

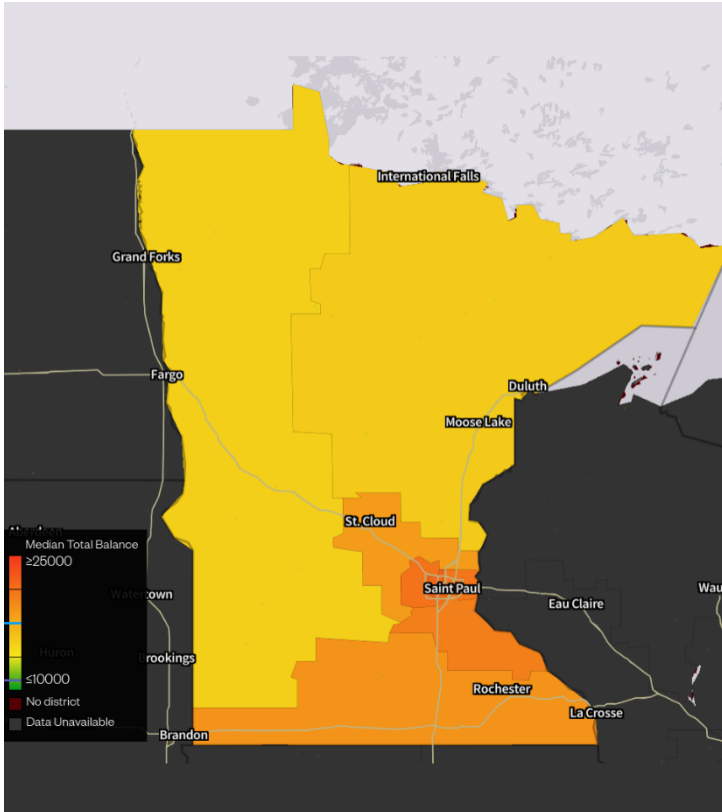


Factsheet on Higher Education Debt: The Case for Debt Cancellation

Drafted in collaboration with the Center for Law and Social Policy, Jain Family Institute, National Consumer Law Center, and other members of the Higher Ed Not Debt (HEND) Coalition

Student Debt in Minnesota

Median Student Loan Debt for Young Adults (Jain Family Institute, 2020)



Median Student Debt Burden (Ages 18-35)	\$19,535
Average Sticker Price of College*	\$23,381
Average Real Cost of College**	\$14,499
Median Income of Borrowers	\$31,878
Average Amount of Student Debt from For-profits (Nationwide)***	\$39,900
Rank for Student Debt Burdens****	34

*Sticker price = tuition, fees, ancillary costs, living expenses, and transportation

**Real cost of college= sticker price minus scholarships/grants

***TICAS.org [Quick Facts about Student Debt](#), April 2019

****Higher numbers indicate worse debt burdens

Median Debt Burden by Neighborhood Demographic

Majority White	Majority Black	Majority Hispanic	Majority Asian
\$17,473	\$21,424	N/A	N/A
51.77% ↑ since 2009	91.09% ↑ since 2009	(insufficient data)	(insufficient data)

Student Debt Default Rates by Race*

Majority White Communities	Majority Communities of Color	Statewide Default Rate
8%	21%	9%

* Urban.org, [Debt in America: An Interactive Map](#), Dec. 2019

[View Full Map](#)

Student Debt Creates Decades of Hardship for Millions of American Families

Federal student loan debt is a 1.6 trillion-dollar problem affecting millions of Americans.

