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Email to HEC:

Hi

I strongly disagree with this legislation. It's not ground-breaking--it's regressive. I urge you all to take a much closer look.

I explain why here. Feel free to submit this as my testimony.

http://theeduoptimists.com/2014/02/addressing-student-debt-in-wisconsin.html

Sara Goldrick-Rab

Addressing Student Debt in Wisconsin

February 3, 2014 | Blog, News

On Wednesday morning at 10 am, a bill titled the "Higher Education, Lower Debt Act" will receive a hearing before the Wisconsin Legislature's Senate Committee on Universities and Technical Colleges.

I have spent the last decade studying the impacts of higher education financing on current, prospective, and former students throughout Wisconsin and nationwide. In the most relevant effort, the Wisconsin Scholars Longitudinal Study, my team and I tracked a cohort of 3,000 Pell Grant recipients through the state's public 2-year and 4-year colleges. We carefully surveyed and interviewed them repeatedly to understand how college costs affected decision-making, stress and health and, of course, their education. When some left school without degrees, we continued to talk with them, learning about how debt has affected their post-college lives. We witnessed the challenges that rising debt brings to them and their families, and are deeply empathetic to the crisis that confronts them now.

In addition, I have also been very involved with policy debates at both the state and national level about*what to do* to make the situation better, improving our economy and collective health and well-being. Last spring, I testified to the United States Senate on the challenge of college affordability. These discussions are fraught with disagreements about right and wrong, and are further confused by the relative lack of empirical data indicating both the effects of debt and delineating the effective pathways forward. People on both the Left and Right are struggling to find good ideas that are also politically feasible. Over the last 18 months, I worked through these challenges with my friend Andrew Kelly of the American Enterprise Institute, not because he and I agree on everything (I'm on the far Left most of the time, and he's more towards the Right), but because we share a commitment to doing something*effective* for students, rather than something that is merely (or solely) ideological. In a forthcoming book from Harvard Education Press, due out next year, we describe a range of approaches to achieving greater college affordability through innovations in college financing. We recently hosted an event in Wisconsin, which can be viewed on Wisconsin Eye.

It is with this background and those intentions that I am sharing thoughts on the bill to be discussed Wednesday. It is being proffered by people I respect a great deal, including Representative Cory Mason, who has been a very good colleague over the years, willing to debate any range of ideas and perspectives, and showing up at my invitation to do so publicly. Numerous advocates with whom I share much in common, and with whom I have worked in tandem with over the years, also support the bill.

The bill includes four main components:

- It creates the Wisconsin Student Loan Refinancing Authority, charged with developing a loan program to allow state residents to refinance their student loans. It "must provide loans under the program at the lowest possible interest rate that is still sufficient to cover the expenses of the program. A loan issued under the program is not dischargeable in a bankruptcy proceeding."
- It requires the publication of information about private student loans across the states, and mandates that the UW System, Technical College System, and the private non-profit colleges give prospective students information about their likely debt accrual from attending that school. It also requires the Higher Educational Aids Board to release an annual report on student debt.
- It requires institutions of higher education to provide loan counseling and information on repayment options to students.
- It alters current law on tax deductions for both tuition and fee payments and student loan payments to increase the availability of those deductions with regard to state taxes and also end the phase-out that currently reduces the amount of the allowed reduction as adjusted gross income rises.

Therefore, the intentions of this bill are apparently to (a) lower the monthly and annual payments state residents with debt face on their loans, making it easier to repay, (b) inform more people about loans and the costs of education, and (c) allow state residents with debt to keep more of their annual income. These intentions certainly appear to align with the demands of the "753,000 graduates who come out of college with a degree and thousands of dollars in student loan debt."

While I share a desire to reduce the burden that student loan debt places on people throughout Wisconsin and the nation, I cannot support this bill. Below, I explain why, and offer several alternatives.

Concern #1: The distributional implications of the bill are regressive.

Therefore, providing tax deductions for college costs and student loan payments benefits people with relatively *more* money. (This is similar to the mortgage interest deduction, which progressives nationwide have long recognized as regressive.) The Wisconsin residents who are unable able to contribute to our economy because of low educational level and low wages need to be the top priority, since they are being left behind and exerting a drag on our state's well-being. The dollars debtors save from these deductions may or may not go back into the state via increased consumer spending; the evidence on that is far from clear (this type of survey research does not establish impact). But what is clear is that the deductions will further reduce the state's resources for supporting appropriations to keep college costs down and those that could instead be put into grant aid. In Wisconsin, my team has demonstrated with a randomized experiment that increasing grant aid to needy students improves rates of on-time (4-year) bachelor's degree completion. It's a cost effective investment with results—that's what policymakers must be focused on.

Concern #2: The bill will not reduce student loan debt in Wisconsin and may actually increase it.

The increased student debt burden in Wisconsin is due to rising college costs in the public sector (attributable to both diminished per-student state appropriations and a failure at some institutions to control costs), the entry and success of the for-profit sector, a failure to adequately invest in the Wisconsin Higher Education Grant, declining real family income, and a poor labor market that does not provide a living wage to many workers. This bill does not address any of these problems.

Instead, the bill will reduce anxiety among debtors and diminish pressure among voters for changes that could address the real causes of debt. Furthermore, by placing new mandates only on the non-profit institutions, it puts them at further disadvantage relative to the for-profit schools. Moreover, by likely reducing the funds available to the state with the tax deductions, it has the potential to compromise future state appropriations and investments in need-based grant aid, further driving up the need to borrow. In this way, choosing to address today's debtors may over the longer-term do harm to tomorrow's students.

Concern #3: The bill may put some current debtors at greater financial risk.

The creation of the state refinance authority sounds great on paper, but in practice it is very likely to require that students forgo the substantial protections they currently receive in the federal system.These include income-based repayment, deferment and forbearance availability, and the ability to discharge the loan in the event of disability or death.

Remarkably, the proposed authority does not address the biggest problem in the federal system: it does not enable students to discharge student loans in bankruptcy. Moreover, widespread concerns about "profit" made by the federal government on student loans will likely spread to this statewide authority, since as the Government Accountability Office recently pointed out, it is near impossible to accurate project the expenses of these programs to ensure that costs are covered and no profit is gained.

Am I naïve to state politics to suggest that anything but this bill is possible? Absolutely not. While the bill offers market-based solutions that ought to appeal to conservatives, those offered are not the only options. Moreover, the fact that not a single Republican has endorsed the bill suggests that catering to the Right is not a successful political strategy. It is far more important to provide the thought leadership required to making college affordable in Wisconsin and map the pathway forward than to look backwards and react to past mistakes.

That said, assuming the bill will be pursued, I offer the following amendments.

1. Instead of deductions, use tax credits, which are notably more progressive. If this is impossible, at minimum ensure that the deductions for debt are phased out at higher income levels.

2. Limit the deductions to debt accrued while in undergraduate education and further limit it to students who did not complete their degrees. This will focus the effort on debtors most at risk of financial insecurity. There is little chance that it will incentivize students to leave school without degrees; the payoffs to those degrees remain strong and surveys indicate that no one who will drop out actually plans in advance on doing so.

3. Require an experimental pilot program to establish a basis of evidence of *effective* loan counseling. The federal government already requires all Title IV institutions to provide loan counseling and yet there is no evidence as to which approaches are effective at helping students become better informed decision-makers.

4. Give the Education Accountability Board the authority to require the for-profit colleges in the state to provide the same information currently demanded of not-for-profits. Furthermore, mandate that the *non*-Title IV for-profits, which are not required to do loan counseling currently, provide it.

5. Adjust the reporting requirements so that increases in the full costs of attendance at Wisconsin colleges and universities, appropriations, and changes in the allocation of grant aid (both need and merit), are described in the same report that describes student debt.

There are numerous alternative approaches to addressing Wisconsin's student debt problem. First and foremost, there must be a strong effort to ensure that all eligible residents are aware of the existing income-based repayment plan offered by the federal government. Take-up is low nationwide and awareness in Wisconsin is low. A public/private campaign to increase participation would help reduce delinquency and default rates. It would also be beneficial to instigate community investments in effective tax preparation and financial counseling to help families manage the resources they do have and ensure they are accessing all available benefits.

Most importantly, I strongly recommend that Wisconsin invest in helping students *complete*their degrees. Debtors without degrees are in the greatest pain. If they complete a program of study their chances of success in the labor market increase tremendously. Across the nation, both Republicans and Democrats are pursuing this pathway by making community and technical college education tuition-free. Such a plan is not very costly (in Mississippi, legislators are looking at a plan that costs just $4.5 million a year) and it holds tremendous potential to improve the lives and financial well-being of former, current, and prospective students. In contrast, the current bill appears to violate a core principle central to all good policymaking: First, do no harm. We can, and must, do better.

Dear Sir or Madam,

My name in Cindy Riley. I live in Janesville WI. I am married with 3 children and a granddaughter I help support. I believe the Higher Ed, Lower Debt Act is one of the most needed pieces of legislation I can think of!

