

STUDENT LOAN DEBT: WHERE DO WE GO FROM HERE?

A PART OF STUDENT MONTH AT APS

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Student loan debt. Those three words can cause a lot of anxiety and stress among Americans. Is there a need for government intervention? Is intervention justifiable when many have accomplished reducing or paying off their debt? In the United States, student loan debt totals to \$1.70 trillion and grows 6 times faster than the economy. The pandemic has magnified this problem causing individuals to struggle with unemployment and loss of housing amidst trying to pay back their student loans. How should we go about handling this problem that just seems to grow bigger and bigger?

This fact sheet aims to bring context to the issue of Student loan debt in America by establishing definitions of key terms and exploring the following subtopics: **Student Loan Debt and Black, Indigenous, and People of Color (BIPOC), Student loan Debt and Women, Student Loan Forgiveness, Alternatives to Mass Student Loan Forgiveness, and a List of Resources** for prospective students, student borrowers, and parent borrowers.

KEY TERMS FROM FEDERAL STUDENT AID, AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

- **Forgiveness, Discharge, and Cancellation**

“The terms forgiveness, cancellation, and discharge mean nearly the same thing, but they’re used in different ways. If you’re no longer required to make payments on your loans due to your job, this is generally called forgiveness or cancellation. If you’re no longer required to make payments on your loans due to other circumstances, such as a total and permanent disability or the closure of the school where you received your loans, this is generally called discharge.”

<https://studentaid.gov/manage-loans/forgiveness-cancellation>

- **Deferment**

“A temporary postponement of payment on a loan that is allowed under certain conditions and during which interest generally does not accrue on Direct Subsidized Loans, the subsidized portion of Direct Consolidation Loans, Subsidized Federal Stafford Loans,

the subsidized portion of FFEL Consolidation Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s)." <https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief>

- **Financial Aid**

"Financial aid is money to help pay for college or career school."

- * Financial Aid refers to both loans and grants disseminated by the Department of Education.

<https://studentaid.gov/help-center/answers/topic/glossary/articles>

- **Pell Grant**

From the Federal Student Aid office of the U.S. Department of Education, "The Pell Grant is the largest federal grant program offered to undergraduates. It is designed to assist students from low-income households. To qualify for a Pell Grant, a student must demonstrate financial need by completing and submitting the FAFSA® form."

<https://studentaid.gov/help-center/answers/topic/glossary/articles>

STUDENT LOAN FORGIVENESS PROS AND CONS

The cost of college has been consistently increasing since the 1980s. The report from College Board, Trends in College Pricing and Student Aid, show that inflation-adjusted published prices have increased 278% over the past 30 years. See page 12 of the report for graphs reporting this data. <https://research.collegeboard.org/pdf/trends-college-pricing-student-aid-2020.pdf>

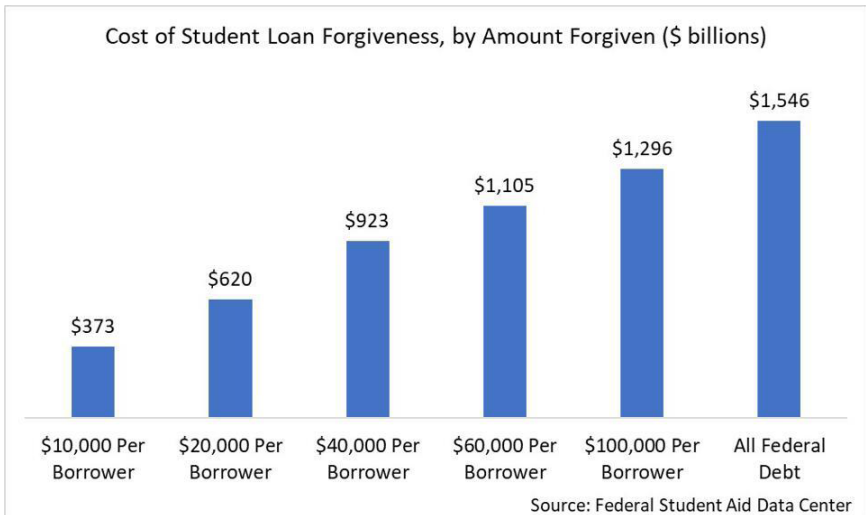
Did you know?

College education costs rose 103% since 1987, while median household income increased only 14%.

source: <https://www.aauw.org/issues/education/student-debt/>

There have been several suggestions made by politicians and economists in regard to forgiving student loans. According to the Brookings Institute, "Student loan debt makes up the second biggest share of household debt. . ." Forgiving student loans could eliminate one of the daunting debts that plague many families, which can improve their quality of life. According to Annie Lowry at The Atlantic, there is research that shows the cancellation of student debt can boost economic growth. Essentially, removing that payment from their budget can allocate the funds to another part of their budget.

