

Eliminate the PLUS Loan Program

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
-\$3	-\$3	-\$3	-\$3	-\$3	-\$3	-\$3	-\$4	-\$4	-\$4	-\$15	-\$33

Heritage Recommendation:

Rein in college costs and loan debt burdening students and families by limiting borrowing. Specifically:

- Eliminate Parent PLUS loans.
- Eliminate Grad PLUS loans.

Under fair value accounting, this proposal costs \$3 billion in 2016, and \$33 billion over 10 years. This proposal is included because PLUS loans have led to higher levels of individual and family debt without easing the cost of college.

Rationale:

Part B of Title IV of the Higher Education Act authorizes federal PLUS loans. The \$21 billion PLUS loan program provides federal loans to graduate students and the parents of undergraduate students. Parents of undergraduate students are able to borrow up to the cost of attendance at a given college. During the 2011–2012 academic year, the PLUS loan program provided 879,000 parents of undergraduate students with an average of \$12,575. There is no limit (either in number of years or aggregate dollars) on how much a parent can borrow, and the loans are available in addition to federal loans that are already available to the students themselves. The availability of Parent PLUS loans, created in 1980, has resulted in families incurring substantial debt, while failing to ease the cost of college over time. The Parent PLUS loan should be terminated.

Similarly, the Graduate PLUS loan program, open to graduate students who take out loans to finance graduate school, enables students to borrow up to the full cost of attendance. A graduate student may borrow up to the cost of attendance at a given school, less any other aid received. During the 2011–2012 academic year, the PLUS loan program provided 360,000 graduate students with an average loan of \$19,958.⁵⁸ Undergraduate and graduate students already have access to up to \$138,500 in federal loans through the Stafford Loan program, and students enrolled in school to become health care professionals can borrow up to \$224,000. Borrowing above those already high amounts should not be encouraged, and the Grad PLUS program should be eliminated.

Additional Reading:

- Lindsey M. Burke, “Reauthorizing the Higher Education Act— Toward Policies that Increase Access and Lower Costs,” Heritage Foundation *Backgrounder* No. 2941, August 19, 2014, <http://www.Heritage.org/research/reports/2014/08/reauthorizing-the-higher-education-acttoward-policies-that-increase-access-and-lower-costs>.

Calculations:

Estimated costs based on fair value accounting are provided by the Congressional Budget Office on page 6 of “Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024,” May, 2014, <https://www.cbo.gov/sites/default/files/45383-FairValue.pdf>.