

**Remarks by Senator Elizabeth Warren**  
**Shanker Institute and the American Federation of Teachers**  
**“The Affordability Crisis:**  
**Rescuing the Dream of College Education for the Working Class and Poor”**

*As Prepared for Delivery*

Thank you all for being here today.

This country is in trouble. We’re trying to build a 21<sup>st</sup> Century economy in a competitive world environment. The most basic building block of that economy is a highly educated workforce – today, 59% of American jobs require some postsecondary education, and that number will keep growing.<sup>1</sup> But our plan for developing that workforce is faltering.

There’s no shortage of people hoping to get a college degree—and willing to work for it. The problem is how much they’ll need to pay for it. College costs are exploding. Adjusted for inflation, a student going to a state school today will pay tuition that is more than 300% of what her mom or dad paid just 30 years ago.<sup>2</sup>

Lots of people go to college anyway, taking on huge debt loads to make it possible. In just the last year, student loan debt has jumped another \$100 billion dollars—that’s \$100 billion dollars in one year.<sup>3</sup> More than two-thirds of four-year college grads have borrowed money to get through school, with average debt loads of nearly \$30,000.<sup>4</sup> Low- and middle-income families are hit the hardest.<sup>5</sup>

That debt load is squeezing millions of young people, and squeezing them hard. Data show that young Americans with student loan debt are putting off buying homes, saving for retirement and starting businesses.<sup>6</sup> And the more people borrow to finance their educations, the

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<sup>1</sup> Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, Georgetown Center on Education and the Workforce, *Recovery: Job Growth and Education Requirements Through 2020*, 3/10/13  
[https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.FR\\_Web.pdf](https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.FR_Web.pdf)

<sup>2</sup> College Board, Trends in Higher Education, “Published Tuition and Fees Relative to 1984-85, by Sector,” 2014 <http://trends.collegeboard.org/college-pricing/figures-tables/published-tuition-fees-relative-1984-85-sector>

<sup>3</sup> Federal Reserve Statistical Release, Consumer Credit, 4/2015 <http://www.federalreserve.gov/releases/g19/current/>

<sup>4</sup> The Institute for College Access & Success, Project on Student Debt, *Student Debt and the Class of 2013*, 11/14 <http://ticas.org/sites/default/files/legacy/fckfiles/pub/classof2013.pdf>

<sup>5</sup> David Radwin and Christina Chang Wei, National Center for Education Statistics, *What Is the Price of College?* 2015 <http://nces.ed.gov/pubs2015/2015165.pdf>; Lynch, M., Engle, J., & Cruz, J. (2011). “Priced Out: How the Wrong Financial Aid Policies Hurt Low-Income Students,” available at <https://www.baruch.cuny.edu/news/documents/PricedOut.pdf>.

<sup>6</sup> Consumer Financial Protection Bureau (2013). “Student Debt Domino Effect?” available at <http://www.consumerfinance.gov/newsroom/student-debt-domino-effect/>; Brown, M. & Caldwell, S.

more the resulting debt slows the economy. Already, the Treasury Department, the Federal Reserve, and the CFPB have sounded the alarm that mounting student debt is a real drag on economic growth.<sup>7</sup>

And that's why this country is in trouble: Our economy cannot flourish if we don't have enough college-educated workers, but our economy will stagnate if students take on bigger and bigger debt loads to pay for college. Degrees push us forward, but debt holds us back.

The need for affordable colleges, colleges that offer a great education without crushing students with debt, has never been clearer. But we can't make change by nibbling around the edges. It's time to dramatically reform higher education, to move the whole system toward greater affordability for everyone. And while not every college needs to graduate every student debt-free, every kid needs a debt-free option—a strong public university where it's possible to get a great education without taking on loads of debt. It's time to open the doors of opportunity wider and to invest in our future.

So what would it take to get there, to make college more affordable and to open up debt-free options? This question takes on a particular urgency as Congress begins its efforts to reauthorize the Higher Education Act, rewriting the rules and regulations that define the federal government's role in higher education. Through this process, we have the opportunity to dramatically reform the higher education system – if we can correctly identify the problems that have led us here.

Democrats talk about resources, pointing out that we're no longer investing in our kids the way we once did. Republicans talk about risk and incentives – arguing that students take on debt without fully understanding the consequences, and that colleges get access to federal dollars pretty much no matter the quality or cost of the education that they provide.

