Center for Responsible Lending

NORTH CAROLINA'S STUDENT DEBT

Dimensions of a Crisis

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Student Loan Debt Is a Crisis

While pursuing higher education is still a pathway to higher incomes over a person's lifetime, student loan debt threatens to undermine this promise in North Carolina and nationwide. Outstanding student loan amounts have risen at an alarming rate over the past decade, and North Carolina has not been immune from this trend. Today, students and their families face a difficult decision: take on substantial debt to fill the gap between ballooning college costs and reduced grant support or forgo a college education in the face of a labor market that increasingly demands credentials and degrees. The impact of this choice is particularly severe for some populations: communities of color, rural and low-income communities, veterans and servicemembers, women, and older Americans.

Over 44 million Americans hold more than $1.5 trillion in student loan debt, and over 1.2 million North Carolinians alone hold $44 billion in student loan debt.[1] This affects the state's economy as student debtors delay or forgo homeownership, starting their own businesses, family formation, and/or saving for retirement and other long-term goals out of concern about their financial stability. The impact spans generations—parents and grandparents can also hold student loans for themselves or their family members, reducing their ability to save for retirement or, once in retirement, exposing their Social Security benefits to offsets should they default. Today, the majority of Americans across the political spectrum agree that student loan debt is a crisis.[2]

Over 1.2 million North Carolinians alone hold $44 billion in student loan debt.

Fueling the growth of student debt in North Carolina are big-picture trends such as cuts in state funding and the attendant rapid rise in college tuition, growing college attendance, longer times to completion as working adults go back to school, and post-graduation incomes that are not keeping pace with rising costs.[3] While North Carolina has relatively low tuition and fees for both two- and four-year public institutions compared to other states, funding for public higher education is still trending downward.[4] In North Carolina, the state legislature reduced inflation-adjusted funding per public college student by 18.6% from 2008 to 2018, a period that began with the global financial crisis.[5] Public colleges and universities responded by steadily raising tuition, placing the financial burden of paying for college more heavily on students and families. Over this same time period (2008–2018), the average inflation-adjusted in-state tuition at public, four-year colleges in North Carolina has risen by $2,293 or 45%.[6]

In North Carolina, the state legislature reduced inflation-adjusted funding per public college student by 18.6% from 2008 to 2018.

While North Carolina has reduced spending for public higher education, federal government spending on student grant programs that help low-income families pay for college has not kept up with rising costs. Thus, North Carolina students and families are taking on more financial risk to cover the widening gap between college costs and available grant aid.

Further, it is not clear that families are undertaking these increased risks for the same educational quality and benefits that the state's public institutions have offered in the past. In the face of shrinking funding, public colleges and universities during this period reduced faculty, limited the number of course offerings, increased class sizes, and cut student services. These opposing forces—one driving costs up, the other driving down educational offerings and support—are threatening the value proposition of public higher education in the state.

During the same time period, for-profit colleges, which target financially-vulnerable populations in the state and encourage heavy borrowing for very expensive programs without providing a meaningful education in return, were in a period of expansion.[7] These for-profit colleges thrived during the first few years following the 2008 financial crisis as unemployment and underemployment rose, leading many North Carolinians to seek new skills quickly during a time when additional low-cost seats in public institutions were hard to come by.

These combined factors have led to an explosion in the amount of student debt held by North Carolinians. In fact, 57% of North Carolina's 2017 bachelor's degree recipients at public and private nonprofit colleges graduated with federal student loan debt, holding $26,526 on average.[8] The comparable numbers for 2005 were 53% and $16,388.[9]

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Finally, it is not simply the amount borrowed that is a problem for students: While there are good income-based repayment options available to those with federal loans, shoddy practices by student loan servicers exacerbate the struggles of student loan borrowers once they enter repayment. Poor oversight and accountability for student loan servicers and debt collectors needlessly hinder the ability of students to keep on track with payments and access the protections and programs they are entitled to when facing financial difficulties.

This paper analyzes publicly available data on North Carolina and, in some cases, smaller geographies such as select counties and metropolitan areas, to describe the state of student lending in North Carolina over time. It further explores the financial and economic implications of student debt for North Carolina families and regions, with a particular emphasis on low-income communities and communities of color. The paper also discusses the importance of North Carolina's historically-black colleges and universities (HBCUs) and other minority-serving institutions (MSIs) in reducing the substantial racial wealth gap in the state.

