



Reinvention of the Federal Student Loan Program

About the Higher Education Loan Coalition (HELCO)

HELCO is a grassroots organization of practicing financial aid administrators dedicated to the continuous improvement and strengthening of student loan programs. Originating as the National Direct Student Loan Coalition in the early 1990s, the Higher Education Loan Coalition is seen as the leading voice in student lending reform and student advocacy. The founding members recognized the need for an organization to work with the Department of Education, Congress, and the community to develop a strong and effective Federal Direct Loan Program. The HELCO continues to work broadly for effective, strong federal student loans.

One Undergraduate Federal Student Loan Program

- Creation of undergraduate student loan line of credit, with aggregate loan limits adjusted periodically for inflation
- Students in the first half of their program of study would have an annual loan limit to protect against over borrowing and defaults
- Students would have the ability to bank unused eligibility for future use after completing 50% of the program
- Access to line of credit increases with progress towards credential or degree completion
- Parent PLUS would continue
- Ultimate goal would be to greatly reduce reliance on private loans

Loan Terms and Benefits

- No loan fees
- Interest rate that reflects the government cost of borrowing plus an additional fixed margin to reflect the costs of administering the student loan program
- While enrolled at least half-time the interest rate would reflect only the government's cost of borrowing
- Undergraduate students with a low expected family contribution will not accrue interest while in school

Repayment Plans

- Reduce and simplify the number of repayment plans
 - 10 year standard plan
 - One income-based plan, such as REPAYE
- Allow borrowers to easily enroll in income-based repayment for multiple years via IRS data match
- Allow borrowers to add additional payments that automatically apply to principal first
- Create an option where borrowers can repay their loans via payroll deduction
- Continue to support Public Service Loan Forgiveness

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Loan Counseling

- Streamlined and targeted loan counseling information provided by the Department of Education
- Comparative information provided for each school listed as a part of the FAFSA filing process
- Annual counseling that includes personalized actual borrowing to date and projected future borrowing to degree completion
- Repayment counseling when a student enters repayment

Loan Servicing

- Identity of the loan servicer is invisible to the student
- Borrowers must have a single point of contact for all loan repayment activities
- Service levels, loan terms and borrower benefits must be equal and uniform