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URGENT CORRESPONDENCE

Senator Mitch McConnell
Majority Leader
United States Senate

Senator Chuck Schumer
Minority Leader
United States Senate

All Other Members of The United States Senate

Subject: Recommendations for What to Include in Stimulus Legislation Regarding Our Nation's Student Loan Debt Crisis

Dear Members of The United States Senate:

My purpose in writing this letter is to implore the Senate to include certain considerations in pending legislation that would serve to improve the economic welfare of more than 44 million Americans and their families. Recently, I served within the Trump administration as a senior executive at Federal Student Aid, an Office of the U.S. Department of Education, where I witnessed first-hand the devastating harm that our Federal Student Loan Program has caused, and continues to inflict upon, higher education students and their families.

I submit the following for inclusion in legislation as means to bring about aspects of a solution to the abhorrent abomination of student loan indebtedness that our nation's previous leadership did create; albeit with the best of intentions. However, the practices associated with these good intentions has placed the burden of a personal economic monster on the backs of millions of Americans and is serving to destroy the very fabric of America. The American Dream of a better life brought about by obtaining a level of higher education has turned into a Great American Nightmare due in large part to the phenomena of unchecked student loan debt.

Certain simple actions that Congress can immediately enact into law would deliver profound beneficial consequences. **The first item for inclusion in legislation** is to provide for student loan debt to be allowed to be discharged under bankruptcy, without the condition of undue hardship, but with the condition that the debt must be at least 10 years old.

The second action is for all information associated with Federal student loan debt to be removed from the credit bureau files of all individuals. The reporting of Federal student loan debt information to the three major national credit bureaus has been highly unfair for a number of reasons with a significant reason being that many students never even realized that they were

taking on education debt due to the manner in which this form of “financial aid” was presented to them by their schools. This enigma of a lack of understanding of the debt obligation enforces the fact that student debt data should never have been placed into individuals’ credit files without a clear understanding by the students that their performance against student loans would follow them by way of their credit bureau profile and would very well cause significant future information harm. Furthermore, the continued reporting of ever increasing student loan debt balances brought about because of negative amortization associated with Income Driven Repayment Plans is wrecking personal debt-to-income ratios that are derived from bureau files when people attempt to finance a home. So even when a person is viewed by the Federal government as performing satisfactorily against their student loan debt, their credit bureau files continue to be negatively affected. This is an important reason why any program which promotes Income Driven Repayment plans as the answer to the student loan debt crisis is flawed. In short, student loan debt information in credit bureau files serves no beneficial purpose to the United States Government as the creditor of these loans, is on the whole highly unfair in its reporting, and is counterproductive from an information standpoint because of the unique allowable repayment characteristics of Federal student loan debt. Most importantly, elimination of information associated with student loan debt from credit bureau files would provide enormous and immediate relief from personal financial stress of Federal student loan borrowers and would not cost the U.S. Taxpayer a single penny.

The third aspect to be included in any immediate pending legislation is for all payments associated with Federal student loans, and any interest accumulation thereto, to be suspended until December 31, 2021. Legislation should also provide for the positive tolling of months to be counted toward meeting requirements of Public Service Loan Forgiveness. People need this time to plan their lives and a constant cycle of short term payment deferrals only serves to exacerbate peoples’ frustration with our nation’s leadership. Congress must go about defining what should be done to completely reform Federal government financial support which students can use to pursue post-secondary job training or higher education academic learning. It should be noted that suspension of payments through December 31, 2021 would provide for approximately \$100 billion in personal cash flow relief to those people who owe student loan debt, while not causing any hard cost to U.S. Taxpayers. Another important point of information is for all student loan stakeholders and legislators to recognize that the \$1.6 trillion in current student loan debt has been previously funded by the United States Treasury and no new borrowings are required in order to provide payment relief or even to provide student loan debt cancellation.

It is my opinion that the much discussed idea of canceling Federal student loan debt is inappropriate at this time and should not be included in pending stimulus relief legislation. Any cancellation of Federal student loan debt, other than by way of allowing student loan debt to be cancelled under bankruptcy, would be haphazard and irresponsible if enacted on a standalone or reactionary basis. **It is my position that the cancellation of Federal student loan debt should only be done at the same time that there is the abolishment of the current Federal Student Loan Program.**

For the record, I have proposed that the current Federal Student Loan Program be eliminated and replaced with Opportunity Plus Scholarship Grants of \$50,000 for each high school graduate to use for job training or undergraduate higher education academic pursuit. Further, this would be coupled with expanded Pell grants and additional new STEEM (Science, Technology, Education, Engineering, and Math) grants. Additionally, a Federal Income Sharing Arrangement would be put in place for graduate school training. Contemporaneous with cancellation of the current Federal Student Loan Program and establishment of the Opportunity Plus Scholarship Grant Program, then current Federal student loan debt would be canceled at

the equivalent amounts of Opportunity Plus Scholarship Grant amounts. Specifically, under my proposal, Federal student loans of up to \$50,000 would be cancelled so as to echo the \$50,000 of an Opportunity Plus Scholarship Grant. Furthermore, people who never used Federal student loans, or who previously repaid such loans, would be entitled to a \$50,000 tax credit. **What I have outlined in this proposal would deliver approximately \$1 trillion in Federal direct student loan debt cancellation and would totally eliminate student loan debt for more than 35 million Americans.** However, as I have set forth, this level of student loan debt cancellation should be **part of an overall “Grand Bargain”** whereby there is a re-setting of the role of the Federal government in the financing of postsecondary education and the programs through which this would be done.

Regarding how **to pay for the Opportunity Plus Scholarship Program as well as paying for \$1 trillion of student loan debt cancellation, I am proposing a one percent (1%) tax on the top-line revenue of corporate America.** This 1% tax would apply to for-profit corporations, not-for-profit corporations, and even to higher education institutions and their endowments. These entities are the parties who benefit from a skilled and educated workforce and it is appropriate that these parties pay for access to trained and educated talent. This level of tax would generate more than \$225 billion per year. The tax revenue derived would be more than enough to pay for go-forward post-secondary education and job training programs under the Opportunity Plus Plan, as well as serving to retire the \$1.6 trillion of current national debt associated with today's Federal Student Loan Program.

It would be an honor and privilege to work with each and every member of the Senate on these and other ideas for Federal higher education financing and Federal student loan debt reform. Again, I implore each of you to ensure that these recommendations are given favorable consideration for inclusion in stimulus legislation currently being considered. This is certainly a bi-partisan issue.

Sincerely,

A. Wayne Johnson, PhD