

May 18, 2015

TO: House Committee on Revenue
FR: David Rosenfeld, Executive Director, Oregon State Public Interest Research Group
(OSPIRG)
RE: Support for House Bill 3342

OSPIRG supports HB 3342.

One topic on everyone's mind on campus these days, and a topic of interest more broadly, is affordable higher education. Going to college has never been more important for the economic health of Americans as individuals and as a state, and a country. Going to college is also about building a better future, for students and for society more broadly. But the loans students must carry to pay for college have become an impediment to that future in many ways.

Here in Oregon, a majority of students carry debt at graduation, averaging \$25,577 last year.ⁱ

At 1.2 trillion dollars nationally, student loan debt is one of the only forms of consumer debt that has continued to grow since the 2008 recession.ⁱⁱ High student loan debt has significant consequences, threatening the financial security of millions of low- and middle- income student loan borrowers. Beyond its impact on individual borrowers, evidence shows that burgeoning student debt is undermining the nation's housing market and dragging on the larger economy. For example, according to the Federal Reserve Bank of New York, since the recession, the proportion of 27 – 30 year old adults who have a mortgage has fallen most sharply among those who have a student loan.ⁱⁱⁱ

At the federal level, considerable gains have been made over the past seven years to ameliorate the problems that student loan borrowers face as they shoulder such high debt burden. We've significantly increased grant aid^{iv}, we've created several student loan forgiveness programs^v, and we've stopped aggressive private student loan marketing on campus.^{vi} But that 1.2 trillion in student loan debt looms large.

Federally, more needs to be done to both guard the gains that we have made and to deliver even more protections for student aid recipients in the quest for affordability.

And we certainly can do more here, in Oregon.

That's why OSPIRG is glad to support HB 3342, which would increase the student loan interest deduction for Oregon student loan borrowers, leveraging an existing federal tax deduction to give students more debt relief.

HB 3342 sensibly aims to be revenue neutral by putting a ceiling of \$35,750 on the amount of interest a homeowner may deduct when calculating his or her tax burden. In general, there are

important questions about the public interest value of the home mortgage interest deduction (HMI); compelling arguments have been made that the program creates perverse incentives that divert investment dollars away from more productive economic activities, while having a negligible impact on actual home prices for most Americans, all at great cost to taxpayers. While any effort to fundamentally alter the HMI program should be debated separately, OSPIRG is confident that the public interest benefit of spending the tax dollars in question to further mitigate student loan debt outweighs subsidizing home mortgage interest payments above the aforementioned amount.

Alleviating student loan debt burden is not the only thing we need to do to keep our economy moving in the right direction, but it is certainly one critical piece of the solution.

Possibly even more important, passage of this legislation will signal to our student loan borrowers here in Oregon, and their families, that we take very seriously their dreams and aspirations to go to college, and their struggles to pay for it.

Thank you for considering this proposal.

ⁱ The Project on Student Debt, November 2014, "[Student Debt and the Class of 2013](#)"

ⁱⁱ Consumer Financial Protection Bureau, August 2013, "[A Closer Look at the Trillion](#)"

ⁱⁱⁱ New York Times, May 2014, "[Consumer Debt Suggests Growing Confidence](#)"

^{iv} US News & World Report, March 2010, "[Big Changes Coming to Student Loans](#)"

^v [Text of the College Cost Reduction and Access Act](#)

^{vi} Inside Higher Ed, May 2007, "[Nearly Unanimous Vote, Divergent Views](#)"