With Student Debt Exceeding $1 Trillion, Sen. Brown Announces Plan That Would Protect College Students From Confusing Student Loan Practices And Help Graduates With Costly Student Loans Refinance Their Debt

College Students Set to Receive Financial Aid Award Letters Starting Today; Student Debt in United States Exceeds Credit Card Debt and Auto Loan Debt, Second Only to Mortgage Debt

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WASHINGTON, D.C. — With student loan debt now exceeding $1 trillion, and many aspiring college students set to receive financial aid letters starting today, U.S. Sen. Sherrod Brown (D-OH) held a news conference call to announce a plan that would protect college students and their families from confusing private student loan practices, and help college graduates with costly private student loans refinance their debt. As the cost of tuition rises, the average debt for a student graduating this year is about $30,000.

“Education has always provided Americans the opportunity for a middle-class life and financial security,” Brown said. “But an entire American generation is suffocating under the weight of student loan debt, unable to start businesses, purchase homes, and contribute to their families and communities. For our country to continue growing, we have to ensure that student loan debt doesn’t keep future generations from pursuing higher education. That means that prospective and current students should have transparency as they take on student debt. And graduates with private loan debt should have the opportunity to refinance their debt so they can focus more on using their education than paying for it.”

U.S. student loan debt has now surpassed $1.2 trillion—exceeding credit card debt and auto loan debt, second only to mortgage debt. This excessive student loan debt dampens home purchases, slows small business startups, diverts retirement savings, and limits opportunities for economic expansion in rural communities. Eighty-one percent of borrowers with high student debt have private loans. That is largely because private loans are more akin to credit cards than federal student loans and typically have higher interest rates—that can top 18 percent—and are more difficult to refinance and offer limited, if any, repayment options based on income.

Contributing to this problem is the often confusing and even misleading fine print in student loan contracts. To ensure that students aren’t taken advantage of, Brown announced his support for the *Know Before You Owe Private Student Loan Act*. This bill would require private student loan lenders to make contracts easier to understand to prevent borrowers from ending up with unexpected and overwhelming debt.

Specifically, Brown’s legislation would amend both the *Higher Education Act* and the *Truth in Lending Act* to strengthen requirements surrounding private student loans. Two-thirds of private loan borrowers, including those who took out both private and federal loans, said that they did not understand the major differences between private and federal options. Moreover, a majority of undergraduate students who borrowed private student loans in 2007-2008 did so without first exhausting their eligibility for safer, cheaper federal loans.

The differences between private student loans and federal student loans are severe: federal student loans have fixed interest rates and offer an array of consumer protections and favorable terms, including deferment and forbearance in times of economic hardship, as well as manageable repayment options, such as the Income-Based Repayment and Public Service Loan Forgiveness programs. In contrast, private student loans, which resemble credit cards rather than financial aid, often have uncapped variable interest rates (which have spiked as high as 18 percent in recent years), hefty origination fees, few—if any—consumer protections, and are ineligible for federal forgiveness, cancellation, or repayment programs.

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The *Know Before You Owe Act* would provide students with more information about how to maximize federal loans before looking to private loans from schools. The bill would also offer more transparency for students looking at private loans after they've maximized federal loan options and scholarships from private lenders. It would accomplish this by requiring private student loan lenders to:

- Clearly state the difference between what a student's cost will be at her school compared to her estimated financial assistance;
- Provide students with updated information regarding their private loans at least once every three months; and
- Submit an annual private student loan report to the Consumer Financial Protection Bureau (CFPB) to ensure progress in making college easier to pay for.

Brown also renewed the call to pass his *Refinancing Education Funding to Invest (REFI) for the Future Act*. Brown's bill would help individuals saddled with costly, private student loans refinance to more affordable options—at no cost to taxpayers. Specifically, this bill would:

- Authorize the Department of the Treasury to find creative solutions that will eliminate inefficiencies in the private student loan market and accommodate reasonable refinancing opportunities for private student loan borrowers; and
- Encourage greater competition, innovation, and participation of private capital in a currently stagnant private student loan refinancing market, including:
- Require regular reporting and oversight;
- Expire no later than five years after enactment; and
- Create opportunities for private student loan borrowers to take advantage of the current low interest rates to ensure that borrowers pay rates that reflect their credit risk so that they may pursue economically productive activities like buying a home or starting a small business.

Joining Brown to support his plan was Kelly McVicker, a Toledo native and father of three, who struggles to provide for his family against the weight of student loan debt. At the age of 17, Kelly first took out student loans worth about $45,000. Now at the age of 30 and with an associate degree, Kelly owes about $70,000 on his student loans. Also joining Brown to offer tips for students reviewing their financial aid packages was Lee Friedman, the Chief Executive Officer of College Now Greater Cleveland, an organization dedicated to giving local students guidance and access to funds to prepare for and graduate from college.

Brown continues to fight for students and to make college affordable. In July 2013, Brown voted for an amendment that would cap student interest rates at their current rates, but voted against a proposal that would hurt low and middle-income students in the long term by allowing future interest rates in excess of 10 percent while the government continues to profit.

Last week, Brown hosted his seventh annual Ohio College Presidents Conference—the first of its kind for College Presidents in Ohio—to bring together leaders from two-year, four-year, private, public, and community colleges to discuss shared challenges and goals for students and institutions of higher learning. This year 42 Ohio College presidents attended the forum to discuss ways to make college affordable and accessible for all Ohio students.

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