According to NSLDS (National Student Loan Data System) the online site that lists all of your student loans, the total money our family has borrowed for Higher Education is $201,044. We have been prudent in making repayments, but the high interest rates on these loans are making it impossible to make progress. Combined, we still owe $103,051. This is a lot of interest money we would be glad to pay the state of Wisconsin to fulfill our financial obligation at a lower interest rate!

The Higher Ed, Lower Debt Act will help my children become the contributing members of society they intended to become when they pursued higher education degrees! It may allow my husband and I a chance to try to begin believing that perhaps there is a debt free future for us as we turn 60!

As a family we believe in higher education, but trying to pay off these loans with this high of interest rates over the next 20 plus years.....it makes us believe we made a big mistake encouraging our children to pursue higher education; because, now they are struggling with debt instead of seeing the benefits of a higher education.

Our family PLUS loan debt was $117,108, of which we still owe $51,860. This is for 4 individuals **all** at UW-Wisconsin 2 yr. or 4 yr. Universities...no private colleges...and Blackhawk Tech College. These PLUS loans range from 9/2003 through 10/2008. Most of these loans are from the pre 2006 era and interest rates on these loans are still in the 6.8% - 12.5% range. Even when paying more than the minimum payment due, my husband and I will 84 years old before our loan is fulfilled. We thought hard and long about my return to get my Masters because of the additional debt it would incur with four of us being in college at the same time. At the time the numbers indicated it was the right thing to do....now the numbers have turned on us. We are constantly checking on loan forgiveness programs, loan consolidation options and none of them ever apply to our situation. At this rate, I will be an 84 yr. old elementary music teacher still trying to pay off her college debt!

My older son's loans for his Welding degree from 2006 are still $10,979. He works a full time custodial job making $9 an hour trying to support a family of four. They have been without running water for the past 2 weeks, waiting for the weather to warm, (which it hasn't), because they don't have $400 to pay a plumber to unfreeze their lines. His college debt bill of $135 month is really needed to pay for basic survival.

Because of my daughters recent skin cancer diagnosis, her current college debt is $40,212. Her more recent college loans are all 6.8%. We are paying these rates when currently we are earning practically 0% on any type of savings account and home mortgages are in the 3.5% range, I believe this is a great injustice to our young people who are desperately trying to make it on their own.

My younger son, who is a successful 2nd year middle school teacher, has delayed starting a family, prays his "86 Olds will continue to make his hour and half daily commute, and by living on a strict barebones budget, has repaid $32,745 of his college debt. I believe we represent the stories of many WI constituents.

As I shared with some staff in the school where I teach, that I had planned to speak on this topic, I was shocked by their responses. EACH person I spoke with shared the impact of their college debt. Kelly, an aide, pays $305 per month on her husband's $50,000 college debt. Her daughter, a Senior in high school, wants to go to college and she has no idea how they can possibly afford it. In the room next to mine, two teachers were planning together. Stephanie owes $90,000 for the degree she was told she needed and Alexis $70,000. Krysta, a young teacher who cannot consolidate because she has a privately owned loan, commented "They don't tell people up front." Megan, a first year teacher, makes a $900 a month loan payment because of the certification needed for her position. These teachers are silently struggling to pay off their significant college debt. My heart aches for these dedicated educators who are passionate about teaching our children who are our future.(In light of recent legislative actions) The Higher Ed, Lower Debt Act is a way to say we value you, educators. Here's a way to say thank you for your sacrifice, Here's a way to say "stay!"

Thank for addressing this important issue!

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ONEWISCONSINNOW

TO: Members, Senate Universities and Technical Colleges Committee
FROM: Scot Ross, Executive Director One Wisconsin Now/One Wisconsin Institute
RE: Senate Bill 376
DATE: February 5, 2014

Chair Harsdorf and members of the Committee on Universities and Technical Colleges thank you for the opportunity today to testify on behalf of Senate Bill 376, the *Higher Ed, Lower Debt Act.*

Rising levels of student debt is now a national crisis. And if we fail to act, it will blossom into an economic catastrophe undermining the American ideal that hard work and a good education or job training are the keys to a better economic future.

Today in the United States student loan debt totals an estimated $1.2 trillion. The loans 40 million hard-working Americans took out to fund their higher education or job training now exceed their credit card debt or their auto loan debt. In fact student loan debt was the only consumer debt to increase during the Great Recession.

And the crisis is rapidly worsening – consider that in 2000 student debt was $200 million, and just over a decade later it exceeds $1 trillion.

Students and their families are increasingly squeezed by a system in which state support for higher education is stagnant or falling while tuition has skyrocketed – up an average of 600% since 1980. Meanwhile, big banks borrow money from the Federal Reserve at extremely low rates while charging students up to double-digit interest on loans. Even the federal government is in on it, standing to reap profits of nearly $50 billion from student interest.

Senate Bill 376 will not solve all the challenges we face, but it is an important step to help borrowers manage their debt.

And here's why that is important.

At One Wisconsin Institute we conducted original research on the impacts of student loan debt on borrowers economic activity, and found a significant, and negative, effect that ripples throughout our entire economy.

Instead of creating new businesses, spending money in the community, buying automobiles and purchasing homes, graduates are becoming virtual indentured servants.

Our web-based survey generated detailed responses about their finances from 2,658 Wisconsinites representing a cross-section of demographic groups.

Among respondents with degrees, more than one in three were making a student loan payment, and individuals in low and middle income brackets were more likely to report making loan payments.

- over -

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The average reported monthly loan payment was $388 – with an average range of $265 for individuals with some college but no degree, $350 for individuals with a Bachelors degree and $448 for those with graduate degrees.

Our survey respondents also reported the average loan terms of 18.7 years for Bachelors degrees and 22.1 years for advanced degrees.

This debt significantly impacts these families economic activity in areas that are key drivers of our economy – new vehicle and home purchases.

Households with student loan debt were more than twice as likely to purchase a used, rather than new, vehicle. Meanwhile households without a monthly student loan payment bought new and used vehicles as basically the same rate.

We conservatively estimate that student loan debt among Wisconsin households reduces new vehicle spending by over $200 million annually.

Student loan debt and renting, versus owning a home, are also strongly correlated. Consider that 85.6% of renters with a household income between $50-$75,000 are paying on a student loan. Across all income categories, homeowners were more likely to have never had a student loan, 53% in the $50-$75,000 income range.

With the legislation before the committee today, Wisconsin has the opportunity to seize the mantle of leadership in fighting the student loan debt crisis

But if we don't act, higher education at a university or job training at a technical college is to track to become nothing more than a multi-decade debt sentence instead of the path to the middle class.

Higher Ed Lower Debt offers common sense solutions like allowing refinancing of loans, expanding a current state tax deduction to include student loan payments and providing borrowers and legislators with more information upon which to make their decisions.

It is not a handout to borrowers. It is instead a step towards restoring fairness for people who have done the right thing – working hard to get an education and taking on the personal responsibility for paying for it. You'll hear it from the people who share their stories here and who have shared their stories at our website: www.TrillionDollarDebt.com.

Thank you for your time, I hope you will take the opportunity to help hundreds of thousands of hard working Wisconsinites and approve Senate Bill 376, the *Higher Ed, Lower Debt Act.*

Memo

To: Senate Committee on Universities and Technical Colleges

From: Sarah Razner, Marian University Student SR

Date: February 5, 2014

Re: Support of Senate Bill 376/ Assembly Bill 498, the Higher Ed, Lower Debt Bill

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Senator Harsdorf and Committee members,

Thank you for holding this hearing today on Senate Bill 376/Assembly Bill 498, the Higher Ed, Lower Debt Bill. I am here to offer my testimony in support of this bill.

My name is Sarah Razner and I am currently a student at Marian University in Fond du Lac.
In both Wisconsin and the United States, there is a student loan crisis that the passage of the "Higher Ed, Lower Debt" Bill would help borrowers combat through student loan knowledge, refinancing and tax deduction options and private loan lender information.

Introduction/Problem Statement

In Wisconsin, and throughout the United States, students are graduating from college with more debt from student loans than ever before. According to a *Forbes* article by Chris Denhart, student loan debt amounts to $1.2 trillion in the United States.

Due to a lack of jobs in their field and rising student loan interest rates, people are having a difficult time paying off those loans. In order to pay them off, they are not buying new cars or homes, putting their American dream on hold. The "Higher Ed, Lower Debt" Bill helps people move their life forward and manage their debt, through student loan counseling, the ability for students to refinance their loans, tax deductions for paying off their loans and information on private lenders and therefore should be passed for these reasons.

Background/ Findings

According to a National Association of Student Financial Aid Administrators report, when students begin to take out loans for their education, they have very little knowledge of what loans they are getting and the obligations that come with them. Their study of 133 college freshman found:

- When given a test to gauge loan knowledge, participants on average got only 60.3% of the questions correct.
- When asked about the loans they were receiving, 69.7% did not know what type it was.

