Webpage Outline:

Quote: "The student loan debt crisis cannot be ignored. Addressing it in a reasonable and feasible manner that serves the needs of students, taxpayers, and institutions of higher education alike is absolutely critical."

1. Intro: If we are to create an opportunity society in Pennsylvania where all residents can experience earned success and upward mobility, fostering (1) strong families, (2) great schools, (3) vibrant and healthy communities, and (4) free enterprise are imperative. As part of that mission, I believe that it is absolutely necessary to address the student loan debt crisis in a way that:

As such, I have introduced two bills that aim to tackle the goals outlined above. You can find detailed information about these proposals, Income Share Agreements, the student loan debt crisis, and more below.

2. The Student Loan Debt Crisis

a. Since 1978, college tuition has increased by over 1,120 percent, four times faster than the consumer price index. Yet, studies show that today’s real average wage (that is, the wage after accounting for inflation) has about the same purchasing power it did 40 years ago. This has resulted in younger generations taking on 300 percent more student loan debt than their parent’s generation; leaving long-term effects on the national economy and causing ripple effects in our communities. While many argue that students should forgo post-secondary education altogether due to the astronomical cost, the reality of our current job market is that over 65 percent of job openings through 2020 will require a college degree.

b. Op-Ed Video

c. Read the full op-ed here.

d. Additional Information on the Student Loan Debt Crisis:

i. 11 Mind-Blowing Facts that Show Just How Dire the Student-Loan Crisis in America Is (Business Insider)

ii. American Factories Demand White-Collar Education for Blue-Collar Work (Wall Street Journal)

iii. The Simple Reason College Tuition Costs Have Exploded (Showbiz CheatSheet)

iv. Average Student Loan Statistics by School by State 2019 (LendEDU)

v. Your Parents' Financial Advice Is (Kind Of) Wrong (Wall Street Journal)

vi. 2019 is the Final Class of Millennial College Graduates. Next Stop: The Great American Affordability Crisis (Business Insider)

vii. Cost of College Degree in U.S. Soars 12 Fold: Chart of the Day (Bloomberg)

viii. Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs (Federal Reserve Bank of New York)

ix. Recovery: Job Growth and Education Requirements through 2020 (Georgetown University McCourt School of Public Policy)

3. Legislation

a. The Student Loan Retirement Agreement Program is an ISA program for graduated students that allows them to enter into a contract with the program administrator (PHEAA) where they agree to pay a fixed percentage or "share" of their income for a fixed period of time in exchange for having all or a portion of their student loans paid off.

b. Link to print out PDF of SLRAP One Pager

c. Read the Student Loan Retirement Agreement Program bill and track it's progress through the legislative process here.

d. The Higher Education Income Share Financing Pilot Program is an ISA program for current students that allows them to enter into a contract with their college or university where they agree to pay a fixed percentage or "share" of their future income for a fixed period of time in exchange for having all or a portion of the cost of their education paid off.

e. Link to print out PDF of SLRAP One Pager

f. Read the Higher Education Income Share Financing Pilot Program bill and track it's progress through the legislative process here.

g. Press Release links

4. What is an Income Share Agreement?

a. How an ISA Works video -- begin playing video automatically upon scrolling to it on the screen

b.

c.

d.

e.

f. Additional Information on Income Share Agreements:

i. Start-ups Want to Turn Your Tuition Into the Next Asset Class. What Could Go Wrong? (Quartz)

ii. Student & Parent Perspectives on Higher Education Financing: Findings from a Nationally Representative Survey on Income-Share Agreements (American Enterprise Institute)

iii. Should College Come With a Money-Back Guarantee? (Manhattan Institute)

iv. Income Share Agreements: How They Work & Their Place in the Federal Regulatory Regime (Reed Smith)

5. FAQs

a. What is an ISA?

An ISA is a contract between the program administrator (PHEAA) and a participant that provides the participant with funds to pay off all or a portion of their student loan debt in exchange for a fixed percentage or "share" of their income for a predetermined amount of time.

b. Who is eligible for the ISA program?

Student Loan Retirement Agreement Program:

i. Live in Pennsylvania

ii. Graduate from an accredited college or university

iii. Have student loan debt or parent debt used to finance the applicant’s cost of college education

iv. Be making timely payments on their loans

v. Meet other criteria as established by the program administrator (PHEAA)

Higher Education Income Share Financing Pilot Program:

i. Attends an accredited college or university

ii. Meets all criteria established by the participating college or university

iii. Meets criteria established by the program administrator (PHEAA) in the program guidelines

c. How is the program paid for?

Student Loan Retirement Agreement Program:

To fund the ISAs, the Pennsylvania Treasurer would create a revolving line of credit using existing low or no yielding assets. This would provide the liquidity necessary to implement the program, and would be repaid with program proceeds, plus lost interest if any and then could be reborrowed. The initial line of credit for this program will be capped and the program would NOT be funded by the issuance of General Obligation Debt or by tax revenue.

