DAVE MURPHY

State Representative • 56th Assembly District

TO: Members of the Assembly Committee on Colleges and Universities
RE: Testimony in Support of Assembly Bill 744
DATE: January 21, 2016

Members of the Assembly Committee on Colleges and Universities, thank you for hearing my testimony in support of Assembly Bill 744.

This bill requires all higher education institutions in the state to send students a letter with information about their loans and provide financial literacy information in their first semester so they can make better decisions about their financial future. The more relevant information that is conveniently provided to the student will allow them to make smarter financial decisions and potentially reduce the level of student loan borrowing in the state.

Indiana University launched financial literacy programs in 2012 and began sending out similar student loan debt letters to students. Over two years, the financial literacy initiatives contributed to 16% reduction of student borrowing, equaling $44 million.

After looking at the success from Indiana's programs, this bill was created with the input of our higher education partners at the UW, Technical College System, and the Wisconsin Association of Independent Colleges and Universities and tailored to the needs of Wisconsin students.

Currently, students receive most of the information about their loans at the beginning of their college career during entrance counseling and at the end of their career during the exit counseling. The problem is twofold: students don't receive enough information throughout their college career, and it is difficult for some students to fully grasp the impact of taking out thousands of dollars in loans.

This letter will be sent each year when students are considering their financial aid package and it will give them more information in one place that tells a student what they have accumulated over time, what their status is now, and it even provides projections, such as estimated monthly payments, so students understand the future implications of their decisions. Links to other financial literacy resources will be provided so students can learn more.

I hope you will support this bill so students have the necessary information to make smart financial decisions about their student loans. Thank you for your time and consideration of this bill.

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WAICU

WISCONSIN ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

WISCONSIN'S PRIVATE, NONPROFIT COLLEGES AND UNIVERSITIES WORKING TOGETHER FOR EDUCATIONAL OPPORTUNITY

TESTIMONY

by

Dr. Rolf Wegenke, President
Wisconsin Association of Independent Colleges and Universities (WAICU)

on

Assembly Bill 744

to

Assembly Committee on Colleges and Universities

January 21, 2016

Chair Murphy and members of the Committee, thank you for holding this hearing today and for your attention to the important issue of college access and affordability.

My name is Rolf Wegenke. I am President of the Wisconsin Association of Independent Colleges and Universities, or WAICU, the official organization representing Wisconsin's 24 private, nonprofit colleges and universities and their nearly 60,000 students.

WAICU supports Assembly Bill 744 to provide additional information to students on educational costs and financial literacy. The Federal government has many requirements for sharing information with students. WAICU institutions share this federally mandated information and more with students. We want students to understand the full impact of the loans and grants they receive. For WAICU members, institutional and private aid is the largest growing expenditure for our institutions. Sharing this information with students will help them better understand all the resources that are contributing to their educational opportunity and assist them in making prudent and responsible decisions.

11/10/2014

Imma Hoosier
1234 Indiana Way
Bloomington, IN, 47405

Dear Imma Hoosier:

This letter is a personalized summary of your estimated student loan indebtedness. Please use the information below, along with the academic and financial planning resources on page two, to help minimize future borrowing while you complete your degree at Indiana University.

Your Total Estimated Education Loan Debt: $ 11,753

*See the "Important Information" section on page 2 of this letter regarding loan estimates.

Interest Rates

Student loan interest rates vary based on the type of loan and when the loan was borrowed. For the purpose of this letter we are using an estimated interest rate at 6.80%.

Estimated Monthly Payment – All Loans

Total Education Loans:	$ 11,753
Standard Repayment Term:	10 years
Assumed Interest Rate:	6.80%
Monthly Payment:	$ 135
Cumulative Payments:	$ 16,230
Projected Interest Paid:	$ 4,477

Federal Stafford Loans

The Federal Stafford Loan program is available to students who file a Free Application for Federal Student Aid (FAFSA). The amount offered is based on students' grade level and financial need. The total you have borrowed from this program, including both subsidized and unsubsidized loans, is $ 11,753.

