



UNITED STATES STUDENT ASSOCIATION

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Thank you Chairman McKeon and distinguished committee members for having me speak today on the issue of student borrowing, and let's be clear student debt. First let's start with some positive aspects of higher education. The Advisory Committee on Student Financial Assistance reports that by 2015, 1.6 million 18-24 year olds will enroll in college and most of them will be low-income and first generation students. This will result in college graduates entering our work force to contribute to the economy and provide services for our communities. It will also result in college graduates ensuring their children have access to college.

However with increased numbers of students enrolling, particularly low-income students, there needs to be an increased commitment to student aid. High student loan debt is sweeping our country and our college graduates are experiencing an average of \$17,000 of debt. Students are very concerned with this growing problem and would like to see this Congress lessen student debt and increase access to higher education.

I am a graduate of the University of Wisconsin Madison where I along with many of my classmates took on student debt. In the 2001-2002 academic year there were close to 11,000 borrowers at my college. This is definitely far more borrowers than when both my parents attended UW Madison from out of state. They have both said that students used to be able to work during the summer to avoid taking out costly loans. Today, for many, if not all students, there are not enough days in the summer to make that a reality.

USSA supports the programs in place for student borrowers and would like to see them expanded upon. Loan consolidation allows students to lock in a fixed rate on their loans, keep their monthly payments at a manageable level, have one easy monthly bill, and choose between repayment options. For example, if student borrowers consolidate with the expected new low interest rate, the typical borrower could save approximately \$3,200 over a standard ten-year pay back period. Consolidation is one tool students can use to lessen the financial burden they are forced to carry.

Additionally, re-consolidation, would allow students to lock in more favorable rates. Ideally students need re-consolidation proposals with a fixed rate that allows students to access the existing historically low interest rates. Members of Congress should advocate for solutions that help student borrowers get out of debt in a more manageable way.

However, even with consolidation in place, Congress needs to take more steps towards reducing the burden of unmanageable debt for student borrowers. Students are proposing the elimination of origination fees and more loan forgiveness programs.

Under current law, students pay up-front fees with each loan they originate. Origination fees result in less money for student expenses, yet at the same time students are required to pay interest on the full amount of the loan.

Loan forgiveness is a proactive policy that helps students quickly begin to contribute to the economy instead of being stifled by unmanageable debt. Additionally loan forgiveness allows students freedom to choose professions that are critical to our communities. In a time when we are in great need of those who contribute to our communities by becoming teachers and other civil servants it is important that we are providing important incentives. Loan debt should not decide a student's career path.

I would be remiss if I didn't bring grant aid into this discussion, as the loan debt we have spent the morning discussing is a result inadequate grant aid. USSA believes that the Pell grant is the best way to increase access to higher education. In the 1970's the Pell grant covered nearly 70% of college cost and student loans merely made up the difference. Today the situation is very different. Students are forced to take out loans that cover almost 60% of college cost while the Pell grant contributes less than 40%. It will take leadership from higher education champions to restore the buying power to Pell and students are searching for those leaders.

USSA has worked with students across the country in the past year to develop campaigns for the reauthorization of the Higher Education Act. The main goal of these campaigns has been to strengthen grant programs and to make loan programs less costly to students. Students hope to be an active participant in the reauthorization process to ensure increased access to college.

The time is now for Congress to invest in higher education. Right now, states have tight budgets and are making decisions to freeze or reduce higher education spending. This means less money for institutions that receive state funding and less grant aid for need based programs that directly help students. Considering these conditions, Congress must prioritize higher education spending.

These proposals would allow Congress to provide students with a variety of solutions that will lessen student debt. It must remain a priority for this community to help ease the debt burden that students carry. We are very eager to see Congress take on this issue. Thank you for your time and I look forward to your comments and questions.