OSA

Founded in 1975, OSA is a coalition of student governments dedicated to the representation, service, and protection of the collective interests of over 100,000 students in postsecondary education.

Oregon Student Association

Testimony for the OSA

Good Afternoon Members of the Committee,

My name is Emma Kallaway. I graduated from the University of Oregon in 2010 with $25,000 in student loan debt. I am the Executive Director of a non-profit in Oregon called the Oregon Student Association. OSA represents more than 120,000 college students across the state. Each student pays dues into this statewide organization fighting for a more affordable post-secondary education. We focus on the leadership development of Student Body Presidents and new student leaders who advocate for affordable tuition, increased financial aid, limited administrative bloat, and other cost cutting measures.

Today I would like to share with you the financial impacts that student loan debt has had on my life and what affordable education advocacy looks like for students in Oregon.

My education has always been colored by my diagnosed dyslexia. When I wanted to go to college there was only one teacher who thought I could go and only one school on the west coast that could support my seemingly impossible desire for a college degree. Luckily, the University of Oregon has one of the top disability services programs in the country.

During my tenure at the University of Oregon, tuition went up at least 50% for in-state students. Out of state students saw an even greater and unforeseeable increase. I received academic scholarships, worked two jobs on campus, and took classes full time. Still I left school with $25,000 in debt. I pay $200 a month in student loans and I bring in $2000 a month in income after taxes. My story is pretty typical.

My degree is in business administration, I graduated with honors, and served as Student Body President my senior year. On paper it looked like I was on a solid path to employment. I chose a career in the non-profit sector because I could gain considerable responsibility and a quick path to management. I accepted the lower salary in exchange for the experience I was seeking.

I grew up in a traditional Catholic home, my Ma is Italian and my Dad is Irish, culturally we don't talk about money and debt is shameful. So I didn't start talking about debt management with any of my friends until recently. It wasn't until my second year out of college that I was faced with the first negative impacts of my financial choices. In 2012, I needed to get my car fixed, many young people's first real surprise cost if you're lucky like me. I realized I didn't have enough flexible income to pay off and maintain my car, and pay my student loans that month. I barrowed more money, leaned on my family and to afloat. I will note here that more than half of my full-time staff live with their family in multi-generation homes because their full time salary and loan don't allow them enough to pay rent and other expenses.

What is also all too common is going into delinquency. For me what sent me into delinquency wasn't my car breaking down, it was when my federal government loans were sold to Salle Mae, a private company, and notified me via post-mail. Like many low-income students, I moved every nine months in college and the fact that the letter eventually got to me was a miracle. That month I had already sent my check to the U.S. government and in the process of selling my loans my check did not make it to Salle Mae. It took me six months to figure out how to get out of delinquency and where I was supposed to be sending checks each month and how much they were supposed to be. This negatively impacted my credit score, which I now have to work hard to improve. Others often ask me whether I would move to income based repayment and I tell them that I didn't know that was an option for years and I wouldn't trust the government's current system support me in keeping a good credit score in that process.

The reason we are here today is to discuss how student loan debt impacts the economy and specifically housing. My student loans impact my financial mobility. I was the first of my cousins on the Irish side to graduate from college. My dad received his degree non-traditionally while I was a kid so although my parents were amazing and went to every parent training available there was still very little experience to help me figure out school, let alone the level of unanticipated debt I would accrue.

Once I graduated, got through delinquency, started making regular payments, and got a raise, I started looking into options to improve my own financial security. In Portland, there are grants and loan programs for young woman who want to own their own condo or house. I meet all the criteria necessary. I have good enough credit, I have a little savings, I have minimal expenses, I am low income and I don't have credit card debt. I went through the whole process and I was told I am an ideal candidate for these programs, but my debt to income ratio each month is too high. My student loans are my only debt. I have to pay rent each month when I could be paying off a small condo and creating security for my future, but my student loans keep me from that opportunity.

In Portland, the average home owner makes $60,000 annually. I don't see how my situation can change unless I go back to school, choose to leave public service, or move out of Oregon. I can get creative, I have family to support me, but I can feel myself constantly teetering on the edge of security and poverty.

There is a tipping point that I have narrowly escaped so far. The difference in my life when making $30,000 a year and someone making $27,000 a year; is that the person making $27,000 a year in Portland, Oregon has about $300 a month in disposable income. If you left school with about $20,000-$25,000 in debt depending on your payment plan and interest rates you will spend at least $200 of that on student loans. That means you have $100 a month for birthday gifts, a donation to the charity of your choice, to match the measly amount I can give to my church, to pay for medical expenses, to fix a car, deal with theft, etc. It doesn't mean you make it home on a $75 bus ride to see your family in central Oregon. Young people don't need things to be easier. We know that our generation has a reputation of having it easy. I think if you talk to most young people you'll find we don't want a hand out, we dream of a world where mobility is even an option.

