Remarks as Prepared for Delivery by Senator Elizabeth Warren

Student Loan Symposium, March 12, 2014

I ran for the United States Senate because I believe the system is rigged for powerful interest against working families. And I've been fighting my whole career to try to level that playing field. I fought to try to make mortgages safer, and credit cards safer and more transparent. I fought to try to make it a little easier for hard working, busy consumers who face financial decisions to make those without having to pour over pages and pages of fine print.

We have a long way to go to level the playing field for consumers in these areas. But we have an even longer way to go when it comes to student loans. You can tick down the list of protections available to mortgage borrowers, for example: dispute resolution requirements, notice of change in interest rate and loan servicing, outreach to delinquent borrowers—just to name a few. None of these protections are available for student loan borrowers.[1] Congress has stripped away bankruptcy protection from both federal and private student loans. Borrowers can't discharge debts, except in the most extreme of circumstances.[2]

Those who struggle to pay federal student loans find themselves up against the nation's most powerful debt collector—the federal government. They will face fees, wage garnishment, and other punishment for decades without any hope of relief.[3] And more and more, student borrowers are finding themselves drowning in debt. You've heard the numbers before. The outstanding student loan debt now is $1.2 trillion.[4] Average debt for borrowers who get a bachelor's degree is $29,000.[5] And for those who go on to graduate school, the

1. CONSUMER FIN. PROT. BUREAU, ANNUAL REPORT OF THE CFPB STUDENT LOAN OMBUDSMAN (Oct. 2013), *available at* http://files.consumerfinance.gov/f/201310_cfpb_student-loan-ombudsman-annual-report.pdf.

2. Ron Liber, *Last Plea on School Loans: Proving a Hopeless Future*, N.Y. TIMES (Aug. 31, 2012), http://www.nytimes.com/2012/09/01/business/shedding-student-loans-in-bankruptcy-is-an-uphill-battle.html?pagewanted=all&_r=0.

3. Dep't of Educ., *Don't Ignore Your Student Loan Payments or You'll Risk Going into Default*, FED. STUDENT AID, https://studentaid.ed.gov/sa/repay-loans/default (last visited Oct. 3, 2015), *archived at* https://perma.cc/QNU2-297X.

4. Bd. of Governors of the Fed. Reserve, *Consumer Credit – G.19*, FED. RES. (Sept. 8, 2015), http://www.federalreserve.gov/releases/g19/current/, *archived at* http://perma.cc/2KHD-4N5Q.

5. The Project on Student Debt, *Average Debt for 2013 Grads Tops $30k in 6 States; Only 1 Below $20k*, INST. FOR C. ACCESS & SUCCESS (Nov. 13, 2014), *available at* http://ticas.org/sites/default/files/pub_

numbers just skyrocket from there. This exploding debt is crushing our young people. More than a third of borrowers under the age of thirty who have moved into their repayment cycles have been delinquent for more than ninety days.[6] The exploding debt is dragging down our economy. Homeownership among thirty-year-olds has declined sharply.[7] And last spring, the Federal Reserve raised concerns that rising student debt may threaten overall economic growth.[8] Tying students to a lifetime of financial servitude as a condition of getting an education does not reflect our values. These students didn't go to the mall and run up a bunch of charges on credit cards. They worked hard to learn new skills that will benefit this country, and that will help build a stronger middle class and a stronger America. They deserve our support, not an extra tax for trying to get an education.

My view is that the federal government should be working to protect borrowers. But instead, it is making things worse for these borrowers by embedding huge profits in student loan interest rates. A January GAO [Government Accountability Office] report estimates that the federal government will bring in—think about this—$66 billion in profits on just one slice of the federal loans, those made between 2007 and 2012.[9] Sixty-six billion dollars in profits. That same report estimated that for this year's upcoming loans, undergraduates will pay an interest rate that is almost twice as high as the rate needed to cover all the costs associated with those loans. Graduate students and Plus Loan borrowers will pay rates two-and-a-half to three times higher than the amount needed to cover the costs of these loans. Now, of course, these are just estimates, and estimates can change. But right now, our official projections are telling us the government will make profits—the government will make huge profits—off the backs of young people who borrowed money to go to college.