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(2013). “Young Student Loan Borrowers Retreat from Housing and Auto Markets,” available at [http://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html#.U2Ghr14\\_pl0](http://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html#.U2Ghr14_pl0)

<sup>7</sup> Federal Reserve, Minutes of the Federal Open Market Committee, March 19-20, 2013

<http://www.federalreserve.gov/monetarypolicy/fomcminutes20130320.htm>;

Federal Reserve Chair Janet Yellen, Remarks at the Conference on Economic Opportunity and Inequality at the Federal Reserve Bank of Boston, “Perspectives on Inequality and Opportunity from the Survey of Consumer Finances,” 10/17/14 <http://www.federalreserve.gov/newsevents/speech/yellen20141017a.htm>;

Deputy Secretary of U.S. Treasury Sarah Bloom Raskin, “Remarks of Deputy Secretary Raskin at the University of Maryland- Baltimore County,” 4/29/2014 <http://www.treasury.gov/press-center/press-releases/Pages/jl2374.aspx>;

CFPB, *Student Loan Affordability*, 5/8/2013 [http://files.consumerfinance.gov/f/201305\\_cfpb\\_rfi-report\\_student-loans.pdf](http://files.consumerfinance.gov/f/201305_cfpb_rfi-report_student-loans.pdf).

Here's the truth – both sides are right. And if we're going to make college truly affordable, both sides will need to acknowledge that you can't solve one without solving the other. Resources are necessary, but resources alone won't keep college costs from spiraling if incentives aren't aligned to lower those costs. And all the incentives in the world won't solve the problem if we aren't willing to invest as a nation in higher education. Our college crisis needs a one-two punch —more resources and better incentives to keep costs low.

We know that resources matter. Beginning with the Morrill Act of 1862 and its grant of federal land to states to establish what became many of the top public universities in the United States, Congress committed itself to ensuring access to an affordable education – and states stepped up and funded those schools.<sup>8</sup> The state schools also did their part, providing a high quality education at a low cost to students. While some kids borrowed to go to more expensive private schools, state schools made it possible to get a college diploma without drowning in debt.

But those days are gone.

Consider the role of state governments today. Public colleges are the backbone of our higher education system. More than three-quarters of college students in the U.S. are enrolled in a public college.<sup>9</sup> But costs are out of sight, primarily because states have failed to invest. In the last 25 years, average state funding per student dropped 24%.<sup>10</sup> In some states, the drop has been even sharper.<sup>11</sup> That leaves families to borrow more money to make up the difference.

Federal priorities have also changed. In previous generations, Congress made strong commitments to funding higher education. The first GI Bill paid for education and training for 7.8 million veterans, and in so doing transformed the lives of the Greatest Generation and the nation itself.<sup>12</sup> Pell grants covered three-quarters of the cost of a public college education for low income kids.<sup>13</sup> Loans under the National Defense Education Act created a generation of teachers,

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<sup>8</sup> Library of Congress, Primary Documents in American History, Morrill Act  
<http://www.loc.gov/rr/program/bib/ourdocs/Morrill.html>

<sup>9</sup> College Board, Distribution of Undergraduate Enrollment by Sector, 2012  
<http://trends.collegeboard.org/college-pricing/figures-tables/distribution-undergraduate-enrollment-sector-2012>

<sup>10</sup> State Higher Education Executive Officers, State Higher Education Finance: FY 2014, 2015  
<http://www.shceo.org/sites/default/files/project-files/SHEF%20FY%202014-20150410.pdf>

<sup>11</sup> Center for Budget and Policy Priorities, “States Are Still Funding Higher Education Below Pre-Recession Levels,” 5/1/14 available at <http://www.cbpp.org/research/states-are-still-funding-higher-education-below-pre-recession-levels>

<sup>12</sup> U.S. Department of Veterans Affairs, Education and Training, <http://www.benefits.va.gov/gibill/history.asp>

<sup>13</sup> The Institute of College Access & Success, “Impact of House and Senate Budget Proposals to Freeze the Maximum Pell Grant for 10 Years: Making College Even Less Affordable,” 3/19/15  
<http://ticas.org/blog/impact-house-and-senate-budget-proposals-freeze-maximum-pell-grant-10-years-making-college-even>

by forgiving their debt in exchange for their work educating our children.<sup>14</sup> Millions of students had the chance to attend college without getting crushed by debt.

