Floor Remarks on Student Loans – 07-09-13

*Intro*

* Mr. President, I rise today to discuss an issue of paramount importance; namely, the rising cost of college and the unconscionable increase in student loan rates.
* Over the past three decades, the cost of higher education has increased by over 1,000 percent.
* This is the result of year after year of over-inflationary increases in tuition, which, over time, have added up to make a college degree unaffordable to all but the most well-off, unless they take out extensive debt in order to attend.
* It is sad to say it, but the age of supporting oneself through a four year college degree is past. This unfortunate trend has been coupled with more and more employers requiring a bachelor’s degree for consideration in the hiring pool.
* On July 1st, the interest rate on subsidized Stafford loans doubled from 3.4% to 6.8, rendering higher education even more expensive than it already is.
* This comes at a time when the average indebted student graduates with over $26,000 in debt.
* In my home state of Connecticut, that figure is even higher – over $28,000.
* This is debt that is not dischargeable in bankruptcy, and will follow borrowers for the rest of their lives. If they can’t pay it off on schedule, they are looking at wage garnshishment, liens, and calls from aggressive debt collectors for their indefinite future. I’ve spoken out against unscrupulous practices by debt management and collection companies in the past, and sadly, many student borrowers will be victims of these practices.

*CT Stories*

* Over the past week, I had the chance to visit with constituents affected by this issue. I spoke with students, faculty, administrators, and local officials across Connecticut to discuss how this would affect the state.
* I was privileged to discuss the issue with representatives of many types of institutions. In Windham, at Eastern Connecticut State University, I spoke with President Elsa Nunez, Vice President Ken DeLisa, students, faculty, and town officials.
* At Middlesex Community College, I was privileged to hear the perspective of the Community College sector, and discuss the issue with President Anna Wasescha, Mayor Dan Drew of Middletown, my colleagues Senator Murphy and Representative Courtney, members of Representative DeLauro’s staff, and students and faculty. Irene Martin, the Director of Financial Aid at Middlesex, noted that many students cannot afford to be in school full-time, increasing the length of time it takes them to complete their schooling and enter repayment.
* I also visited with students and faculty at Northwestern Connecticut Community college, and spoke with President Barbara Douglas. The community college sector teaches many low-income borrowers, who are hit the hardest by the rate increases. Dr. Dougles noted that over 51% of her students receive some type of aid, including Stafford loans.
* Sam Chaney is a 2010 graduate of Quinnipiac. He said that when students graduate “you’re not just paying rent, you’re paying as much or more in student loans…I hope they’re not in the position I was in, being told not to worry about the sticker price of college.”
* I also spoke with Irene Mulvey, the President of the Connecticut chapter of the American Association of University Professors. Her organization is constantly in contact with student borrowers, and knows just how much subsidized Stafford loans mean to them.
* Professor Mulvey said “As faculty members, we see the impact that student debt load has on our students and their families every day” and called the doubling of rates “indefensible.” She’s correct; it is indefensible.

*Facts about the increase*

* For a borrower who takes out the maximum amount in subsidized Stafford loans, this doubling of the rate is going to amount to another $31 in payments per month. This may not sound like much on the floor of the Senate, where we are debating dollar amounts in the trillions, but to American families who are struggling to make ends meet, these amounts matter.
* When young people graduate from college, we want to be encouraging them to invest in their future. That $31 per month amounts to almost $1,000 per year in additional borrowing costs -- $3720 for a four-year degree over the life of a loan. That is money that isn’t being put into a major life purchase, such as a car or a home. That is money that is not being spent on consumer goods that drive economic growth.
* I’d also like to note that given that subsidized Stafford loans are need based, the increase in rates will fall the hardest on those who already are struggling to pay for college.
* In short, Mr. President, we are adding a burden to those who cannot afford it, and to those who least deserve it. We are punishing young people who are trying to make an investment in their future, and thereby, in their country’s future.