Universal debt cancellation is needed now more than ever. Americans owe more in student loan debt than they do for auto loans, credit cards, or any other non-mortgage debt.ⁱ About 45 million Americans hold student loans, over 10 million more since the Great Recession.ⁱⁱ Outstanding student loan debt accumulation accelerated as higher education institutions have raised tuition. Since 2008, tuition costs rose by 35%, with many states still spending less per student than before 2008.ⁱⁱⁱ Two thirds of federal loan borrowers are women, who on average borrow \$3,000 more than men to attend college, yet because of the wealth and wage gap, find it harder to repay their loans.^{iv} **Student loans are not just a “young person’s problem;”** currently, there are over 8.2 million federal student loan borrowers aged 50 or older, and 14.2 million borrowers between the ages of 35 and 49.^v The debt has cast an intergenerational shadow over millions of American families; over 3.5 million parents are repaying Parent PLUS loans they borrowed to pay for their child’s education.^{vi} Because grant aid only covers a fraction of the cost of attendance most students face, low-income students depend on loans and are stuck in repayment for decades.

Falling behind has catastrophic consequences for borrowers.

When borrowers cannot repay their debt, the consequences are devastating. Without obtaining a court order, the U.S. government can seize Social Security benefits, wages, and tax refunds (including the Earned Income Tax Credit and the Child Tax credit) from defaulted borrowers.^{vii} The federal government siphons thousands of dollars each year via involuntary collections from approximately nine million borrowers, who typically are low-income and already experiencing financial distress. As borrowers have learned, the Department of Education is often incapable of stopping these coercive collection tools once put in motion. Despite the passage of the CARES Act which temporarily paused collection on some student loans and a lawsuit to enforce it,^{viii} the Department has been unable to stop garnishing borrowers' wages during the pandemic. Loan cancellation would stop many low-income borrowers from suffering under the Department of Education's draconian collection powers.

Borrower Story

"I have been paying on my student loans my whole life. My son was beaten with a bat [in] 1999, suffered a brain injury, and was in a coma. Since then he has seizures. I struggle to care for him, work, and pay my student loans. It's hard enough keeping the electric[ity] on. Now they [the Department of Education] are taking my EIC [Earned Income Tax Credit]. I borrowed 9,000, paid back 14,000, and my balance is 22,000. I will die before this debt is paid off. A Life Sentence."¹

Black and Latinx communities are hit especially hard by the student loan debt crisis. Loan cancellation is needed to begin correcting racial disparities that have unfairly burdened Black and Latinx communities. Black students and their families face systemic barriers preventing them from attaining family wealth; as a result, they are forced to borrow student loans at higher rates. Average debt for Black undergraduate borrowers in 2016 was \$34,000, compared to \$30,000 for their White counterparts.^{ix} **Even after years of repayment, the typical Black borrower owes more than the principal borrowed, while the average White borrower owes about 35 percent less than their original loan balance.^x** Half of Black borrowers default on their student loan debt,^{xi} defaulting at a rate more than three times higher than White borrowers.^{xii} Similarly, 15 percent of Latinx borrowers in repayment on their student loans were in default, and another 29 percent were seriously delinquent on their payments.^{xiii}

Predatory schools—often targeting students of color, veterans, and military families—max out borrowers' federal aid in exchange for a worthless education. Students of color are more likely to attend predatory for-profit colleges, which often charge more in tuition for a sub-par product with poor employment outcomes.^{xiv} Predatory schools have also historically targeted borrowers affiliated with the military, using the service members' GI Bill funds to fulfill the school's obligation to obtain 10% of funding from sources other than federal student loans.^{xv} Students who attend for-profit colleges take on more debt than their peers at public institutions,^{xvi} and are twice as likely to default when compared to borrowers attending public institutions. As of May 2020, 5,105 borrowers in Minnesota have asked that their federal student loans be discharged because their school deceived or misled them. However, even if the student is successful in showing their school behaved illegally, **the U.S. Department of Education currently interprets the regulations to only require it to discharge a small portion of their loans.** Complete loan cancellation is needed to ensure that these borrowers can restart and have a fair shot at getting a good education.