Not so today. Now Pell grants cover only a third of costs at a public university, and the Republicans just proposed a budget to cut Pell even further.<sup>15</sup> What's more, Congress treats Pell grants primarily as discretionary spending, putting low-income families at the center of a funding fight virtually every year.<sup>16</sup> Meanwhile, the student loan program has been stripped of key consumer protections and saddled with inflated interest rates that reap big profits for the federal government.<sup>17</sup> And while the government offers loan forgiveness for public service, borrowers have to wait ten years and jump through considerable hoops to get relief.<sup>18</sup>

Resources matter – but so do incentives. We know this because we see how colleges have changed in response to the changing government role in higher education. Instead of responding to state funding cuts by running leaner programs focused more intensely on getting kids through school, many colleges – understanding the availability of guaranteed federal loan and grant dollars – simply passed the costs on to families through higher tuition prices.<sup>19</sup> Worse, some colleges have doubled down in a competition for students that involves fancy dorms, high-end student centers, climbing walls and lazy rivers—paying for those amenities with still higher tuition and fees.<sup>20</sup> And colleges are running up their prices in another, less obvious way – by

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<sup>14</sup> Pamela Ebert Flattau et al., Institute For Defense Analyses Science & Technology Policy Institute, *The National Defense Education Act of 1958: Selected Outcomes*, 3/2006

<https://www.ida.org/~media/Corporate/Files/Publications/STPIPubs/ida-d-3306.ashx>

<sup>15</sup> The Institute of College Access & Success, “Impact of House and Senate Budget Proposals to Freeze the Maximum Pell Grant for 10 Years: Making College Even Less Affordable,” 3/19/15

<http://ticas.org/blog/impact-house-and-senate-budget-proposals-freeze-maximum-pell-grant-10-years-making-college-even>

<sup>16</sup> David Reich and Brandon Debot, CBPP, “House Budget Committee Plan Cuts Pell Grants Deeply, Reducing Access to Higher Education,” 3/24/15

<http://www.cbpp.org/research/house-budget-committee-plan-cuts-pell-grants-deeply-reducing-access-to-higher-education>

<sup>17</sup> Maureen Tkacik, Reuters, “Column: The student loan crisis that can't be gotten rid of,” 8/15/12

<http://www.reuters.com/article/2012/08/15/us-student-loan-crisis-idUSBRE87E13L20120815>; CBO,

March 2015 Baseline Projections for the Student Loan Program, March 2015, p. 2

<https://www.cbo.gov/sites/default/files/cbofiles/attachments/44198-2015-03-StudentLoan.pdf>

<sup>18</sup> Federal Student Aid, Public Service Loan Forgiveness Program,

<https://studentaid.ed.gov/sa/sites/default/files/public-service-loan-forgiveness.pdf>

<sup>19</sup> Michael Mitchell, Vincent Palacios, and Michael Leachman, CBPP, “State Are Still Funding Higher Education Below Pre-Recession Levels,” 5/1/14

<http://www.cbpp.org/research/states-are-still-funding-higher-education-below-pre-recession-levels>

<sup>20</sup> NY Times, “How to Raise a University's Profile: Pricing and Packaging,” 2/8/15 available at

[http://www.nytimes.com/2015/02/08/education/edlife/how-to-raise-a-universitys-profile-pricing-and-packaging.html?gwh=24E524E1B267E22CAFB7A880E50F565A&gwt=pay&assetType=nyt\\_now](http://www.nytimes.com/2015/02/08/education/edlife/how-to-raise-a-universitys-profile-pricing-and-packaging.html?gwh=24E524E1B267E22CAFB7A880E50F565A&gwt=pay&assetType=nyt_now); NY

Times, “Building a Showcase Campus, Using an I.O.U.,” 12/14/14 available at

<http://www.nytimes.com/2012/12/14/business/colleges-debt-falls-on-students-after-construction-binges.html?pagewanted=all>; NY Times, “Making a Splash on Campus” 9/21/14 available at

<http://www.nytimes.com/2014/09/21/fashion/college-recreation-now-includes-pool-parties-and-river->

<http://www.nytimes.com/2014/09/21/fashion/college-recreation-now-includes-pool-parties-and-river->

keeping students on campus longer. Today fewer than 40% of students finish a bachelor's degree in 4 years, and the extra time adds 25 to 50% more to the cost of a diploma.<sup>21</sup> Marketplace incentives are so completely backwards that higher tuition is sometimes seen as a signal of higher quality, so now there is evidence that some schools are raising tuition to make themselves appear more attractive.<sup>22</sup>

There are so few consequences for high prices and low quality that a whole new business model has flourished at for-profit colleges. Instead of pouring money into quality educational programs – or even into climbing walls and Olympic pools – many such colleges invest heavily in advertising, targeting young vets and single moms for programs that promise the moon but that often deliver nothing but heartache.<sup>23</sup> When the jobs featured in the slick recruitment pitches fail to materialize, students are left with mountains of debt they cannot possibly repay. Consider three numbers: 10, 20, 44. Just over 10% of all college students attend a for-profit college, yet they take in about 20% of all federal student aid and account for about 44% of all student loan defaults.<sup>24</sup>

For decades, the combined efforts of colleges, state governments, and the federal government opened doors for millions of Americans. Sure, kids had to work hard – work hard in school, pick up a summer job and maybe a part-time job, but graduating without big debts was a real possibility for every kid.

