ConnPIRG
Standing Up To Powerful Interests

Issue Brief: Student Loan Debt in Connecticut

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 Connecticut, 73,051 federal student loan borrowers will be impacted if the rate doubles[1].

Student borrowing in Connecticut

Sixty-four percent of Connecticut's graduates carry student loan debt, with an average of $28,783 in debt per borrower.[2] Unfortunately, student loan borrowers in Connecticut will be hit with higher loan costs on July 1, which translates into an additional $937 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, 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 Connecticut and elsewhere. For instance, if the low 3.4 percent rate gets extended, this year's student loan borrowers in Connecticut would save a combined $68,448,787, which could be spent in the consumer economy rather than being applied toward paying down debt.

Strengthening the Connecticut job market

The Connecticut 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 a degree, while only 46 percent of the current population has one.[6] Keeping the interest rate at 3.4 percent 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.

Connecticut's Delegation

Senator Chris Murphy supports students and the economy in Connecticut. As a House member, Senator Murphy backed the College Cost Reduction and Access Act of 2007, which set the lower interest rate. [7]**Senator Richard Blumenthal** supports students and the economy in Connecticut. Last year, he did not vote on the first rate extension plan[8] but supported final plan[9]. Both Senators voted for cloture (to support) the Student Loan Affordability Act on June 6th, 2013.

---

[1] The US Department of Education. (202) 401-1576.

[2] Ibid.

[3] The Institute for College Access & Success, Student Debt and the Class of 2011

[4] The Associated Press, House advances student loan fix, May 16, 2013.

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

[6] College Completes America, Connecticut analysis, 2011.

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

[8] US Senate roll call votes, S 2343.

[9] US Senate roll call votes, S 1813.