Other Education Loans

In addition to your Federal Stafford loans, the estimated total of your education loans includes the amounts below which are based on your borrowing history at Indiana University:

Federal Perkins Loans:	$ 0
Private Loans Certified at IU:	$ 0
Other Loans Certified at IU:	$ 0

(Graduate PLUS and Federal Health Profession Loans)

Academic & Financial Planning Resources

There is still time for you to reduce future debt by planning your expenses carefully and borrowing only what you really need. Please visit the IU MoneySmarts website below for helpful information on how you can reduce your educational expenses to help minimize future loan borrowing.

MoneySmarts: http://moneysmarts.iu.edu/index.shtml

Please feel free to make an appointment or drop by Student Central to review your loan debt information, talk about future borrowing and discuss repayment options with a counselor.

The standard 10-year repayment plan for Federal Stafford Loans is one of many options. To find out about alternatives plans, visit website: http://www.direct.ed.gov/RepayCalc/dlindex2.html

To calculate payments on loans of all types, or estimate your monthly obligation for your cumulative debt, you can use this simple tool offered by finaid.org: http://www.finaid.org/calculators/loanpayments.phtml

Loan Terms Glossary - http://www.direct.ed.gov/glos.html

Important Information about These Loan Estimates

***IMPORTANT: Figures provided in this notice are NOT a complete and official record of your student loan debt.**
The most accurate information about your Federal student loans (excluding Title VII and VIII Health Profession Loans) is available in the National Student Loan Data System (NSLDS). http://www.nslds.ed.gov/nslds_SA/
Log in using your personal information and the 4-digit PIN you used to sign your FAFSA.

Please read this important information about why loan totals in this letter may be incomplete or inaccurate.

- Students who have borrowed at multiple institutions, have consolidated their loans, or who have repaid a portion of their debt may find that these estimates are inaccurate.
- Grad PLUS Loans, Federal Health Profession Loans, state or institutional loans and private loans from other institutions are not included in these estimates.
- Federal Health Profession Loans, institutional loans and private loans certified at IU before the 2004-05 academic year are not included in these estimates.
- Interest that accrues while you are enrolled, which must be paid first or capitalized (added to your debt), has not been projected here and therefore has not been included in these estimates.
- The Federal Stafford and Perkins Loan figures in this letter are based on the most recent information sent to Indiana University by NSLDS and should include loans from any institution. However, if you recently received Stafford or Perkins loans at another institution, these may not have been included in the information provided by NSLDS.
- State Nursing and Teaching scholarships and Federal TEACH grants, which may be converted to loans if scholarship terms and conditions are not met by the recipient, are not included in these estimates.
- Education loans your parent took out on your behalf, and parent loans you may have taken for your children, are not included in these estimates.

ONE**WISCONSIN**NOW

ONE WISCONSIN NOW WRITTEN TESTIMONY
ASSEMBLY COMMITTEE ON COLLEGES AND UNIVERSITIES
ASSEMBLY BILLS 739, 740, 741, 742, 743, 744
JANUARY 21, 2016

Members of the committee, as one of the nation's leading organizations fighting against the economic crisis of student loan debt with over 80,000 online supporters, I submit the following remarks in opposition to Assembly Bills 739, 740, 741, 742, 743 and 744, which the majority is touting as a solution, but provides no real help to the state's student loan borrowers.

The student loan debt crisis is a $19 billion nightmare for one million Wisconsinites and their families. Our research shows it prevents them from purchasing new cars and a home of their own. It stymies consumer spending and stifles new job creation.

Make no mistake none of these bills will reduce by one cent the monthly student loan payments of any of Wisconsin's one million student loan borrowers.

Counseling will not reduce student loan payments for the one million Wisconsinites with student loan debt.

Having student loan borrowers become free labor for businesses will not reduce student loan payments for the one million Wisconsinites with student loan debt.

A handful of emergency payments will not reduce student loan payments for the one million Wisconsinites with student loan debt.

Nothing in any of these six bills will reduce student loan payments for the one million Wisconsinites with student loan debt.

Even your alleged tax deduction would provide more than 97 percent of the state's student loan borrowers with no help whatsoever.

