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April 23, 2008

Dear Friends,

Thank you for your continued interest in receiving information from Senator Brown related to educational issues. Senator Brown was at Ohio State University on Monday for a field hearing of the Senate Health, Education, Labor, and Pensions (HELP) Committee on student loans, college affordability, and the credit crunch. The hearing, titled *Fulfilling the Promise of an Affordable College Education* addressed many issues surrounding college costs, including current market conditions and the growth of high cost private student loans. Senator Brown's opening remarks as prepared are below. For more information on how the Senator is working on behalf of Ohio's students, please visit the Senator's website at http://brown.senate.gov/ or please feel free to call his DC office at 202-224-2315 or an Ohio office toll free at 888-896-OHIO.

Sincerely,

Sherrod Brown
United States Senator

Brown Holds Senate College Affordability Hearing At OSU On Monday

Senate HELP Committee Hearing Addresses Effect Of Credit Crunch, Rising Tuition, & High Cost Private Loans On College Access And Affordability

Columbus, Ohio - U.S. Senator Sherrod Brown (D-OH) today hosted a Senate Health, Education, Labor, and Pensions (HELP) Committee hearing on college access and affordability at The Ohio State University. The hearing, titled *Fulfilling the Promise of an Affordable College Education* addressed the effect the credit crunch and current market conditions are having on the availability of student loans, the continuing problem of rising tuition, and the fast growth of high cost private student loans.

Hearing witnesses included Donald J. Kohne, Managing Director of Student Lending Works in West Chester, Natala K. (Tally) Hart, Senior Advisor for Economic Access at OSU in Columbus, Mellissa Miller, Former College Student from Cincinnati, Debra Van Camp, Current Student at OSU in Columbus, Barmak Nassirian, Associate Executive Director, External Relations, American Association of Collegiate Registrars and Admissions Officers (AACRAO) in Washington, DC.

Below are Brown's opening remarks as prepared:

"I call this Committee to order. First, I would like to thank President Gee for his warm introduction and Dean Rogers for hosting us here at the Mortiz College of Law. We are here this morning to examine two critical issues: one, ensuring affordable access to higher education for all students; and two, making sure student loans remain available in these tough economic times.

"A couple of months ago a distraught mother from Cincinnati wrote me about the private loan her daughter had taken out to go to college. Her daughter had borrowed $21,000, but was facing a bill for over $102,000 as a result. She sent me the disclosure sheet on the loan because she couldn't believe what she saw. ‘I have shown the statement to a loan officer at my bank and also to my attorney,' she wrote. ‘They both expressed to me that they have never seen anything like this and there must be a mistake.'

"I have held more than 90 roundtables around the state, and at almost every one I hear stories like these from students, parents, returning veterans. Many are the first in their family to attend college and are unsure they can afford college and are wary of the process of applying to college that lay ahead.

"I convened a College Presidents Summit in Washington earlier this month to discuss ways we can work together to better link labor needs to the skills of the workforce. All of us know Ohio is changing. The manufacturing jobs that were here twenty or thirty years ago are gone and the needs of business and industry have changed. Today's generation of students will need new skills and a knowledge base previous generations did not.

"It is imperative that students in Ohio and across the nation are able to attend college and get the skills they need to compete. It is equally important that a college education is affordable and does not leave students with crippling debt. We have work to do. The average student in Ohio will graduate with roughly $20,000 in student loan debt. And that's not the worst of it. Costs are expected to rise dramatically, forcing more and more students to turn to high cost private loans to fill the growing gap between federal aid and tuition costs. These loans can carry interest rates of more than 18 percent.

"I am concerned that not enough attention has been paid to the increasing prevalence of these loans and their impact on students and families. As it stands, these loans are growing at a tremendous rate, increasing by 27 percent each year. The reasons for this growth are fairly simple. The cost of college has climbed steadily over the past five years, while federal aid has been nearly stagnant.

"Let me focus on federal aid for a moment. In Ohio, the median household income increased just 3 percent between 2000 and 2006, while tuition went up 53 percent at four-year public schools and 28 percent at four-year private schools. Federal loan limits have not kept up. In 1972, a freshman could borrow $2,500 in federal loans. Last year, that number had barely moved to $2,625. If it had kept pace with inflation, federal loan limits would now be $12,000. We cannot sustain an educational system that forces students to sign away their economic future when they sign up for college.

"In July, Congress took a good step forward and passed the *College Cost Reduction Act*. Now a freshman can borrow $3,500 in his or her first year. But even though the limits in the first two years have been increased somewhat, the overall cap on borrowing remains the same, at $23,000 for a dependent undergraduate. The *College Cost Reduction Act* does nothing to change that cap because the HELP Committee decided - correctly in my view - that the bulk of savings we could achieve should be put back into Pell Grants that students do not have to pay back.

"With the price tag for four years of college at $120,000 for private schools and $50,000 for public schools, there is obviously a big gap remaining for many students. That gap gets filled in many ways - savings, work, grants, PLUS loans, you name it. But in a disturbing trend more and more students are turning to credit cards and high cost private loans.

"And that brings me back to private loans. According to testimony before the Banking Committee in June of last year, Sallie Mae reported issuing $7 billion in private loans and $15 billion in federal loans last year. One in every three loan dollars originated by the biggest student lender in the country was a private loan. Though the private loan market has cooled recently due in large part to the credit crunch, with tuition and fees continuing to rise and federal aid stagnant, the trend is likely to continue.

"As this chart indicates, the private loan program may well outstrip the federal program over the next decade. This chart shows the growth rates of the two programs over the past several years to predict how large they will grow if current trends continue. As you can see, private loans may well be on a par with the federal loan program by the end of the five-year reauthorization Congress is currently considering.

"Congress very often legislates through the rear-view mirror. We wait until a problem becomes close to unmanageable before we feel compelled to act. This hearing is an attempt to shine the light on a problem before it becomes unmanageable.

"I have introduced a bill that would create an alternative to private loans. It would create a supplemental loan program that would be run by the federal government and would operate similarly to the Direct Loan program for unsubsidized Stafford and PLUS loan programs that are saving the government money. I intend to pursue this option and continue to work with Governor Strickland and Chancellor Fingerhut to make sure students are not burdened with overwhelming, high cost debt.

"We must act because the current marketplace for private student loans has two very serious problems. It is not always operating in the best interest of students, and the price of these loans is just too high. The problem - the tremendous cost of these loans - was pointed out in a cover story in a USA Today article early last year. That story, reproduced on this chart, correctly noted that all of our efforts to remove conflicts of interest and back room deals would not help with the incredible interest rates that these loans carry. Referring to our efforts to better police the market, the authors write that: 'These efforts would do little to rein in the fastest-growing area of the market: loans that aren't federally backed, whose rates can generally rise without limit.' The story goes on to quote David Hartung, with the credit rating agency DBRS: 'Enrollment continues to go up, and tuition continues to skyrocket while federal loan limits remain low. That's the perfect storm for the continued growth of private loans.'

"How students weather that storm is up to us. We can decide that students in our country, like the young students that will give testimony today, should no longer face such crippling debt. We have the opportunity to act now to ensure that Ohio's students are not discouraged from attending college and are equipped with the skills to compete in the global economy and fill the jobs of the 21st Century. I look forward to the panels' testimony and commit to working with all of you to make college accessible and affordable for all students."

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