



## Issue Brief: Student Loan Debt in Massachusetts

### 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 Massachusetts, 158,718 federal student loan borrowers will be impacted if the rate doubles<sup>1</sup>.

#### Student Borrowing in Massachusetts

Sixty-five percent of Massachusetts' graduates carry student loan debt, with an average of \$27,181 per borrower.<sup>2</sup> Unfortunately, student loan borrowers in Massachusetts will be hit with higher loan costs on July 1, which translates into an additional \$974 in cost per student, per loan.<sup>3</sup>

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.<sup>4</sup>

#### 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.<sup>5</sup> Such significant debt has serious implications for the economy in Massachusetts and elsewhere. For instance, if the low 3.4 percent rate gets extended, this year's student loan borrowers in Massachusetts would save a combined \$170,549,348, which could be spent in the consumer economy rather than being applied toward paying down debt.

#### Strengthening the Massachusetts Job Market

The Massachusetts 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, 70 percent of the jobs in the state will require a certificate or a degree, while only 53 percent of the current population has one.<sup>6</sup> 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.

#### Massachusetts' Senators

**Senator Elizabeth Warren** supports students and the economy in Massachusetts. In addition to cosponsoring the legislation that extends the low rate for several more years, she introduced a bill that would give students the same interest rates as that charged to the banks, at 0.75 percent<sup>7</sup>. **Senator William Cowan** was not yet in the Senate during last year's interest rate extension debates.

<sup>1</sup> Analysis, U.S. Department of Education, 202-401-1576.

<sup>2</sup> "Student Debt and the Class of 2011," The Institute for College Access & Success, <http://projectonstudentdebt.org/files/pub/classof2011.pdf>.

<sup>3</sup> Analysis, U.S. Department of Education, 202-401-1576.

<sup>4</sup> Philip Elliott, "House Advances Student Loan Fix," Associated Press, May 16, 2013, <http://bigstory.ap.org/article/house-take-student-loan-fix>.

<sup>5</sup> 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](http://www.boston.com/news/education/higher/articles/2012/04/03/recovery_threatened_by_runaway_student_loan_debt).

<sup>6</sup> "Massachusetts Analysis 2011," College Complete America, <http://www.completecollege.org/docs/Massachusetts.pdf>.

<sup>7</sup> "Higher Education Institutions, Organizations Endorse Sen. Elizabeth Warren's Bank on Students Act," Office of U.S. Senator Elizabeth Warren, May 23, 2013, [http://www.warren.senate.gov/?p=press\\_release&id=106](http://www.warren.senate.gov/?p=press_release&id=106).