That America is gone. So how do we bring it back? How do we make college affordable again? How do we put a debt-free option within reach?

It starts with courage – the courage of both Democrats and Republicans to admit how much is wrong and that the other side has a real point. We can do it if Republicans admit that we will never have affordable college without investing more resources in education, and if

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rides.html?\_r=0&assetType=nyt\_now&gwh=48EF032D357BFF9AC409F4E73E13DE5B&gwt=pay&assetType=nyt\_now

<sup>21</sup> National Center for Education Statistics, *Digest of Education Statistics*, Table 326.10, 1/2014  
[https://nces.ed.gov/programs/digest/d13/tables/dt13\\_326.10.asp](https://nces.ed.gov/programs/digest/d13/tables/dt13_326.10.asp)

<sup>22</sup> Kevin Carey, NYT, “How to Raise a University’s Profile: Pricing and Packaging,” 2/6/15  
<http://www.nytimes.com/2015/02/08/education/edlife/how-to-raise-a-universitys-profile-pricing-and-packaging.html>

<sup>23</sup> A. Ananthalakshmi, Reuters, “U.S. for-profit colleges spend big on marketing while slashing other costs,” 11/28/12 <http://www.reuters.com/article/2012/11/28/net-us-forprofitcolleges-analysis-idUSBRE8AR0FJ20121128>

<sup>24</sup> College Board, “Enrollment by Level of Enrollment and Attendance Status over Time,” 2014  
<http://trends.collegeboard.org/college-pricing/figures-tables/enrollment-level-attendance-status-time>;  
College Board, Trends in Student Aid 2014, “Total Student Aid and Nonfederal Loans in 2013 Dollars over Time,” 2014 <http://trends.collegeboard.org/sites/default/files/2014-trends-student-aid-final-web.pdf>;  
Department of Education, “Comparison of FY 2011 Official National Cohort Default Rates to Prior Two Official Cohort Default Rates,” Calculated 7/26/14  
<http://www2.ed.gov/offices/OSFAP/defaultmanagement/schooltyperates.pdf>

Democrats admit that we will never have affordable college without demanding real accountability in exchange for those investments.

Let's start with colleges. Many colleges want to keep costs low, but they face powerful incentives to attract more students, to climb the rankings, and to bring in more federal aid dollars. There's far less pressure to hold costs down or to ensure that their services are worth the price. No matter how high tuition rises, and no matter how poor the outcomes – most schools face no consequences for failing to serve students or for wasting federal financial aid dollars.<sup>25</sup> Conservatives are right: we can't keep pouring money into schools without demanding something in return. It's time for the federal government to realign incentives. Here are three simple ways to dramatically increase colleges' incentives to put students first.

First, force colleges to put some skin in the game on student loans. Right now, when borrowers default on their loans, students and taxpayers pay the cost – not colleges.<sup>26</sup> That means colleges reap all the benefits of student loan funds, while students and taxpayers bear all the risk. If we want colleges to pay attention to rising costs and failing students, then they need to bear some of that cost too.

There is bipartisan support for the idea of more college accountability. Senators Reed, Durbin and I have worked on it together for the last few years and we've introduced legislation to force colleges to have some skin in the game.<sup>27</sup> Conservatives at the American Enterprise Institute have endorsed similar ideas,<sup>28</sup> and Senator Alexander has indicated his interest in including a risk-sharing program in the Higher Education Act.<sup>29</sup> If done right – not just window-dressing, but with a real and robust accountability mechanism – this could create meaningful incentives to cut costs and boost graduations. Skin in the game could also be paired with reducing overly burdensome reporting requirements and regulations, replacing them with a

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<sup>25</sup> Senate Committee on Health, Education, Labor & Pensions, "Risk-Sharing/Skin-in-the-Game Concepts and Proposals," 2015 available at [http://www.help.senate.gov/imo/media/Risk\\_Sharing.pdf](http://www.help.senate.gov/imo/media/Risk_Sharing.pdf)

