Remarks by Senator Elizabeth Warren on Student Loan Interest Rates

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Mr. President, on July 1st, the interest rate on new, federally subsidized student loans is set to double from 3.4 to 6.8 percent. That means unless Congress acts, for millions of young people the cost of borrowing money to go to college will double.

The student debt problem in this country is a quiet but growing crisis. Today's graduates collectively carry more than $1 trillion in debt—more than all the outstanding credit card debt in the whole country. Doubling the interest rate on new student loans will just increase the pressure on our young people.

Keep in mind: these students didn't go to the mall and run up charges on a credit card. They worked hard, they stayed in class, they learned new skills, and they borrowed what they needed to pay for their education.

Their education will improve their opportunities in life, but their education won't help just these students. When they acquire more skills, these students help us build a strong and competitive economy and they strengthen our middle class.

Student interest rates are set to double in less than two months, but so far, this Congress has done nothing—nothing—to address this problem.

Some people say that we can't afford to help our kids through school by keeping student loan interest rates low.

But right now, as I speak, the federal government offers far lower interest rates on loans, every single day – they just don't do it for everyone.

Right now, a big bank can get a loan through the Federal Reserve discount window at a rate of about 0.75%. But this summer a student who is trying to get a loan to go to college will pay almost 7%.

In other words, the federal government is going to charge students interest rates that are nine times higher than the rates for the biggest banks – the same banks that destroyed millions of jobs and nearly broke this economy.

That isn't right. And that is why I'm introducing legislation today to give students the same deal that we give to the big banks.

The Bank on Students Loan Fairness Act would allow students who are eligible for federally subsidized Stafford loans to borrow at the same rate that big banks get through the Federal Reserve discount window. For one year, the Federal Reserve would make funds available to the Department of Education to make loans to students at the same low rate offered to the big banks. This will give students relief from high interest rates while giving Congress time to find a long-term solution.

Some may say that we can't afford this proposal. I would remind them that the federal government currently makes 36 cents in profit on every dollar it lends to students. Add up all of those profits and you'll find that student loans will bring in $34 billion next year.

Meanwhile, big banks pay interest that is one-ninth the rate that students will pay.

That is wrong. It doesn't reflect our values. We shouldn't be profiting from our students who are drowning in debt while we're giving great deals to big banks. We should be investing in our young people so they can get good jobs and grow this economy, so let's give them the same great deal the banks get.

Some explain that we give banks exceptionally low interest rates because the economy is still shaky and banks need access to cheap credit to continue the recovery.

But our students are just as important as banks to a strong recovery. And the debt they carry also poses a serious risk to that recovery. In fact, in March of this year, the Federal Reserve said that, because of the economic impact on family budgets, high levels of student debt pose a risk to our shaky economic recovery.

If the Federal Reserve can float trillions of dollars to large financial institutions at low interest rates to grow the economy, surely they can float the Department of Education the money to fund our students, keep us competitive, and grow our middle class.

Let's face it: Big banks get a great deal when they borrow money from the Fed. 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. Lend them the money and make them to pay it back, but give our kids a break on the interest they pay. Let's Bank on Students.

The Bank on Students Loan Fairness Act is my first standalone bill in the United States Senate. I'm introducing this bill because our students are facing a crisis. We cannot stand by and simply watch. This is about our students, our economy, and our values. The Bank on Students Loan Fairness Act is a first step toward helping young people who are drowning in debt.

Unlike the big banks, students don't have armies of lobbyists and lawyers. They have only their voices. And they call on us to do what is right.

Thank you.