At a Senate hearing a Department of Education official confirmed that when the government generates profits from student loans, those profits don't get funneled into other student aid programs. They are just used to fund the

files/Student_Debt_and_the_Class_of_2013_NR_0.pdf, *archived at* http://perma.cc/7UWN-KYSP.

6. Drew Desilver, *By Many Measures, More Borrowers Struggling with Student-Loan Payments*, PEW RES. CENTER (May 15, 2014), http://www.pewresearch.org/fact-tank/2014/05/15/by-many-measures-more-borrowers-struggling-with-student-loan-payments/, *archived at* http://perma.cc/QS5F-UFZC.

7. Meta Brown & Sydnee Caldwell, Fed. Reserve Bank of N.Y., *Young Student Loan Borrowers Retreat from Housing and Auto Markets*, LIBERTY STREET ECON. (Apr. 17, 2013), http://libertystreeteconomics .newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html#.VXc12s9VhBc.

8. Shahien Nasiripour, *High Student Debt Poses Risk to Growth, Federal Reserve Says*, HUFFINGTON POST (Apr. 17, 2013, 3:35 PM), http://www.huffingtonpost.com/2013/04/10/student-debt-federal-reserve_n_3053153.html.

9. U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-234, FEDERAL STUDENT LOANS: BORROWER INTEREST RATES CANNOT BE SET IN ADVANCE TO PRECISELY AND CONSISTENTLY BALANCE FEDERAL REVENUES AND COSTS (2014), *available at* http://www.gao.gov/assets/670/660548.pdf, *archived at* http://perma.cc/HCS4-PNJE.

government generally.[10] The idea that we would ever allow our student loan program to generate extra cash for the government is obscene. We should be investing in students, not turning them into a profit center to pay for subsidies for big agribusiness, or to meet the payments on defense contracts. So to reverse the trend on student borrowing, we need to bring down the cost of college. That's where it all starts. And that's not going to be easy. It will require everyone—the government, higher education institutions, and the students themselves—to do far more than they are doing now. And I am committed to working with Chairman Harkin and my colleagues on the Senate HELP [Health, Education, Labor, and Pensions] Committee to find ways to meaningfully reduce the cost of college. We should start by restoring the traditional role of public higher education as a high-quality, affordable option for all families. You know, state colleges and universities are the backbone of our higher education system. Three out of four college students are in a state school.[11] But those state schools have been hit hard by budget cuts.

From 2007 to 2012, state funding per student dropped by an average of 23%.[12] What does that mean? That just means that students and parents pay more. The federal government can't solve this problem alone. But it can, and it should, leverage its federal funding to support state investments and push for higher quality and lower tuition costs at public institutions by providing matching funds to the states when they agree to provide better funding for the colleges, and when the colleges themselves agree to do a better job of managing costs. So it is powerfully important that we deal with the rising costs of college. But the need to reduce the cost of college must not blind us to the urgency of addressing the massive debt that is already crushing our young people. We can do so much better for our students, and it starts with holding the government and colleges more accountable for the role they play in driving up student debt.

So, as all good senators should, I have my list of proposals. First, we should end the practice of profiting from student loans, period. Second, bankruptcy protections on student loans should be reinstated. This will protect struggling students. And third, give colleges some "skin in the game" when it comes to student debt. When students default, they feel the pain, and so do the taxpayers who may ultimately have to pick up the bill. Colleges should feel some of that pain too. And it should affect the colleges who are taking on lots and lots of

10. Senate Comm. on Health, Educ., Labor and Pensions, *Strengthening the Federal Student Loan Program for Borrowers*, SENATE.GOV (Mar. 27, 2014), http://www.help.senate.gov/hearings/strengthening-the-federal-student-loan-program-for-borrowers, *archived at* http://perma.cc/A7AW-JC9R.