1. <https://www.experian.com/blogs/ask-experian/state-of-student-loan-debt/#:-:text=From%202015%20to%202019%2C%20student,rate%20of%20any%20debt%20type>
2. <https://www.businessinsider.com/economic-benefits-of-student-debt-forgiveness-2020-12>
3. <https://www.theatlantic.com/ideas/archive/2020/11/why-biden-should-forgive-student-loan-debt/617171/>



PRESTON COOPER, FORBES

One major concern some economists have, is the overall cost to forgiving student debt. Due to the outstanding amount that would need to be forgiven, many wonder where this money would come from? Another concern regarding mass student loan forgiveness brought up is the exclusion of those who do not owe student loans. This system

directly benefits a specific and targeted group of people and will leave out citizens who have paid theirs off or who did not accrue debt in general.

Higher Education Economist Preston Cooper wrote in *The Case Against Student Loan Forgiveness*, that forgiving student loans would be regressive because “. . .its benefits are skewed towards the rich.” Cooper mentions in his article that the household who make more income holds about \$3 in student loan debt to every \$1 owed by working- and lower-class citizens. Cooper further argues that this type of policy, aimed to forgive student loan debt would also create an avenue for consistency, which in turn can create unexpected shifts in tuition, like tuition hikes. <https://www.forbes.com/sites/prestoncooper2/2020/11/17/the-case-against-student-loan-forgiveness/?sh=477fecb7464c>

PRESIDENT BIDEN'S STUDENT LOAN FORGIVENESS PLAN

Adam S. Minsky, a Senior Contributor at Forbes, published a couple of recent reports aimed to share information on the ongoings of student loan forgiveness legislation. Minsky shared that in the last week of March, 2021 ‘. . .the Biden administration announced that the President has tapped Education Secretary Miguel Cardona to research and draft a formal legal opinion memorandum outlining potential legal authorities that could be the basis for widespread student loan forgiveness implemented through executive action.’ According to the announcement from the White House and Minsky’s reporting, Cardona was asked to explore the ‘viability of student loan forgiveness up to \$50,000.’

Minsky further explains the process in which this type of relief could happen, ‘Many student loan legal experts have argued that Biden has authority to enact widespread student loan forgiveness using executive authority. Advocates have pointed to a provision in the Higher Education Act that, they argue, provides broad authority to the President, via the Secretary of Education, to “modify, compromise, waive, or release student loans.” ‘

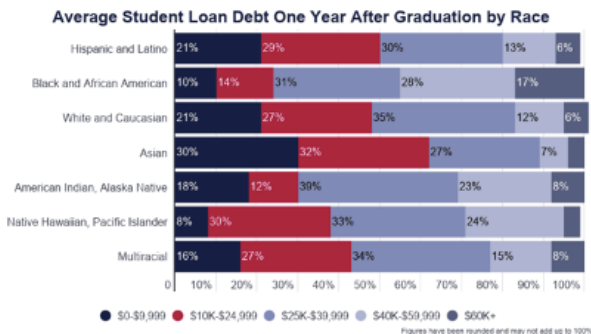
<https://www.forbes.com/sites/adamminsky/2021/04/02/the-chances-of-mass-student-loan-forgiveness-may-have-just-increased/?sh=116901f05a29>

STUDENT LOAN DEBT AND BLACK, INDIGENOUS, AND PEOPLE OF COLOR (BIPOC)

Student loan debt affects approximately 45 million Americans with this burden varying across several ethnic, age and gender groups. This report from The Brookings Institute provides data that shows that Black and African American college graduates owe an average of \$25,000 more in student loan debt than white college graduates. Black and African American are more likely to struggle financially due to student loan debt. Economist Thomas Shapiro shared context on this issue in an interview with The Atlantic, “two decades after they enter school, the median white borrower has paid off 94 percent of debt, whereas the median Black borrower has paid off just 5 percent.”

1. <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>
2. <https://www.theatlantic.com/ideas/archive/2020/11/why-biden-should-forgive-student-loan-debt/617171/>

According to a paper published in the Brookings Institute by Adam Looney & Constantine Yannelis, more than half of borrowers in default owe less than \$10,000 (see chart on p. 20). One explanation to note is that many defaulters only went to college for one or two semesters, dropped out, and were stuck with the debt but no degree. The perception of the distressed student loan borrower is often someone with six figures in debt, but in reality it's often the people with only four figures who often have the most trouble. https://www.brookings.edu/wp-content/uploads/2018/02/es_20180216_looneylargebalances.pdf



source: <https://educationdata.org/student-loan-debt-by-race>

Women & Student Loan Debt

Though it is noted that student loan debt is increasing at a staggering rate, with the price education doubling over the past generations, this hasn't impacted everyone equally. According to American Association of University Women (AAUW) and Education Data, Women hold approximately two thirds of the nation's student loan debt, a total of \$929 Billion. AAUW also notes that women who earn a bachelor's degree owe an average of \$2700 more than men and it also takes women longer to repay student loans with a main contributor being the gender pay gap. AAUW's report The Gender Pay Gap notes Women are paid 74% of what male graduates make despite the average woman that earns a bachelor's degree having \$30,000 in student loans. 57% of black female college graduates report having financial difficulties while repaying student loans.