North Carolina-Specific Findings Include:

- 1.2 million North Carolinians have outstanding student loan debt totaling $44 billion, with this amount having tripled between 2008 and 2018.
- At least 16.5% of student loan borrowers in North Carolina are in severe delinquency, having made no payments on their loans for 90 days or more.
- Rates of student loan distress are rising for all borrowers, but the trend is particularly acute for middle-aged (35–54) and older (55–84) borrowers, borrowers of color, rural borrowers, and low-income borrowers.
- In North Carolina, over 30,000 recipients of the GI Bill are enrolled in public, private nonprofit, and for-profit institutions: 16.3% of students enrolled at for-profit institutions were recipients of the GI Bill in 2017, approximately three times the share at public and private nonprofit institutions.
- Female students tend to take on more student debt than their male counterparts and face a wage gap once they enter the workforce, resulting in a structural disadvantage for female students in North Carolina.
- For-profit colleges tend to have very poor outcomes that contribute to the problems of higher debt loads, lower graduation rates, and higher default rates compared to other students in the state. These outcomes fall disproportionately on low-income residents, African Americans, women, servicemembers, and veterans.
- At least 57,000 North Carolinians were enrolled in out-of-state online programs in 2017, and many online programs prove to be both costly and substandard.
- North Carolina's 22 MSIs serve almost 50,000 students and are nationally recognized for their excellence despite historic and ongoing underfunding.
- HBCUs play an important and outsized role in reducing the racial wealth gap. In North Carolina, HBCUs represent only 16% of four-year institutions, but enroll 45% of all African American undergraduates at public and private four-year institutions and award 43% of all bachelor's degrees earned by African American students.
- Between 2014 and 2018, the Consumer Financial Protection Bureau (CFPB) received nearly 1,200 complaints from North Carolinians regarding their student loans, with over 60% of these complaints relating to issues with servicers and lenders.

North Carolina-Specific Policy Recommendations Include:

- ❏ Provide a greater financial commitment to students and institutions across the state, including community colleges and MSIs, recognizing that these allocations are critical investments in the future of the state.
- ❏ Protect students and prospective students from for-profit colleges which target people of color, low-income communities, and servicemembers by holding these institutions to a high standard of quality.
- ❏ Hold for-profit institutions accountable for their competitiveness in the market by mandating that at least 15% of their funding come from non-federal sources (including federal student loans, grants, and veterans' benefits) by instituting an 85/15 rule and closing the "90/10 loophole."
- ❏ Diversify the leadership of the State Board of Proprietary Schools.
- ❏ Provide enhanced back-end protections using the state's Student Protection Fund to students harmed by schools or who attended for-profit schools that close.
- ❏ Protect students attending online, for-profit institutions.
- ❏ Enact laws that set common sense standards for student loan servicers and include a robust enforcement mechanism.
- ❏ Take action to rein in abuses by student loan servicers.
- ❏ In addition to enforcement by the Attorney General's office, ensure that North Carolina consumers have other avenues to ensure that they understand their rights and that their complaints against servicers are addressed.

North Carolina's Residents Are Borrowing More Often & in Higher Amounts

At least 1.2 million North Carolina residents have outstanding student loan debt.[10] In 2018, North Carolina outstanding student loan debts (federal and private) totaled almost $44 billion, up from just $15.4 billion in 2008—a dramatic 286% increase (Figure 1).[11] According to Experian, North Carolina experienced the second highest increase in student debt of all states over the 10-year period beginning in 2008.[12]