<sup>26</sup> Senate Committee on Health, Education, Labor & Pensions, "Risk-Sharing/Skin-in-the-Game Concepts and Proposals," 2015 available at [http://www.help.senate.gov/imo/media/Risk\\_Sharing.pdf](http://www.help.senate.gov/imo/media/Risk_Sharing.pdf)

<sup>27</sup> Press Release, Senator Jack Reed, "Reed Headlines U.S. Senate Hearing Exploring Risk-Sharing by Institutions of Higher Education, 5/20/15 <http://www.reed.senate.gov/news/releases/reed-headlines-us-senate-hearing-exploring-risk-sharing-by-institutions-of-higher-education>

<sup>28</sup> American Enterprise Institute, "Fixing Student Loans: Let's Give Colleges Some 'Skin in the Game,'" 1/26/12 available at <https://www.aei.org/publication/fixing-student-loans-lets-give-colleges-some-skin-in-the-game/>

<sup>29</sup> College Board, "Enrollment by Level of Enrollment and Attendance Status over Time," 2014 <http://trends.collegeboard.org/college-pricing/figures-tables/enrollment-level-attendance-status-time>; College Board, Trends in Student Aid 2014, "Total Student Aid and Nonfederal Loans in 2013 Dollars over Time," 2014 <http://trends.collegeboard.org/sites/default/files/2014-trends-student-aid-final-web.pdf>; Department of Education, "Comparison of FY 2011 Official National Cohort Default Rates to Prior Two Official Cohort Default Rates," Calculated 7/26/14 <http://www2.ed.gov/offices/OSFAP/defaultmanagement/schooltyperates.pdf>

streamlined set of meaningful measures. Of course, the devil is in the details – if done wrong, the accountability problem in higher education just gets worse.

Second, require schools to spend a minimum proportion of their federal financial aid revenues on expenses directly related to education. Call it the rule against “taxpayer waste.” Right now, taxpayers invest about \$164 billion a year in colleges.<sup>30</sup> That money is supposed to help support affordable education for our young people, not pay for exploding numbers of administrators or elaborate college marketing departments. If colleges want access to that taxpayer money, then they should commit to investing that money in an affordable education for their students.

Third, give colleges an incentive to cut costs by establishing “shared savings.” When colleges help more students graduate in four years instead of five or six, for example, the students save money on tuition and the government saves money on Pell Grants, work-study, and other aid. If colleges can share in the savings, they will have an added incentive to keep down costs.

Some colleges need more than a push in the right direction. Corinthian Colleges, the recently closed for-profit chain, is a good example. Corinthian built its business model to scoop in federal financial aid by any means necessary – including fraud. According to government investigations, Corinthian used false and misleading information to entice students to enroll, and then left those students saddled with federal loans they could not possibly repay.<sup>31</sup>

For-profit colleges like Corinthian make it clear that the federal government needs to tighten the rules to keep such institutions from deceiving students and misusing federal funds. Loopholes that permit for-profit schools to prey on veterans must be closed.<sup>32</sup> And when schools like Corinthian break the law, their executives shouldn’t get to walk away from the mess – we need real penalties for executives at colleges that defraud their students. And Secretary of Education Arne Duncan is right when he says that for too long, too many in Congress have protected this industry from real accountability.<sup>33</sup> Taxpayers and students have suffered long enough. It’s time to stop these abuses.

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<sup>30</sup> College Board, Trends in Student Aid 2014, “Total Student Aid and Nonfederal Loans in 2013 Dollars over Time,” 2014

<http://trends.collegeboard.org/student-aid/figures-tables/total-student-aid-nonfederal-loans-2013-dollars-time>

<sup>31</sup> Michael Stratford, Inside Higher Ed, “Corinthian Dismantling Continues, 4/15/15

<https://www.insidehighered.com/news/2015/04/15/us-fines-corinthian-colleges-30-million-and-effectively-closes-heald-chain>

<sup>32</sup> The Atlantic, “The Downfall of For-Profit Colleges” 2/23/15 available at

<http://www.theatlantic.com/education/archive/2015/02/the-downfall-of-for-profit-colleges/385810/>

<sup>33</sup> Huffington Post, “Unveiling Student Debt Relief, Duncan Hits For-Profit College Industry and Its Friends in Congress,” 6/8/15 available at [http://www.huffingtonpost.com/davidhalperin/unveiling-student-debt-re\\_b\\_7537846.html](http://www.huffingtonpost.com/davidhalperin/unveiling-student-debt-re_b_7537846.html)

Colleges need to do their part, but so do the states. Here are two policy steps that states can take that would move our students closer to affordable college and to open up debt-free options.

