REQUEST

Cosponsor and Pass H.R. 7449/S. 4141, the Bank on Students Coronavirus Emergency Loan Refinancing Act

The Bank on Students Coronavirus Emergency Loan Refinancing Act (H.R. 7449/S. 4141), introduced by Rep. Joe Courtney (D-Conn.) and Senator Elizabeth Warren (D-Mass.), would allow both federal and private student loan borrowers to refinance their loans at the new, historically low interest rates that went into effect on July 1, 2020. The bill would also provide current federal benefits and protections to borrowers who refinance their private loans and ensure that any refinanced loans remain eligible for repayment programs, such as Public Service Loan Forgiveness.

Interest rates for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after July 1, 2020, and before July 1, 2021

<table>
<thead>
<tr>
<th>Undergraduate Borrowers</th>
<th>Graduate or Professional Borrowers</th>
<th>Parents and Graduate or Professional Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.75% DIRECT SUBSIDIZED LOANS</td>
<td>4.30% DIRECT UNSUBSIDIZED LOANS</td>
<td>5.30% DIRECT PLUS LOANS</td>
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These represent the lowest interest rates on federal student loans since at least 2006

FEDERAL BORROWING ‘COSTLIER’ FOR GRADUATE STUDENTS

The federal government has taken actions in recent years, related to student loans, that have disproportionately impacted graduate students, including the imposition of higher interest rates and multiple loan origination fees, as well as the elimination of subsidized federal loans. Without access to subsidized loans, graduate students begin accruing interest immediately upon disbursement of the loan. These interest rates are fixed, and since at least 2006, the median interest rates for unsubsidized loans and Grad PLUS loans have been 6.04 percent and 7.04 percent, respectively. Additionally, any unpaid interest is compounded and added to the principal balance of the loan. These factors further increase the cost of federal borrowing, particularly when financing graduate education.
THE TOLL OF STUDENT LOAN DEBT

Student debt impacts nearly all graduate psychology students, both those studying to be clinical psychologists and behavioral researchers. Psychologists graduate with an average debt load between $95,000 and $138,500, and close to half of PhD-level psychologists rely on loans to pay for graduate school, which takes an average 5-6 years to complete. Moreover, a doctoral degree is required by most states to qualify for licensure upon entry into the field. At the same time, the median salary for early career psychologists is $60,000 annually. Compounding interest only increases overall student debt burden. This impacts career choice, potentially decreasing the likelihood of qualified professionals pursuing careers in critical sectors, such as public service and in underserved communities, where demand is expected to grow due to COVID-19.

Furthermore, there is a psychological component to debt. Research shows that debt contributes to stress, anxiety, and depression. These were all concerns among college students even before the pandemic, and have only been exacerbated by COVID-19. The burden of student loan debt further increases future economic uncertainty for many students and borrowers, including those training to be the next generation of behavioral health providers and researchers.

AN UNCERTAIN ECONOMY

Since the start of the COVID-19 pandemic, tens of millions of workers—many with student loan debt—have seen their employment impacted. Current students and recent graduates are either working towards a degree or looking for employment in what is arguably the weakest job market since the creation of the federal student loan system. This also includes those entering the health care professions, which have previously been thought to be ‘recession proof.’

As interest rates across various sectors of the economy have decreased due to the economic downturn, loan holders with mortgages, auto loans, or other types of debt have been able to seek relief by refinancing at lower rates. Student loan borrowers, however, have not been extended similar opportunities. This includes many borrowers who received their degrees a decade or more ago and remain locked into fixed rates of seven percent or higher.

WHAT CAN CONGRESS DO

By enacting the Bank on Students Coronavirus Emergency Loan Refinancing Act, Congress could give current student loan borrowers the ability to refinance their debt at much lower interest rates. This would provide many student loan borrowers with extra financial security and potentially serve as an economic stimulus. It would also alleviate a portion of the debt burden carried by advanced degree holders, including psychologists, many of whom are serving on the frontlines of COVID-19.

3. Ibid.