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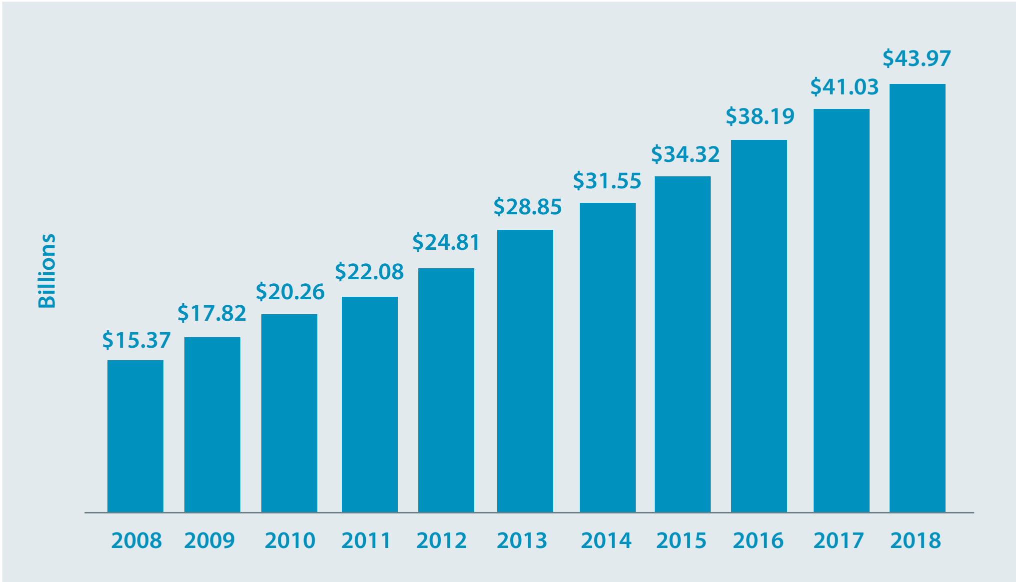
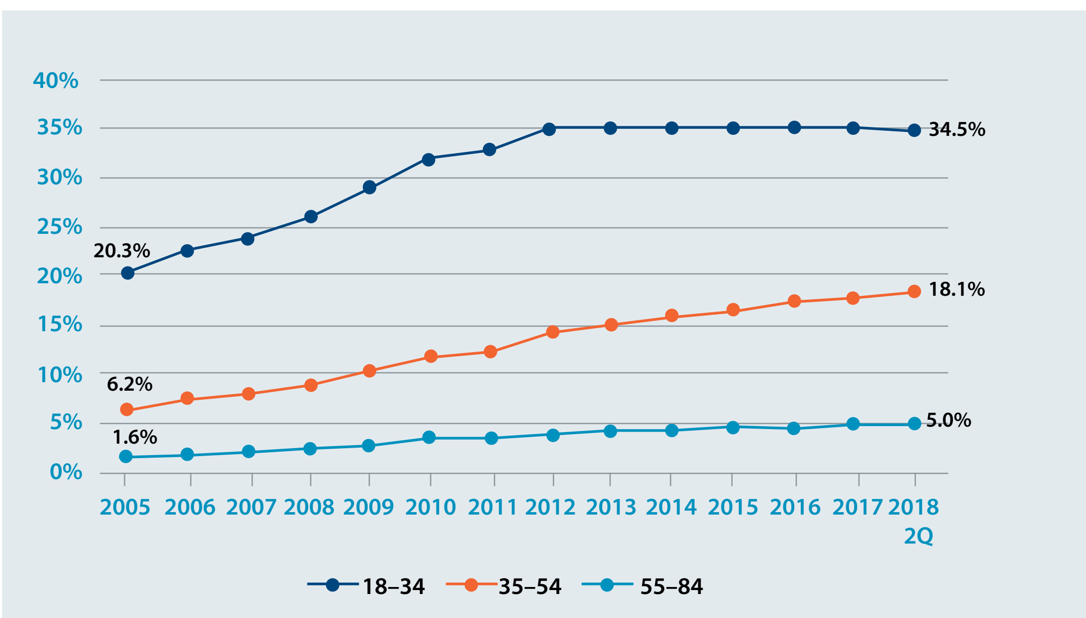
Figure 1: Student Loan Debt Almost Triples in North Carolina, 2008–2018



Source: Federal Reserve Bank of New York. (2019). State level household debt statistics 2003–2018.

Rising student loan debt is not just experienced by young people taking the path from high school to college. All age cohorts in North Carolina have taken on student loan debt at higher rates since 2005 (Figure 2). For instance, 34.5% of 18–34 year-olds with a credit record now have student debt, a 170% increase since 2005, while the equivalent figures for 35–54 year-olds are 18.1% and 292%.[13] (Overall, the percentage of all North Carolina residents with a credit record that have student loan debt has almost doubled since 2005, rising from 8.0% to 15.4% in June 2018.)

Figure 2: Student Loan Debt Rises in Every Age Group in North Carolina, 2005–2018[14]