First, stop cuts to higher education. This is simple math: As states cut back their support, tuition goes up and families must pick up the bill. For example, since the recession, state spending per student in Arizona is down by almost 50%, and tuition at 4 year public colleges in Arizona has gone up by 80%.<sup>34</sup> When families face higher bills and fewer are able to pay, those costs get shifted to the federal government and taxpayers through grants and loans. States are rightly proud of their public universities, and now it's time for states to back up their rhetoric with real support for their schools. If states won't maintain minimum levels of investment in their own schools, they shouldn't have access to federal aid to let them off the hook.

Second, refinance student loans. The federal government and private banks hold billions of dollars in student loans at 7%, 8%, 9%, 10% and even higher, even though government borrowing costs are much, much lower.<sup>35</sup> My colleagues and I have tried repeatedly to create a federal refinancing option for these loans, but Republicans in the Senate have blocked our efforts every single time.<sup>36</sup> With \$1.3 trillion in outstanding student loan debt, our kids and our economy can't wait.<sup>37</sup> Borrowers dealing with student loan debt need relief now – and the states can provide it themselves by refinancing both public and private student loans.

North Dakota recently implemented a student loan refinancing program, passed under the leadership of a Republican governor, with bipartisan support from its legislature.<sup>38</sup> In just eight months, the state has refinanced more than \$125 million in loans, providing a break to nearly 3,000 borrowers.<sup>39</sup> State refinancing programs can provide substantial benefits to in-state borrowers at no cost to state taxpayers. More states should follow North Dakota's lead – and the

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<sup>34</sup> Center for Budget and Policy Priorities, "States Are Still Funding Higher Education Below Pre-Recession Levels," 5/1/14 available at <http://www.cbpp.org/research/states-are-still-funding-higher-education-below-pre-recession-levels>

<sup>35</sup> David P. Smole, CRS, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, 1/21/15; CFPB, *Private Student Loans*, 8/29/12 [http://files.consumerfinance.gov/f/201207\\_cfpb\\_Reports\\_Private-Student-Loans.pdf](http://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf); GAO, "Federal Student Loans: Borrower Interest Rates Cannot Be Set in Advance to Precisely and Consistently Balance Federal Revenues and Costs," 1/14 <http://www.gao.gov/assets/670/660548.pdf>

<sup>36</sup> The Hill, "GOP blocks Warren's student loan bill," 9/16/14 available at <http://thehill.com/blogs/floor-action/senate/217908-gop-blocks-warrens-student-loan-bill>; The Hill, "GOP blocks Warren's student loan plan," 3/25/15 available at <http://thehill.com/blogs/floor-action/senate/236918-republicans-block-warrens-student-loan-amendment>

<sup>37</sup> Federal Reserve Statistical Release, Consumer Credit, 4/2015 <http://www.federalreserve.gov/releases/g19/current/>

<sup>38</sup> North Dakota Democratic Caucus, "Legislature Passes Student Debt Relief Bill," 4/19/13 <http://demcaucus.areavoices.com/2013/04/19/legislature-passes-student-debt-relief-bill/>

<sup>39</sup> Prairie Business, "Student Loans: Lessening the Student Loan Load," 1/30/15 <http://www.prairiebizmag.com/event/article/id/22550/>



federal government can help them get started by clarifying rules about using tax-exempt bond authority to refinance these loans.

Finally, just like colleges and states, the federal government should step up too.

First, leverage federal resources to make sure middle class students have a fighting chance of making it through college without getting crushed by debt. The federal government can help states meet their responsibilities by directly partnering with them to support their colleges in the same way that the federal government partnered with states to build and maintain interstate highways. By leveraging federal dollars, we can give states an incentive to increase their investments in public education, bring down prices, improve outcomes for students, and make sure that every state university system in the country offers at least one path to a debt-free college degree for all students.

Second, fix the Pell program. This is a basic resources issue and there's just no way around it: if low income kids are going to get a real chance at college, then investments in Pell Grants must increase. Pell funding should also be mandatory, rather than subject to yearly discretionary budget fights. The program's efficiency can be increased by letting students access these funds year-round, another concept that has bipartisan support.<sup>40</sup>

Third, simplify the application process for federal aid, as Senator Alexander and Senator Bennet have previously called for.<sup>41</sup> Financial aid doesn't mean anything if students don't apply for it. In Massachusetts, nearly 30 percent of college-bound students don't even fill out the FAFSA form – and that means they miss out on valuable federal, state, and institutional assistance.<sup>42</sup> The form should be simple – limited to the fewest questions necessary to determine eligibility. And timing should be shifted so that families can figure out eligibility early enough to consider many options.