<https://www.aauw.org/resources/research/deeper-in-debt/>

<https://www.aauw.org/issues/education/student-debt/>



AAUW's study 'Deeper in Debt: Women and Student Loans' notes that the impact goes even further than paying off student loan debt, impacting women's abilities to contribute to retirement savings, buying a home, or even starting a business.

1. <https://www.aauw.org/resources/research/deeper-in-debt/>

2. <https://www.aauw.org/issues/education/student-debt/>

ALTERNATIVES TO MASS LOAN FORGIVENESS

A policy alternative that has emerged from the student loan forgiveness debate is the expansion and bolstering of existing programs and student opportunities, could eliminate the need for mass student loan forgiveness. The expansion of Pell Grants, Stafford Loans, and Public Service Loan Forgiveness have been recognized by policy analysts that oppose student loan forgiveness as viable solutions. Another policy alternative that has surfaced admits the student loan debate is that lowering the cost of tuition is where policy should focus, rather than providing federal student loan forgiveness.

The Foundation for Research on Equal Opportunity (FREOPP)'s Preston Cooper authored a report about rising cost of college, aiming to explore how competition can lower student costs. Cooper shares that apprenticeships could play a role in lowering cost, stating "The United States lags well behind other rich countries in developing its apprenticeship sector. The few apprenticeships that do exist in the U.S. have posted impressive results, and research suggests the model is ready for expansion." <https://freopp.org/why-college-is-too-expensive-and-how-competition-can-fix-it-cb2eb901521b>

Cooper's FREOPP report also explains that a major part of this debt problem is from the dishonesty in sticker prices. Cooper states that the sticker price isn't actually reflective of the tuition students end up paying and is used in inefficient, sometimes misleading ways by officials, both institutional and elected to office. "The rise in published prices is misleading, as most students receive financial aid packages that reduce their net tuition payments. The "sticker price" appearing on an institution's website is an upper bound that usually does not reflect the actual amount students pay. But since sticker price is the most visible measure of tuition at most universities, it is often the figure cited by commentators and politicians and thus shapes the public understanding of college costs. More importantly, it is the first number that students encounter when they research how much a college education will cost them." When students look at the "sticker price" published on a college's website, it's usually outrageous. The good news is that most

students get discounts which will reduce what they actually pay. The bad news is that it's extremely difficult to know what these discounts will be in advance, so students usually don't know what they'll pay until they receive their acceptance letters. This makes it effectively impossible to comparison-shop. Cooper argues that this lack of transparency makes it easier for colleges to increase their prices. <https://freopp.org/why-college-is-too-expensive-and-how-competition-can-fix-it-cb2eb901521b>

In another report authored by Preston Cooper at FREOPP, 'A Borrower-Centered Plan for Student Loan Relief', Cooper shares perspective on reduce punitive fees for student loans. "These penalties drag out the collections process, add interest, and make it harder for the borrower to return to good standing. Rather than punitive fees that burden borrowers for years, the penalty for default should be a one-time \$150 fee added to the balance at the point of default, with no further fees afterward". Fees make it even more expensive to pay back debt. Instead of doing a mass student loan forgiveness, this policy alternative argues that changing fee structures could eliminate cumulating debt for borrowers. <https://freopp.org/a-borrower-centered-plan-for-student-loan-relief-3999ed8d08e8?source=false-----2>

LIST OF RESOURCES

State Support

Missouri

- Public Services Loan Forgiveness Program:
<https://dhewd.mo.gov/resources/publicserviceemployees.php#:~:text=The%20Public%20Service%20Loan%20Forgiveness,employer%20who%20meets%20certain%20qualifications.>
- Missouri Student Loan Forgiveness Programs
<https://thecollegeinvestor.com/student-loan-forgiveness-programs-by-state/missouri-student-loan-forgiveness-programs/>

Kansas

- Kansas State Loan Repayment Program:
<https://www.kdheks.gov/olrh/FundLoan.html>
- Lists of Kansas student Loan Forgiveness Programs
<https://thecollegeinvestor.com/student-loan-forgiveness-programs-by-state/kansas-student-loan-forgiveness-programs/>
- Student Loan Forgiveness Programs
<https://www.kansaslegalservices.org/node/156/student-loan-forgiveness-programs>

Prospective Borrowers

- Links & Resources for College Students:
<https://dhewd.mo.gov/resources/college.php>
- Financial Literacy
<https://dhewd.mo.gov/ppc/studentloans/financialliteracy.php>
<https://journeytocollege.mo.gov/pay/manage-your-money/>
- Financial Aid 101
<https://dhewd.mo.gov/ppc/studentloans/financialaid101.php>
- Types of Student Loan
<https://dhewd.mo.gov/ppc/studentloans/loantypes.php>
- Student and Parents
<https://dhewd.mo.gov/ppc/studentparents.php>

Student and Parent Borrowers

- Understanding Student loan Repayment (Federal Student Aid)
<https://studentaid.gov/h/manage-loans>
- Differences between Forgiveness, Cancellation, and Discharge
<https://studentaid.gov/manage-loans/forgiveness-cancellation>
- Student Loan Forgiveness Options
<https://thecollegeinvestor.com/578/ways-to-get-student-loan-forgiveness/>