A lack of knowledge on loans is seen when students take out loans in the private sector. According to the article from Center for American Progress, a progressive public policy research and advocacy organization:

- Private student loan debt has risen from $55.9 billion in 2005 to $140.2 billion in 2012.
- When students begin to pay off their loans, they pay off much more than they originally took out due to high and variable interest rates (Johnson, Ostern, & White, 2012).

The combination of a lack of knowledge and taking out of loans, especially those from private lenders, end up crippling the borrower. According to the *Milwaukee Journal Sentinel* article by Karen Herzog and Lydia Mulvany, in Wisconsin:

- 67% percent of the population has student loan debt.
- The average amount of debt is $26,238 (Herzog & Mulvany, 2013).
- To pay this amount over ten years, at an interest rate of 6.8%, a person will pay about $36,234, or about $302 a month (Calculators, 2013).

The paying back of student loans stalls people from moving forward in their life. According to the *USA Today* article by Hadley Malcolm, due to the amount of student loan debt and the overcrowded job market, people are putting off getting married, buying a house, buying a new car and even moving out of their parents' home (Malcolm, 2013).

Discussion/Analysis

The "Higher Ed, Lower Debt" Bill, which was proposed by Rep. Corey Mason, Sen. Dave Hanson, Sen. Chris Larson and Sen. Chris Kahl in October 2013, should be passed because of its student loan counseling, the ability for students to refinance their loans, the option of tax deductions for paying off their loans and the information provided on private lenders.

<u>Knowledgeable Student Loan Borrowers</u>

According to the FDIC article "Higher Education, Lower Debt: Ways to Minimize the Borrowing Costs for College" from spring 2012, one of the ways to minimize one's student loan debt is to know the options available to them (FDIC, 2012).

Knowledge on loans is important because "Students need to be educated on loans, responsibilities, and obligations before entering college as well as throughout the college years; otherwise they may face hardships in the future because of their lack of understanding about their loan agreements (Simpson, Smith, Taylor, & Chadd, 2012)."

If this Bill is passed, students in Wisconsin will receive mandatory entrance counseling before they start school and exit counseling when they leave school. The counseling will include such information as: how the loan will affect the person taking it out, interest rates and how interest accrues, examples of monthly loan payments, the consequences of defaulting on a loan, debt management strategies and repayment plans (Mason, Hansen, Larson, & Kahl, 2013). Through this counseling, students will be more educated about the loans they are taking out and the effects the loans will have on them post-graduation.

<u>Long-term Economic Benefits</u>

According to the "Higher Ed, Lower Debt for Wisconsin: Frequently Asked Questions," people will be able to refinance their loans, like one could do with a mortgage, in order to get a lower interest rate

(High Ed Lower Debt for Wisconsin Frequently Asked Questions, 2013). These interest rates, put in place by the Wisconsin Student Loan Refinancing Board, are set the lowest interest rate possible while still being able to pay to run the program (Herzog & Mulvany, 2013).

The money that will be saved from refinancing could help people move forward with their life, allowing them to purchase items that are difficult to when paying off loans at high interest rates (Malcolm, 2013). When this happens, money goes back into the Wisconsin economy, benefitting the state as a whole.

Through the Bill, people will be able to get tax deductions for the payments they make on their student loans. At their maximum, single filers would get a deduction of $531, while married couples would get $1062 (Herzog & Mulvany, 2013). This money saved could go back into the Wisconsin economy or help the person pay off loans faster.

Private Loan Lender Knowledge

In the United States, over 850,000 private loans have defaulted, in total costing $8.1 billion. This is due to multiple factors, one of which is the lack of knowledge about private lenders and the high and variable interest rates they charge (Johnson, Ostern, & White, 2012).

As part of the Bill, the Department of Financial Institutions will be posting information about the top ten best private lenders and the top ten worst private lenders on their website. This information will be based on the lenders' loan rates and policies and how they benefit the borrower (Mason, Hansen, Larson, & Kahl, 2013). Through this resource, students as well as the public will be made aware of the best and worst lenders in the state, which helps them make better informed decisions.

Conclusion and Recommendations

Before the "Higher Ed, Lower Debt" Bill is passed, there are some changes that should be made to it to help insure its benefits to those affected by it:

1. The Bill states that the mandatory student loan counseling can be done online, in person, or through a written form provided to the student that has to be signed. To make sure that the student actually reads the information provided to them, the counseling should have to be done in person, or if necessary, over the phone.
2. In the Bill, it is said that there will be up to $50 fee to pay for the student loan counseling. The Bill should make it clear on whether or not this fee can be charged once, or multiple times.

The "Higher Ed, Lower Debt" Bill should be passed because of the steps it takes to help people manage their debt through providing student loan counseling, the ability to refinance loans, tax deductions for paying off their loans and the information provided on private lenders. With the passing of the Bill, including the changes suggested above, current and future borrowers will receive many benefits. Through acquiring knowledge on student loans, both private and federal, and being able to refinance their student loans, borrowers will be able to get out from under their debt and build their life, putting money back into the Wisconsin economy as they do so. Thank you for holding this hearing, your time and consideration.

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Dēmos

AN EQUAL SAY AND AN
EQUAL CHANCE FOR ALL

Testimony of Catherine Ruetschlin
Policy Analyst, Dēmos
Before the
State of Wisconsin Universities and Technical Colleges Committee
February 5, 2014

Good morning, my name is Catherine Ruetschlin and I am a policy analyst at Dēmos, a non-partisan public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy. Access to an affordable higher education is central to the work of Dēmos because, despite its growing expense, a college degree remains a young person's best bet for raising her standard of living and securing a place in the middle class. I thank the Wisconsin Senate Universities and Technical Colleges Committee for this opportunity to present testimony on the effects of student debt on our economic wellbeing, and the Higher Ed, Lower Debt Act.

Student debt has skyrocketed over the past decade, quadrupling from just $240 billion in 2003 to more than $1 trillion today.[1] In Wisconsin, where a year of tuition at a 4-year, public institution amounts to 16 percent of the median household income, most college graduates have to borrow to afford their degrees.[2] We have, as a nation, effectively tied the opportunity for achievement and economic stability for all but the most affluent among us to a burden of debt. As a result, students struggle to complete their educations in the face of financial barriers, households carry a debt load that diverts spending from the consumer economy and weakens their financial futures, and the diversion of $1 trillion of investment and spending undermines the health of the economy overall.

Our work at Dēmos to quantify the cost of tying opportunity to debt appears in the paper At What Cost? How Student Debt Reduces Lifetime Wealth. Using data from the Federal Reserve Board's Survey of Consumer Finances, we found that our current debt-for-diploma model of higher education funding leads to substantial losses associated with student debt both at the household level and economy-wide.

Our study looked at a household with two college graduates carrying the average student debt - $26,600 per graduate or $53,200 for the household.[3] That estimate is actually lower than the average debt in Wisconsin, where graduates today leave college owing $28,102 to student loans.[4] Using the Survey of Consumer Finances data, we project a model of household debt and assets, comparing the household carrying student debt with a comparable household that has no student debt. Based on the pattern of household spending and investment, we find that the

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$53,200 in student debt of the average household with two college graduates comes at an expense of $208,000 in lost wealth over a lifetime.

The losses are a result of households' inability to make critical investments in the future. The debt payment for student loans forces a family to reduce their combined yearly retirement savings and liquid savings; they have less money available for the down payment on a house, and thus make greater total interest payments toward their mortgage through its maturity. With the benefits of saving and investing early in life compounded over years, the gap between a family with student debt and one with no student debt grows throughout their working lives, culminating in a substantial penalty for the household with student debt by the time they are ready to retire at age 65.

Lifetime wealth losses of approximately 4 times the value of the graduates' loans illustrate a best-case-scenario for earners saving and repaying debts under ideal conditions: incomes grow each year, retirement savings accumulate steady returns, and all debt payments are made on time. Yet the households repaying student debt lose ground almost immediately at the onset of their working lives.

For low-income and minority borrowers, the lifetime cost of student loans will likely be even greater. The latest data available shows that bachelor's degree recipients from lower income families are both more likely to take out student debt and likely to have larger debt amounts. In 2008, 75 percent of bachelor's degree recipients from families with incomes of less than $60,000 graduated with some student loan debt, compared to just 48% of students whose families earned $100,000 or more, and 14% of graduates from lower-income families had more than $30,500 in debt, compared to just 9% of students from families who earned $100,000 or more. Racial disparities also disadvantage African American households and contribute to the widening racial wealth gap. For the class of 2008, 80 percent of African American graduates left school with debt, compared to 67 percent of Latinos, 65 percent of whites, and 54 percent of Asian Americans. African Americans also graduated with higher levels of debt, leaving with an average student loan debt nearly $4,000 higher than the average graduate.

