

The Student Loan Forgiveness Act of 2012 | Rep. Hansen Clarke

Key Objectives:

Make student loan repayment both **simple and fair**

- The bill would create a new “10-10 standard” for student loan forgiveness.
 - If you make payments equal to *10% of your discretionary income for 10 years*, your remaining federal student loan debt would be forgiven.
 - If you have already been making payments on your student loans, your repayment period would likely be shorter than 10 years. The amount you have already paid on your student loans over the past decade would be credited toward meeting the requirement for forgiveness.
- The bill would ensure low interest rates on federal student loans by capping them at 3.4%.
- The bill would allow existing borrowers whose educational loan debt exceeds their income to break free from the crushing interest rates of private loans by converting their private loan debt into federal Direct Loans, then enrolling their new federal loans into the 10/10 program.
- The bill would reward graduates for entering public service professions like teaching and firefighting. It would also provide incentives for medical professionals to work in underserved communities. It would reduce the Public Service Loan Forgiveness requirement to 5 years from its current 10 years.

Jumpstart the economy and **create jobs**

- The bill would increase millions of Americans’ purchasing power by forgiving debt, reducing loan repayment burdens, and cutting fees and interest rates. This would free many of these Americans to invest, buy homes, and start businesses.
- The bill would create jobs by increasing consumer demand for goods and services.

Send a lifeline to student borrowers who have fallen on difficult times

- Many Americans who have fallen behind on payments due to illness, unemployment, or divorce face continually rising interest rates and compounding fees with no hope of escape.
 - The bill seeks to ensure that no one will be pushed into poverty because of a stroke of bad luck.
 - Americans who are behind on their payments would be eligible to enroll in the new program and bring their payments down to 10% of discretionary income.

Promote **financial responsibility** in higher education

- While current borrowers would be eligible for full forgiveness under the plan, future borrowers would be subject to a \$45,520 cap on forgiveness (based on the average overall cost of a four-year degree at a public university). The aim is to incentivize students to be mindful of educational costs and for colleges and universities to control tuition increases.
- Provisions of the bill itself would be financed by projected savings from Iraq and Afghanistan Overseas Contingency Operations; the bill would *not* affect funding for existing student aid programs.