

U.S. Rep. Grothman: Introduces bill to help alleviate excessive student loan debt

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(Washington, D.C.) – Congressmen Glenn Grothman (R-Wis.) has officially introduced the *Responsible Borrowing Act*. This bill will help alleviate excessive student loan debt by allowing institutions of higher education to implement guard rails on how much money students can borrow.

Some people take decades to repay their loans and agonize over how much money they borrowed. Some realize that they are putting their life on hold because so much of their paycheck goes to their lender. Some cut costs, get a second job and go through the headache of restructuring their loan. **The Responsible Borrowing Act will solve these problems before they start** by giving students, who are often first-time loan applicants, some much-needed guard rails from their school. Under current law, schools are unable to provide this help.

“Imagine you are 18 years old. You have been accepted to your first-choice college and are moving out of your parents’ house to live on your own for the first time,” said Grothman. “You know you need money to pay for tuition, room and board, but you don’t know exactly how much. You visit a student loan officer, who tells you that you qualify for the maximum amount. Elated, you accept.

Ten years later, you realize that you took out far too much money, which you now must repay with interest. You are making minimum payments on your student loan debt and are delaying buying a house and starting a family because you simply cannot afford it.

This is a story I hear far too often from young Wisconsinites.

I feel that there are too many Americans of all ages saddling themselves with unsustainable amounts of debt. So, it is not surprising that 18-year-old first-time borrowers are doing this as well. Even when I went to college 40 years ago, some of my classmates took out more debt than in necessary for tuition, room and board.

My bill, the Responsible Borrowing Act, will enable experienced professionals at institutions of higher education to look out for the best interest of their students by setting the amount of money they can, and should, borrow. A vital part of the college experience is developing financial literacy and learning to live on your own. This bill will help in teaching students the importance of responsible borrowing and planning for the future, while protecting them from learning this lesson the hard way.”

Background Information

The current student loan debt in the United States is over [\\$1.6 trillion](#). Student loan debt in the United States has more than doubled in the last decade and continues to grow at an excessive rate. The massive amounts students are borrowing is affecting their ability to have a family, buy a car and own a home. [Only 32 percent of young college graduates \(25-39\) with student loan debt say they are living comfortably, compared to 51 percent of college graduates without outstanding loans.](#) With this crippling student loan crisis, we must find ways to ensure students are not borrowing more than they need.

Financial aid administrators want to help ensure students are borrowing a responsible amount as they see far too often students borrowing more than they need. Responsible institutions know this is a problem and want to prevent unnecessary debt for their students, but current law has tied their hands. As it stands now, students can borrow up to the maximum amount of a federal loan and the institution, which is held responsible for cohort default rates (CDR), has relatively no say in the matter. Only in a rare, case-by-case basis can a school deny or restrict the amount a student can borrow.

The Responsible Borrowing Act of 2020 would help reduce the risk of overborrowing by allowing institutions of higher education to limit the amount of a federal loan that a student enrolled at their institution can borrow. The bill would only allow institutions to limit loans under certain conditions relating to average salaries for typical occupations pursued by graduates of a program, enrollment status of the student (i.e., full- or part-time), credential level of the program and the year of the

program. Under the bill, if the institution limited the amount a student could borrow, the institution would be able to increase that amount if the student demonstrates special circumstances or exceptional need.