



SUBMERGING STUDENTS

Congress Bails Out Wall Street, but Leaves Students Underwater

No one needs to tell a recent college graduate that student loan debt is one of the most serious economic problems facing the United States today.

At over [\\$1.2 trillion](#), our nation's student loan debt has surpassed the amount of credit card and auto loan debt Americans hold. Meanwhile [5 million](#) student loan borrowers are in default, more than half of recent college graduates are unemployed, and college tuition cost continues to rise. In the time between just 2011 and May 2013, student loan debt shot up another [20 percent](#).

While college students and graduates face mounting debt that threatens to ignite another economic crisis, Congress has failed to act on the issue, hamstrung by obstruction and gridlock. At the same time, members of Congress have taken millions in political contributions from the corporations and banks that profit the most from this country's mounting student loan debt.

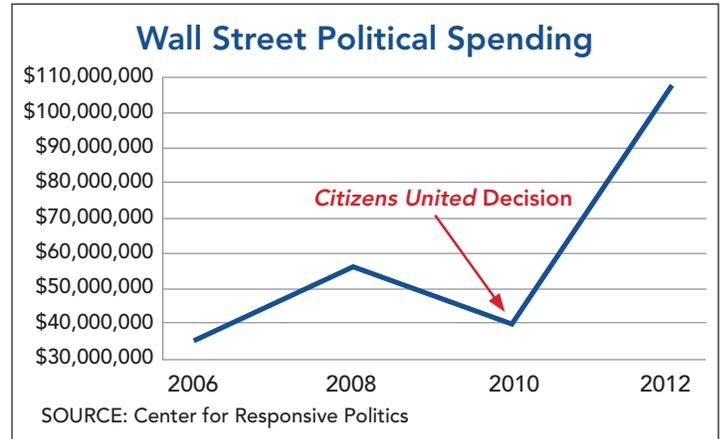
One plan to fix the student loan crisis, titled Higher Ed Not Debt, includes providing additional support to borrowers and changing funding structures, but that plan has not moved in Congress. Senator [Elizabeth Warren's bill](#) to allow an estimated 25 million people to refinance their student loans to get lower interest rates also stalled earlier this year when the Senate minority blocked it with a filibuster.

According to a report by [MapLight](#), the Senators who voted against Senator Warren's student loan bill earlier this year received 58% more political contributions from banks, lending institutions and student loan companies than the Senators voting for it. Senator Mitch McConnell, a strong opponent of Warren's bill, topped the list with nearly [\\$1 million](#) in industry funding since 2001.

One of the major corporations making money off student loan debt is Sallie Mae, which owns about 20% of all student loan debt. Since 1992, [Sallie Mae](#) (a subsidiary of SLM Corporation) has spent over [\\$7.4 million](#) on political contributions to members of Congress and over [\\$37.6 million](#) on lobbying.

The result? Sallie Mae has a stronger voice in Congress than the 37 million Americans saddled with student loan debt. Americans with student loan debt are largely unable to renegotiate their set interest rates with Sallie Mae, and student loan debt is barred from being included when one declares financial bankruptcy.

Sallie Mae is not the only corporation profiting from student



loans. It is estimated that Wall Street companies make an average of [\\$45 billion](#) off higher education each year, and much of this is attributed to student loan debt. Fox Business [recently reported](#) that Wall Street banks and financial corporations are increasingly exploiting student loan debt as a new potential revenue stream.

These same banks and corporations are also some of the biggest contributors in our political system. Data from the Center for Responsive Politics shows that in the 2008 elections, Wall Street institutions funneled over \$55.9 million to Members of Congress. What's more interesting is that the amount Wall Street spent on elections nearly doubled in 2012 after the *Citizens United* decision to over \$108 million. In the 2014 cycle alone, Wall Street banks and financial corporations have already pumped [\\$51.6 million](#) into congressional elections, a huge increase that already outpaces total industry spending in the 2010 midterms (\$39.4 million).*

The special interest group with the most money has the loudest voice in Congress. When Wall Street was faced with financial catastrophe after the 2008 crash and needed Congress to act quickly, Congress responded with a \$700 billion bailout bill. And, Wall Street banks enjoy a tiny [0.75% interest rate](#) when borrowing money from the Federal Reserve, while former students pay 6.8% or more on their federal student loans, and much higher interest rates on private student loans.

Without the financial clout and deep political pockets of Wall Street, our nation's college graduates are still waiting for Congress to throw them a life ring.

* Common Cause analyzed data from the [Center for Responsive Politics](#) on total spending by the following industries: Mortgage Banking, Hedge Funds, Finance/Credit Companies, Commercial Banks, Private Equity & Investors.