Deceptive and misleading servicing and debt collection practices prevent student loan borrowers from accessing vital programs and benefits. The CFPB, several states' Attorneys General, and private student loan borrowers have sued a number of federal student loan servicers and debt collectors for providing borrowers with misinformation about their repayment options. Borrowers commonly report being steered into options that are lucrative for servicers and collectors but often lead borrowers to lose out on important loan repayment options, such as loan forgiveness, and can eventually lead borrowers to default on their loans. These borrowers need loan cancellation to ensure that they do not spend decades paying for their servicers' greed.

Benefits of Debt Cancellation

Broad cancellation of student debt is good for the economy and should be considered as a tool for economic stimulus and recovery. Research shows that student debt cancellation can stimulate the macro-economy and boost GDP by billions of dollars, reduce the unemployment rate, and add up to 1.5 million new jobs.^{xvii} Alongside catalyzing economic growth, student loan cancellation will also positively change the trajectory of borrowers' lives.^{xviii}

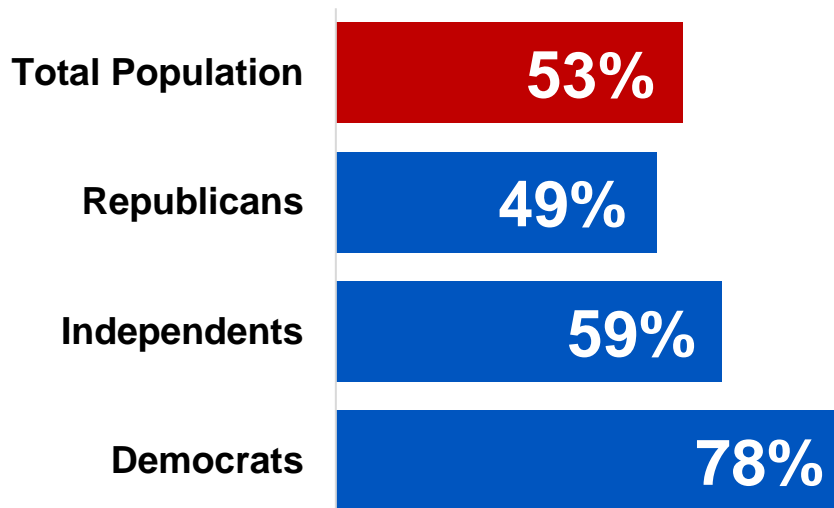
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Research shows that debt cancellation will allow borrowers to:

- Create and invest in small businesses^{xix}
- Stay in rural communities^{xx}
- Attain further education and degrees
- Increase their likelihood of getting married or having children^{xxi}
- Become homeowners^{xxii}
- Increase their family wealth attainment and financial stability
- Increase intergenerational wealth

These benefits of student debt cancellation are especially important for racial equity and justice. Systemic racism and discrimination have denied many Black and Latinx households and individuals the same upward path of mobility as their White peers. Reducing student debt burden is one step towards closing the racial wealth gap.

Support for Student Debt Cancellation (\$10,000 per Borrower)



Source: [National Tracking Poll](#), Morning Consult and Politico (Aug. 9-10, 2020).

Voters Show Bipartisan Support for Broad-Based Debt Cancellation

In May 2020, the Center for Responsible Lending and Americans for Financial Reform^{xxiii} found that “a majority of Americans across all regions of the U.S. support permanently reducing student loan debt by \$20,000 for all borrowers.” In addition, our coalition of grassroots, philanthropic, and research organizations represent key allies in advocacy for student loan forgiveness. A convening of major higher education policy experts and researchers in August 2020 echoed the importance of debt cancellation alongside existing proposals to ensure that students, especially students of color, can be freed from a life sentence of student loan debt.^{xxiv}