The household wealth loss associated with high student debt burdens translates into lost economic activity for the economy overall, as households curtail spending and cede accumulation in order to meet their debt obligations. Generalizing from our finding that the typical household faces lifetime wealth depletion four times the size of their loan amount suggests that the $1 trillion owed by our students translates to a $4 trillion cost for the American economy overall.

Dēmos

AN EQUAL SAY AND AN EQUAL CHANCE FOR ALL

This analysis of the broad economic implications of soaring student debt is born out in separate releases from the Consumer Financial Protection Bureau and from the Federal Reserve Bank of New York. A 2013 study by the Federal Reserve Bank of New York reveals that student debt has depressed both housing and auto loan markets, as young adults eschew other forms of consumer debt and postpone the kind of personal investments that used to mark transition to adulthood.[5] After reviewing an extensive cross-section of student loan borrower experiences, the Consumer Financial Protection Bureau determined that, in addition to undermining retirement security and homeownership, student debt obligations can discourage entrepreneurship and small business formation, as the need for stability undermines risk-taking and innovation, as well as the ability to invest capital, market products, and hire employees.[6] In Wisconsin, where indebted college graduates pay an average of $350 to student loan payments per month, these foregone investments can amount to hundreds of millions of dollars each year.

The research from Dēmos illustrates the damaging impact of student debt on lifetime assets, but the financial impact is not limited to only those who currently have student loans. The drag on purchasing power and saving that accompanies student debt slows economic activity for the entire economy. There is an urgent need for action to reduce the burden of existing student debt and prevent future debt from piling up even higher. The Higher Ed, Lower Debt Act is a critical step in addressing the adverse effects associated with the growth in student borrowing to finance higher education, reducing financial barriers to students, increasing budget flexibility for indebted households, and supporting a robust and growing economy for all of Wisconsin.

Thank you for your time and attention. I am happy to answer any questions.

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1 Federal Reserve, "Quarterly Report on Household Debt and Credit," 2013.

2 John Quinterno and Viany Orozco, "The Great Cost Shift," Dēmos, April 3, 2012, http://www.demos.org/publication/great-cost-shift-how-higher-education-cuts-undermine-future-middle-class, and projectonstudentdebt.org, state-by-state data for Wisconsin, http://projectonstudentdebt.org/state_by_state-view2013.php?area=WI.

3 Robert Hiltonsmith, "At What Cost, How Student Debt Reduces Lifetime Wealth," Demos, http://www.demos.org/what-cost-how-student-debt-reduces-lifetime-wealth.

4 Projectonstudentdebt.org, state-by-state data for Wisconsin, http://projectonstudentdebt.org/state_by_state-view2013.php?area=WI.

5 Meta Brown and Sydnee Caldwell, "Young Student Loan Borrowers Retreat from Housing and Auto Markets," April 17, 2013, http://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html.

6 Consumer Financial Protection Board, "Student Loan Affordability, Analysis of Public Input on Impact and Solutions," May 8, 2013, http://files.consumerfinance.gov/f/201305_cfpb_rfi-report_student-loans.pdf.

TESTIMONY: SB-376
Higher Ed, Lower Debt
2/5/14

I want to begin by thanking Sen. Harsdorf and the members of this committee for agreeing to hold a hearing on Senate Bill 376, The Higher Ed, Lower Debt Bill. This bill is a proposal to help thousands of Wisconsin residents cope with the soaring costs of student loan debt.

This is a problem which affects millions across the entire nation--- and another one which Congress seems unable or unwilling to cope with. So I have joined with Rep. Cory Mason to draft legislation at the state level which will at least help out residents of Wisconsin.

This legislation seeks to ease the financial burden on hundreds of thousands of Wisconsin citizens who have incurred debt for trying to do right thing: paying for additional education or job training in order to pursue the American Dream.

These are responsible citizens who are willing to meet their obligations. They are not asking for a handout, they are just seeking some relief and the ability to refinance student loans the same way they would try to refinance an auto loan or a home mortgage.

Our economy is still recovering from the worst economic downturn since the Great Depression. There are thousands of young families struggling to make ends meet while they wait for the job situation to improve. These are not deadbeats, these are industrious individuals who incurred debt attending school when the economy was in better shape and there was the promise of more jobs available after their education was complete.

The numbers are staggering. As a nation we now have over one trillion dollars in student debt. In Wisconsin alone, it is estimated that there are 753,000 residents with an average student loan debt of $27,000. That is over $20 billion in student loan debt—much of it interest. Helping lower their interest rates by allowing them to refinance their loans means millions—possibly billions of dollars that could be better spent new on cars, new homes and other goods and services in our communities.

This plan does not offer giveaways and will not be seeking huge amounts of GPR revenue to fund it. It will offer refinancing in a "pay as you go plan." The Wisconsin Student Loan Refinancing Authority will have bonding authority to issue bonds to allow them to refinance student loans as the money is raised and there is demand for loans.

It should be emphasized that this legislation would provide a terrific incentive for college graduates to remain in Wisconsin.

This bill would promote "Brain Gain" as opposed to the "Brain Drain."

During the course of any legislative session we all see proposals to try and keep our highly educated young people in this state instead of pursuing job opportunities elsewhere. Helping them to pay back their student loans would go a long ways towards achieving this.

It will also expand the state income tax deduction for higher education tuition expenses to include student loan payments and not just the interest. This change alone will provide relief for thousands of state residents. Rep. Mason can speak in greater detail to that aspect of the bill.

Since we introduced this bill last fall, my office has been contacted by a growing number of people interested in this legislation. Clearly there are many people throughout this state who are struggling to pay their debt. They aren't seeking to walk away from their obligations, they just want some help along the way—the same type of help that people who refinance their home or auto loans receive.

OFFICE OF THE DISTRICT ATTORNEY

Allen R. Brey
District Attorney

Kent Hoffmann
Assistant District Attorney

DeShea D. Morrow
Assistant District Attorney

February 3, 2014

Senator Sheila Harsdorf
Committee Chairman
Senate Universities and Technical Colleges Committee
Room 18 South
State Capitol
P.O. Box 7882
Madison, WI 53707-7882

RE: Higher Ed Lower Debt Bill

Dear Senator Harsdorf:

Thank you for holding a public hearing on the Higher Ed Lower Debt Bill. I write to express my enthusiastic support for this bill as it will have a positive effect on law enforcement.

Over the last several years we have had many talented young attorneys graduate from law school and join the prosecution ranks as assistant district attorneys. These are dedicated and talented people who were choosing public service to the people of this state as their career. Unfortunately all too many of them left public service within two or three years. The main reason cited for leaving was given the salary they could not afford to pay their student loans, get married and have a family, and own a home. Their pursuant of the "American Dream" was simply not possible given their financial circumstances.

I have reviewed Higher Ed Lower Debt Bill and believed it is conceptually sound. This bill would give significant financial relief to young prosecutors and help pave the path to their retention in state service. I believe that our crime victims should have experienced and talented assistant district attorneys presenting their cases. This bill would help retain assistant district attorneys so that they have the experience that our crime victims deserve. I urge you to support this legislation and ensure its passage.

Sincerely yours,

Allen R. Brey
District Attorney

ARB/pjb

From: Benjamin Catalano [mailto:bencatalano86@gmail.com]
Sent: Wednesday, February 05, 2014 8:16 AM
To: Sen.Hansen
Subject: Student loans

I know that your meeting is in less than two hours, but here it goes.

I graduated from UWGB in the winter of 2009 (I spent my first 3 years of school at a private university in Missouri), and I am paying in excess of $650 a month in student loans. My household income is a little over $70k gross (netting somewhere around $45k), but after taxes, insurance, and my student loan payments we can barely afford our house. If our vehicles were not already paid for we would be forced to live with family. These past 5 years I have paid more in interest than I have on my principle. Any help in this matter would be greatly appreciated.

Thank you,

Ben

Dear Senator Sheila Harsdorf and Members of the Universities and Technical Colleges Committee,

I am a very lucky person who has the honor of teaching at one of Wisconsin's public universities. Every day I work with first generation college students who desperately try to juggle employment and academic responsibilities. Virtually all of them are also incurring school debt. If there is any possible way to make their debt burden lighter through increasing tax breaks and allowing their loans to be refinanced at lower rates, then I wholeheartedly and loudly encourage you to pass the HELD bill.

On a personal note, I managed to earn my bachelors, masters, and doctorate degrees without one student loan -- and did so due to the generosity of scholarships, financial aid, and the reasonable costs of public universities at that time. However, I married a man with nearly $80,000 of college debt (he attended public universities for his two bachelors degrees and a private institution for his MFA). If there had been the possibility of earning tax breaks and refinancing the loans, we could have bought a house at least eight years earlier than we did, and we could have used the money saved to help charitable organizations and contribute to the economy in a more significant way. He never would've asked for loan forgiveness since it was his choice to attend these universities, but the changes proposed in the HELD bill would have allowed us to get our financial lives on track long before we turned 40 years old...

