COLLEGE LIFE ACT

Mr. AKAKA. Mr. President, yesterday I introduced the College Literacy in Finance and Economics Act—the College LIFE Act. This bill is a response to the dire need in our country for greater financial literacy among young adults.

To be financially literate is to possess one of the most empowering life skills that an individual can have. Those who have a sound understanding of personal finance and economics are better prepared for the many pivotal moments that they encounter in life where decisions about money must be made. Sound decisionmaking in those instances separate the financially literate from the financially illiterate. Those who effectively evaluate their financial choices, wisely manage their personal finances, and budget and save live more financially stable and secure lives. Those who make poor decisions about money live without financial certainty and become vulnerable to anticonsumer business practices and unscrupulous lenders.

Financial independence begins during or immediately after college for many of us and brings with it new opportunities and challenges. Before we buy a home, put a child through school, or retire, we make choices about purchasing a car, buying with credit in lieu of cash, and balancing our ''wants'' and ''needs'' while struggling to extract rent out of our first few paychecks. From that point on, financial choices increase in cost and magnitude. Financial decisions made and habits developed as young adults dictate whether we go through life on sound financial footing and are prepared for unforeseen financial obstacles.

Given the tremendous importance of early adulthood financial choices and actions, it is extremely troubling how unprepared young adults are for these challenges. Too few students have opportunities to learn about personal finance or economics before they enter college. The Council for Economic Education's most recent Survey of the States found that only 21 States require students to take a class in economics as a requirement for graduation and only 13 require a course in personal finance. Parents, moreover, are often unreliable sources of financial education because many are financially illiterate themselves. For example, the National Foundation for Credit Counseling's fifth annual Financial Literacy Survey found that 76 percent of adults recognized that they could benefit from the advice of a financial professional regarding everyday financial questions.

Even as we acknowledge widespread financial illiteracy among young adults, we allow students in higher education to take on alarming levels of debt during college. Borrowing to pay for school has become the norm. Two out of every three undergraduates receive some type of financial aid. At for-profit colleges, 96 percent of students borrow to pay for school. These trends have led to over $100 billion in Federal educational loans being originated each year. When these borrowers graduate, they do so with significant student loan debt, with the median over $23,000. The Department of Education estimates that over 36 million Americans have outstanding Federal student loan debt that, when combined, totals over $740 billion. And yet, because of the steep upward trend in college tuition, which in the last decade has risen each year by 5.6 percent beyond inflation, students commonly rely on credit cards on top of their student loans to pay their way through college. Even as far back as 7 years ago, 56 percent of dependent students had a credit card in their own name.

The consequences of this culture of borrowing in higher education are clear and concerning. The most recent cohort default rate, CDR, on Federal student loans was 7 percent, indicating that large numbers of young adults are failing to effectively manage their debt. The average CDR for proprietary colleges alone is 22.3 percent. Meanwhile, the average student credit card balance rose from around $1,400 in 2002 to $2,000 today. Given what we know about student financial literacy and capability, this is not surprising. For example, a Charles Schwab study in 2007 found that only 45 percent of teens know how to use a credit card and even fewer—just 26 percent—understand credit card fees and the concept of interest.

The increase in Federal educational lending and student debt can be interpreted positively. I am happy to see young people continuing on to college in numbers that I would never have imagined when I graduated from the University of Hawaii in 1952. For our best and brightest, college continues to be a stepping stone on their paths to becoming future leaders. For millions of others today, however, college simply and rightfully represents an opportunity for better lives for themselves and their families. But, the ever-rising cost of education is a reality that we must address. We are allowing—and even encouraging—students to become borrowers and consumers. It is our responsibility, therefore, to ensure that these young adults have the knowledge, skills, and capability to manage the consequences that come with their financial decisions. Unfortunately, we are not doing enough.

The College LIFE Act begins to address this clear and urgent void in early adulthood financial literacy and economic education. It would provide financial literacy counseling to all university-level students who take out federal educational loans when they begin and leave school. First receipt of a student loan and departure from school are two prime teachable moments in the lives of young adults. In addition, they are two opportunities for individuals to learn the importance of responsible financial behavior without those lessons coming at their own expense.

Financial literacy counseling under the College LIFE Act would teach the financial education core competencies—earning, spending, saving, borrowing, and protection—developed by the Financial Literacy and Education Commission. Existing loan counseling already provides student borrowers with valuable information about the terms, features, and common pitfalls of educational loans. This financial literacy counseling would complement existing activities, and the College LIFE Act specifies that financial literacy loan counseling may be provided in conjunction with current counseling requirements.

I thank my colleague in the House of Representatives, Congresswoman SHEILA JACKSON LEE of Texas, for joining me as the House sponsor of this bill. I also thank my colleague from Iowa, Senator HARKIN, who chairs the Committee on Health, Education, Labor, and Pensions, for lending his expertise to this bill in the areas of financial literacy and student debt in higher education, including at for-profit colleges.

I will continue to work with my colleagues to enact the College LIFE Act. I call on them to join me in support of this legislation and other efforts to improve financial literacy in America.

Thank you, Mr. President.

The ACTING PRESIDENT pro tempore. The Senator from Colorado is recognized.

THE BUDGET

Mr. BENNET. Mr. President, I rise today to implore my colleagues and to implore the negotiators who are working on this budget issue to come to a comprehensive solution that meaningfully addresses our deficit and our debt.

If all you knew about our politics was what you see on the television at night, you would think we were committed to an endless stream of invective, of name-calling, of division, that we had absolutely no interest or desire to solve the Nation's problems or solve the Nation's challenges, and you would be right to sort of give up all hope we could actually honor the heritage of our parents and our grandparents and make sure we are not the first generation of Americans to leave less opportunity, not more, to our kids and our grandkids. That is what you might think if all you knew about our country was what you saw on the TV at night.

Fortunately, I have had the privilege, as has everybody in this body, to travel my State and to learn that actually the American people are nowhere near as divided as Washington, DC, or as what you see on television at night. In fact, we share an awful lot in common in my State of Colorado whether we are Republicans, Democrats, or Independents, and part of that is because we are coming out of the worst recession since the Great Depression.