When I think about how student loan debt severs the options of so many tenacious young people I think of one employee of the Oregon Student Association in particular. This young woman started at a community college, didn't find a clear educational path right away so she took credits she didn't need and now has part of a Russian language BA, but no degree and more than $20,000 in debt. She left school out of necessity, not by choice. She needed to find work to live and start paying some of her private loans back. Working at OSA she makes about $26,000 a year and when she had an unexpected expense she defaulted on her loan. Without her knowledge the loan company sent her loan through a collection agency which resulted in wage garnishment. This woman is smart, she is Native American, she can juggle the mentorship of 13 campus student leadership centers, and she would prefer to be in school. She would prefer to be working towards a degree but she can't. This story is compounded by the fact that an accident this week will saddle her with considerable medical debt. When I arrived at the hospital, one of the first on the scene, I brought with me all her health insurance paper work because I knew that we don't get this process started she might not have any life to wake up to. Debt can cripple a person's freedom, satisfaction for life, and ability to share their professional gifts with the world. The god send of a nurse we worked with asked me what I do and she responded by saying, "I wish I didn't have $1000 of student loan debt to pay each month, I'll never get out of this." A nurse making at most $60,000 a year and $1000 in student loan payment means her flexible income is almost non-existent.

She is not buying a home and if anything happens to her she will be in the same boat, just trying to figure out which loan to pay first and which collection agency to dodge calls from every month.

I work with another young person, a current student; she is a very passionate young queer student who works with OSA to mentor other queer youth and lobbies our state legislature of behalf of LGBT students who deserve a more affordable education. This student won't be working with us anymore because she needs to pick up an extra job to cover her increasing costs. Her external employment and community mentorship experience were also a distraction from her studies and thus she lost her financial aid, meaning she may need to take on a third job. She grew up in foster care system in Central Oregon. She needs to spend time in college building trusting relationships and a network of people like us who could help her get through school. She is not the first or last student I will work with that will cry and say, "I am done with my sophomore year, I have $15,000 in debt, I'll have $40,000 by the time I am done and I just don't see the point." She would be a great social worker; she has the experience and the intelligence to sustain a long career in that field. But she can't spend 20 years paying back these loans at $400 a month making $40,000 a year. This student may never buy a home, she will mostly definitely not by a new car, she will never move into an income bracket that contributes state or federal taxes that build enough to create quality public education for the future. There are long term losses to allowing tuition to rise at this level and if you think that high tuition high aid works then you have never met students who can't make it. And honestly as much as I believe in a college education I could not look this student in the eye and tell her education was going to be worth it. We can't guarantee that and baby boomers wonder why young people are wandering through their 20s.

Many of you might also be curious about student parents. A student parent with a child under the age of five, who are often younger parents, will pay as much as 10,000 annually. That is equivalent to paying tuition twice to provide childcare while a parent is in class. In Oregon we can barely provide 25% of the most needy student parents a small childcare grant.

The last story I will share is of a young woman named Alex.

What's far more important than my story are the stories of students who can't finish, those who take on debt with no degree, those first generation children of color who need more than a few good teachers to get through. Alex is a board member with OSA; she is bright, emotionally intelligent, and politically strategic. Alex is a first generation college student, raised by a single mother, and she identifies as a woman of color. OSA has a board dedicated to the needs of students of color and Alex was the chair this past year. She has close to $15,000 in debt and won't be finishing because this last year has become far too expensive to continue. Alex is going to take a job making about $30,000 a year. With hopes of going to back to school, but that fact is that too few students return to school. Leaving and coming back is one of the hardest things a person can do. Once you have debt and leave school you have to start making payments. Going to school and finding a way to make those payments without full time employment is nearly impossible.

Now I have heard the pushback to stories like these. I will say that anyone who thinks these stories are the minority insults the level to which the crisis of student loan debt has risen in this country. Debt relief is only part of the solution. Our federal and state governments should be capping tuition prices so that this wound stops growing. A young person, maybe working in an office here in D.C., who tells you their $200 student loan payment each month is a reasonable investment in their education, is only describing the payment each month. What I want you to see is that the payment is a problem as a percent of flexible income to deal with the rest of their life. The percentage of flexible income you have is a person's ability to see a doctor, to participate in church, take a day off from work when a 2-year is home sick. There is a significant difference between $40,000 a year and $30,000 a year and $27,000 a year when loan payments range from $200 to $2000 a month.

You might be thinking that income base repayment is a great solution except that the hoops are unclear. I don't trust the federal government to facilitate my loans in a way that won't destroy my credit score, and income based repayment ultimately extends the life of my loan, furthering me from financial mobility.

The answer to improving our economy and housing market is to stop making money off federal loans. Stop treating students as a source for federal income, fund education federally and force our states to fund our schools in such a way that drives down administrative bloat and maintains a quality education. This means sending federal directives to our states which I hear is uncomfortable politically. This means making education a funding priority. This means finding ways to describe to the Americans why a generation drowning in debt is an emergency impacting everyone. I can bring you stories but you are responsible for communicating this economic crisis. I hope today is just part of a narrative about how the U.S. government saw the warning shots and sent a defense missile to eradicate the impending strike on our economy before the student loan bubble bursts.

I am happy to take any questions and thank you for your time.

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