

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

CHRISTOPHER R. HIXON, STAFF DIRECTOR
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June 14, 2016

The Honorable John B. King, Jr.
Secretary of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Secretary King:

Mr. Secretary

I write today to request information regarding the Department of Education's PLUS Loan program, which provides federal loans to help graduate students and parents of dependent undergraduate students pay for higher education.

As you know, college affordability is a critical concern for American families, and the Department of Education's federal student loan programs play a key role in ensuring access to higher education for millions of students each year. In fiscal year 2015, the Department provided about \$96 billion in new loans to 9 million recipients, including \$19 billion in PLUS Loans.¹

As you also know, PLUS Loans are available to help eligible parents and graduate students cover the remaining cost of attendance after other sources of financial aid have been exhausted. Unlike other federal student loans, borrowers must undergo a credit check that demonstrates they do not have an adverse credit history in order to qualify for a PLUS Loan; however, their ability to repay the loan is not a factor in determining eligibility. In addition, there are no aggregate limits on borrowing in the PLUS program as long as annual borrowing does not exceed the cost of attendance as determined by higher education institutions.

Given the relative ease of obtaining PLUS Loans, there have been concerns about the potential for recipients to borrow more than they can afford. Moreover, as tuition and fees continue to rise faster than inflation each year, questions have been raised about the incentives higher education institutions may have to steer students and parents to PLUS Loans to cover increased educational costs.

Congress and the Department have a responsibility to ensure that all federal student loan programs are operating in the best interests of borrowers and taxpayers. However, as best as I can tell, relatively little is known about the performance of the PLUS Loan program. As you know, PLUS Loans are not included in the Department's official cohort default rate, which measures the share of a school's borrowers who default within three years of entering repayment.

¹ In addition to PLUS Loans, Education provided about \$24 billion in Subsidized Stafford Loans to undergraduate students and \$53 billion in Unsubsidized Stafford Loans to undergraduate, graduate, and professional students. See U.S. Department of Education, Federal Student Aid Annual Report FY 2015 (Nov. 2015).

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In addition, it is unclear how many of the 7.9 million borrowers in default have PLUS Loans. Such information is critical to safeguarding the interests of borrowers and taxpayers.

Enclosed with this letter is a set of questions for your response. I ask that you please respond to them by July 14, 2016. I also request that you ensure that a briefing with my staff is scheduled later this month regarding these issues. The Committee's minority staff is authorized to conduct this investigation under the authority of Senate Rule XXV and Senate Resolution 73 (114th Congress).

Thank you very much for your attention to this matter.

With best personal regards I am,

Thank you!

Sincerely yours,

Tom

Tom Carper
Ranking Member

Enclosure

cc: The Honorable Ron Johnson
Chairman

**Questions for Secretary King
Regarding the Department of Education's PLUS Loan Program**

1. Please describe the PLUS Loan application, review, and approval process.
 - a. Please describe the roles and responsibilities of school, Department, and any contract personnel.
 - b. Applicants with an adverse credit history may still receive a PLUS Loan if they are able to obtain an endorser who does not have an adverse credit history, or by documenting extenuating circumstances. How does the Department evaluate such requests from prospective PLUS borrowers?
2. Has the Department of Education established requirements for schools or provided them with any guidance about:
 - a. information they should provide to prospective PLUS Loan borrowers?
 - b. considerations for including PLUS Loans in financial aid packages?
3. How does the Department of Education monitor schools' use of PLUS Loans?
 - a. What types of schools most heavily utilize Parent PLUS and Grad PLUS Loans as measured by the percentage of borrowers among enrollees and average loan amount?
 - b. What controls, if any, does the Department have to ensure schools are not steering students and parents to PLUS Loans in lieu of Subsidized and Unsubsidized Stafford Loans?
 - c. What controls, if any, does the Department have to ensure schools are not steering students and parents to PLUS Loans to offset tuition increases?
4. What steps has the Department of Education taken to help parents and students make informed decisions about borrowing and repaying PLUS Loans?
5. What is known about the characteristics of Parent PLUS and Grad PLUS borrowers (e.g., race/ethnicity, gender, income, type of school attended, average annual borrowing, total outstanding loan debt)?
6. To what extent are PLUS borrowers exhausting other types of federal student loans with lower interest rates before obtaining PLUS Loans?
 - a. To what extent are dependent undergraduates maximizing available Stafford Loans (both Subsidized and Unsubsidized) before parents obtain a PLUS Loan?
 - b. To what extent are graduate and professional students maximizing Stafford Unsubsidized Loans before obtaining a PLUS Loan?
7. Has the Department conducted or funded any research related to Parent or Grad PLUS Loans, such as the potential impact these loans have on tuition costs? If so, please describe key findings and provide copies of available studies.
8. As Congress prepares to reauthorize the Higher Education Act, what changes or reforms to the PLUS Loan program should be considered?

9. In the congressional budget justifications that accompanied the President's FY 2017 Budget Request for the Department of Education, the Department provided subsidy rates—the estimated cost per loan, over the life of the loan, to the federal government—for the Direct Loan program overall and each type of loan.² While Subsidized Stafford and Consolidation Loans are expected to represent a cost to the government, Unsubsidized Stafford and PLUS Loans represent a savings to the government. Based on the Department's estimates, the federal government is expected to earn about \$30 for every \$100 in Parent PLUS it lends, and about \$13 for every \$100 in Grad PLUS.
- a. How would changes in PLUS Loan borrowing be expected to affect the subsidy rate?
 - b. What role does the PLUS Loan program have in offsetting the costs of Subsidized and Consolidation Loans?

² U.S. Department of Education, Student Loans Overview Fiscal Year 2017 Budget Proposal, (Feb. 2016).