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Director Cordray Remarks at Students Press Call

BY RICHARD CORDRAY

For a whole generation of young people in this country, student loans have become a growing burden. They are the second largest source of consumer debt after mortgages – more than credit cards, more than car loans. Consumers now owe nearly \$1.2 trillion in student loans they took out to attend college, trade schools, and graduate degree programs. That is more than any other time in history. And additional household debt, including credit card debt, has gone toward financing the rising costs of higher education.

This is a drain on young consumers and on their parents. People graduating from college are moving back in with mom and dad, not able to enter the housing market. They may not feel able to afford the added costs and risks of starting a small business. They are putting off major life milestones like getting married or having children because of these special financial concerns. Student debt has become a yoke around the necks of many of our best and most talented young people, preventing them from moving forward and leading us into America's future.

Last week, President Obama and Secretary Duncan spoke about the steps the Department of Education is taking to make college more affordable and help borrowers tackle student debt. Today the Consumer Financial Protection Bureau is taking another step to help consumers with this burden. We are launching an initiative to empower school districts and other public service organizations to help their employees qualify for existing student loan repayment benefits. This initiative is part of our ongoing work to equip employers with the tools they need to help their employees live financially healthy lives.

Teachers. Soldiers. Firefighters. Policeman. Public sector careers invariably involve some effort, some inconvenience, or some sacrifice. People give up higher incomes to serve their city, their state, or their country. We believe that people who contribute part of their talents, part of the benefits of their education, to society as a whole should not be mired in debt because they stir themselves to the calling of public service.

Today's public service requires women and men with a broad range of experience, knowledge, and ability. Public servants, particularly our teachers, need to be experts who can deal with problems of increasing complexity and technical difficulty. Often, they need to be people with one or more degrees in higher education.

Consider that when you hear that the average starting salary for a teacher is \$36,000, according to the National Education Association. Or when you hear that the median earnings of firefighters and other first responders who risk their lives to protect our communities is \$29,000, according to the U.S. Census Bureau. Social workers have starting salaries around \$32,000. But the National Center for Education Statistics estimates that 72 percent of students graduating from Master of Social Work programs have incurred an average of \$36,000 in student loan debt. Under a standard repayment plan, a social worker would be paying about \$415 a month toward student loans, living hand-to-mouth after rent and other living expenses are paid. Even if the social worker is savvy and enrolls in the Income Based Repayment plan for repaying federal student loans, that social worker is still looking at making monthly payments for many years to come – perhaps lasting until the time comes to consider how to pay for sending the next generation to college.

Special programs exist to help our public servants pay back the college loans they needed to qualify for their jobs serving children, the disadvantaged, and the general public. There are loan programs specifically designed to help teachers, librarians, firefighters, military personnel, law enforcement, first responders, and social workers providing services to high-risk children. But not everyone knows about these options.

One of these programs, for example, is relatively new. In 2007, Congress recognized the need to incentivize young people to enter the teaching profession and other types of public service, so it created a program called Public Service Loan Forgiveness. After all, most public service fields face severe shortages in the coming years, as the population ages and more baby boomers retire. So this program allows some federal student loans to be forgiven after ten years of on-time monthly payments.

According to the student repayment report we are releasing today, we estimate that one in four working Americans has a job that meets the definition of public service under this program. Many of these teachers, healthcare workers, and other public servants could be eligible to have their college loans wiped out after ten years.

We have an immense reservoir of women and men in this country who are anxious to commit their energy and time and effort to public service professions. They know that higher education is more important now than ever before, and they deserve to know all their options to afford it. To this end, part of our initiative today includes a toolkit that both employers and employees can use to get on the right track to optimize their repayment options.

This toolkit offers practical advice to public servants. It advises that an early start can save you thousands of dollars. And it includes information like how to qualify for student loan benefits; how employers can certify their employees for certain programs; and how to make the most of existing payment programs. One tip we are suggesting to all employers is to have student loan forgiveness programs be part of the benefits package when employees start work, during open enrollment season for job benefits, and when sending out IRS W-2 forms.

Today, we are also asking employers to pledge to talk to their employees about student debt and to help them enroll in student loan repayment benefits. To start off, Richmond Public Schools in Virginia and the City of South Bend, Indiana, have signed onto our effort. We applaud their leadership by example, and we will be recruiting more public sector employers to follow suit.

Our initiative today is designed to permit people to exercise more fully their responsibility in the great common cause of developing this country to be a better place. Our toolkit and the pledge can be a win-win for employers, the public they serve, and their employees, who are facing student debt loads that impose unprecedented burdens upon this generation.

At the Consumer Bureau, this is just the newest tool we have created to help young people and their families with student debt. We have also shared with you our Paying for College tool, which came out earlier this year and has already been visited about half a million times. And the Financial Aid Shopping Sheet, developed in partnership with the Department of Education, is currently being used by more than 750 colleges and universities around the country. It is my hope that consumers will better understand their options and make sound choices they can live with for the rest of their lives.

Thank you.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.



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