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R2012-644

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City Council Document Tracking Sheet

Meeting Date: 6/27/2012

Sponsor(s): Laurino, Margaret (39)
Solis, Daniel (25)
Austin, Carrie M. (34)
Cullerton, Timothy M. (38)

Type: Resolution

Title: Call for Joint hearing(s) to address current issues
surrounding student loan debt crisis

Committee(s) Assignment: Joint Committee on Education and Finance

RESOLUTION

WHEREAS, according to the Consumer Financial Protection Bureau, the total student loan debt in the United States now exceeds one trillion dollars; and

WHEREAS, according to an article entitled "Student Loan Debt" on pbs.org dated October 19, 2011, tuition and fees for colleges across the country has grown by more than four hundred percent (400%) between 1985 and 2005, with costs doubling over the last decade; and

WHEREAS, according to the same aforementioned article, the rise in tuition has greatly outpaced the rate of inflation as well as medical, energy and housing costs; and

WHEREAS, the cost of higher education has risen beyond average starting salaries, leaving college graduates with a student debt load which exceeds their ability to pay; and

WHEREAS, according to an article in the Wall Street Journal dated March 22, 2012, U.S. officials and economists say as more people go to college and assume bigger loans for education, they may take longer than previous generations to hit key milestones such as buying a house or getting married. It could take longer for heavily indebted graduates to save money for a down payment on a home, or it could be harder for them to qualify for mortgages; and

WHEREAS, Illinois Attorney General Lisa Madigan appeared before a United States Senate judiciary subcommittee in March and stated that, "student debt poses a large and growing threat to the stability of our economy;" and

WHEREAS, as the costs for higher education have increased, more individuals have sought loans and the firms such as Sallie Mae, Bank of America, EduCap and Campus Door have begun aggressively marketing private loans to hundreds of thousands of college students; and

WHEREAS, according to a 2011 study by the John J. Heldrich Center for Workforce Development at Rutgers University, the average graduate of a 4 year college or university had amassed approximately \$23,000 of student debt; and

WHEREAS, the same study states that only fifty-six percent (56%) of 2010 graduates were able to find a job at the completion of their studies; and

WHEREAS, while nearly eighty percent (80%) of full-time students from households in the lowest income bracket receive federal grants, only twenty-six (26%) of those in the middle two income brackets receive federal grants; and

WHEREAS, student debt is not only a burden for college graduates in their twenties, but also for their parents, who often co-sign for their children's student loans; and

WHEREAS, according to 11 USC §523(a)(8), there currently exists an exception to bankruptcy discharge of private, governmentally-guaranteed and government education loans; and

WHEREAS, private loans lack the income-based repayment and deferment options of federal education loans; and

WHEREAS, there are far fewer consumer protections for private loans issued for the purpose of higher education than those loans that are federally backed; and

WHEREAS, the interest rate on new subsidized student loans from the federal government, called Stafford loans, are set to double to 6.8 percent on July 1, 2012 if Congress does not prevent the federal program keeping those interest rates low from expiring; and

WHEREAS, forgiving student loan debt would have a stimulating effect on the economy; and

WHEREAS, responsible individuals who chose to pursue higher education would have hundreds, if not thousands, of extra dollars per month to spend, aiding the economy and thereby increasing tax revenues and fueling credit markets; and

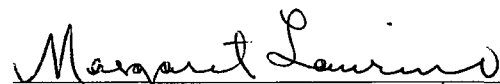
WHEREAS, the threat of financial ruin should not deter the youth of America from pursuing a higher education; NOW THEREFORE

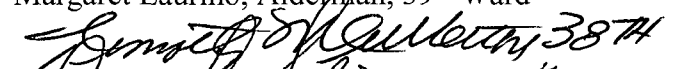


BE IT RESOLVED, that the Joint Committee of the Committee on Finance and the Committee on Education hereby calls upon the Chief Financial Officer of the City of Chicago, as well as representatives from the banking community, the Chicago City Colleges, other local colleges and universities, the Chicago Public Schools and other high schools in Chicago, to appear before the aforementioned Joint Committee to address the current issues surrounding the student loan debt crisis;

BE IT FURTHER RESOLVED, that local colleges and universities, the Chicago Public Schools and other high schools are encouraged to create mandatory classes or include lessons in current curriculum to educate students and their families about the real costs of taking out student loans before those loans have been disbursed;

BE IT FURTHER RESOLVED, that the local banking community be urged to come up with a solution for renegotiation of education loan terms and rates in order to avoid another debt crisis similar to the mortgage foreclosure crisis facing our nation; and

BE IT FURTHER RESOLVED, that the City Council urges the federal government to consider solutions to this crisis, including renegotiating or forgiving a percentage of student loans as part of a stimulus package and to reform the student loan system.


Margaret Laurino, Alderman, 39th Ward

 Kenneth J. Halloran, 38th
 Danny J. Jaki, 25th
 Carrie M. Austin, 34th