

# U.S. Rep. Grothman: Bill to alleviate excessive student loan debt

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(Washington, D.C.) – Congressman Glenn Grothman (WI-06) has introduced the [Responsible Borrowers Act](#) to protect students from taking on excessive student loan debt by allowing institutions of higher education to implement guard rails on how much money students can borrow. This legislation is endorsed by Moraine Park Technical College President, Bonnie Baerwald, and the National Association of Student Financial Aid Administrators (NASFAA). Grothman is joined by Representatives Tom Tiffany (R-WI), Claudia Tenney (R-NY), Doug LaMalfa (R-CA), and Burgess Owens (R-UT).

Under current law, institutions of higher education are forbidden from providing guidance to students on the risks associated with borrowing up to the maximum amount of a federal student loan. As a result, students often borrow more than they need.

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 temper these problems before they start** by giving students, who are often first-time loan applicants, some much-needed guard rails from their school.

During an exchange during a recent House Committee on Education and the Workforce hearing, **Department of Education Secretary Miguel Cardona** voiced support for giving schools the right to advise students on the need to borrow responsibly and the risks associated with taking out unnecessary federal student loan debt. The video and transcript are found in the Background section below.

“Far too often, students are borrowing exorbitant amounts of money – more than they need – which can lead to a lifetime of financial hardship,” **said Grothman.** “It has been brought to my attention by local administrators who are frustrated as they watch students take out money they don’t need knowing that it will serve as a burden down the road, even disrupting lifelong goals like buying a home or starting a family.

“The most efficient way to prevent student loan debt from being a problem later in life is not taking out too much debt at such a young age. Why would we stop university counselors from speaking honestly about student loans and stressing the importance of financial responsibility?

“The Responsible Borrowers Act will help students minimize risk when considering student loans and provide universities with more influence to help put an end to students taking out unnecessary debt.”

“I definitely support measures to limit student loans in some objective way,” **said Bonnie Baerwald, President of Moraine Park Technical College.** “Despite literacy education, so many students don’t fully understand the long-term effect of the student loan program and their future ability to pay. I believe a metric to disburse loans based on expected income of their program area of study makes sense.”

“The National Association of Student Financial Aid Administrators supports Rep. Grothman’s legislation to give financial aid administrators more tools to curb excessive student loan borrowing,” **said Justin Draeger, President & CEO of NASFAA.** “Federal rules have prohibited financial aid administrators for too long from directly intervening or even requiring additional counseling when students take on too much student loan debt. Many schools would welcome the opportunity to ensure students are well-educated about their borrowing and future repayment obligations. There’s a difference between borrowing every dollar you’re offered and borrowing just what you need — and financial aid administrators can play a critical role in educating student borrowers about that balance if given the opportunity.”

### **Background Information**

Student loan debt in the United States has amassed to more than \$1.7 trillion. Student loan debt 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. According to the Pew Research Center, 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 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 has relatively no say in the matter, despite the institution being held responsible for the number of students who enter loan repayment and default within three years, also known as the cohort default rate (CDR). Only in a rare, case-by-case basis can a school deny or restrict the amount a student can borrow.

The *Responsible Borrowing Act* will help reduce the risk of overborrowing by allowing universities to limit the amount of a federal loan that an enrolled student can borrow. Universities would also be permitted 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, it would be able to increase that amount under special circumstances.

Click [here](#) to read the bill.

During a recent House Committee on Education and the Workforce hearing, Grothman asked Education Secretary Cardona about the inability of counselors of higher education to advise its students accurately and honestly regarding borrowing federal student loans.

Grothman's questioning focused on his bill, the Responsible Borrowing Act.

### **Excerpt of Grothman's questioning**

**Congressman Grothman:** "Are you aware that the Higher Ed Act limits financial aid advisors from using their expertise in counseling to borrow less in cases where it's obvious the student is taking out too much debt? In other words, if I'm going to a university and their counselor there thinks 'hey, you can make do with \$4,000 this

year instead of \$8,000,' that counselor can't say 'you'd be better off only taking out \$4,000 in debt.' Are you aware of that?"

**Secretary Cardona:** "We are making sure we are communicating with our universities around practices that we feel will help students be successful."

**Grothman:** "They can't do that. Did you know that's against the law right now? Maybe you don't know that."

**Cardona:** "I'd be happy to look into any concerns that you have about bad acting or bad actors in the field."

**Grothman:** "Well, it's not bad actors. I've got a bill right now, and I want to see whether you'll support it. We have these financial aid counselors in universities, and if somebody comes in and says 'I want to take out the maximum amount, I'm going to take out \$10,000 in loans this year' it is right now against the law in many cases for the counselor to say, 'I think that's foolish, don't take out \$10,000, I think you can swing it on \$4,000.' Do you think the local aid counselors should have that ability?"

**Cardona:** "I believe counselors should be able to give students accurate information."

**Grothman:** "And accurate information includes the ability to say, 'I don't think you should be taking out such a big loan.'"

**Cardona:** "Right. I believe counselors should have the ability to help students."