Legislative proposal

Student name

Institutional Affiliation

**Problem description**

Student loan debt is a significant issue in higher learning. As an individual with a student loan, I have experienced many issues associated with loan collection mainly caused by loan collection agencies. My tax refunds earlier in the year were intercepted and diverted to my student loan although I have been paying the loan to the best of my ability. There is also a lot of confusion on which agencies are responsible for collecting loans. Some independent loan collectors misrepresent themselves as part of the government and take funds from unsuspecting students and the funds are not reflected in the students’ loan payments. Students are not only forced to pay amounts they cannot afford, but also suffer from the danger of being swindled by collection agencies.

**Proposed changes to current law**

My proposal is for the government to sets a specific amount of tuition fee for higher learning institutions such that these institutions will no longer be able to charge extremely high tuition fee and force students to take loans. The government should also determine specific collection agencies and provide a public list for these agencies for every state. The government should also oversee all the activities conducted by collection agencies. The government should also determine an affordable loan repayment plan for students, especially those with low income, those without any jobs, and those who dropped out of college before graduating, and ensure that all collection agencies implement the loan repayment system.

**Problem solution**

The proposal will ensure that the government has a strong oversight on tuition fees charged by higher-learning institutions. Students will not be forced to take extremely large amounts of college loans that they are unable to pay hence there will be a decrease in loan defaulters. Monitoring the activities of debt collection agencies will make it easier for students to tell to tell which agencies are legitimate, and will pay their loans according to their income status.

**Legislation that addresses the subject of the proposal**

The proposal mainly addresses the Student Aid and Fiscal Responsibility Act. The main sections of the legislation that are addressed include sections 214 and section 5. According to Congress.gov (2010), Section 214 allows the Secretary of Education to work with student loan guaranty agencies to facilitate collection of student loans. Section 5 requires that all savings generated in federal spending such as tax refunds be used to reduce student loan debts.

**Government cost created by the proposed change**

The proposed change in law will create a government cost associated with controlling collection agencies and paying these agencies. Currently, the agencies are paid on commission based on the amount of loans they recover from loan defaulters. The estimated cost of the proposed change is approximately $2 billion.

**How to meet the additional cost**

I would pay for the additional cost created by the proposal using the federal funds allocated for higher-learning education.

**Money saved by the proposal**

The proposal will save state’s money because when the government controls the cost of higher learning, less students will take loans meaning that the government will spend less on students’ loans and even less on paying state collection agencies to collect the loan from defaulters. The estimated cost saved is approximately $ 1 billion.

**Newspaper articles that discussed the problem**

There are many newspaper articles that discuss the issue of student loan repayment in USA. An article by the CNBC titled *Why People with Student Debt Are Refusing to Pay It* was published on 12th February, 2020. The article examines the difficulties that students go through when paying the loan including dealing with collection agencies and extremely high interest rates when they default on their payments. A 2015 article by the New York Times titled *Student Debt in America: Lend with a Smile, Collect with a Fist* examines how colleges hike their tuition fees and force students to take loans that they will unable to pay later.

**Supporters and opposers of the proposal**

The American Council of Education will support the proposal because the group has always been on the forefront fighting for the affordability of higher education. The groups that would oppose the idea include for-profit college groups that will be affected if the government decides to control tuition fees charged by these colleges as a way of reducing student loans.

**Bills that were previously introduced to deal with the issue**

A bill called the Fostering Undergraduate Talent by Unlocking Resources for Education Act or the FUTURE Act was introduced in the Senate in 2019. The bill aims at tackling the issue of student loan debts in the country including the issues of loan defaulters and debt collection. It is yet to be approved by the president and become a law (Congress.gov, 2020). The latest bill concerning student loans is the [Coronavirus Aid, Relief, and Economic Security Act](https://www.forbes.com/sites/advisor/2020/03/27/your-guide-to-the-federal-stimulus-package/#5ed96abc2711) (CARES Act) which provided relief for eligible federal student loans for six months (March 13 to September 30, 2020) due to the corona virus pandemic. No interest will be charged on the student loans during this period (Tretina, 2020).

References

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