Please, pass this bill!

Mary Hoefferle
UW-Oshkosh

Kenneth A. Smith, Jr.
5389 Orchard Lane
Greendale, WI 53129

February 4, 2014

Wisconsin Senate Universities and Technical Colleges Committee
Hearing on Higher Ed/Lower Debt Bill
400 SE, Wisconsin State Capitol – February 5, 2014

Dear Committee,

I write to you and submit written testimony in favor of Senate Bill 376, known as the Higher Ed/Lower Debt (HELD) bill.

As with many others of my generation, I have a staggering amount of student loan debt; over $50,000 which will take 25 years to pay off. I am an alumnus of the University of Wisconsin – Eau Claire. I had a wonderful education but had to finance my education almost solely through summer earnings and government loans. My parents have raised four children and due to a volatile economy and periods of unemployment for both of my parents, I have received minimal financial assistance from my family. I was fortunate enough to not have to take out private loans at higher interest rates. I did work during the school year; however when forced to choose between working more or earning good grades, I chose to focus on my studies and get the best education possible.

I make two payments every month. To my primary loan servicer, Sallie Mae (see attached), I pay $342.77 a month while I pay UW-Eau Claire $40 a month for a smaller loan. Added together my monthly payments are almost $400 a month. From my payments to Sallie Mae alone, in 2013 I paid nearly $3,000 in interest out of $4,452.21 in payments. Making these payments has not been easy, but I have done it.

Like many others of my generation I have not yet been able to get a job that raises me out of poverty-level income. I work a low-wage job and cannot afford to live independently of my family nor fully finance myself despite working 35 to 40 hours a week. I also spend 8 to 16 hours a week at an unpaid internship to develop my skills. During the summer months I also work a seasonal job in Milwaukee where I often work 60 to 90 hours a week. During the busiest weeks, my days literally consist of work and sleep.

As you can see I work hard. When I am financially capable, I want to pay off my debt as soon as possible. I want to earn more money to pay down more of the principal on my debt. Such a goal is increasingly difficult in this time of stagnant earnings and economic volatility. While not asking for a hand-out, any assistance the state of Wisconsin can give to students and former students would greatly be appreciated. I support the HELD Bill and other legislative initiatives that help students. Thank you for your time.

Yours sincerely,

Kenneth A. Smith, Jr.

Kenneth A. Smith, Jr.

Committee Members,

I will not be able to attend this Wednesday's Public Hearing on SB 376 but please accept the following as written testimony in support of the Higher Ed, Lower Debt Bill, SB 376/AB 498.

This measure first came to my attention in my capacity as a member of the UW-Eau Claire student government, where I introduced a resolution of support for this bill that passed our student senate unanimously. Now that your committee has seen fit to give this bill a hearing, for which I am extremely grateful, I am excited not as a member of student government but as a student with federal loans who stands to benefit from the common sense measures that this bill enacts.

As a sophomore journalism major, I know that when I enter my chosen field my starting salary will be incredibly low for a number of years. While I am passionate about my field of study, I also know that in reality it is in my best interest to pay off my federal student loans as quickly as possible to prevent the amount from growing even more daunting. Because I have little-to-no influence in the structure of the educational loan that I have been granted, I am stuck with the interest rate and payment schedule the loan came with.

However, this bill stands to give me more flexibility in how I pay back my federal loan, which excites me greatly. Not only would I be able to receive loan counseling and more readily compare the best and worst providers for loans- rather than just take whatever option I'm given- but I would have the option to refinance that loan at a lower interest rate, keeping more money in my pocket and helping me get through the first few years of my career with less headaches from the amount of money I'm paying back. Plus, I can deduct those payments from my taxes, increasing my economic stability. This flexibility, which I have seen compared to the measures that come with many home mortgages, seems to be a common sense solution to the difficult fiscal situation the current federal system puts us in.

Not only does this bill make sense, but it's been drafted and proposed in a such a way that it seems it can actually work. In reading the bill, the measure will use bonding to refinance the loans, meaning that taxpayers won't be on the hook if the program were to encounter a setback. And if people who receive these refinanced rates don't make a payment, the bill provides the state refinancing authority with means to continue collecting payments just like a bank would with any other loan. However, the likelihood of default is unlikely because the measure institutes a screening protocol for anyone seeking a refinanced loan. This bill is more than just a good idea- it's a good idea that can work for Wisconsin residents.

The Higher Ed, Lower Debt act makes sense and is a practical solution to some of the money problems college students face. I am excited that you have given this bill a hearing, because now more people can learn about it and the good that it stands to do for students seeking higher education for years to come.

Sincerely,

Jake Wrasse
Intergovernmental Affairs Director, On-Campus Senator
University of Wisconsin-Eau Claire Student Senate
UWEC Forensics
wrassejw@uwec.edu

Dear Senator Hansen,

Thank you for sponsoring the bill which will help our students renegotiate their student loan interest rates. This bill is for the students who take out Federal Loans for their education, here in Wisconsin. Recently, I brought seven dental students to Madison to meet with you. Almost all of these students will be around $400,000 in debt when they graduate from dental school [provided they do not go on to specialize].

My son is in Medical School and he and his fellow medical students will face the same challenge. Both he and his fellow student loans are around the 7 percent rate

Students from Wisconsin face major debt when they graduate and most will be forced to take out loans at a higher interest rate than a business loan or home mortgage. Why should these students be any different from a business or homeowner. They should be able to renegotiate their interest rates to the current rate or at a lower rate when interest rates go down and lock in the rate.

Many of our Wisconsin students are the cream of the crop intellectually and many will look to states which offer a lower cost of living in order to survive. This will create a further brain drain in our state.

It is already difficult to bring in new professionals because of our severe winters. It took 4 years for our practice to finally find the right candidate to replace my senior partner who wanted to retire. This puts a strain on business and the quality of care in Wisconsin. It also decreases access to care for our working parents in Wisconsin if that student is a health professional.

My son, Michael, took over a year to decide on whether to go to Medical School because of the debt load and interest rate. Huge debt loads will discourage many highly bright students from joining many of the professions in Wisconsin. Michael was President of the biomedical engineering society and number one in his class at the University of Wisconsin - Madison. Michael had already started a career [two years] in biomedical engineering and had been accepted to medical schools all around the country including the ivy league schools. The only reason it took him so long to make a decision to go to medical school is because of the debt load and the interest rate on that debt. We knew he really wanted to go medical school and we watched him agonize with his decision.

Thank you once again for your sensitivity toward the debt load and interest rates of our best students here in Wisconsin. This should be a bipartisan issue which both Democrats and Republicans should support. Both parties have mentioned that they support reducing the brain drain in our state. Therefore, I did C.c. the other Senators here in Northeastern Wisconsin. It would be nice for this entire group to agree on this important issue and to Co-sponsor this legislation.

Jim

James J. Conrardy, D.D.S.
Diplomat to the American Board of Pediatric Dentistry
Fellow, American Academy of Pediatric Dentistry
125 Siegler St
Green Bay Wi 54303
920-592-8940
www.kidsdentalexperts.com

Hello Members of the Senate Committee on Universities and Technical Colleges,

My name is Tyler Borkowski, I am a 23 year old student from Marinette, currently attending one of our great campuses in the UW-System, UW-Oshkosh. I write to you all today to tell you of my story and what this bill would mean to me as a student. I come from a middle income family, where my father works at a local paper mill, and my mom is a stay at home mother. While there is enough money to get through life, I do not expect my parent's money to assist me in my travels of seeking a Bachelors Degree in Political Science. While I attended a two year university in my home town of Marinette and was able to pay for that out of pocket, I will still graduate with roughly $24,000 in debt after this May. As I look at the job market, the scary unknown of my future, I wonder how I am going to be able to pay for my loans, like many other students ask themselves. I want to be able to do my part to continue push the economy forward, however if I am paying for rent, electric, healthcare, a vehicle, and numerous other expenses, and now adding in student loans very well could crush me financially. However, this bill would allow for me to worry just a little less about that. Perhaps allow me to purchase a new vehicle, or set aside money for a house eventually.

My story is not the only one, as my time as a college student I was heavily involved in Student Government, and heard many stories from across the state. Many of these stories were of the same thing, student's not knowing how they will eventually pay for student loans. At this point student loan debt has surpassed all other debts for the United States. This soon could become an issue much like the housing market, where adults may not be able to pay back their loans. Thus leading to bad credit scores and less purchasing ability because of it. I ask you all to consider moving this bill forward, a bill that could help thousands of adults. Please help push this bill forward, because it helps move Wisconsin Forward.

