Prepared Remarks by U.S. Secretary of Education Betsy DeVos to Federal Student Aid's Training Conference

NOVEMBER 27, 2018

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ATLANTA — I'm pleased to be back at this conference with all of you who work so hard to educate, support, and serve students.

The role you play in their lives is essential. You are there for them as they take steps on their lifelong learning journeys. They might not always say it, but I will: your impact on students is significant. So, let me take this opportunity to thank you.

At last year's conference, I challenged Wayne Johnson and the team at FSA to rethink how we serve students. "Rethink" means everyone must question everything to ensure nothing limits students from being prepared for what comes next.

When it comes to FSA, "rethink" means asking what we need to do to ensure that the services we deliver are on par with those of world-class financial firms and world-class customer experiences.

The answer begins with modernizing our infrastructure and improving the way we connect with students through the full life of their higher education and through their student loan repayment.

Repaying a student loan should not be complicated and it should not be frustrating. You can pay your car loan on your phone and manage your mortgage on an app. A student loan should be just as easy to handle!

The first step of our "NextGen" modernization effort is the myStudentAid mobile app. We did what was alleged to be impossible: we made a government form look almost appealing!

Seriously, we did more than make it look good. And there were plenty of folks who declared it could not be done. They said the Department was "overpromising what it could deliver." That what was required was "overwhelming" ... the time frame was "impractically" ambitious.

As you know, the myStudentAid app launched exactly on schedule. And it's already making an impact. It has been downloaded nearly 250,000 times and more than 375,000 FAFSAs have been submitted on a mobile device!

I've met with a number of students across the country, some of whom have given great feedback for tweaks and improvements, and others who've shared how happy they are to have this tool at their fingertips. I hope you've heard similar stories.

Today the app makes it easier for students to complete their FAFSA. In the near future, a student will be able to see how much he or she owes at any moment in time, what repayment options are available, and how those options will impact the total amount owed over time.

Overall, these NextGen initiatives are the most significant changes to Federal Student Aid... ever. And we're only getting started. Wayne will have more later on next steps for our platform development.

But this morning, we need to discuss something even more important than "NextGen" initiatives. We need to have an honest conversation about student loans.

I'm here to raise a warning flag with American students and American taxpayers: We have a crisis in higher education.

Our higher ed system is the envy of the world, but if we, as a country, do not make important policy changes in the way we distribute, administer, and manage federal student loans, the program on which so many students rely will be in serious jeopardy.

This crisis demands the attention of Congress, the American taxpayer, colleges and universities, parents, and students. In a word, everyone.

Federal Student Aid was established to come alongside students who lack financial resources to pursue higher education. Since its first iteration in 1965, however, it has outgrown its structure and its governance. That reality has increasingly significant implications for American families and the American economy.

It took 42 years—1965 until 2007—for the student loan balance to grow to 500 billion dollars. It took only six years for the loan balance to double—to one trillion dollars—in 2013. One-seventh the amount of time it took to get to 500 billion.

And today, only five years later, FSA holds nearly 1.5 trillion dollars in outstanding loans.

1.5 trillion dollars is almost impossible to fathom. So, let me put it this way: 1.5 trillion dollars is more than 10 thousand dollars of someone else's student loan debt for each and every American taxpayer—145 million of them.

At 1.5 trillion dollars, FSA's loan portfolio is now one-third of the Federal government's balance sheet. Last year, uncollateralized student loans—which are all of them, by the way—accounted for over 30 percent of all federal assets.

One third of the balance sheet. Only through government accounting is this student loan portfolio counted as anything but an asset embedded with significant risk.

In the commercial world, no bank regulator would allow this portfolio to be valued at full, face value.

Federal Student Aid has a consumer loan portfolio larger than any private bank. Behemoths like Bank of America or J.P. Morgan pale in comparison.

FSA also is the largest direct loan portfolio in the whole Federal government—by far—surpassing all other federal direct loans combined by 1.1 trillion dollars.

And yet, only 24 percent of FSA borrowers—one in four—are currently paying down both principal and interest. Nearly 20 percent of all loans are delinquent or in default. That's seven times the rate of delinquency on credit card debt.

And since 2010, the debt level of individual borrowers has ballooned. 70 percent of loan growth since then has been driven by increases in individual borrower debt load, only 30 percent is due to a growth in the number of borrowers. Nearly three quarters of accumulated debt represents the same students taking out more and more loans.

This phenomenon is true for all types of higher ed institutions. And this trend line continues to grow.

As for FSA's portfolio today, too many loans are either delinquent, in default, or are plans on which students are paying so little, their loan balance continues to grow. Ultimately, 43 percent of all loans are currently considered "in distress."

These loans aren't just financial products. They represent students and families "in distress" with very real implications for our economy and our future.

Since 2010 when the previous administration orchestrated a government takeover of student lending, FSA's portfolio has skyrocketed. Over 8 percent annual growth. Two times faster than the growth of the cost of attendance and almost four times faster than the growth of our economy.

Tuition, fees, room and board have grown at twice the rate of inflation and almost two and a half times median income.

It has something to do with what one of my predecessors famously pointed out decades ago. When the federal government loans more taxpayer money, schools raise their rates. FSA financing accounts for 80 percent of the actual tuition and fee revenue received by schools.

Today, FSA's portfolio is nearly 10 percent of our nation's debt.

Stop and absorb that for a moment. Ten percent of our total national debt.

