The Student Loan Crisis
Perceptions of the American Public

FEBRUARY 20, 2019
Methodology

• National survey of 1,000 registered voters.
• Conducted January 3-13, 2019.
• Participants are representative of U.S. population based on gender, race, age, education and income.
Student debt is a concern for the majority of Americans, yet it is misunderstood.
Student debt is a concern for the majority of Americans, yet it is misunderstood:

- Nearly 70% of survey participants have or know someone with student debt; more than half report worrying about it “all” or “most” of the time.
- Just 48% of those polled reported the federal government “definitely” offers student loans.
• Respondents believe student loans are largely split between federal and private loans.

Actual Numbers:

- **FEDERAL**: 51.6%
- **PRIVATE**: 48.8%

- **FEDERAL**: 92%
- **PRIVATE**: 8%
• Americans believe less than half of both private and federal student loans are being repaid successfully.

Actual repayment numbers:

FEDERAL 45.4%  PRIVATE 48.8%

Federal loans have a double-digit default or delinquency rate.
Here is where there is agreement...
Americans found these facts very concerning:

• 92% of all student loans are held by the federal government, essentially making the Department of Education the nation’s fifth largest bank.

• Student loan debt is approximately $1.5 Trillion.

• Because of virtually unlimited federal borrowing through the PLUS program, some Americans owe more than $1 Million in student loans.
• Tuition – fueled by federal over lending – is outpacing inflation.

• Tuition rates increase up to 63 cents for every dollar in federal student aid offered.
• Federal student loans to parents have more than tripled during the last 25 years and parents are allowed to take out loans without considering if they can repay the loan.

• 1 in 5 student loan borrowers in repayment is seriously delinquent or has defaulted.
Federal v. Private Student Loans
The overwhelming majority of student loans are federal loans.
Americans support common-sense reforms to improve student lending.

### Borrowers Deserve Options When Financing Higher Education Goals

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<thead>
<tr>
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<th>Federal Student Loans</th>
<th>Private Student Loans</th>
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<tbody>
<tr>
<td>Origination Fees</td>
<td>✓</td>
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<tr>
<td>Personalized, Plain-Language Disclosures</td>
<td>x</td>
<td>✓</td>
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<td>Responsible Underwriting to Help Prevent Overborrowing</td>
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<td>✓</td>
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<tr>
<td>Refinancing Options to Lower Interest Rates</td>
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</tr>
<tr>
<td>Fixed Rate Loan</td>
<td>✓</td>
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<td>Variable Rate Loan</td>
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<tr>
<td>Customizable Term Lengths at Origination</td>
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Americans support common-sense reforms to improve student lending.

• About 85% of those surveyed believe federal student loans should be capped at a reasonable amount that would provide access to education while preventing over-borrowing.

• 90% believe disclosures detailing important costs and terms should always be provided before a borrower takes out an education and those disclosures should always provide specific monthly payments.

• More than 60% agree the federal government should provide loans to families with the most need and allow the private market to serve families with means.
CBA Recommendations
CBA recommends:

- Increasing the availability of Pell Grants.
- Ending unlimited PLUS loan borrowing to help reduce tuition increases.

Federal student loans should be capped at a reasonable amount that would provide access to education while preventing over-borrowing.
CBA recommends:

- Implementing “Know Before You Owe” disclosures to clearly explain the terms of federal loans.

Disclosures detailing important costs and terms should always be provided before a borrower takes out an education loan.

- Strongly agree: 71%
- Somewhat agree: 19%

[Images and logos]
CBA recommends:

- Implementing “Know Before You Owe” disclosures to clearly explain the terms of federal loans.

Private student loans provide clear, upfront disclosures.
Federal student disclosures are opaque.
Plain Language Disclosure for Direct Subsidized Loans and Direct Unsubsidized Loans

William D. Ford Federal Direct Loan Program

1. General Information. You are receiving a Direct Subsidized Loan and/or Direct Unsubsidized Loan to help cover the costs of your education. This Plain Language Disclosure (PLD) contains information about your loan. Please read the Disclosure carefully and keep a copy in a safe place with your loan documents. This Disclosure is an accurate representation of information from the U.S. Department of Education’s Student Loan Servicing Center (the Department).