11. *Distribution of Undergraduate Enrollment by Sector, 2012*, C. BOARD (2015), http://trends.collegeboard.org/college-pricing/figures-tables/distribution-undergraduate-enrollment-sector-2012.

12. Michael Mitchell et al., *States Are Still Funding Higher Education Below Pre-Recession Levels*, CENTER FOR BUDGET & POL'Y PRIORITIES (May 1, 2014), http://www.cbpp.org/research/states-are-still-funding-higher-education-below-pre-recession-levels, *archived at* http://perma.cc/P4VS-TLNH.

students who are not repaying their debts. And fourth, refinance student loans to wring some of the profits out of the system and put the money back in the pockets of young borrowers. We've got to do this. On this fourth one, I want to mention, we've got a lot of proposals going right now in Congress. And on the fourth one, in the coming weeks we will introduce legislation to allow existing student borrowers to refinance their debts at rates offered to new borrowers in the federal student loan program.[13] So, think about it this way—an undergraduate student who took out an unsubsidized loan before July 1st of last year is locked into an interest rate of nearly 7%.[14] Older loans run 8%, 9%—I see people nodding when I hit their number, right—and even higher.[15]

Refinancing those old loans would lower the interest rate to 3.86% for undergraduate loans and lower the others accordingly. For a recent graduate who borrowed the maximum, payments would drop by as much as $1,000 a year, and total interest—here's the key—over the lifetime of the loan would be cut nearly in half.[16] For those who have even older loans, those with graduate school loans, those with loans from private lenders, the savings could be even more substantial. This is a common sense proposal that should not be controversial. When interest rates are low, homeowners can refinance their mortgages, big corporations can swap more expensive debt for cheaper debt, even state and local governments have refinanced their debts. Students should be able to refinance their federal loans as well. I just think that's obvious.

And people ask about the politics of this. Last summer, when student loans were in the spotlight for new borrowers, Republicans supported a deal to lower the rates for future student borrowers, agreeing that the 6.8% interest rate was too high and it should be down at 3.86%. There's no justification for trapping existing borrowers under rates that this Congress has already agreed are way too high. It's time to give all borrowers the same break. So, I think this is a good one to push.

Now, for me, this is really about investing in our future. I talk about this—my father had a lot of different jobs, ended up as a maintenance man. My mom worked a minimum-wage job answering the phones at Sears. I went to a college that was a commuter college that cost $50 a semester. And I had NDEA [National Defense Education Act] loans that, back then, were subsidized, and, if you worked in critical areas like teaching, either you got

13. Bank on Students Emergency Loan Refinancing Act, S.2432, 113th Cong. (2014).

14. Dep't of Educ., *Understand How Interest Is Calculated and What Fees Are Associated with Your Federal Student Loan*, FED. STUDENT AID, https://studentaid.ed.gov/sa/types/loans/interest-rates (last visited Oct. 3, 2015), *archived at* https://perma.cc/6XRX-NUKV.

15. Jason Delise, *Student Loan Interest Rates: History, Subsidies, and Cost*, EDUC. POL'Y (Feb. 9, 2012), https://www.newamerica.org/education-policy/student-loan-interest-rates-history-subsidies-and-cost/, *archived at* https://perma.cc/689B-6ZWW.

16. Dep't of Educ., *Repayment Estimator*, FED. STUDENT AID, https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action (last visited Oct. 3, 2015), *archived at* https://perma.cc/2R5N-AL9K (based on estimates from the Federal Student Aid Repayment Estimator, may need login information).

10% knocked off your loan principal every year, or, in my case, 15% because I worked with special-needs kids. I grew up in an America that was investing in its kids. It was investing in its future and an America that believed that when we help our kids get an education, that's good for the kids, that's good for their families, it helps them build opportunities, but it's also good for America. I believe that those are still our values but that our policies have diverged from that. And so our job, and I really mean it as our job collectively—the people in this room and me—our job is to pull those two things back together. To make sure that in Washington, we are following policies that help us build a future. We are following policies that have us spending our money and making commitments that are consistent with our fundamental values. And for me, that means investing in an education for our young people. Thank you all.