Thank you for your time,

Tyler Borkowski
UW-Oshkosh Student

STATE REPRESENTATIVE
DEBRA KOLSTE
44TH DISTRICT
WISCONSIN STATE ASSEMBLY

Testimony on SB 376 – Higher Ed, Lower Debt

Senate Committee on Colleges and Universities
February 5, 2014

Thank you Senator Harsdorf and committee members for holding a hearing on Senate Bill 376 and taking my testimony.

I have asked my constituent, Jennifer Hussli, to testify with me. Dr. Hussli is a physician in Janesville.

My husband, Rex Kolste, is also a Janesville physician, and in the 1970s I put him through medical school and supported us by working as a laboratory technician. We paid tuition, rent, bought groceries and paid down the minimal student loan debt from my undergraduate degree.

Times have changed so dramatically that what Rex and I were able to do, isn't really possible anymore. If Rex and I were starting our lives after medical school today, we would be tens of thousands of dollars in debt. It would take years to pay off my undergraduate loan, much less pay for a medical degree.

The reasons for this are fairly simple:

The cost of college and post graduate education has risen starkly since 1975. At the same time, the state subsidy for tuition has declined just as starkly.

College students pay a much larger percentage of a much bigger bill.

This was true even before the state and national economies were hit by the Great Recession in 2008. The recession means that the job market got smaller. More students went to college and technical college to try to compete in the new economy. Many others returned for more training or another degree.

The average 2011 graduate of a University of Wisconsin System college owes about $26,000. Those with advanced or highly technical degrees owe even more.

Student debt certainly inhibits the debtors from making certain economic choices, like buying new cars or buying houses. It may even discourage marriage, because in Wisconsin when you marry a debtor, you marry his or her debt.

The burden of student debt drags at our economy and slows our recovery. People with money to buy things create demand and demand creates jobs.

In Wisconsin, students pay their debts. Very few default. We should pass SB 376, with its refinancing and tax benefits to help these graduates start their lives, join the middle class and spur their local economies.

Thank you. I'd like to yield to my friend and constituent, Jennifer Hussli.

State Capitol, PO Box 8952, Madison, WI 53708 • (608) 266-7503 • Toll-free: (888) 947-0044 • FAX: (608) 282-3644
E-mail: rep.kolste@legis.wi.gov • Website: http://kolste.assembly.wi.gov

Higher Ed Lower Debt for Wisconsin

The Senate Committee on Universities and Technical Colleges hearing, 2/5/14, 10 am

Hello, my name is Jennifer Hussli. I am a family physician practicing in Wisconsin for the past 7 years. I completed residency in 2007, having graduated with a combined undergraduate and medical school debt totaling greater than $300,000.

I've attended secondary and graduate education programs for 11 years. By the time I graduated and contemplated a family of my own, I was already considered a mother of advanced maternal age, and I was a broke one at that. Talk about scary. Old, broke, and contemplating a family.

Now, as I practice medicine and work to raise a family of my own, nearly ½ of my take home pay each month goes to pay student loan debt for either myself or my husband who works as a county sheriff.

When we attempted to buy our first home, shortly after the birth of our first child, our debt to income ratio was so high that three local banks turned us down for a traditional mortgage. We ended up seeking the assistance of a mortgage company out of state. While we were successful, our loan terms were somewhat punitive. Student loan debt continues to significantly affect me and my family every day.

I am here to speak on behalf of the Higher Ed Lower Debt for Wisconsin Bill.

The makers of this bill point out that Wisconsin loan borrowers have an average debt of $22-26,000 and it is estimated that Wisconsin residents paying student loans from a bachelor's degree are paying an average of $388 per month for an average of 18.7 years.

According to the American Consumer Survey, the current median household income for Wisconsin is $51,059, having dropped 8.84 % or $4,951 since its peak in 2007.

As student loans grow, interest rates escalate, and loan companies are ever more evasive with regard to their terms, the value of higher education is being challenged simply due to cost.

And consider the even greater impact student loan debt has on those who've gone on to post-graduate studies. In my field alone, the median debt burden for medical school graduates of public institutions has risen to over $119,000 while that for private graduates has increased to nearly $150,000. Medical education debt is 4.5 times as high in 2003 as it was in 1984, growing well beyond the consumer price index. Tuition and debt continue to outpace inflation and physician incomes continue to lag behind.

Given current figures on income and debt burden, a starting primary care doctor could be paying between 8 and 15% of income solely to manage their student loan debt.

Due to extreme costs, high interest rates and increasing debt to income ratios, US medical school graduates continue to move away from the fields of family practice and internal medicine – unless one matriculates from an already affluent family, achieving a post-graduate education is getting more and more difficult. This has far reaching implications – it will challenge achieving diversity in medicine and it will fail to improve the already critical access to care issues that our state and nation is facing.

Considering The Higher Ed Lower Debt Bill is therefore critical at this time.

It will help borrowers refinance student loans – in finding lower interest rates, it will put money back in to our pockets. This money can then be put back in to our economy.

It will help students to be able to deduct student loan payments from their state taxes allowing for considerable annual tax savings.

It will ensure all students and families better understand the financial implications prior to signing for vast student loans.

As a lifelong learner, a family physician who attempts to give back to her community every day, and an educator of resident physicians, I strongly support this bill and ask that it is given the highest consideration in the Senate. Let's ensure that the best and brightest students, no matter what their financial background, might be given a better and more financially feasible opportunity to achieve higher education.

JHussi

2.5.14

Kids Dental Experts
PARK-WEST
PEDIATRIC DENTAL
ASSOCIATES, Ltd.

February 4, 2014

Sen. Dave Hansen
Room 106 South
State Capitol
PO Box 7882
Madison, WI 53707-7882

Dear Senator Hansen,

Thank you for sponsoring the bill which will help our students renegotiate their student loan interest rates. This bill is for the students who take out Federal Loans for their education, here in Wisconsin. Recently, I brought seven dental students to Madison to meet with you. Almost all of these students will be around $400,000 in debt when they graduate from dental school [provided they do not go on to specialize].

My son is in Medical School and he and his fellow medical students will face the same challenge. Both he and his fellow student loans are around the 7 percent rate.

Students from Wisconsin face major debt when they graduate and most will be forced to take out loans at a higher interest rate than a business loan or home mortgage. Why should these students be any different from a business or homeowner? They should be able to renegotiate their interest rates to the current rate or at a lower rate when interest rates go down and lock in the rate.

Many of our Wisconsin students are the cream of the crop intellectually and many will look to states which offer a lower cost of living in order to survive. This will create a further brain drain in our state.

It is already difficult to bring in new professionals because of our severe winters. It took 4 years for our practice to finally find the right candidate to replace my senior partner who wanted to retire. This puts a strain on business and the quality of care in Wisconsin. It also decreases access to care for our working parents in Wisconsin if that student is a health professional.

My son, Michael, took over a year to decide on whether to go to Medical School because of the debt load and interest rate. Huge debt loads will discourage many highly bright students from joining many of the professions in Wisconsin. Michael was President of the Biomedical Engineering Society and number

DR. JAMES J. CONRARDY • DR. ERIC J. VAN MILLER • DR. MEREDITH A. EVANS
125 Siegler Street • Green Bay, WI 54303 920-592-8940 • 800-441-9477 • Fax 920-592-8953
www.KidsDentalExperts.com • Email: info@KidsDentalExperts.com

one in his class at the University of Wisconsin - Madison. Michael had already started a career [two years] in biomedical engineering and had been accepted to medical schools all around the country including the ivy league schools. The only reason it took him so long to make a decision to go to medical school is because of the debt load and the interest rate on that debt. We knew he really wanted to go to medical school and we watched him agonize with his decision.

Thank you once again for your sensitivity toward the debt load and interest rates of our best students here in Wisconsin. This should be a bipartisan issue which both Democrats and Republicans should support. Both parties have mentioned that they support reducing the brain drain in our state. Therefore, I did C.c. the other Senators here in Northeastern Wisconsin. It would be nice for this entire group to agree on this important issue and to Co-sponsor this legislation.

Sincerely,

James J. Conrardy, DDS.

James J. Conrardy, D.D.S.
Diplomat to the American Board of Pediatric Dentistry
Fellow, American Academy of Pediatric Dentistry
125 Siegler St
Green Bay Wi 54303
920-592-8940
www.kidsdentalexperts.com

cc: Sen. Frank Lasee
Sen. Robert Cowles
Sen. Joseph Leibham
Sen: Michael Ellis
Mara Brooks, WDA

State of Wisconsin
Higher Educational Aids Board

P.O. Box 7885
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Fax: (608) 267-2808
Web Page: http://heab.wi.gov

Scott Walker
Governor

John Reinemann
Executive Secretary

TO: Members, Assembly Committee on Children and Families

FROM: John Reinemann, HEAB Executive Secretary

RE: HEAB input for information on SB 376

DATE: February 5, 2014

I write in regard to SB 376, which receives a public hearing today in your committee. HEAB appears today for information only on SB 376.

