CALIFORNIA STATE TREASURER JOHN CHIANG

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Treasurer and SEIU Sponsor Sen. Allen Bill to Cut the Cost of High-Interest Student Loans

Senate Bill 674 Would Enable Qualified Graduates to Refinance at Favorable Rates

SACRAMENTO – California's college graduates are drowning in debt.

Many students are saddled with tens of thousands of dollars in loans to finance undergraduate, graduate and professional degrees they need to succeed as workers and citizens.

Providing higher education to more young people has never been more crucial to a prosperous Golden State. At the same time, it has never been more expensive.

Annual tuition and fees at many of our public and private colleges have skyrocketed. The average cost to attend a four-year-college in California is more than $20,000-a-year.

And more tuition increases are in the works.

"Student loan debt is a toxin to the American dream. It prevents people from buying a home, starting a business or saving for retirement," said state Treasurer John Chiang. "College graduation is supposed to be synonymous with opportunity and prosperity and not a detour into a modern-day debtor's prison."

The Treasurer and the Service Employees International Union are co-sponsoring Senate Bill 674 by Sen. Ben Allen (D-Santa Monica).

Allen's legislation, dubbed the ReLIEF (Loan Improvement for Enhanced Futures) Act, seeks to stave off the student debt crisis by enabling qualified graduates to refinance loans at favorable rates from lenders.

"Student loan debt has become a crushing burden for far too many young people," said Allen. "The ReLIEF Act will create an incentive for banks to refinance high-interest loans at more reasonable rates. It's a smart investment for the state, and will be a win for our economy."

SB 674 would create a $25 million first-loss protection fund to secure lenders, who save borrowers money by refinancing their existing, high-interest private loans.

Easing the financial burden is more important than ever now that President Trump's Administration has begun rescinding some Obama-era policy on student loan collections, a move consumer advocates say will make it harder for borrowers to repay and could lead more people to default on repayment.

The program would be administered by the California Educational Facilities Authority (CEFA), which is chaired by Treasurer Chiang.

Passing SB 674 would be a big help to students from some low-wage and ethnically diverse families. They have little choice but to borrow heavily to attend college, earn degrees and get a shot at a solid-middle class life for them and their families.

"While I love working in a helping profession in which I am able to be of service and protect abused and neglected children, the burden of repaying the private loans I had to take out to afford my MSW education has me stuck living paycheck to paycheck. Obtaining the education we need should not require us to be trapped in long-term economic hardship," said Tara Chandler, a social worker and member of SEIU Local 721 from Los Angeles.

"I welcome the opportunity to refinance my private student loans at lower rates so hopefully one day I can begin saving for a home and ultimately be able to reinvest in the California economy. I'm proud that my union, SEIU, is working to expand college opportunities to everyone who works hard in California."

Voting SB 674 into law would send a strong message that California wants to invest in its young people and its future, said Chiang.

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