

STUDENT LOANS BLOG

Student Loans Becoming More of a Political Issue as Presidential Election Nears

Posted by Shannon Rasberry on Apr 16, 2012

Democrats and Republicans are politicizing [student loans](#) and working to get out the right message for their voter bases as the nation's presidential election engine heats up ahead of November.

The White House and Democratic lawmakers are hurrying to find enough funds to extend a law that, if allowed to expire this summer, would allow the interest rate on subsidized federal student loans to double to 6.8 percent, potentially costing borrowers thousands of dollars more in interest payments over the life of their education loans.

Rep. Joe Courtney, a Democrat from Connecticut, is sponsoring a bill backed by 109 Democrat's that will extend the 3.4 percent interest rate on subsidized Stafford loans and has intimated that his party will get the word out if Republicans stand in the way. "It will be a very potent issue, certainly on college campuses but definitely for students' parents who are going through the financial aid process on the eve of the election," Courtney said.

But John Kline, a Republican from Minnesota and House Education and the Workforce Committee Chairman, said that there simply isn't enough money to extend the low interest rate — voted for by 77 House Republicans in 2007 — which would cost about \$6 billion. Kline said that while he'd like to help reduce college costs for students, deficit spending isn't the right way to pay for student loans. And without deficit spending, Kline Added, the only way to pay for the interest rate extension is to take money that's been set aside for other federal college financial aid programs in the Republican budget.

Democrats, Republicans Offer Polar Opposite Student Loan Message

These two polarized sides — Democrats want to increase the education budget while Republicans want to cut it — essentially create the framework for the student loan debate heading into the presidential election. From there, a few specific details about messaging have already emerged.

Democrats are using student loans to bolster their larger message about economic fairness. And the message is clear: more than 37 million college graduates and dropouts carry more than \$1 trillion in student loan debt. "That number has gotten so big, it comes with actual consequences," said Rich Williams, the higher education advocate for the U.S. Public Interest Research Group. "The amount of debt they have impacts important life decisions, like buying a home, whether they get married and have children."

Furthermore, it's outrageous, Democrats say, to make student loan borrowers pay 6.8 percent interest at a time when mortgage rates are 3.8 percent, Treasury bonds are being sold at 2 percent, and the Federal Reserve is basically giving banks money for free. "Right now, we are facing a student debt bomb," said Assistant Senate Majority Leader Dick Durbin, a Democrat from Illinois. "We are moving to the equivalent of the subprime mortgage mess in student loans and we can't make it any worse."

Meanwhile, Republicans are using the student loan crisis as a tool to illustrate why the U.S. Department of Education isn't working when it comes to meeting the challenges of higher college costs and rising student loan debt. To Republicans, it's clearly time for the government to get out of the higher education financing business. Mitt Romney, the soon-to-be approved Republican presidential nominee, gave voters a preview of his higher education policy at an Ohio campaign stop last month. "It would be popular for me to stand up and say, 'I'm going to give you government money to pay for your college,' but I'm not going to promise that," Romney said. "And don't expect the government to forgive the debt that you take on" ("[Student Debt Rises as Political Issue](#)," Politico, April 3, 2012).

Libertarian: Student Aid 'Buys Votes' and Will Likely Continue to Increase

But regardless of what Democrats or Republicans say in their messages about student loans, the solution to college financial aid and higher education financing will, in the end, bow to more basic political considerations, according to Neal McCluskey, associate director of the Center for Educational Freedom at the Cato Institute, a libertarian think tank.

"We've always seen student aid as a way to buy votes, or not to appear to be working against the middle class," McCluskey said. "People of both major parties will continually vote to increase student aid, even if they know the realities, because no one wants to appear to be the bad guy."