

Issue Brief: Student Loan Debt in Texas

Why the low interest rate for student loans should be extended

Background The resolution of the on-going national debate about whether or not to extend the low interest rate on federal student loans will have a sizable impact on the Texas economy. Without a new plan, on July 1 the interest rate on subsidized Stafford student loans will *double*, from 3.4 percent to 6.8 percent.

Student borrowing in Texas A college degree is practically a necessity these days. The social and economic health in Texas relies on the success of its students and workers. But the recession has left the state with less money to spend on higher education and other services, squeezing families who are already straining to pay for college for their children as well as the unemployed who are seeking new skills to stay competitive in the job market. Students and families are turning to federal student loans to finance a degree or credential program. Now, 56 percent of graduates in Texas carry student loan debt, with an average of \$20,919 per borrower¹.

Student borrowing and its impact on the economy Student loan debt recently surpassed credit card debt as the top form of consumer debt across the country, at \$1 trillion dollars². Such significant debt has serious implications for the economy, in Texas and elsewhere. The vast majority of student loans made is federal – eight in ten student loans made are backed by the federal government³. In Texas, 461,533 federal student loan borrowers will be impacted⁴. If the low rate is extended for one year, the average savings per borrower will be \$950 over the life of the loan translating into \$438,456,350 dollars in savings that student loan borrowers would otherwise carry in additional debt burden if the rate hike occurs⁵.

Stabilizing the Texas economy Unemployment in Texas is higher than the national average. The job market is experiencing a skills gap between the numbers of people without jobs and the skills employers are looking for in their employees. By 2020, 60 percent of the jobs in the state will require a certificate for college degree, with only 31 percent of the population having one⁶.

Keeping the interest rate low on student loans will send the urgent signal to students, workers, and the unemployed to get the postsecondary training needed to adapt to the new economic reality in the state.

Senators Hutchison and Cornyn should be urged to support extending the low rate for the sake of Texas students and economy. Senators Hutchison and Cornyn backed the College Cost Reduction and Access Act of 2007, which set the lower interest rate⁷.

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¹ The Institute for College Access & Success, [College InSight](#).

² The Associated Press, [US recovery threatened by student loan debt](#), April 3, 2012.

³ The Associated Press, [US recovery threatened by student loan debt](#), April 3, 2012.

⁴ The US Department of Education.

⁵ The US Department of Education.

⁶ College Completes America, [Texas analysis](#), 2011.

⁷ Library of Congress, THOMAS, [H.R 2669](#).