The student loan program is not only burying students in debt, it is also burying taxpayers and it's stealing from future generations.

How did this happen?

Well, as you know, in 2010 under the guise of helping expand the Pell grant program and paying for ObamaCare, the previous administration federalized the student loan portfolio. That move was paired with a consistent drumbeat of not-so-subtle signals that a traditional 4-year college degree is the only path to and measure for success.

And lots of people believed that centrally-planning everything in Washington would make higher education more accessible for students, and more lucrative for the federal government.

But the opposite is happening. The parade of programs, repayment options, and complex rules serves no one well. Everything has become more cumbersome and confusing for everyone. The government monopoly has proven costly to taxpayers and it hasn't been a panacea for students either.

We know students are having poor experiences. With more than 30 variations of 10 different repayment plans, each with their own set of burdensome requirements, it's no wonder this government maze doesn't work.

Students are taking out tens of thousands of dollars in debt but many are misinformed or uninformed as to the implications of taking on that debt and their responsibilities to pay it back.

Consider the current language of loans. We give students "award letters," which suggest they are gifts. We all know, however, they are "debt letters." And we call the loan "aid," as though it's a grant that doesn't need to be paid back.

Then there's the matter of communication. FSA communicates with students essentially twice: the first time when they take out the loan, and the second time when the loan comes due. FSA has not focused on helping students fully understand their responsibilities. Instead, FSA applauds itself on getting more taxpayer money out the door in a one-size-fits-all approach.

We are changing that.

We all share the goal of helping students succeed—in learning and in life.

One major goal of the NextGen initiatives is to facilitate a partnership with you to improve student financial literacy.

Imagine how students would benefit if they could easily and continually plan and budget for their education, if they could seamlessly access personalized insights about the outcomes of the program they are considering or in which they are enrolled.

Think about the power of having hard numbers, and how having that information could help a student make more informed—and better—decisions.

We are working to bring new tools like these online soon, so that in partnership with you, we can all fulfill our charge to help students earn their degree and be positioned to succeed when they enter repayment.

Because this higher education crisis is borne out in more than just numbers. Behind all the slides and statistics I've shown are the faces of students who can barely peer over their mountain of debt. Behind the debt are dashed hopes, delayed adulthoods, and struggling families.

One recent study found (https://www.magnifymoney.com/blog/news/student-debt-kills-millennials-average-net-worth/) "Millennials with student loan debt tend to have larger mortgages on lower-value homes." Home ownership was once—and still is—an essential part of the American Dream. But a recent Pew survey pointed out (http://www.pewsocialtrends.org/2016/05/24/for-first-time-in-modern-era-living-with-parents-edges-out-other-living-arrangements-for-18-to-34-year-olds/) that over 32 percent of Millennials are still living with mom and dad. That's the highest it's been since 1940.

And for today's indebted adult learners who are the mom or dad, where do they go?

We just cannot continue to perpetuate a system that has such dire results. Policies should never entice students into greater debt. Nor should they put taxpayer dollars at greater risk. Today, we are doing both.

Now, there are too many who want to play the "blame game" or to demagogue this topic. Instead, we have to get serious about fixing it. We all have a role to play.

Here are a few principles I think are important as we look to solutions.

First, people—human capital—are our greatest national resource. It's in our nation's interest to support individual students' interests, to support their potential, their creativity, their destiny. Every person should have the opportunity to pursue the education that's right for them.

And so, supporting and encouraging a multitude of pathways makes common sense. We shouldn't imply or decree that one, traditional pathway is the right thing for everyone.

Second, innovation must be unleashed. If it is, it will advance opportunity, efficiency, and results in education as it has in every other industry.

Third, better, more accessible information is necessary for policymakers, for students, for parents, and for taxpayers.

And finally, nothing is free. Someone, somewhere ultimately pays the bills.

As Secretary, I can move on a few, small tactical measures. And we are working daily to improve every part of FSA's operations and I'm committed to doing everything I can to solve this crisis.

I know you also work daily to do your best for every student who walks through your door.

But, ultimately, no one person or group can make a dent on this higher ed crisis without an honest conversation about real solutions.

There's a fitting metaphor that comes to mind. When a thunderstorm looms on the horizon, pilots have a couple of choices to make. They can either adjust their flight path ten degrees when they are a long distance away from the storm.

Or they can stay on their original course and then be forced to make a jarring and abrupt turn when they fly right up to the bad weather. We face that same decision here.

The federal government must become a more responsible lender. Congress must recognize and be honest about the unmistakable implications of its favored programs on students, on taxpayers, and on rising costs.

Schools must become honest about their individual roles in the cost-value proposition. Every school should focus on helping each student find the right pathway. And they should help students graduate with high-quality career prospects and with low debt.

Students—our human capital—must equip themselves to be responsible consumers of education with a serious commitment to their own success. They need to have the best possible tools, data, advice, and support. And then they need to understand the implications of their decisions.

Each of us has a contribution to make and a role to play in resolving our present crisis in higher education.

I'm confident we can—and we will—rise to this challenge. Because Americans have never shied away from challenges.

We live in some of the most exciting and opportunity-filled times ever. Let's ensure our rising generations can seize each and every opportunity, and that the only thing that limits them is their imagination.

Thank you and may God bless our nation and her students.

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- Every Student Succeeds Act (ESSA) (http://www.ed.gov/essa?src=rn)
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