

Issue Brief: Student Loan Debt in Arizona

Why the Low Interest Rate for Student Loans Should Be Extended

Student Loan Interest Rates Set to Double

Without a new plan from Congress, on July 1 the interest rate on subsidized Stafford student loans will *double*, from 3.4 percent to 6.8 percent. A 2007 college affordability plan lowered the rate, but expired in 2012. Last year, President Obama and Congress extended the low rate for one year. In Arizona, 450,977 federal student loan borrowers will be impacted if the rate doubles¹.

Student Borrowing in Arizona

Forty-nine percent of Arizona's graduates carry student loan debt, with an average of \$19,950 per borrower.² Unfortunately, student loan borrowers in Arizona will be hit with higher loan costs on July 1, which translates into an additional \$902 in cost per student, per loan.³ Meanwhile, as students are struggling with high costs, the federal government is collecting massive, shortsighted revenue from student loan borrowers – projected at \$50 billion for next year alone.⁴

Student Debt and Its Impact on the Economy

Last April, at \$1 trillion, student loan debt surpassed credit card debt as the top form of consumer debt across the country.⁵ Such significant debt has serious implications for the economy in Arizona and elsewhere. For instance, if the low 3.4 percent rate gets extended, this year's student loan borrowers in Arizona would save \$406,781,254, which could be spent in the consumer economy rather than being applied toward paying down debt.

Strengthening the Arizona Job Market

The Arizona job market is experiencing a skills gap between the number of people without jobs and the skills employers are looking for in their employees. By 2020, 64 percent of the jobs in the state will require a certificate or degree, while only 31 percent of the current population has one⁶. Keeping the interest rate at 3.4 on student loans will send an urgent signal to students, workers, and the unemployed to get the postsecondary training needed to adapt to new economic realities.

Arizona's Senators

Senators John McCain and Jeff Flake have not been supporters of strengthening the student loan program. Both voted against the College Cost Reduction and Access Act of 2007, which set the lower interest rate⁷. Last year, Senator McCain voted against the first⁸ and final⁹ proposals to extend the interest rate, as did Senator Flake as a member of the U.S. House¹⁰.

¹ Analysis, U.S. Department of Education, 202-401-1576.

² "Student Debt and the Class of 2011," The Institute for College Access & Success, <http://projectonstudentdebt.org/files/pub/classof2011.pdf>.

³ Analysis, U.S. Department of Education, 202-401-1576.

⁴ Philip Elliott, "House Advances Student Loan Fix," Associated Press, May 16, 2013, <http://bigstory.ap.org/article/house-take-student-loan-fix>.

⁵ Tom Raum, "Recovery Threatened by Student Loan Debt," Associated Press, April 3, 2012, http://www.boston.com/news/education/higher/articles/2012/04/03/recovery_threatened_by_runaway_student_loan_debt.

⁶ "Arizona Analysis 2011," College Complete America, <http://www.completecollege.org/docs/Arizona.pdf>.

⁷ "Bill Summary and Status – 110th Congress (2007-2008) H.R. 2669," Library of Congress, <http://thomas.loc.gov/cgi-bin/bdquery/z?d110:H.R.2669:>

⁸ "U.S. Senate Roll Call Votes, 112th Congress, S 2343," United States Senate, http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=112&session=2&vote=00113.

⁹ "U.S. Senate Roll Call Votes, 112th Congress, S 1813," United States Senate, http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=112&session=2&vote=00048.

¹⁰ "U.S. House Roll Call Votes, 112th Congress, H.R. 4628," United States House, <http://clerk.house.gov/evs/2012/roll195.xml>