We urge you to carefully read and understand the following information and other materials related to your loan. If you have questions about your loan, contact your servicer. Your servicer’s telephone number and address are shown on the correspondence you will receive related to your loan.

You must repay this loan, even if you are unable to complete your education, do not complete your program of study, or are not able to work in your area of study. Borrow only the amount you are offered to repay, even if you are eligible for a larger loan.

By signing the Master Promissory Note, you certify under penalty of perjury that you have been offered and accepted or if you have a prior loan that you have not been offered or accepted an award of Direct Subsidized Loans, Federal Perkins Loans, or Federal Stafford Loan (independent or dependent) and that you have read and understand the information and certification to lenders, guarantors, and servicers for specific authorized purposes.

2. Maximum Awards. The maximum Direct Subsidized Loan and Direct Unsubsidized Loan amounts are determined by your eligibility, the cost of attendance at your school, and any other assistance you receive. You may receive Direct Subsidized Loans if you meet the following eligibility requirements:

a. You must be enrolled at least half-time in an eligible program.

b. You must be a U.S. citizen or a qualified noncitizen, and you must meet the income and selection criteria for need-based aid.

c. You must certify that you will not exceed the annual or lifetime limits on your federal student aid eligibility.

3. Loan terms and conditions. This Disclosure summarizes information about your loan. Please refer to your Master Promissory Note or the “Loan and Financial Aid Note” on the back of the Informational Statement (S) and contact your servicer for the complete terms and conditions of your loan.

4. Direct Subsidized Loans and Direct Unsubsidized Loans. Direct Subsidized Loans are available only to undergraduate students. Direct Unsubsidized Loans are available to both undergraduate students and graduate or professional students.

5. Terms and Conditions. The terms and conditions of the Direct Subsidized Loan and Direct Unsubsidized Loans are described below:

a. Interest. You are required to pay interest on your loan while you are in school and during the grace period, during deferment periods, and during periods of deferment under income-based repayment plans.

b. Repayment. You must begin making payments on your Direct Subsidized Loan and Direct Unsubsidized Loans as soon as you receive the loan.

6. Use of loan money. You may use your loan money only to pay for educational expenses (for example, tuition, room, board, fees, and books) at the school that determined you were eligible to receive the loan. You must return to your school any loan money not used for educational expenses. You are responsible for repaying the principal and interest on your loan.

7. Information you must report. While you are a borrower, you must notify your school if you change your address or phone number; if you change your name (for example, by marriage); if you leave school and do not plan to return within 12 months; if you drop below half-time for the loan period certified by the school; or if you cease to be enrolled at the school that certified you for the loan.

You must also notify your servicer of any changes in your name, address, or phone number; if you change your job or employer; or if you leave school and do not plan to return within 12 months of your last day of attendance at the school that certified you for the loan.

8. Amount you may borrow. There are limits on the amount you may borrow each academic year (independently of subsidized loan amounts) and the amount you may borrow in total for undergraduate and graduate study (aggregate loan limits), as explained in the more detailed explanations in the “Loan and Financial Aid Note” and the “Loan and Financial Aid Note” on the back of the Informational Statement. You cannot borrow more than these limits. The annual and aggregate loan limits are described below:

9. Loan and Financial Aid Note. This Disclosure is an accurate representation of the information you will receive from your servicer. This Disclosure includes all the information required by law to be provided to you by your servicer. If you have any questions about your loan, contact your servicer.
CBA recommends:

- Renaming so-called “Award” letters provided by colleges to the more accurate “Financing” letters and having them clearly differentiate loans from grants and scholarships.
CBA recommends:

• Requiring school certification of private education loans.

• Utilizing economist-preferred fair value accounting to show the true cost of federal student loans.

• Requiring detailed public reports on performance of the federal government’s direct loan portfolio.
Additional data …

• Full poll information:
  https://www.consumerbankers.com/sites/default/files/Student%20Lending%20Poll_2.pdf

• CBA press release:

• Student lending fact sheet:
For questions or more information…

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