But what will reduce monthly student payments? Allowing student loan borrowers the chance to refinance their student loans, just like you can a mortgage or a car provided for in the "Higher Ed, Lower Debt" bill. A report by the White House on a federal student loan refinancing plan showed that 515,000 of the current 812,000 Wisconsinites with just federal student loan debt would immediately see lower interest rates, reducing their monthly payments. In addition, student loan refinancing in Wisconsin would not cost taxpayers a penny.

Wisconsin's one million student loan borrowers have done the right thing. They are hardworking and have taken on the personal responsibility for paying for their university education and technical college training. They are not asking for a handout, they just want to be treated fairly in a system that is leaving them behind economically.

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152 West Johnson Street, Suite 214, Madison WI 53703 • (608) 204-0677 • FAX: (608) 204-0689

So why does Gov. Walker oppose letting student loan borrowers refinance their student loans, just like you can a mortgage?

When asked by the media, Gov. Walker claimed there Is a refinancing plan in Connecticut, which he also claims has higher rates than all current federal student loans. We contacted the chair of the House Banking Committee in Connecticut, Rep. Matthew Lesser. He informed us, quote, "Our new program isn't scheduled to release its first rates until late spring." He did note that Connecticut has a direct-lending program, whose rates a comparable to the current 4.29 percent federal subsidized and unsubsidized undergraduate student loan rate.

Neither Gov. Walker, nor numerous legislative Republican who have repeated this dishonest misrepresentation, apologized to the people of Wisconsin for their dissembling of the facts.

Quite the opposite, you are promoting these bills as a solution, while you are leaving Wisconsin's one millions student loan borrowers with no help in reducing their monthly burden.

STUDENT LOAN DEBT IN WISCONSIN

Over 43 million Americans collectively hold in excess of $1.3 trillion in student loan debt. These hard-working borrowers have done the right thing, getting an education and taking on the personal responsibility to pay for it. But instead of their education helping to pave the way to the middle class, they are trapped in a system that doesn't treat them fairly.

The crisis didn't emerge out of thin air, it was created with a toxic combination of declining public investment in higher education and skyrocketing tuition, the failure of financial aid to keep up with the number and the need of eligible students and profiteering by big banks and even the federal government.

Original research conducted in 2011 by One Wisconsin Institute found that, on average, Wisconsin student loan borrowers were paying $388 per month on their loans and taking nearly nineteen years to retire their debt. The economic consequences of this debt are profound - over $200 million in new vehicle sales are lost on an annual basis directly attributable to student loan debt. And borrowers are much more likely to rent versus own their home.

In collaboration with the national think tank Demos, we examined how declining financial support for higher education by the state of Wisconsin has shifted costs onto consumers, increased student loan debt and decreased the affordability of higher education. The results endanger the quality of institutions of higher learning and threaten the state's economic competitiveness and the future of its young people."

Despite the demonstrably widespread and negative impact of the student loan debt crisis Wisconsin Governor Scott Walker and the Republican-controlled legislature have been indifferent if not outright hostile to common sense solutions. In fact, Gov. Walker has pursued the same toxic policies

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that underlie the exponential growth of the student loan crisis - cuts to funding for higher education, tuition increases and underfunding of financial aid.

It is then no surprise then under Gov. Walker Wisconsin went from 10th in 2011 in the nation to 3rd for percentage of students graduating with debt, at 70 percent, and the average amount of debt now is around $29,000.

THE CRISIS NATIONALLY AND IN WISCONSIN

Since 2000, student loan debt has grown exponentially, from $200 billion to an estimated $1.3 trillion today.

Student loan debt is now the 2nd largest consumer debt — more than credit cards or auto loans, exceeded only by home mortgage debt.

Banks are profiting tens of billions a year from interest charged on student loan borrowers and the federal government earned over $51 billion in profit on student loans in fiscal year 2013. For comparison, only Exxon Mobil and Apple reported corporate profits that exceeded what the federal government earned from student loan interest.