SB 376 would create a refinancing entity to be known as the Wisconsin Student Loan Refinancing Authority (WSLRA) within state government. The mission of WSLRA would be to provide opportunity for state residents to refinance debt from student loans.

WSLRA would be separate and independent from HEAB and would have its own Board. In this respect it would be similar to HEAB, whose Board is a policy making body with policy making and regulatory responsibilities.

Like the HEAB Board, the WSLRA Board would chose its own chairperson. Unlike HEAB whose Executive Secretary is appointed by the Governor, WSLRA would be headed by an chief executive officer who would be appointed by the WSLRA Board.

The HEAB Board includes an ex-officio member, a representative of the state's Tribal Colleges. This ex-officio position on the HEAB Board is non-statutory and was established by action of the HEAB Board within the last ten years.

Under the bill WSLRA would be empowered to issue bonds; HEAB has no such power.

Under SB 376 the WSLRA would be audited biennially by the Legislative Audit Bureau, which would report to the Legislature on the finding of the audit. WSLRA would also make an annual report to the legislature. HEAB is currently audited every three years by the Department of Administration, and provides a biennial report to the legislature. Additionally, several of HEAB's individual programs are the subject of separate annual reports to the legislature. Finally, HEAB prepares two significant annual reports to its board: the Status of Applicants and Programs (by school year) and Wisconsin State Student Financial Aid Data (by school year). These reports are available on our web site, www.heab.wi.gov.

SB 376 would provide that loans issued by WSLRA would not dischargeable in bankruptcy proceedings. This provision is consistent with current treatment for most student debt.

MORE

SB 376 creates a requirement that the Wisconsin Department of Financial Institutions (DFI) to compile data related to private student loans for the purpose of comparing private lending institutions' student loan interest rates and repayment plans. HEAB would be required to provide a link to this information on our web site.

SB 376 would also require HEAB to prepare an annual report for the Joint Committee on Finance on student indebtedness in Wisconsin. This is distinct from the report HEAB now produces on student financial aid data which includes measures of student financial need. The information required in the report is specified in the bill.

HEAB anticipates no significant problem collecting and reporting this data because much of the data is already available in the aggregate. SB 376 would require that this information be reported by HEAB by specific institution; our ability to do so would be dependent on the ability of the colleges and universities in the state to collect the information and report it to us.

HEAB's fiscal note on SB 376 does report our conclusion that the reporting requirements made on HEAB in the bill would necessitate an additional 0.25 FTE position on our staff. Costs for such a position are estimated at almost $14,000 annually.

Two provisions of SB 376 would place requirements on colleges and universities in Wisconsin as they deal with students and families:

- SB 376 would require the colleges in the state to provide information to students and their families regarding the cost of attendance at their institutions, as well as information about financing options and figures for indebtedness incurred by students at the institution.

- SB 376 would require financial counseling be provided to students and their families before they enter a financial arrangement with a lender and upon the student's departure from the school.

Because some of the information and counseling would be newly required and it would be specific to each institution and each loan, HEAB is uncertain about the ability of schools to provide this information.

SB 376 would also change state income tax law regarding the current individual income tax subtraction for amounts paid by a claimant for tuition expenses and mandatory student fees. HEAB does not administer the income tax but we note that:

- The proposal in the bill would make the tax provision more generous for students and families with higher incomes. Currently the subtraction begins to be phased-out (scaled back) at incomes as low as $40,000 for some taxpayers; SB 376 would eliminate the phase-out for all taxpayers effective with tax years beginning after 2013, providing the full subtraction from taxable income for all taxpayers.

- Section 39 of SB 376 would expand the definition of "tuition expenses" used to calculate the income tax provision. The bill would include in eligible expenses paid by a claimant on loans of the proceeds of that loan were used by the claimant to pay the claimant's expenses for tuition, fees, books, room and board, and educational supplies. These items are not included in the current definition of "tuition."

MORE

Nationally, student debt in America surpassed the $1 trillion mark in 2011. Federal student loans alone each year in the United States amount to more than $1 billion annually ($137 billion in 2013). In 2013 the portfolio of loans in the federal student loan system surpassed $1 trillion and there were more than 40 million borrowers in the system. (Figures are from the US Department of Education's annual report on student aid for 2013, http://www2.ed.gov/about/reports/annual/2013report/fsa-report.pdf)

The Consumer Finance Protection Bureau estimates that total student debt in America is now above $1.2 trillion. CFPB estimates that student debt grew by 20% from the end of 2011 to May 2013, fast than the growth for the same period in revolving debt (which is mostly credit card debt) which grew only 2% nationally in the same period. CFPB estimates that of all student debt, 55% is originated by the US Department of Education, and 45% is originated by other institutions such as banks.

CFPB estimates that outstanding private student loan debt nationally is approximately $165 billion.

HEAB supports efforts to reduce student indebtedness. We work to provide as many students as possible with the full amount of grants and loans funded by the legislature. These grants and loans reduce the cost of study for students and thus the presumed need for student debt.

HEAB supports informing students and families about their options for paying for college. HEAB believes that students could benefit from counseling on financial issues including issues of student debt. These activities are presently conducted by several entities; the financial aid offices of the colleges in Wisconsin have traditionally taken the lead role in this. HEAB has assisted through the providing of information via its web site and in response to contacts from students and families.

HEAB testifies today for information only on AB 376 because:

1. Financial aid experts and agency staff are divided on the net effect of creating a new entity for the sole purpose of refinancing student debt as described in the bill.

    - Some in the financial aid field feel that the burdens borne by students and families in dealing with debt must be reduced to a minimum.

    - However, others in financial aid fear that a proposal for refinancing such as that in SB 376 would reduce the concern felt by students and families about college debt. Such a reduction in concern could result in more borrowing for a two or four year course of study, and it could also result in less pressure to finish on schedule. Many of the highest-debt students take more time than usual to complete degrees or spend long periods studying for second degrees.

2. The definition of "expenses" in this proposal may well increase student indebtedness. HEAB believes that student living expenses and spending choices play a significant role in creating student debt currently. SB 376 would include loans to meet living expenses in the definition of loans eligible for refinancing by the WSLRA, which is consistent with the current reality of many loans today; but if the WSLRA does reduce borrower concern about debt for actual tuition, the mechanism of a WSLRA may also reduce concern about managing living expenses.

    SB 376 also includes the expanded definition of "tuition expenses" (living costs) in the definition of allowable expenses under the income-tax tuition provision, which could exacerbate the problem.

MORE

3. Counseling might succeed in reminding students and families about the need to minimize debt; however, counseling may not be wholly effective in this.

4. HEAB notes that SB 376 would require refinance loans made by WSLRA to be offered at the lowest possible interest rate that is still sufficient to cover the expenses of the program. HEAB believes that it will be difficult to calculate an interest rate that is guaranteed to meet necessary expenses of the program and nothing more.

5. Finally, while HEAB supports reducing student indebtedness, it's important to remember that not all student debt is the same.

   Some borrowers will find increased options under a proposal such as that in SB 376. The program, if created, would probably benefit borrowers holding loans from private-sector providers such as banks, credit unions, and credit card companies.

   Borrowers within the federal student loan system would, however, lose significant options:

   - Federally-provided student loans under the Ford loan, the Perkins loan, and other federal programs are eligible for federal refinancing. Absent a change in federal law, taking debt out of federal programs through a refinance by WSLRA would remove the option to refinance that debt under the favorable terms of federal direct refinancing and consolidation.

   - Also lost to such borrowers would be participation in federal deferment programs and federal forbearance programs. (A deferment is a period during which repayment of the principal and interest of a loan is temporarily delayed, and may sometimes include federal payment of interest on the loans during the period of deferment. Under forbearance payments may be stopped or reduced for a limited period of time, however interest continues to accrue.)

   - Also lost to these borrowers would be participation in federal income-based repayment schedules, which can greatly reduce payments.

   - Finally, replacing federally-provided student debt with state-supplied loans would end borrowers' abilities to participate in debt-forgiveness programs provided by the federal government. These programs include the Public Service Loan Forgiveness Program, the Teacher Loan Forgiveness Program, the Total and Permanent Disability Discharge program, and the Death Discharge. In rare cases there is also a Discharge in Bankruptcy option available to borrowers in the federal student loan system.

   The number of borrowers in the federal system in Wisconsin is large. We noted earlier that in 2013 the federal student loan system had outstanding loans above $1 billion and that there were more than 40 million borrowers nationally with loans in the system outstanding. Again, the Consumer Finance Protection Bureau estimates that of all student debt, 55% is originated by the US Department of Education.

For all these reasons, HEAB has chosen to appear today for information only on SB 376.

Should you have questions or concerns about AB 398, please feel free to contact me.