ENDNOTES

- ⁱ See Fed. Reserve Bank of N.Y., Household Debt and Credit Report: Q1 2018 (May 2018).
- ⁱⁱ Federal Reserve Bank of New York, *Student Loan Data and Demographics* (2018).
- ⁱⁱⁱ Michael Mitchell, Michael Leachman, and Kathleen Masterson, [A Lost Decade in Higher Education Funding: State Cuts Have Driven Up Tuition and Reduced Quality](#), Center for Budget and Policy Priorities (Aug. 23, 2017).
- ^{iv} National Women's Law Center, [Higher Education, Recession, and COVID-19: What Students and Student Borrowers Need from a Federal Stimulus Package](#) (April 2020).
- ^v [Portfolio by Age](#), U.S. Dep't of Educ.
- ^{vi} [Portfolio by Loan Type](#), U.S. Dep't of Educ.
- ^{vii} Persis Yu, [Voices of Despair: How Seizing The EITC Is Leaving Student Loan Borrowers Homeless And Hopeless During A Pandemic](#), National Consumer Law Center (July 2020).
- ^{viii} *Barber v. Devos*, Case 1:20-cv-01137 (D.D.C. filed May 7, 2020).
- ^{ix} Ashley Harrington, [Can Debt Relief and Investment in HBCUs Level the Playing Field for Black Students?](#), The Education Trust (April 16, 2020); Darrick Hamilton et al, [What We Get Wrong About Closing the Racial Wealth Gap](#);; Samuel DuBois Cook Center on Social Equity (April 2018); [Quick Facts About Student Debt](#), The Institute for College Access & Success (April 2019).
- ^x Ben Miller, [New Federal Data Show a Student Loan Crisis for African American Borrowers](#), Center for American Progress (Oct. 16, 2017).
- ^{xi} Mark Huelsman, [Debt to Society: The Case for Bold, Equitable Student Loan Cancellation and Reform](#), Demos (June 6, 2019).
- ^{xii} Judith Scott-Clayton, [The Looming Student Loan Default Crisis is Worse than We Thought](#), Brookings Institution (Jan. 11, 2018).
- ^{xiii} [Latinos, Student Debt, and Financial Security](#), Demos (Oct. 26, 2016).
- ^{xiv} Dyvonne Body, [Worse Off Than When They Enrolled: The Consequence of For-Profit Colleges for People of Color](#) (Mar. 19, 2019).
- ^{xv} [Why These Veterans Regret Their For-Profit College Degrees — and Debt](#), PBS (Oct. 23, 2018); [Why For-Profit Schools Are Targeting Veterans Education Benefits](#), Veterans Education Success (Jan. 1, 2014).
- ^{xvi} Luis Armona et al., [Student Debt and Default: The Role of For-Profit Colleges](#), NY Fed. Reserve (Updated Feb. 2020)
- ^{xvii} Scott Fullwiler, Stephanie Kelton, Catherine Ruetschlin, and Marshall Steinbaum, [The Macroeconomic Effects of Student Debt Cancellation](#), Levy Economics Institute (Feb. 2018).
- ^{xviii} Darrick Hamilton and Naomi Zewde, [Promote Economic and Racial Justice: Eliminate Student Loan Debt and Establish a Right to Higher Education Across the United States](#), Washington Center for Equitable Growth (Feb. 18, 2020).
- ^{xix} *Id.*
- ^{xx} Steven Deller and Jackson Parr, [Indebted and Drained: Student Loans and Rural America](#), Choices Magazine, Agricultural and Applied Economics Association (2020).
- ^{xxi} Robert Bozniak and Angela Estacion, [Do Student Loans Delay Marriage? Debt Repayment and Family Formation in Young Adulthood](#), 30 Demo. Research 1865 (June 13, 2014).
- ^{xxii} Alvaro Mezza, Daniel Ringo, and Kamila Sommer, [Can Student Loan Debt Explain Low Homeownership Rates for Young Adults?](#) Consumer & Community Context. Vol. 1, No. 1. Federal Reserve Board Division of Research & Statistics (Jan. 2019).
- ^{xxiii} See [full report](#) by the Center for Responsible Lending and Americans for Financial Reform.
- ^{xxiv} See an [edited transcript](#) of this event.