Higher Education Income Share Financing Pilot Program:

The participating college or university agrees to buy the ISA of their student at their own risk, essentially betting on the success of their students. PHEAA will service the ISA. The participating college or university may choose to direct PHEAA to sell ISAs to third party purchasers to alleviate some of their risk.

d. What terms and conditions are included in an ISA?

i. The amount of student loan debt to be repaid by the participant with ISA proceeds

ii. The percentage or “share” of the participant’s income due

iii. The beginning date and frequency of payments to be made by the participant

iv. The total number of payments to be made by the participant

v. The duration of the ISA

vi. Any cap on the total number of payments and/or on the total dollar amount that can be repaid

vii. Any payment deferral and extension periods

viii. Any ability to buy out the obligation

e. Who administers the program?

Student Loan Retirement Agreement Program:

The Pennsylvania Higher Education Assistance Agency (PHEAA) in consultation with the Student Loan Retirement Agreement Advisory Committee administers and oversees the program, including developing program guidelines.

Higher Education Income Share Financing Pilot Program:

The Pennsylvania Higher Education Assistance Agency (PHEAA) in consultation with the Higher Education Income Share Financing Advisory Committee administers and oversees the program, including developing program guidelines. Both of these advisory committees will be composed of:

i. The Governor (or an appointee)

ii. Secretary of the Budget

iii. Secretary of Education

iv. Three residents appointed by the Governor

v. The State Treasurer

vi. Senator appointed by the President Pro Tempore

vii. Senator appointed by the Minority Leader of the Senate

viii. Representative appointed by the Speaker of the House

ix. Representative appointed by the Minority Leader of the House

x. Chair and Minority chair of the Senate Appropriations Committee

xi. Chair and Minority Chair of the House Appropriations Committee

f. What are the benefits of an ISA?

• No interest

• No impact on credit

• Increased disposable income

• Public AND private loans are eligible

• No collateral

• Lower monthly payments

• Loans held by parents & benefactors on behalf of a student / graduate are eligible

• Consumer protections are built in to the program

g. How do ISAs compare to traditional loan repayment options?

Whether or not an ISA is preferable to a traditional loan repayment option will vary greatly, as each individual participant's balance, type of loan(s), and ability to repay will be different. The goal of creating an ISA program in Pennsylvania is to provide students and graduates with another tool to repay their debt under potentially more manageable terms. Especially for students with private loans for which there are very limited (if any) refinance options that are based on income, ISAs will allow participants to repay these oftentimes high-interest loans under more reasonable terms that leave them more disposable income than they may have had access to under traditional loan repayment options. Again, while the benefits of an ISA will vary from person to person, for some applicants they will be the right fit that allows them to responsibly repay and manage their debt.

h. Shouldn't we be making college more affordable in the first place instead of putting effort towards repayment plans?

While I believe that addressing the student loan debt crisis must be done using a multi-faceted approach that cuts costs on the frontend while easing the repayment process for graduates on the backend, ISAs administered by participating colleges and universities (like those proposed in the Higher Education Income Share Financing Pilot Program) can actually have the effect of driving down the cost of tuition on the frontend through competition. As participating institutions compete for third-parties to invest in their students, they will likely work to increase the return on investment, thereby reducing the cost of an education to students. Read more about these projections here.

i. Can I use an ISA to repay a portion of my student loan debt while using other repayment options for the remainder of the balance?

Yes. Some participants will only be approved to have a portion of their student loan debt serviced through an ISA. In those cases, the participants are free to pursue other traditional repayment options, whether through the private market or the federal government.

j. How does an ISA affect a participant's credit score?

Upon entering into an ISA, all or a portion of a participant's loan balance is paid off using funds provided by the program administrator; therefore, the participant's credit is positively impacted because their student loan debt is no longer reflected in their credit score or the balance is significantly reduced thereby improving their debt-to-income ratio. Unlike traditional loan repayment options, the debt is not merely transferred to a new servicer, but paid off in part or in full (according to the terms of their individual contract), removed from their credit report, and converted into an ISA to be repaid.

k. Are private loans eligible for the ISA program?

Yes.

l. Does this program forgive or erase a participant's personal responsibility to repay their loans?

No. While an ISA "retires" the loan by paying it off in part or in full (according to the terms of the participant's contract), the participant's personal responsibility to repay that debt remains. An ISA simply allows participants to repay their debt through more manageable terms leaving them more disposable income than traditional loan repayment options might.

6. Submit Feedback Link

a. I want to hear from you! If you have questions, comments, or feedback on my student loan debt proposals or any of the information found above, please send me an email by clicking the link below

b. Link directing them to the "Voice Your Concerns" page

7. This webpage was last updated on: [date]