



United States Senate Committee on Banking, Housing, and Urban Affairs

Tim Johnson (D-SD), Chairman

Senate Committee on Banking, Housing, and Urban Affairs

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Johnson Statement on Private Student Loan Hearing

WASHINGTON – Today, Senate Banking Committee Chairman Tim Johnson (D-SD) held a hearing titled “Private Student Loans: Regulatory Perspectives.”

Below is Chairman Johnson’s statement as prepared for delivery:

“Good morning. I call this hearing to order.

“For many Americans, a college degree is an important goal that can mean a lifetime of better earnings and opportunities. However, this goal has come at a higher price: the cost of education has risen significantly while the job market has weakened, straining a generation of Americans seeking to establish themselves in the broader economy. Student loan debt now stands at over \$1 trillion and is second only to mortgage debt as the largest form of debt in the country. Student loan balances have almost tripled since 2004, and an alarming one-third of borrowers are delinquent on their loans. Last year, nearly 8 out of 10 students in my home state of South Dakota graduated with student loan debt.

“These rising debts reach beyond individuals, and impact many sectors of the economy. High levels of student loans mean many put off buying a home, or never become homeowners at all. Student loans make it harder to start small businesses. Student loan payments often take priority over retirement savings. And rising student loan balances in states like South Dakota make it harder for graduates to stay in rural communities.

“While most student loans are federal, private loans make up \$150 billion of the market. Private lenders allow many students to attend college who would not otherwise be able to afford it, and may sometimes offer better terms than federal loans. However, nearly one million borrowers are in default on their private student loans. And while federal loans offer flexible relief during periods of hardship, most private student lenders do not offer the same options for struggling graduates.

“Our witnesses today represent the federal agencies responsible for ensuring that lenders balance sound lending principles with appropriate measures to avoid default. I look forward to hearing your testimony on guidance you provide to lenders, and what limitations lenders may face in providing relief. The CFPB has been very active in private student loans, recently publishing a

proposal to oversee large student loan servicers and a report on affordable private student loan repayment. I am interested to hear from the CFPB on both of these efforts.

“Next week, on July 1, millions of students face a doubling of the interest rates on some federal loans. I urge the regulators to be vigilant in monitoring growth in the private student loan market that may result from changes to the federal student loan market. It is critical that regulators respond quickly to marketplace changes, and that consumer protections are safeguarded when demand rises. With that, I turn to Ranking Member Crapo.”