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Thursday, June 26, 2008

## Petri Introduces Student Loan Plan

*Congressional Desk*

September 15, 2006

WASHINGTON - Students would be able to take out loans which would be repaid through a percentage of their incomes, according to a plan introduced Thursday by Rep. Tom Petri (R-WI).

My plan keeps student loans affordable," said Petri. "Students who use the plan would know that if they had trouble finding work in any given year, or if they took a lower-income public service job, their repayments would automatically be stretched out. Any balance left after 25 years would be wiped clean."

Petri's Income-Dependent Education Assistance (IDEA) Act of 2006 would create a new direct consolidation repayment option that all federal student loan borrowers would be eligible to participate in following graduation.

Petri said that unlike current consolidation options, the IDEA Act would provide two key benefits for both borrowers and taxpayers.

First, building on the success of the current income-contingent (or income-sensitive) loan repayment (ICLR) option in the Direct Loan program, the IDEA repayment amount would be pegged to the borrower's income. A borrower would pay 15 percent of his or her adjusted gross income per month, or else the repayment

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would be calculated according to the borrower's income as a percentage of the median income of the borrower's state, whichever is less.

This would allow for fairer repayment, especially during the first years following graduation," Petri said.

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Second, IDEA payments would be collected entirely by the Internal Revenue Service. These payments would be held as additional withholding on the borrower's W4 form.

Once a student selects this method of repayment, the government would buy the outstanding loan or loans from the holder. If the loan is held by the Education Department through the Direct Loan program, it would be transferred directly as an IDEA loan.

Normally, an IDEA loan would be repaid over 12 years, but could be extended up to 25 years if circumstances warrant. After 25 years of repayment, the balance would be forgiven, as under the current ICLR repayment option.

Students who default on federal student loans, after all options for forbearance and deferment are exhausted, would automatically be enrolled in IDEA to protect them from aggressive collectors in order to allow for responsible repayment. "That way, we protect both the borrower and the taxpayers' investment," said Petri.

Petri noted that he spent much of the 1980s and the early '90s advocating a similar approach, efforts that led in large part to the creation of the Direct Loan program. "Now it's time to finish the job by strengthening the income-contingent, income-sensitive part of the plan," he said.