

Community College Students and Federal Loans

Federal policymakers and other stakeholders continue to focus on the consequences of student debt. Borrowing has become a fact of life for most bachelor's degree students, but borrowing rates are much lower at community college. Nevertheless, a significant number of community college students do take out Direct loans, and their often-pressing needs are overshadowed by students who borrow much more heavily.

Below are some facts about community college student borrowing and highlights of AACC's policy agenda in this area.

Facts About Community College Students and Loans

- The average full-time, full-year tuition and fees of \$3,800 allows most community college students to avoid borrowing to finance their education. Community college tuition and fees have increased by just \$250 over the last *ten years* (when adjusted for inflation).
- Only 12% of all community college credit students take out Direct Loans, and they represent fewer than 25% of all borrowers with undergraduate debt (NPSAS:16).
- Community college students who left with debt owed a median amount of just \$9,750 in federal loans (NPSAS:16).
- Community college student default rates continue to decline, to 11.5% for the FY 2018 cohort, but that rate remains unacceptably high, making counseling, default prevention, and related services critical.
- Students who do not complete programs are much likelier to default than those who attain a credential, making efforts to promote program completion essential. This includes academic advising, strong student supports, and addressing basic needs.

AACC's Federal Loan Policy Agenda

Reduce Borrowing by Providing Grant and Other Assistance When Students Enroll

- The Federal Pell Grant maximum needs to be increased substantially to eliminate reliance on loans, encourage postsecondary participation, and support students on the path to an academic credential. AACC continues to support doubling the grant.
- Congress should enact a federal program to make community college tuition-free to reduce the need for borrowing and facilitate greater community college enrollment.

Improve Loan Terms and Conditions

- Loan interest rates should be lowered. Student loan rates should never be higher than the cost of capital to the federal government.
- Loan origination fees should be eliminated.
- Loan maximums should be prorated with enrollment status, as is done in the Pell Grant program.
- Debt relief and affordability solutions should be pursued with an eye towards equity (i.e., borrower income) and long-term sustainability (i.e., cost to the government). To that end, massive student debt concentrated at the graduate and professional student level needs a focus from policymakers.

Simplify and Recalibrate Income-Based Repayment

- Students should be automatically placed in income-dependent repayment (IDR), with an option to repay on a standard, fixed repayment schedule.
- As income increases, borrowers should be required to devote an increasingly greater percentage of their discretionary income to student loan repayments.
- The period at which loan forgiveness is granted should be linked to initial amount borrowed. Borrowers in IDR who cannot repay loans of \$5,000 or less in 5 years, or \$10,000 in 8 years, should have them forgiven.
- Caps should be set on the aggregate amount of student loan forgiveness to encourage more responsible borrowing and better program selections. These savings should be redirected to grant programs, which have a greater impact on college enrollment, persistence, and graduation than back-end subsidies.

Provide Students and Their Families Better Information on Borrowing and its Implications

- The federal government should display average debt and earnings for all programs at all levels of higher education. Earnings data should be gathered over a sufficiently long period to reflect the ultimate economic yield of programs.
- To supply consumer information that is sufficient to lead to better decisions about borrowing, Congress should enact the bipartisan College Transparency Act.

For more information, contact [David Baime](#), Senior Vice President, Government Relations.