

April 12, 2021

The Honorable Elizabeth Warren
Chairman
Subcommittee on Economic Policy
Committee on Banking, Housing, and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable John Kennedy
Ranking Member
Subcommittee on Economic Policy
Committee on Banking, Housing, and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairwoman Warren and Ranking Member Kennedy:

On behalf of the Education Funding Committee of the Consumer Bankers Association (CBA), I am writing to provide some information to members of the Subcommittee in advance of the April 13, 2021, hearing, "The Student Debt Burden and Its Impact on Racial Justice, Borrowers, & The Economy." We appreciate the Subcommittee's interest in student loan debt and concern with regard to the negative impact of over-borrowing by students. We note that the facts show the student debt problem in this country is caused by unlimited lending by the federal government and the resulting constantly increasing prices charged by schools. **The best way to reduce excessive student loan debt is to restrain the federal lending that is fueling the excess.**

CBA is the voice of the retail banking industry whose members operate in all 50 states, serve more than 150 million Americans, and collectively hold two-thirds of the country's total depository assets. CBA members are also the private sector lenders that make the majority of private education loans to help families finance a postsecondary education. At this time of extreme uncertainty, our banks remain in strong financial condition and are stepping up to serve the needs of their customers and employees.

Federal student loan debt has ballooned in large part because many borrowers are not making progress repaying what they borrowed. In contrast, private student loan borrowers are successfully repaying their loans 98 percent of the time. This successful repayment rate has persisted year after year only dropping slightly during the COVID-19 pandemic-affected months 2020 and already recovering this year.

Federal student loan debt comprises 92 percent, or \$1.57 trillion, of the total \$1.7 trillion in outstanding student loan debt. Private student loans total \$139 billion. Although federal loan payments have been paused since March 2020, lending is continuing and the total balance of loans is increasing. Federal law allows for open-ended borrowing of PLUS loans by graduate students and parents of undergraduates, limited only by what that their schools decide to charge. Credit checks are minimal. In contrast, private lenders can only lend their depositors' or investors' money to students and parents who seem likely to be able to repay.

The best consumer protection is to avoid saddling families with debt they can't pay. The government has a responsibility to provide access to higher education to Americans regardless of financial situations, but that should be accompanied by some consideration of ability to pay, as well as some limitation on borrowing to constrain prices. We think these practical solutions would go a long way towards easing the student debt problem in the future.

Private lenders have done their part to help their customers who have been impacted by the effects of the coronavirus pandemic. CBA members have been working closely both with former students and current students and their families, including those who have seen their educations interrupted or transformed due to the pandemic. Our members have offered special terms, including expanded forbearance – stopping loan repayment – and other options to meet the needs of borrowers and co-signers. According to a survey of our members, forbearances did rise from their normal extremely low level of about 2-3 percent to as much as 7 percent last summer but have now returned almost to their pre-pandemic levels. We know our economy is still recovering, and some will continue to need help, but we are optimistic that the vast majority of private student loan borrowers are succeeding in the loan repayment process.

Private loans play an important role in providing access to higher education, typically supplementing federal aid and always involving a careful assessment of credit capacity and ability to pay. That is why more than 98 percent of private loans are being successfully repaid, while a quarter of federal loan borrowers are not making any progress towards reducing their loan balance.

As the subcommittee considers what steps it can take to ease the problem of ballooning student loan debt, we urge you to work with your colleagues on other committees to change the Higher Education Act to limit PLUS borrowing and otherwise encourage colleges to restrain their costs. Improved disclosure of terms and conditions for federal loans, like those required for private loans by the Truth in Lending Act, would also help. In addition, we recommend that federal student lending include some level of consideration of ability to repay before saddling students and their families with significant debt they have no hope of repaying. Our members stand ready to provide advice and ideas in this process. In the meantime, we will continue to serve our customers as we have been, offering low-cost student loan options.

Thank you for your consideration of our views.

Sincerely,



Richard Hunt
President and CEO
Consumer Bankers Association