MORE

Student debt in Wisconsin - Web resources

Consumer Financial Protection Bureau www.consumerfinance.gov

Student Loan Affordability (May 2013)
A summary of current options and potential policy choices in student debt and student debt repayment
http://files.consumerfinance.gov/f/201305_cfpb_rfi-report_student-loans.pdf

Annual Report of the CFOPB Student Loan Ombudsman (October 2012)
A narrative explanation of issues in student debt with some limited data on private student lending
http://files.consumerfinance.gov/f/201210_cfpb_Student-Loan-Ombudsman-Annual-Report.pdf

US Department of Education

Home page for financial aid
http://www2.ed.gov/finaid/landing.jhtml

Financial counseling and information from the US Department of Education
An overview of issues and advice to students and families contemplating paying for college
https://studentloans.gov/myDirectLoan/financialAwarenessCounseling.action?execution=e1s1

Project on Student Debt

State by state information
An extensive data resource with data on debt by state and by school
http://projectonstudentdebt.org/state_by_state-data.php

Searchable data resources for custom data inquires can be performed at
http://college-insight.org/#explore/go&h=44b136f4d155362e46d5da65ab244409

WAASFA, the Wisconsin Association of Student Financial Aid Administrators

Student and Parent Resources
A page of links to resources including information on programs but also information on college preparedness and financial literacy
http://www.wasfaa.net/student-resources/

Wisconsin Higher Educational Aids Board (HEAB)

Main Page http://heab.wisconsin.gov/

Links http://heab.wisconsin.gov/links.html

TESTIMONY BY NASW WI EXECUTIVE DIRECTOR MARC HERSTAND IN SUPPORT OF 2013 SENATE BILL 376 BEFORE THE SENATE COMMITTEE ON UNIVERSITIES AND TECHNICAL COLLEGES ON FEBRUARY 5, 2014

- I am carrying an astronomical amount of debt. I'm 53 years old. I can't imagine ever being able to pay this off in my lifetime. Returning to school at my age required taking on a lot of debt to get through the program; because I "have a life" and other responsibilities, (MSW student)

- I will be paying until I die. Something needs to be done to help students who don't have an option of having their parents pay for their schooling and that are also single parents themselves. (MSW student)

- My husband and I are in the human service field. We could not afford a home due to our monthly student loan payments. We both have our masters' degrees. We are also investing less in our retirement due to our expensive student loan payments. (MSW graduate)

- I currently do not work in social work because I cannot afford to given my student loan debt. (MSW graduate)

These are just of a few of the many comments we received when we conducted a student debt load survey in 2007 with our MSW and BSW students and young professional members who had been in practice for less than five years. In this survey we received responses from 312 out of 615 members for a response rate of 51%.

In this survey the median debt load for the BSW students (33 responses) was $15,000-$19,999 and the median debt load at graduation projected by the students was $25,000-$29,999.

The median debt load for the MSW students (55 responses) was $25,000-$29,999 and the median debt load at graduation projected by the students was $35,000-$39, 999.

MSW graduates (163) showed a median debt load of $30,000-$39,999. For those MSW graduates who reported a salary (133) the median salary was also in the $30,000-$39,999 range. BSW graduates (61) showed a median debt load of $20,000-$24,999) and for those BSW graduates (40) reporting a salary, there was a median salary of $25,000-$29,999.

This debt load survey illustrates the great challenge faced by many new social workers of having both a very high debt load and a relatively low salary. Many of these social workers will be paying off their debt for 20-30 years. This debt load puts an enormous financial and emotional strain on these individuals, their marriages and family. It can lead to social workers leaving the profession they love because they can't make their student loan payments on a social work salary. It can lead to couples delaying the purchase of a house and even children because of the debt load. Finally the excessive student debt load carried by many recent college graduates suppresses the purchasing power of these Wisconsin residents, putting a damper on the economy.

I strongly urge you to pass 2013 Senate Bill 376 to help ease the enormous burden of student debt load in Wisconsin today.

STATE OF WISCONSIN
EDUCATIONAL APPROVAL BOARD

SENATE BILL 376

STUDENT LOANS AND TAX DEDUCTIONS

TESTIMONY
by David C. Dies, Executive Secretary
Educational Approval Board

Senate Committee on Universities and Technical Colleges

February 5, 2014

Good morning. Madam Chair and members of the committee, my name is David Dies and I am the executive secretary for the state's Educational Approval Board. I appreciate the opportunity to be here today to testify on Senate Bill 376 for informational purposes.

The EAB is an independent state agency responsible for protecting Wisconsin students by regulating for-profit and certain non-profit postsecondary schools, colleges and universities. Currently, the EAB oversees more than 200 active institutions that annually enroll more than 60,000 – primarily adult – students in roughly 3,200 or so degree and non-degree programs. Of these institutions, roughly 120 offer an associate's degree or higher. Its oversight, however, does not include the UW and technical college system institutions; nor does it include non-profit institutions incorporated in the state prior to 1992, such as Marquette University, Lakeland College, Cardinal Stritch University, and other institutions that are members of the Wisconsin Association of Independent Colleges and Universities.

The EAB is keenly aware of the costs associated with pursing a postsecondary education. And, as an agency responsible for protecting student consumers, the EAB applauds the goals of the bill's authors to better educate individuals about the costs associated with taking on debt to finance ones' educational pursuits. Based on my understanding, however, the bill does not apply to the institutions that are overseen by the EAB.

Under section 35 of the bill pertaining to lending transparency, an "institution of higher education" is defined as "an institution or college campus within the University of Wisconsin System, a technical college within the technical college system, a tribally controlled college, or a private, nonprofit institution of higher education located in this state that provides an educational program for which the institution awards a bachelor's degree or higher or provides a program that is acceptable toward such a degree." At the same time, section 36 of the bill pertaining to loan counseling uses a slightly different definition that references institutions offering an **associate's** degree or higher.

While the use of a different definition for each of these provisions might be by design, the fact that degree-granting institutions approved by the EAB are excluded is concerning. I would encourage this committee to consider expanding the bill's applicability to include degree-granting institutions that are subject to EAB oversight for two reasons. First, students attending EAB-approved institutions are arguably among the most financially at-risk and vulnerable. Second, the majority of institutions subject to EAB approval are for-profit institutions and receive no state subsidies, which means their students are responsible for the entire cost of their education and end up borrowing more on average than do students attending the others types of institutions.

Under current law, tax filers who pay tuition and fees to attend institutions of higher education, including institutions approved by the EAB, can deduct these amounts up to a specified limit based on the average tuition at 4-year UW System institutions. Section 39 of the bill amends this provision by expanding the definition of "tuition expenses" to include higher education loan payments. However, this provision is tied to a definition in Chapter 18 of the statutes pertaining to higher education bonding, which limits the loan deductibility provision to students who attended regionally accredited, nonprofit, postsecondary educational institutions.

The vast majority of students who enroll in EAB-approved schools are non-traditional, working adults – many of them facing economic and financial challenges. I hope this committee will consider making changes to this bill so that the protections intended are available to all students, regardless of the institution they choose to attend.

Thank you again for the opportunity to testify. I would be happy to answer any questions you may have.

Good Morning

My name is Faun Moses. I am an attorney with the public defender's office. I have been working in that capacity for 3 ½ years.

I attended the University of Wisconsin- Madison for my undergraduate degree and the University of Wisconsin Law School for my law degree.

I grew up in a single parent household. My mother struggled to raise 2 children on her own, with no financial support from our father. Therefore, she was unable to help financially with sending me to college. I have worked as long as I can remember to help contribute to our family. I began babysitting at a young age, worked on a farm, and have held numerous jobs in the service industry, even while working towards my degrees.

I am a first generation college graduate. I was very lucky to have received a scholarship to attend the UW as an undergraduate. Without the financial assistance, I would be in a worse financial situation than I am now.

Currently, I have nearly 100k in student loan debt with an interest rate over 7%. When I started paying my student loans, I was paying nearly $500 a month. I have been able to consolidate my loans, because they are all federal loans, and under the income based repayment plan my payments are now about $300 a month. One of my colleagues, who went to a private law school and has private loans as well, pays over $1000 a month for her student loan payment.

I didn't become a public defender to get rich. I became a public defender because I value the importance of providing effective representation to indigent people. Although I'm not in this field for the money, I had no idea that I would have the financial stress I have. I live paycheck to paycheck and have an almost nonexistent savings account. Recently, I made the decision, at 31 years old, to move back home with my mother, as she was graciously offering me to live rent free so that I could work on paying off my credit card debt and save for a down payment for a home.

My goal is to buy a home and start a family in this community. It's a goal that I definitely thought would be possible after obtaining a bachelor's degree AND law degree. If I was not living back home with my mom, I would not be able to save any money and work towards my goal of owing a home and put down roots in this community.

This bill will help many people in my same situation. I wish I would have had loan counseling so that I could have had more information about how much debt I would be in, and what grant programs, or other loan repayment programs were and are available. This information is very important. Also, being able to refinance my loans and deduct student loan payments for tax purposes would be very helpful. This savings would help me achieve my goal of buying a home and starting a family in this community.

Thank you.