

Issue Brief: Student Loan Debt in Ohio

Why the low interest rate for student loans should be extended

Student Loan Interest Rates Set to Double

If Congress fails to act, on July 1 the interest rate on subsidized Stafford student loans will *double*, from 3.4 percent to 6.8 percent. Last year, President Obama and Congress extended the low rate for one year.

In Ohio, 361,857 federal student loan borrowers will be impacted¹.

Student borrowing in Ohio

Already, Ohio graduates carry an average of \$28,683 in debt per borrower². 68 percent of student loan borrowers in Ohio will be hit with higher cost loans on July 1, which translates into an additional \$890 in costs per loan, per year³.

Meanwhile, as students are struggling with high costs, the federal government is collecting massive, shortsighted revenues from student loan borrowers – projected at \$50 billion for next year alone⁴.

Student debt and its impact on the economy

Last April, student loan debt surpassed credit card debt as the top form of consumer debt across the country, at \$1 trillion dollars⁵. Such significant debt has serious implications for the economy, in Ohio and elsewhere. If the low rate were extended, student loan borrowers would save \$322,052,730 that can be spent in the consumer economy rather than applied toward paying down debt.

Strengthening the Ohio job market

The job market in Ohio is experiencing a skills gap between the numbers of people without jobs and the skills employers are looking for in their employees. By 2020, 59 percent of the jobs in the state will require a certificate or degree, with only 36 percent of the current 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 new economic realities.

¹ Analysis, The US 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, The US 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 "Ohio Analysis 2011," College Complete America, <http://www.completecollege.org/docs/Ohio.pdf>.

Ohio's Senators

Senators Brown and Portman are on different sides of the issue.. Brown supported the original legislation that lowered the rate⁷, and supported the first⁸ and final⁹ rate extension plans last year. Portman supported neither the first extension plan nor the final plan last year.

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:>.

⁸U.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.