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To Powerful Interests

Issue Brief: Student Loan Debt in California

Why the Low Interest Rate for Student Loans Should Be Extended

Student Loan Interest Rates Set to Double

Without a new plan from Congress, on July 1 the interest rate on subsidized Stafford student loans will *double*, from 3.4 percent to 6.8 percent. A 2007 college affordability plan lowered the rate, but expired in 2012. Last year, President Obama and Congress extended the low rate for one year.

In California, 550,928 federal student loan borrowers will be impacted if the rate doubles[1].

Student Borrowing in California

Fifty-one percent of California's graduates carry student loan debt, with an average of $18,879 per borrower.[2] Unfortunately, student loan borrowers in California will be hit with higher loan costs on July 1, which translates into an additional $987 in cost per student, per loan.[3]

Meanwhile, as students are struggling with high costs, the federal government is collecting massive, shortsighted revenue from student loan borrowers – projected at $50 billion for next year alone.[4]

Student Debt and Its Impact on the Economy

Last April, at $1 trillion dollars, student loan debt surpassed credit card debt as the top form of consumer debt across the country.[5] Such significant debt has serious implications for the economy in California and elsewhere. For instance, if the low rate were extended, student loan borrowers in California would save $543,765,936, which could be spent in the consumer economy rather than being applied toward paying down debt.

Strengthening the California Job Market

The California job market is experiencing a skills gap between the number of people without jobs and the skills employers are looking for in their employees. By 2020, 67 percent of the jobs in the state will require a certificate or degree, while only 36 percent of the current population has one[6]. Keeping the interest rate low on student loans will send an urgent signal to students, workers, and the unemployed to get the postsecondary training needed to adapt to new economic realities.

California's Senators

Senators Barbara Boxer and Dianne Feinstein have supported students and the economy in California. Both backed the College Cost Reduction and Access Act of 2007, which set the

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[1] Analysis, U.S. Department of Education, 202-401-1576.
[2] "Student Debt and the Class of 2011," The Institute for College Access & Success, http://projectonstudentdebt.org/files/pub/classof2011.pdf.
[3] Analysis, U.S. Department of Education, 202-401-1576.
[4] Philip Elliott, "House Advances Student Loan Fix," Associated Press, May 16, 2013, http://bigstory.ap.org/article/house-take-student-loan-fix.
[5] Tom Raum, "Recovery Threatened by Student Loan Debt," Associated Press, April 3, 2012, http://www.boston.com/news/education/higher/articles/2012/04/03/recovery_threatened_by_runaway_student_loan_debt.
[6] "California Analysis 2011," College Complete America, http://www.completecollege.org/docs/California.pdf.

lower interest rate[7]. Last year, both Senators supported the first proposal to extend the interest rate[8] and the final plan[9].

[7] "Bill Summary and Status – 110th Congress (2007-2008) H.R. 2669," Library of Congress, http://thomas.loc.gov/cgi-bin/bdquery/z?d110:H.R.2669:.
[8] "U.S. Senate Roll Call Votes, 112th Congress, S 2343," United States Senate, http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=112&session=2&vote=00113.
[9] "U.S. Senate Roll Call Votes, 112th Congress, S 1813," United States Senate, http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=112&session=2&vote=00048.