

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Zack Friedman is the bestselling author of the blockbuster book, *The Lemonade Life*. Apple named *The Lemonade Life* one of "Fall's Biggest Audiobooks" and a "Must-Listen." Zack is the Founder & CEO of Make Lemonade, a leading online personal finance company that empowers you to live a better financial life. He is an in-demand speaker and has inspired millions through his powerful insights, including more than 90 million people who have read his advice. Previously, he

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