Hillary Clinton’s Promise on Student Debt Relief

Debt won’t hold you back.

There are 40 million Americans with student debt, and too many of them struggle to keep up with loan payments. Millions of borrowers are delinquent or in default. The collective amount of student debt is staggering: $1.2 trillion. It has doubled since the onset of the financial crisis. It now exceeds debt from credit cards, car loans, and home equity lines of credit. And per-student debt levels have more than doubled in inflation-adjusted terms over the last two decades.

All of this debt is not just unfair to borrowers: It holds all of us back. It discourages borrowers from starting families and businesses and discourages others from enrolling in college. The parents and grandparents who have taken out or cosigned student loans have also suffered.

Clinton’s plan enables millions of borrowers to refinance at low rates, ensures they never have to pay more than they can afford, and disciplines predatory schools, lenders, and bill collectors.

To reduce rates through refinancing, Clinton’s plan will:

- Enable millions of borrowers locked in at high interest rates to cut their rates by refinancing at the current federal rate for student loans. The vast majority of federal borrowers will be eligible, as are private borrowers who are current on their loans.

- Benefit an estimated 25 million borrowers. Many borrowers could save thousands of dollars in interest payments over the life of the loans, and some borrowers with high-cost private loans will see their rates cut in half or even more.

To simplify income-based repayment for all current borrowers, Clinton’s plan will:

- Consolidate the four income-based repayment programs into a single program with the same rules for everyone: Every student borrower will know they can enroll in a program where they never have to pay more than 10 percent of income, with college debt forgiven after 20 years so that those who consistently make payments can move on in their lives.

- Make enrollment a snap by simplifying the arcane loan consolidation process, ensuring borrowers have access to counseling, and requiring servicers to tell them their options.

- Use technology to streamline the enrollment process for borrowers, drawing on existing government data. Many borrowers will opt to have their student loan payments deducted from their paycheck, which facilitates repayment and improves government efficiency.

- Help borrowers who are delinquent or in default. Delinquent borrowers will receive additional help to enroll in income-based repayment to protect their credit, and borrowers in default will be given new rehabilitation and repayment options to help them get back on their feet.
To reduce the burden of debt for future borrowers, Clinton’s plan will:

- **Significantly cut interest rates on undergraduate student loans:** Going forward, Clinton’s plan will significantly cut interest rates so that the government does not profit from undergraduate student loans – reducing monthly payments for student borrowers.

To stop predatory schools, lenders, and bill collectors, Clinton’s plan will:

- **Enact a new Borrower Bill of Rights** to ensure accurate and timely advice on repayment options, including income-based modification for private borrowers who are in distress, and pursue a robust enforcement agenda to protect those rights. These standards will also be privately enforceable so that borrowers can assert their rights even when regulators fall short, which will further deter malfeasance by lenders and servicers.

- **Ban repeat offenders** – the servicers and bill collectors who consistently break the law and mislead or overcharge borrowers – from contracts to service federal loans, and have zero tolerance for firms that overcharge service members and veterans.

- Grant the Consumer Financial Protection Bureau the power to put into place strong consumer protections to ensure all borrowers understand all their options during the entire lifecycle of a student loan and are not misled by either lenders or bill collectors.

- **Help defrauded students discharge debt.** In addition to pursuing every possible legal remedy against schools like Corinthian that defraud students, Clinton will streamline the process by which students can cancel their debt so that it is not so cumbersome. She will also give defrauded GI Bill students another chance to use the education support they have earned.

### The Cost – and How We Will Pay It

Clinton’s New College Compact plan costs in the range of $350 billion over 10 years and will be fully paid for by closing tax loopholes and expenditures for the most fortunate. We need to make ambitious investments so that cost is no longer a barrier to college education, and the burden of debt does not hold back everyday Americans.

- More than half of the total will go towards grants to states and colleges. These grants will ensure that students do not need to take out loans for tuition and that support will also help reduce the burden of living expenses at 4-year public colleges. They will provide free tuition at community colleges, support private non-profit colleges that keep costs low and provide value, and relieve debt for students who commit to national service. These new grants will be paired with holding states and colleges accountable for bringing down costs.

- Around one-third of the funds will go toward relief on interest from student debt. This includes allowing every American with outstanding public debt to refinance their student loans at today’s low interest rates, cutting interest rates to reflect the government’s low cost of debt, and making it far easier for students to enroll in income-based repayment that limits crushing debt.
The remaining funds will support innovative new investments to create a higher education system for the 21st Century. That means new funds to expand new models of life-long learning, rewarding college completion and enrollment, and broadening support for student parents. Some of these costs will be offset by risk-sharing with colleges.