

Floor Speech by Senator Elizabeth Warren
As Prepared for Delivery
February 12, 2014

Thank you Madame President, and I want to thank Senator Durbin and Senator Reed for their extraordinary leadership on this important issue. I also rise today to talk about the crushing burden that student debt places on our college students and on our economy – and call on Congress to address it.

The core facts are well-known to every family in America. In recent decades, college costs have skyrocketed. Adjusted for inflation, a young person today will pay 300% of what her parents paid just thirty years ago. For millions of young people, the only way to cover this tuition cost is to take on huge debt. The average student loan balance among twenty-five year olds who borrow has grown by 91% in just ten years. Total outstanding student loan debt now stands at a staggering **\$1.2 trillion**—and it's growing bigger every single day.

The problem is made worse by a federal student loan program with high interest rates that will produce obscene profits for the US government. The GAO recently projected that the government will bring in \$66 billion in profit on its federal student loans made between 2007 and 2012 – profits that would make a Fortune 500 CEO proud.

This exploding debt is crushing our young people. More than a third of borrowers under the age of 30 have been delinquent for more than 90 days.

This exploding debt is also dragging down our economy. With monthly loan bills that can easily exceed a mortgage payment, it's no surprise that homeownership among thirty-year olds has declined steeply. And last spring, the Federal Reserve raised concerns that rising student debt may threaten our overall economic growth.

Tying students to a lifetime of financial servitude as a condition of getting an education does not reflect our values. These students didn't go to the to run up charges on a credit card. They worked hard and learned new skills that will benefit this country and help us build a stronger middle class and help us build a stronger America. They deserve our support. They don't deserve to be buried in debt.

To reverse this trend of student borrowing, we need to bring down the cost of college. That will not be easy, and it will require everyone – the government, higher education institutions, and the students themselves – to do far more than they do now. I am committed to working with Chairman Harkin and my colleagues on the Senate HELP Committee to find ways to meaningfully reduce college tuition, and I am working closely with many of my colleagues – including Senator Durbin, Senator Reed, Senator Schumer, Senator Gillibrand, Senator Murphy, and Senator Brown, who are all intensely focused on this issue.

But our need to reduce the cost of college must not blind us to the urgency of addressing the massive debt that's already crushing our young people. The pressure is building – and we must act to provide real relief to our students and young graduates **now**.

In the coming weeks, I will join with my colleagues to introduce legislation to do just that – legislation that will allow eligible borrowers with high interest loans to refinance at interest rates that are at least as low as those currently being offered to *new* borrowers in the federal student loan program.

The idea is pretty simple. When interest rates are low, homeowners can refinance their mortgages. Big corporations can swap more expensive debt for cheaper debt. Even state and local governments have refinanced their debts. But a graduate who took out an unsubsidized loan before July 1 of last year is locked into an interest rate of nearly 7 percent. Older loans run 8%, 9% and higher.

Last year, Congress agreed that those interest rates were much too high – so they lowered them significantly for this year’s borrowers. But that change does nothing for the millions who are trapped under old, high interest rate loans.

Refinancing those old loans would lower interest rates to 3.86% for undergraduate loans. The savings would vary, of course. For a recent graduate who borrowed the maximum, payments would drop by as much as \$1000 a year - and total interest could be cut nearly in half. For those who have even older loans, those with graduate school loans, and those with loans from private lenders, the savings would be even higher.

This is real money back in the pockets of people who invested in their education. Real money that will help young people find a little more financial stability as they work hard to build their futures. Real money that says that America invests in those who work to get an education.

We won’t need to add a single dime to our deficit to pay for this plan. Right now, this country essentially taxes students – by charging high interest rates that bring money into the government - while at the same time we give away far more money through a tax code riddled with loopholes and let the wealthiest individuals and corporations avoid paying a fair share. We can close those loopholes and put the money directly into refinancing student loans.

We can start with the Buffet Rule—a rule that would limit tax loopholes for the wealthy and ensure that billionaires pay at least as much as their secretaries. For every new dollar we bring in by stitching up this loophole, it can go directly to lowering the cost of student loans. Dollar for dollar, we can invest in billionaires, or we can invest in our students.

This is about opportunity. Our country should offer a helping hand to the young people who are working hard to try to build a future – not a handout to the billionaires who have already made it.

Refinancing student loans won’t fix everything that’s broken in the higher education system -- but it is a huge step forward. I was the first person in my family to graduate from college. I went to a commuter college where the tuition was \$50 a semester. I went to a public law school where I got a great education. I was able to do all of that because I grew up in a country that chose investing in its kids over investing in its billionaires.

I believe in that America - and I believe in what we do when we work together to build opportunities for everyone who busted their tails to get an education.