The Bank on Students Loan Fairness Act

The American Association of University Professors (AAUP) supports the Bank on Students Loan Fairness Act, introduced by Senator Elizabeth Warren (D-MA) and Representative John Tierney (D-MA), and it urges Congress to enact this much-needed reform. The proposed legislation would not only prevent the student-loan interest rate from doubling to 6.8 percent on July 1, but also reduce the current rate from 3.4 percent to 0.75 percent—the same rate at which the federal government lends money to banks through the Federal Reserve discount window.

The Federal Reserve has argued that providing banks with near-zero interest rates is essential for economic growth during a lackluster recovery, but ever-increasing levels of student debt can also hinder recovery. According to the Federal Reserve Bank of New York, in less than a decade the average amount of American student-loan debt for a 25-year-old has doubled to $20,326 in 2012, from $10,649 in 2003. U.S. student-loan debt now exceeds $1 trillion. Indeed, some have argued that the growing burden of such debt threatens to become a "bubble" as dangerous to the country's economic health as the mortgage-debt bubble that helped precipitate the great recession of 2008. "Big banks get a great deal when they borrow money from the Fed," Senator Warren said. "In effect, the American taxpayer is investing in those banks. We should make the same kind of investment in our young people who are trying to get an education."

The AAUP stands for accessible and affordable higher education. We are deeply troubled by the steady decline in public support for higher education, the increasing tuition burden placed on students, and the shift in financial aid from a grant-based to a loan-based system. Senator Warren's proposed legislation could begin to reverse these destructive trends.

We call upon our members and others in the higher education community to support this proposal.