



## Issue Brief: Student Loan Debt in Massachusetts

### Why the low interest rate for student loans should be extended

**Background** The resolution of the ongoing national debate about whether or not to extend the low interest rate on federal student loans will have a sizable impact on Massachusetts' economy. Without a new plan, on July 1 the interest rate on subsidized Stafford student loans will *double*, from 3.4 percent to 6.8 percent.

**Student borrowing in Massachusetts** A college degree is practically a necessity these days. The social and economic health of Massachusetts relies on the success of its students and workers. But the recession has left the state with less money to spend on higher education and other services, squeezing families who are already straining to pay for college for their children as well as the unemployed who are seeking new skills to stay competitive in the job market. Students and families are turning to federal student loans to finance a degree or credential program. Now, 63 percent of Massachusetts graduates carry student loan debt, with an average of \$25,541 per borrower.<sup>1</sup>

**Student borrowing and its impact on the economy** Student loan debt recently surpassed credit card debt as the top form of consumer debt across the country, at \$1 trillion dollars.<sup>2</sup> Such significant debt has serious implications for the economy, in Massachusetts and elsewhere. The vast majority of student loans made is federal – eight in ten student loans made are backed by the federal government.<sup>3</sup> In Massachusetts, 161,102 federal student loan borrowers will be impacted<sup>4</sup>. If the low rate is extended for one year, the average savings per borrower will be \$1,026 over the life of the loan translating into \$165,290,652 dollars in savings that student loan borrowers would otherwise carry in additional debt burden if the rate hike occurs.<sup>5</sup>

**Stabilizing Massachusetts' shifting economy** There is less unemployment in Massachusetts than nationally, but the job market nonetheless is experiencing a skills gap between the numbers of people without jobs and the skills employers are looking for in their employees. By 2020, 70 percent of the jobs in the state will require a certificate for college degree, with only 53 percent of the population having one.<sup>6</sup>

Keeping the interest rate low on student loans will send the urgent signal to students, workers, and the unemployed to get the postsecondary training needed to adapt to the new economic reality in the state.

**Senators Kerry and Brown** should be urged to support extending the low rate for the sake of Massachusetts' students and economy. Senator Kerry backed the College Cost Reduction and Access Act of 2007, which set the lower interest rate.<sup>7</sup> Senator Brown has publicly supported keeping the rate low.<sup>8</sup>

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<sup>1</sup> The Institute for College Access & Success, [College InSight](#).

<sup>2</sup> The Associated Press, [US recovery threatened by student loan debt](#), April 3, 2012.

<sup>3</sup> The Associated Press, [US recovery threatened by student loan debt](#), April 3, 2012.

<sup>4</sup> The US Department of Education.

<sup>5</sup> The US Department of Education.

<sup>6</sup> College Completes America, [Massachusetts analysis](#), 2011.

<sup>7</sup> Library of Congress, THOMAS, [H.R 2669](#).

<sup>8</sup> Boston Globe, [Warrens new ad counters earlier student debt viewpoint](#), April 26, 2012