

## Legislation Text

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Authorizing Philadelphia City Council's "Special Committee on Student Loan Debt" pursuant to Resolution No. 160048, to investigate ways the City of Philadelphia can lessen the burden of Student Loan Debt upon our citizens.

WHEREAS, The Federal Reserve Bank of New York estimates the current student debt outstanding in our country at 1.3 trillion with an estimated 40 million borrowers liable for the debt. On an individual basis, current student debt held by former students nationwide is on average \$29,000.00; and

WHEREAS, According to the Federal Reserve Bank of New York, wages for the typical recent college graduate working full time have risen just 1.6 percent over the last 25 years, after adjusting for inflation. Meanwhile, student debt burdens for the typical bachelor's degree recipient who borrowed for college has increased about 163.8 percent, according to the United States Department of Education; and

WHEREAS, The increase in student debt accompanied by no growth in earnings has pushed student debtors into distress. Nearly 11.6 percent of student loan balances are at least 90 days delinquent, almost double the level in 2003. The Consumer Financial Protection Bureau estimates that 1 in 4 student loan borrowers are either in default or struggling to stay current, even though virtually all borrowers with federal student loans are able to make monthly payments indexed to their earnings; and

WHEREAS, Due to the student loan debt crisis many citizens of Philadelphia often cannot start families, purchase homes, or start businesses because all of their disposable income is used to pay student loan debt. This leads to further income inequality amongst the citizens of Philadelphia; and

WHEREAS, Philadelphia's economy is also conversely affected by the student loan debt crisis. A large number of citizens are unable to enjoy their discretionary income, which causes a reduction of expenditures due to a loss of revenue to the varied commercial establishments in the City; and

WHEREAS, Efforts to pass legislation on the federal level to provide for significant savings via refinancing have to date been unsuccessful. Various states, including Rhode Island; Connecticut; North Dakota; Maine; California; Kentucky; and Minnesota have adopted refinancing programs; and

WHEREAS, The state of Rhode Island decided to conduct a pilot refinance student debt program and offered it to both residents and non residents. Rhode Island borrowed funds from private lender(s) and used those funds to pay off the student loan debt of the borrowers. The state then entered into new loans with the borrowers and was able to offer 5, 10 and 15 year term loan products that would provide the borrowers with a lower monthly rate than before. The federal government has approved the use of tax exempt bonds for the refinancing program and Rhode Island will be borrowing funds through that process to continue with its refinancing program rather than rely on private lenders; and

WHEREAS, The state of Connecticut has passed a "Student Bill of Rights" for student loan borrowers, the law created an Office of Student Loan Ombudsman in the state's Banking Department and the salaried position of a

Student Loan Ombudsman. The law grants the authority to the Ombudsman to do the following: license student loan servicers; set standards for student loan servicers to follow; receive complaints submitted by borrowers; investigate the complaints; and report to the legislature on the results of its efforts; and

WHEREAS, Ultimately, the continuation of high burdensome student loan debt will place a drag on consumer spending; depress the housing market and “new household formation”; place a drain on creativity and entrepreneurship; and make society worse; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That Council of the City of Philadelphia authorizes Philadelphia City Council’s “Special Committee on Student Loan Debt” Pursuant to Resolution No. 160048; to Investigate Ways the City of Philadelphia can Lessen the Burden of Student Loan Debt upon our Citizens.