Data released by the White House, based on 2014 Department of Education statistics, reveal Wisconsin's share of the $1.3 trillion student loan debt crisis. According to the data there are 812,000 state residents with over $18.2 billion in outstanding federal student loan debt alone.

The most recent data reports the average borrower in Wisconsin today has an average debt of over $28,000.

And the problem continues to get worse, according to a Pew Research study borrowers are taking on twice as much debt today as they were 20 years ago.

The national think tank DEMOS conducted research that found that, "$1 trillion in outstanding student loan debt will lead to total lifetime wealth loss of $4 trillion for indebted households, not even accounting for the heavy impact of defaults."

Confirming the research conducted by One Wisconsin Institute, a study from a home building industry consulting firm estimates student loan debt is costing the U.S. housing market $83 billion annually in lost home sales. According to the report, every $250 in monthly household student loan debt payments reduces that household's home buying purchasing power by $44,000.

Recent graduates are obviously feeling the impact of the unprecedented levels of debt they are forced to incur to finance their education or job training. Student loan debt now accounts for nearly 37% of the total debt for those aged 20–29, and other debt like mortgage debt is correspondingly decreasing.

But student loan debt is not just for young people. Since 2005, the student loan debt held by people over the age of 50 has tripled from $8 billion to $43 billion. Of this debt, 27 percent was for the financing of a child's education, but 73 percent was for their own education or job training.

In fact, the Social Security benefits of 155,000 Americans were garnished in 2013 to pay back student loan debt. Over 700,000 households over the age of 65 owe over $18 billion in student loan debt, according to the federal Government Accountability Office.

A report from the Consumer Financial Protection Bureau also pointed to significant challenges for borrowers not just with federal student loans, but with the private student loan market. Most notably, private lenders showed significant resistance to attempts by borrowers to modify the terms of their repayments.

ONE WISCONSIN INSTITUTE RESEARCH SHOWS NEGATIVE ECONOMIC IMPACT OF STUDENT LOAN DEBT

One Wisconsin Institute conducted comprehensive research of the impact of student loan debt in Wisconsin.

Among the findings were:

- Individuals with bachelor's degrees reported making an average monthly student loan payments of $350 and those with graduate or professional degrees made an average payment of $448;
- The length of student loan debt was nearly 19 years for persons with bachelor's degrees and over 22 years for those with graduate or professional degrees;
- An increasing reliance on private student loans versus government loans and an increasing number of individuals consolidating their loans, therefore extending the repayment period and total amount paid, post-1996 Student Loan Marketing Association Reorganization Act;
- Individuals paying on a student loan are more than twice as likely to purchase a used versus new automobile;
- Annual aggregate new vehicle spending may be reduced in Wisconsin by up to $201.8 million;
- A strong correlation between student loan debt and renting with 85.6% of renters with household incomes between $50,000 and $75,000 currently paying on a student loan.

WALKER AND THE REPUBLICAN LEGISLATURE'S POLICIES HAVE INCREASED STUDENT LOAN DEBT

Increasing tuition

Gov. Walker signed a UW tuition increase of 11%, or $107 million, over the two years of the 2011 budget.

Cutting state support for public universities

Scott Walker gutted the University of Wisconsin (UW) and Wisconsin Technical College System by nearly $1 billion in his three state budgets. The latest $250 million cut to the UW signed into law this summber by Walker makes Wisconsin unique as one of the only states in the country still cutting higher education investments.

ONEWISCONSINNOW

While most other states were increasing funding for higher education, Wisconsin in 2015 was one of the few states still considering funding cuts for it's state university system.

Underfunding financial aid for eligible students

Under the Walker administration an average of 40,000 eligible students received no financial aid because of a lack of funding, forcing them to make choices like taking on more student loan debt or delaying their studies.

In his 2011 state budget, Walker proposed and signed in to law the phase out of the Wisconsin Covenant program that guaranteed assistance for Wisconsin high school students who maintained a "B" average to attend the UW school of their choice. The result is a $38 million reduction in state financial aid for college students.

Walker repealed the Wisconsin version of the state higher education dreamer law, that charged in- state tuition at the University of Wisconsin to the children of undocumented parents who graduated from Wisconsin high schools.