Fourth, change the rules of the student loan program. The federal government should not profit from student loans – period. The debate over the right interest rates should be between whether the program should break even or be subsidized—not over how big the profits should be. In addition, offering a “public service pays” program that provides year-by-year loan

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<sup>40</sup> U.S. Senator Committee on Health, Education, Labor, and Pensions, “Senators Alexander, Bennet Would Cut 100-Question Student Aid Form to 2 Questions,” 6/19/14  
<http://www.help.senate.gov/chair/newsroom/press/senators-alexander-bennet-would-cut-100-question-student-aid-form-to-2-questions>

<sup>41</sup> Senate Committee on Health, Education, Labor, and Pensions, “Senators Alexander, Bennet Would Cut 100-Question Student Aid Form to 2 Questions,” 6/19/14 available at  
<http://www.help.senate.gov/chair/newsroom/press/senators-alexander-bennet-would-cut-100-question-student-aid-form-to-2-questions>

<sup>42</sup> Massachusetts Department of Higher Education, “DHE Hosts “College Goal Sunday” Kickoff, Urges Students and Families to Seek Help with Financial Aid Forms,” 1/21/14  
<http://www.mass.edu/about/whatsnew.asp>

forgiveness in exchange for public service would also help students cut their debt burdens and make college more affordable. And students who are crushed by student loan debt need better protection. When they've fallen off a financial cliff, they should be able to discharge debts in bankruptcy. When their schools break the law and defraud them, students should also be released from their student loans. Congress gave the Department of Education the power to accomplish this, and it's long past time for the Department to use this power to help students who are cheated.

One more thing: changes to make the federal higher education rules work better won't matter if the Department of Education won't enforce them. There are real reasons to worry about whether the Department of Education is committed to enforcing federal rules designed to help students.

Consider what happened with Corinthian. At its peak, Corinthian had 120 campuses and enrolled over 100,000 students.<sup>43</sup> Federal policymakers had concerns about Corinthian's conduct – for years. They had tools to address that conduct, but instead of acting, the Department of Education allowed Corinthian campuses to keep drawing in more students and sucking down more federal funds.<sup>44</sup> When Corinthian's dangerous mix of mismanagement and deception finally blew up, the Department stepped in to bail out the college and keep it alive longer.<sup>45</sup> Now Corinthian is bankrupt and its students are scrambling to start over.

This week, the Department of Education announced important first steps toward discharging loans for students that Corinthian defrauded.<sup>46</sup> Secretary Duncan is right to help these students, and should do more – particularly since the students were defrauded while the Department of Education passed up one opportunity after another to stop Corinthian from cheating more students.<sup>47</sup>

Here's another example. Last year, the Department of Justice and the FDIC hit Navient, one of the country's largest student loan servicers, with a \$100 million fine for failing to cap

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<sup>43</sup> David Dayen, Huffington Post, “Chipping Away At My Soul: Insiders Detail The Decline And Fall Of Corinthian's For-Profit College Empire,” 6/4/15 [http://www.huffingtonpost.com/2015/06/04/corinthian-colleges-loan-forgiveness\\_n\\_7492908.html](http://www.huffingtonpost.com/2015/06/04/corinthian-colleges-loan-forgiveness_n_7492908.html)

<sup>44</sup> Senate HELP Committee, “For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success,” 7/30/12  
[http://www.help.senate.gov/imo/media/for\\_profit\\_report/PartII/Corinthian.pdf](http://www.help.senate.gov/imo/media/for_profit_report/PartII/Corinthian.pdf)

<sup>45</sup> Paul Fain, Inside Higher Ed, “Corinthian's Phasing-Out,” 6/24/14  
<https://www.insidehighered.com/news/2014/06/24/profit-chain-works-feds-phase-out-plan>

<sup>46</sup> NY Times, Government to Forgive Student Loans at Corinthian Colleges,” 6/8/15 available at  
<http://www.nytimes.com/2015/06/09/education/us-to-forgive-federal-loans-of-corinthian-college-students.html>

