



# Financial Aid Directors Respond to HELC Survey about Federal Student Loan Forgiveness

## *Survey Summary and Key Findings*

The Higher Education Loan Coalition (HELCO) is comprised of schools dedicated to the continuous improvement and strengthening of the student loan programs. Its members are financial aid professionals working at participating institutions. As such, HELCO considers itself the national leader in bringing together the student loan policy world on Capitol Hill with the grass roots knowledge that can only be found in the 5000+ financial aid offices throughout the country. To that end, we have found a niche where we can bring the opinions and experiences of financial aid administrators directly to federal policymakers.

This year, the Coalition surveyed 5,427 financial aid directors and received 559 responses regarding their opinions on federal student loan forgiveness and ways to decrease student loan debt. Financial aid directors are highly aware of the complexity of loan forgiveness and the intricacies of the overall financial aid system. The survey results are a reflection of the myriad of opinions on this important topic.

### Key Findings

- 72% of respondents support some level of federal student loan forgiveness.
- There was no clear consensus about the best way to structure a loan forgiveness program. Forgiveness of up to \$10,000 of loan debt for borrowers under a means-tested income cap was the top choice selected by 14% of respondents.
- Respondents provided a variety of additional comments regarding a system to forgive loans. Suggestions ranged from the following:
  - Forgive all loan debt and end the federal loan programs;
  - Forgive a percentage of loan debt that decreases as income level increases;
  - Debt forgiven based on degree level completed; and
  - Forgiveness for borrowers with low balances or who did not complete their program.

Many respondents suggested that accrued interest be forgiven, interest reduced or eliminated going forward. Concern was expressed for borrowers who were in default.

- Many respondents mentioned the need to strengthen and improve the existing Public Service Loan Forgiveness (PSLF) and income-driven repayment (IDR) programs, especially shortening the number of years to loan forgiveness. Some respondents wanted loan forgiveness only if the borrower was making an effort to repay their loans. Many were concerned about the long-term implications of one-time loan forgiveness on the loan programs going forward.
- About 80% of respondents see the forgiveness of past debt as a separate issue from increasing the Pell Grant and would not tie the initiatives together.
- When asked to rank the importance of student loan reforms, financial aid directors consider the reduction of students' loan balances as the most important reform to decrease student debt. Their top choices, ranked in order of importance, include:
  1. Removal of Direct Loan origination fees;
  2. Decrease or eliminate Direct Loan program interest rates;

3. Eliminate capitalized interest; and
  4. Automatic enrollment or improved enrollment in IDR.
- Financial aid directors prioritized increasing the Pell Grant as the most important financial aid reform, with 63% selecting it as one of their top two highest priorities. Following increasing the Pell Grant, reforms were prioritized in the following order of importance:
1. Loan forgiveness for current borrowers
  2. Simplifying the FAFSA
  3. Integrating Internal Revenue Service (IRS) and Department of Education data to simplify IDR enrollment
  4. Reforming the loan repayment plans
  5. Improving tools for student aid recipients and borrowers

### **Public Perception of Student Loan Forgiveness**

- When asked about how student loan forgiveness would be perceived by higher education supporters or prior student borrowers who have repaid their student loans, most indicated it would be perceived as immediate relief but that long term improvements were needed to the Direct Loan Program.
- 24% of the respondents indicated the funds would be better spent on increasing need-based grant programs.
- Almost 20% of the respondents provided comments on their opinion on the public's perception of loan forgiveness. The following comments are representative of the overall responses.

#### ***Comments Expressing Positive Perceptions of Student Loan Forgiveness***

- "Prior borrowers who paid their loans may see this as unnecessary because they were able to pay. I think loan forgiveness could be used as a restorative practice for underserved populations to help address wealth gaps."
- "A great boost to the economy with overall benefit to equity. I paid mine and fully in favor."
- "Irrelevant, need to look forward, a college or job related education should be free to build a better society."

#### ***Comments Expressing Negative Perceptions of Student Loan Forgiveness***

- "This will create inequity and resentment for those who made financial sacrifices to pay for school without loans or for those who have repaid their loans. Student loan forgiveness for graduate school debt is most problematic as it benefits higher potential earners at the expense of tax payers. The benefit would be better perceived if limited to undergraduate loan debt for non-completers who tried college and were not able to graduate."
- "An unnecessary bailout that disproportionately benefits people with graduate and professional degrees."
- "Paying for loan forgiveness on the back of those who paid theirs in full will not sit well with taxpayers. This is a bad plan."