Reducing oversight of private, for-profit colleges

In his 2015 budget, Walker proposed eliminating the state Educational Approval Board that oversees the regulation of private, for profit colleges in Wisconsin. His plan would have left Wisconsin as, " ... the only state without oversight of for-profit colleges, at a time when many others are ramping up their level of supervision over colleges that face heavy scrutiny throughout the nation."

HOWARD MARKLEIN
STATE SENATOR • 17TH SENATE DISTRICT

January 21, 2016

TESTIMONY ON ASSEMBLY BILLS 739, 741, 742, 743, & 744

Thank you to Chairman Murphy and the rest of the Assembly Committee on Colleges & Universities for the opportunity to voice my support for Assembly Bills 739, 741, 742, 743, and 744, otherwise known as the *College Affordability Legislative Package*.

In Wisconsin, we value the importance of a good education. The higher education system in Wisconsin is a shining example of the investment that our state makes in education. The rising cost of higher education, the growing levels of student debt, and the ability to connect education with gainful employment are important issues that impact many Wisconsin families.

Managing student debt while finding and keeping gainful employment has become a major issue for many Wisconsinites and their families. Too many college students take on too much debt without fully understanding how much they will be obligated to pay and whether or not their future occupation will support their debt after graduation.

In order to help future and current students, as well as graduates, manage these issues, I have been working with several of my colleagues to introduce a set of bills we are calling *The College Affordability Legislative Package.*

I worked with a group of my colleagues in the introduction of the *College Affordability Legislative Package*, which includes common sense changes to alleviate the financial burden on Wisconsin students. These bills are common sense reforms that address a range of issues facing students in higher education. We want students to be more informed regarding their investment in education and create resources for success when they graduate.

ASSEMBLY BILL 739: Deducting All Student Loan Interest

According to the Institute for College Access & Success, student loan debt averages $28,810 per student in Wisconsin. Under current law, the cap for interest loan deduction is $2,500. This bill eliminates the cap on the tax deduction for student loan interest. This would save student loan debt payers $5.2 million annually statewide. This change is estimated to benefit roughly 32,000 married and single tax filers. The average benefit per filer is approximately $165. Wisconsin would be the only state in the Midwest to allow all interest deductible for student loans.

ASSEMBLY BILL 741: Micro-grant Program

A micro-grant is a small emergency grant to cover an unplanned expense for a college student to

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prevent them from dropping out of school. Unfortunately, these financial emergencies can cause a student to drop out of school, especially when they are a non-traditional student who works while they attend school. Small grants of under $500 would be awarded to Tech College and two-year college students with an unplanned financial emergency, using an application-based system. A similar grant program was implemented for the Technical College System and they reported a 28% increase in retention among students receiving the grants.

ASSEMBLY BILL 742: Internship Coordinators for the Department of Workforce Development (DWD)
At the state level, we should be utilizing resources to develop our workforce and keep Wisconsin students in Wisconsin. This bill would create two internship coordinator positions at the Department of Workforce Development (DWD) to connect employers with the universities and colleges and create internship opportunities.

ASSEMBLY BILL 743: Internship Coordinators for the UW Schools
After students graduate, we should encourage a smooth transition from their studies to gainful employment. Often times, I hear that employers have openings but students are ill-trained or do not apply for the jobs. This bill that would provide funding for the UW System schools to create internship opportunities by connecting employers with potential employees.

ASSEMBLY BILL 744: Financial Literacy Letters
Often times, many students are unaware of the payments and burden when they take on student loan debts for school. This bill requires that all higher education institutions send their students a letter with information about their loans, monthly payments, and loan interest rates so that they can be better informed when making financial decisions as they progress through school. The best way to reduce student loan interest is to reduce student loan debt.

The provisions in these bills will provide students with: additional information about their student loans so they can make smart financial decisions; emergency assistance so they can stay in school; tax breaks when paying back their student loans; and internship opportunities to connect students with Wisconsin employers to help students get better jobs and reduce the brain-drain.