*Facts about the economic importance of higher education*

* Access to higher education is not an unaffordable luxury, or a wasteful subsidy. It is a key component of retaining American competitiveness internationally, and promoting economic growth domestically.
* Last Friday, when the Bureau of Labor Statistics released its employment report for June, one could clearly see the importance of a college degree in today’s economic outcomes.
* For individuals with less than a high school degree, seasonally adjusted unemployment stood at a shocking 10.7%. For those who had graduated high school but had no college degree, the figure was 7.6%, mirroring the national average.
* Contrast that with the figures for those with post-secondary education. Individuals with some college or an Associate’s degree have an unemployment rate of 6.4%, below the national average.
* Even more strikingly, individuals with a Bachelor’s degree or higher have an unemployment rate of 3.9 percent. We’ve spent a great deal of time discussing jobs since I arrived in the Senate; it seems to me like one of the most effective measures we could take to promote job growth is to increase access to higher education. At the very least, we should not be actively hindering this access by allowing rates to increase.

*Comparison to banks/Macroeconomic drag*

* This increase is especially shocking in the face of the interest rates that other borrowers currently enjoy. Some of the largest banks enjoy the privilege of borrowing at .75 percent. These are some of the same actors whose behavior led to the financial crisis of 2008. Why is it that they borrow at low rates while students, whose desire to better themselves through higher education should be lauded, are punished with high interest rates?
* The people of the United States heard a great deal in 2008 about “systemically important institutions” and “too big to fail.” With student loan debt at over $1 trillion, and increase at ever-higher rates, why is the student borrower population not a “systemically important institution?”
* Earlier this year, the New York Fed issued a report suggesting that student loan debt represented a systemic drag on the economy. By letting the rates on subsidized Stafford loan rates increase, we are adding to this drag.

*Discussion of proposals*

* Now – there are a number of proposals on the table. I’ve spoken some about the notion that our borrowers should be able to borrow at the discount window rates available to large financial institutions. I’m pleased to be a cosponsor of S. 897, the Bank on Students Loan Fairness Act, and I’m grateful to Senator Warren for her leadership on the issue.
* Likewise, I appreciate the efforts of my colleague from Rhode Island, as well as the Majority Leader and the Chairman of the HELP Committee to prepare a simple, clean, fully paid-for one year extension of the current rates. S. 1238, the Keep Student Loans Affordable Act, is a smart and responsible proposal, that I am proud to have cosponsored and that I hope my colleagues will support.
* I hope to work with them in the coming months to create a true long-term solution that garners significant support from members of both parties, and goes through the regular order Committee process that is so valuable to considering and improving legislation.
* In the context of a full reauthorization of the Higher Education Act, we can and we must discuss the ways to both increase access to higher education, and stem the constant increases in cost that the sector has seen recently.
* At a fundamental level, we need to decide if the federal student loan program should operate at cost, or should act as a deficit reducer. I strongly believe that the purpose of the program should be to expand access to college in the most efficient way possible, aimed at keeping costs low for students. When we hear that the federal government is set to make a $51 billion profit on student loans this year, it does not inspire confidence that the program is being run for the benefit of students.
* As we work to address this and other issues confronting higher education policy, we need to respect the regular order process that has served us well in the past. We need to hold hearings, consider multiple perspectives on the issues from all stakeholders, listen to our constituents, have an amendment process, and prepare legislation that serves the people of this country well.
* I appreciate that some of my colleagues have put forward long-term solutions, but we can’t let the time pressure we are under to do right by students at this moment allow us to accept a deal that is ultimately worse for student borrowers.
* Proposals that have low “teaser rates” but will only result in high rates down the road and that lack important consumer protections such as a true interest rate cap will only exacerbate the problems that we face.

*Conclusion*

* Addressing the myriad issues facing the student loan program will take hard work, and sacrifice. We’ll need to take a hard look at the current programs the federal government offers to expand access to higher education, and see which work well, and which need improvement or elimination.
* Likewise, colleges and universities will have to do their part to address the issue. They need to understand that the federal government is making a significant investment in their operations, through financial aid dollars as well as grant funding, and we expect prudent financial management and meaningful efforts to check cost growth.
* In the short term, however, there is no excuse for letting rates go up on our most vulnerable borrowers. The legislation on the floor to reverse the increase is a sensible solution. It gets us through the next year in order that the legislative process can work as intended, and is fully paid for. It prevents a needless financial penalty to borrowers who we should be helping, not hurting at this time.
* With that, Mr. President, I strongly urge my colleagues to support moving forward with this legislation. Our nation’s future demands it. I suggest the absence of a quorum.