



Legislation Details (With Text)

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Res. No. 1662

Resolution calling upon Congress to include student loans in the federal government's \$700 billion bailout package.

By Council Members Barron, Fidler, James, Liu, Palma, Sanders Jr., Seabrook, Stewart, White Jr. and Dickens

Whereas, In September 2008, several financial institutions faced failure and the U.S. stock market saw its biggest losses since the tragedy of September 11, 2001, according to *The New York Times*; and

Whereas, Following the bankruptcy of Lehman Brothers and the sale of Merrill Lynch to Bank of America on September 15, 2008, the Federal Reserve offered an \$85 billion loan to AIG, the world's largest insurer, in exchange for an 80-percent controlling stake in the company; and

Whereas, On September 19, 2008, the Bush Administration sought congressional assistance with a \$700 billion plan to purchase bad debt, in the form of mortgages and mortgage-backed securities, from struggling banks and other institutions; and

Whereas, The Senate and the House approved H.R. 1424, the Emergency Economic Stabilization Act of

2008, which was signed into law by President Bush on October 3, 2008; and

Whereas, The bill authorized the federal government to purchase and insure certain types of troubled assets in order to provide stability and prevent further disruption in the economy and financial system as well as to protect taxpayers; and

Whereas, The credit crisis, which started with mortgages, has had a significant impact on student loans; and

Whereas, According to the *New York Post*, in the past year, 33 banks and lenders have permanently or temporarily closed their student loan businesses and more than 100 lenders have cut back or eliminated their involvement with federally guaranteed student loans; and

Whereas, For example, CampusDoor, a student lender acquired by Lehman Brothers in 2006, closed its business on the eve of Lehman's collapse and Sallie Mae, the student loan industry's largest lender, scaled backed its services in April 2008; and

Whereas, Some of the nation's biggest banks like Citibank and JP Morgan Chase have closed their doors to students at community colleges, for-profit universities and other less competitive institutions, according to *The New York Times*; and

Whereas, On June 2, 2008, *The New York Times* reported that over 40 percent of the nation's undergraduates currently attend community colleges; and

Whereas, Community colleges serve as a gateway to other educational programs and better jobs, and without access to student loans, educational attainment is even more challenging for students who attend such institutions; and

Whereas, According to *USATODAY.com*, some states have also scaled back student loan programs in the fields of nursing and teaching; and

Whereas, As college costs skyrocket, a growing number of parents and students rely on private loans to cover the gap between tuition and federal loans, which are limited to between \$3,500 and \$5,500 a year,

according to *CNNMoney.com*; and

Whereas, *Forbes.com* has reported that students borrowed \$77 billion to pay for higher education in 2007, and that private loans made up 24 percent of educational borrowing in 2006-2007, up from 6 percent a decade earlier, according to the College Board; and

Whereas, *CNNMoney.com* also reported that such loans are much more expensive than government-backed loans and will become even more expensive due to the credit crunch; and

Whereas, According to *Newsday.com*, Senator Charles Schumer is calling on the federal government to protect college students and their families from the credit crisis by expanding the economic bailout to include student loans; and

Whereas, There has been debate in Congress about whether a tighter credit market could force students or their families to pay higher interest rates on loans, or keep them from even qualifying for a loan, according to *WDSU.com*; and

Whereas, Some of the nation's neediest students will be most affected if the credit crisis and the ensuing turmoil in the student loan business persist; and

Whereas, Difficulty in borrowing may deter students from attending school or continuing their education; and

Whereas, Even if students obtain a loan, they may end up with less attractive terms and run a greater risk of default; and

Whereas, It is extremely important that the future of college students is not jeopardized, and thus the federal government must take measures to protect student loans; now, therefore, be it

Resolved, That the Council of the city of New York calls upon Congress to include student loans in the federal government's \$700 billion bailout package.

10/20/08
4:30 p.m.
TC