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# Prepared Remarks of CFPB Director Richard Cordray at the Announcement on Public Service and Student Debt

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Thank you. Student loan debt is one of the most significant burdens facing our young people, and it certainly hits close to home for a growing number of Americans. Many of us here borrowed to pay for college and many are still repaying our obligations today. We are well aware of what this issue means for each of us, for our peers, and for our entire nation.

I believe we are standing at a precipice when it comes to student loan debt in this country. That load has reached \$1.2 trillion, second only to mortgages as a category of consumer finance. This burden is growing fast and the issues that flow from it are central to public policy in America.

Over the past three years at the Consumer Bureau, we have heard countless stories from people about how student loan debt affects them and has a domino effect on the broader economy. As one consumer astutely observed, “When students delay major purchases because they’re struggling to pay back their loans, it weakens the economy for everyone.”

For generations, the viewpoint deeply ingrained in the fabric of our country has held that if you work hard, study well, and act responsibly, you can get ahead in life. Going to college has been a key milestone on the path to opportunity, and almost certainly is more important today than it has ever been. But in recent years, many families were hit hard by the financial crisis and had to take on more debt to pay for college. For many young graduates, high levels of student loan debt limit their choices about careers and the communities where they live, and may undermine their well-being.

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The domino effect of student loan debt is real, and it is spreading. It is hard to erase this debt quickly – paying it back may take many long years and prevent people from achieving other financial milestones.

Tuition costs have risen rapidly. Student loan debt has risen even faster, and default rates have increased in tandem. Graduates are facing a job market that has not fully recovered from the recession. It is clear that a weak labor market and rising student debt are putting the squeeze on young people. The Bureau estimates that more than 7 million Americans are in default on over \$100 billion in student loan balances. For those who default early in their lives, the hit to their credit report makes it harder to pass background checks to get a job, let alone to buy a home.

At the same time, household formation is a key driver of economic growth. Yet young people today are not forming new households at the same rate they once did. Many live with their parents or share space longer with their peers. The homeownership rate for young people peaked before the financial crisis and by the first quarter of this year was down more than 15 percent. This is very troubling because most first-time homeowners are young people who drive the market for home purchases.

These spillover effects are not limited to the housing sector. Student debt burdens can get in the way of young people buying a car, starting a small business, or saving for retirement. We are deeply concerned about how debt influences career choices by acting as a barrier to public service for a rising share of student loan borrowers. This may cause shortfalls in key roles such as teachers, healthcare workers, public safety personnel, and other public service professions. In underserved rural and urban communities, shortages in critical skills hamper the local workforces. By some estimates, we will need over 400,000 new teachers, 150,000 new social workers, and 1,000,000 new nurses by 2020 – a daunting task even under the best of circumstances.

Ensuring that the next generation of African American college graduates is in position to help address these shortages is a big piece of the puzzle. In this country, many people of color work in the public sector as teachers, social workers, first responders, healthcare providers, and other critical areas of responsibility that improve our overall quality of life.

But African American college graduates are also more likely to carry above-average levels of student debt. More than four in five have to borrow to pay for college, taking on nearly 15 percent more debt than their peers. So rising levels of student debt may hit communities of color the hardest, keeping some of our best and brightest young people from giving back to society and denying our country the benefits of their public service.

National service programs are an attractive pathway for many young people. My fellow speakers will describe how Peace Corps volunteers and AmeriCorps members learn essential skills that translate into a lifetime of service. They offer the same kind of enduring contributions that our military veterans make after they transition to civilian life. Leadership abilities formed by these experiences will matter over time, no matter how the alumni of these programs may choose to shape their individual futures.

I first worked on the kinds of issues that AmeriCorps addresses as a state legislator, when I proposed and secured passage of the Ohio Community Service Education Act in 1992. Ever since, I have watched and cheered steadily for these young leaders making a difference in our communities.

Three years ago, I recall walking past the Peace Corps offices here and seeing a large picture of a truly great leader, Sargent Shriver, who of course founded the Peace Corps. And I recall thinking to myself that we are fortunate at the Consumer Bureau to generate some of that same spirit today for the work we are doing to change the world by protecting consumers in the financial marketplace. If any of you have not yet read Sarge, the compelling biography of his life's work, building effective and lasting approaches to improve life here and around the world, let me enthusiastically commend it to your attention.

Fortunately, we now have some tools to help borrowers understand and manage student loan debt. The Consumer Bureau has worked with the Department of Education to develop what we call "Paying for College," a set of online tools to help students and families evaluate their higher education financing options – from taking out loans initially to repaying debt after graduation. We also have "Ask CFPB," which provides answers to common questions we are asked about consumer financial products and services, including student loans. And, notably, the Consumer Bureau is now taking and handling individual consumer complaints about student loans.

We also have a key tool to help people make a commitment to public service and manage their student loan debt at the same time. As Secretary Duncan mentioned, Congress passed a law that

makes many who work in public service eligible for help with their student loan debt. This loan forgiveness can enhance the affordability of public service careers. For young people who do not know about this program or understand all the details, we are raising awareness by getting more employers directly involved.

Today, I am happy to report that AmeriCorps and the Peace Corps – and we are glad to have alumni of each at the Consumer Bureau – are both signing our pledge to help their people tackle their student debt. They are pledging to talk to employees about their options for student loan forgiveness, verify that they work for a public service organization, and check in with them annually to make sure they stay on track. We have also created toolkits for employers and employees to help them understand how to take advantage of these benefits. We want everyone eligible to be signing up for the loan forgiveness that federal law provides, which they are earning by virtue of their public service work. These are great first steps toward that objective.

When our public servants truly represent the diversity of the American people, we bolster our communities and strengthen our society. If student loan debt forces young people, especially people of color, to turn away from pursuing these aspirations, that both weakens our country and hurts us all.

So as I hand things over to Peace Corps Director Carrie Hessler-Radelet, let me express my appreciation to her for taking the pledge and committing to help Peace Corps volunteers conquer their student debt at the same time they are doing everything they do to make a better world. 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](http://consumerfinance.gov).*