



BE FOREWARNED! PARENT PLUS LOAN EXPLOITATION

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The American dream of higher education attainment is real, but it is crucial to think about college affordability. The article, *“Parent PLUS Loans Are a Double-Edged Sword for Black Borrowers”* by Victoria Jackson, Brittani Williams, and Jalil B. Mustafa, Ph.D. underscores the “why” of my community-based organization, First Generation College Bound (FGCB).

This article reports Parent PLUS Loans taken out to pay for college/university tuition, room, and board, as well as books, have often saddled two generations of Black families—the parents and their children—with unsustainable debt and inability to save for retirement.

As a retired educator and coach, I understand this financial burden

referenced and have worked for over 34 years leading the charge to “one day [have] every Marylander have access to an affordable college education.”

While this important article focuses on Black families, it is imperative to note any parent unable to save for their child (or children) to attend college needs to be aware of loan exploitation. FGCB helps families avoid such pitfalls. My mission is “to inspire low-income and first-generation youth to achieve social and economic success by providing advice, encouragement, and support to obtain a college degree.”

Colleges, like any other business, require funds to pay their bills, but how they obtain those funds should be revamped.



Far too often, academic institutions will suggest parents close the affordability gap with a PLUS Loan, sometimes called Parent PLUS Loans, which are college loans offered by the U.S. Department of Education to the parents of college students who are Pell Grant eligible—federal grants offered to lower-income students that do not have to be paid back.

Laser-focused on school acceptance, some parents are determined to support their child's dream to attend their desired college/university and are willing to take out Parent PLUS Loans to make this dream come true at the expense of families saving for other significant milestones such as retirement.

Let's do the math. These are high-interest loans with a current interest rate of 9.08%, with an additional loan fee of 4.228%. One of my FGCB students was accepted to her dream college, which costs \$53,000 annually to attend. She received her financial aid package with a Federal Pell Grant of \$7,395, which is the maximum amount she received.

The maximum Pell Grant was awarded from the results of this student's Free Application for Federal Student Aid (FAFSA) report. For this student, the FAFSA informed the family of the Student Aid Index (SAI), formally called the Estimated Family Contribution (EFC) of \$0. This is an estimate of what the parents can afford to pay out of pocket for the student's education. Despite the SAI figure, the college offered the student a financial aid package with student loans at \$5,000 and a Parent PLUS Loan at \$17,000.

Please note if approved of the Parent PLUS loan it would only cover this student's first year's expenses with an outstanding gap of \$24,000 to pay. This example is reflective of what is happening to families today. Such scenarios would lead families loaded down with debt they can't afford to repay. As a result, students would experience disappointment not being able to return to college the following year with a loan that must still be repaid, contributing to a generational cycle of poverty.

What FGCB offered to avoid such a common, negative outcome for this student who was unable to attend her dream college was to redirect the student to accept and enroll in an affordable college with a more favorable financial aid package so she could graduate with little to no debt. I am pleased to report this student and their mom were appreciative of this “affordable college” coaching strategy received.

It is morally wrong for colleges to promote Parent PLUS Loans to parents who cannot afford to repay.

Now, amid our national student loan debt crisis, I find it morally wrong for colleges/universities to promote Parent PLUS Loans to parents who cannot afford to repay. To combat this exploitation, the U.S. Department of Education and colleges must review and update their policies concerning Parent PLUS Loans. Specifically, I compel the government and academic institutions to reinstate the original intent of Parent PLUS Loans targeted toward families with high incomes who can repay loans and omit the standard practice of including Parent PLUS Loans in students' financial aid packages, especially for students from families with low incomes.

I implore parents of Pell Grant-eligible students not to take out Parent PLUS loans that may exceed their SAI stated in the FAFSA. Therefore, I recommend parents and students have a college affordability higher education strategic plan beginning with community colleges.



This strategic plan would help families avoid debt that simply promotes a cycle of poverty. Our current educational landscape shows only 100 out of about 4,000 colleges in the US, known as full-need colleges, provide financial aid packages covering the full cost of what the family cannot afford. Thus, school selection is key in managing higher education costs.

FGCB has been committed to promoting a college affordability agenda, providing college access coaching for low—to moderate-income students to attend college and graduate with little to no debt. FGCB has been effective in avoiding the exploitation tactic with the 2,800 students and families it has served for over 34 years, with the intent to continue the essential need for low—to moderate-income students.

A call to action for parents: if you have not been able to save for your child's college education or your child has not received enough financial aid to attend a 4-year college of their choice, and you want to retire, then commit to having a strategic plan for your child to attend a community college and remember to practice **College Affordability! College Affordability! College Affordability!**