<sup>47</sup> Jessica Glenza, The Guardian, “The Rise and Fall on Corinthian Colleges and the wake of debt it left behind,” 7/28/14  
<http://www.theguardian.com/education/2014/jul/28/corinthian-colleges-for-profit-education-debt-investigation>

interest rates on both federal and private loans for members of the armed forces – caps that were required by law.<sup>48</sup> Despite this settlement, Navient has continued to service millions of federal student loans. Instead of taking action against Navient, the Department of Education conducted its own investigation, and a year later announced, inexplicably, that Navient had not engaged in misconduct.<sup>49</sup> What’s going on? Well, last year, when Senator Harkin and I questioned the head of the student loan program at the Department of Education about why it continues to do business with Navient despite a pattern of rule-breaking, the official pointed out that canceling a servicer contract would mean the Department would face the challenge of transferring millions of borrowers to a new servicer. In other words, in the view of senior officials at the Department of Education, Navient is simply too big to fail.<sup>50</sup>

The Department of Education needs to show that there’s a real cop on the beat. Whether it’s a loan servicer that is breaking the law or a college that is violating the rules of the financial aid programs, the Department should spell out a clear framework for how those actions will be identified, evaluated, and punished. Federal Student Aid should include specific consequences for rule-breaking in its contracts with servicers and debt collectors. It’s time to get tough.

And if we expect the Department of Education to take more responsibility for enforcing the law and holding schools and servicers to high standards, then those of us in Congress need to take responsibility for holding the Department accountable. That starts with transparency. Congressional oversight of the Department of Education’s college programs is virtually nonexistent. In the two and a half years that I have been on the Senate HELP Committee, Department of Education officials have come in to testify about the status of our \$1 trillion student loan portfolio only once. Data requests to the Department often go unanswered for months at a time. The Department of Education should be required to be more transparent about its actions – from the wind-down of failed colleges like Corinthian to the data it collects on the student loan program – and I’m pleased that Senator Alexander has already committed to working with me to get better data as part of the Higher Education Act reauthorization.

Finally, there should be external checks on the Department. One obvious example is that the student loan complaint system should be moved out of the Department of Education and over

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<sup>48</sup> Justice Department Reaches \$60 Million Settlement with Sallie Mae to Resolve Allegations of Charging Military Servicemembers Excessive Rates on Student Loans,” available at <http://www.justice.gov/opa/pr/justice-department-reaches-60-million-settlement-sallie-mae-resolve-allegations-charging>; “FDIC Announces Settlement with Sallie Mae for Unfair and Deceptive Practices in Violation of the Servicemembers Civil Relief Act,” available at <https://www.fdic.gov/news/news/press/2014/pr14033.html>.

<sup>49</sup> Press Release, “U.S. Department of Education Completes Review of Major Student Loan Servicers,” <http://www.ed.gov/news/press-releases/us-department-education-completes-review-major-student-loan-servicers>

<sup>50</sup> Senate HELP Committee, Full Committee Hearing: Strengthening the Federal Student Loan Program for Borrowers, 3/27/14 <http://www.help.senate.gov/hearings/strengthening-the-federal-student-loan-program-for-borrowers>

to the Consumer Financial Protection Bureau. We don't trust a bank to handle its own complaints, and we shouldn't trust the federal student loan program to do it either. CFPB has a top-notch complaint system in place already, and federal student loan complaints could easily be added. Another obvious change is that borrowers should have a private right of action against the contractors who administer the federal loan program. When federal contractors break the rules, the students who are injured shouldn't have to rely on a federal agency to make it right. They should be able to enforce those rules themselves in court.

This is a critical moment in America, a moment at which we reconsider the how to build a future. We cannot build a 21<sup>st</sup> Century workforce and a 21<sup>st</sup> Century economy if colleges keep raising prices, if states keep cutting support, and if the federal government squanders billions of student loan dollars on schools that do not serve their students. If we drown our young people in debt, we drown this country's future.

Change is urgently needed. Public colleges need more resources, but they must also be accountable for lowering costs. States and the federal government cannot shirk their responsibility to keep pathways to higher education open to all, but they can – and should – leverage their support to ensure that quality, affordable education is available to students and their families. Affordable college with debt-free options is not a dream – it is a very real opportunity to build a future. It begins with a commitment from Democrats and Republicans: a commitment to more resources and more accountability.

This is deeply personal to me. I grew up in a family that struggled financially, and nobody thought college was in the cards for me. I got a scholarship, dropped out of school, got married at 19, and finally made it to a commuter college that charged \$50 a semester. I hung on for dear life, and that college opened a whole world for me. I worked hard – but I also grew up in an America that was building opportunities for its kids. I believe in that America. I believe that we can – and we must – make college affordable for every hard-working kid who wants to get an education. It's up to us.

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