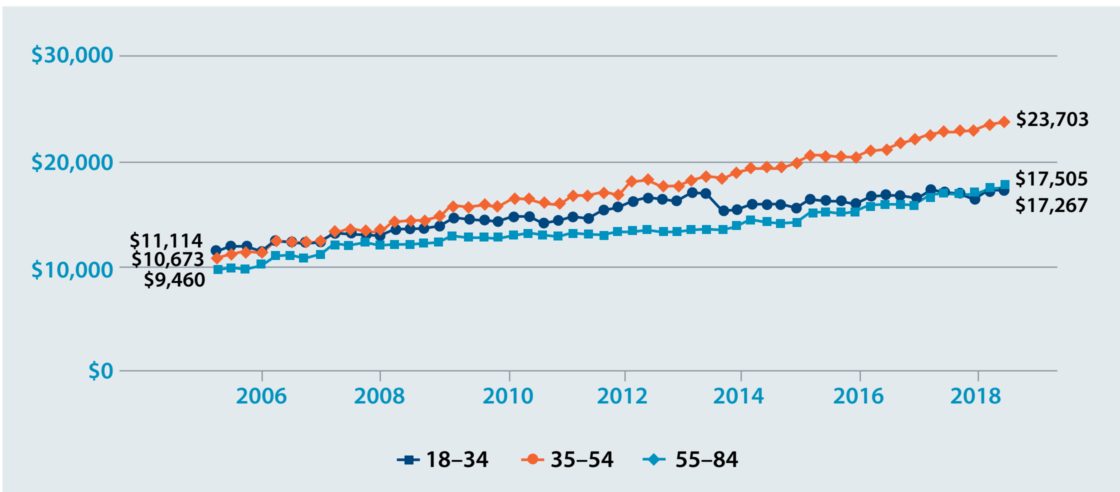


Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, tabulated by the Federal Reserve Banks of Philadelphia and Minneapolis and accessed via the Consumer Credit Explorer (date accessed: February 11, 2019).

Students are not only borrowing more often for college, they are also borrowing larger amounts (Figure 3). Median debt for the youngest group of North Carolina's student loan borrowers (ages 18–34) increased from $11,114 to $17,267 between 2005 and mid-2018 on an inflation-adjusted basis. The median debt of middle-aged student loan borrowers (ages 35–54) more than doubled during the same period from $10,673 to $23,703. The debt of middle-aged and older borrowers (ages 55–84) for their own education is often compounded by borrowing for children, spouses, and other relatives. Student debt for any borrower can also increase due to unpaid interest, which is more common among middle-aged and older borrowers who took out student loans and have made little to no progress repaying over many years.

The median debt of middle-aged (ages 35-54) student loan borrowers more than doubled during the same period from $10,673 to $23,703.

Figure 3: Median Debt among Middle-Aged Students More Than Doubles in North Carolina



Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, tabulated by the Federal Reserve Banks of Philadelphia and Minneapolis and accessed via the Consumer Credit Explorer (date accessed: February 11, 2019).

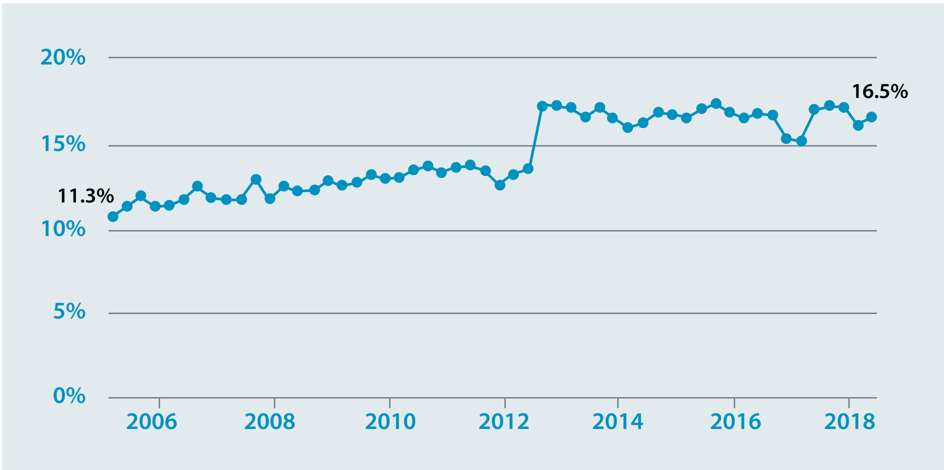
North Carolinians Struggle to Repay Student Loans

Unfortunately, many North Carolinians are unable to keep up with their student loan payments. Student loans are considered "severely delinquent" when no payments have been made for 90 days or longer. When federal student loans become 270 days past due, the Department of Education considers loans to be in default, with loans being transferred from student loan servicers to student loan debt collectors at 365 days past due. The severe student loan delinquency rate (90 days past due or more) in North Carolina has increased between 2005 and second quarter 2018 from 11.3% to 16.5% (see Figure 4), and about 85% of these severely delinquent borrowers are already in collections.[15, 16] Further, according to the Federal Reserve, delinquency rates understate the true level of student distress by as much as 50% as only about half of all holders of student debt are in active repayment status at any given time. Others are in some

It is likely that approximately one-third of all of North Carolina's student loan borrowers that are in repayment are severely past due or in default.

state of deferment (such as in-school) or forbearance (such as economic hardship). Thus, it is likely that approximately one-third of all of North Carolina's student loan borrowers that are in repayment are severely past due or in default.[17]

Figure 4: Rates of Severely Delinquent Student Loan Debt among Student Loan Borrowers Growing in North Carolina

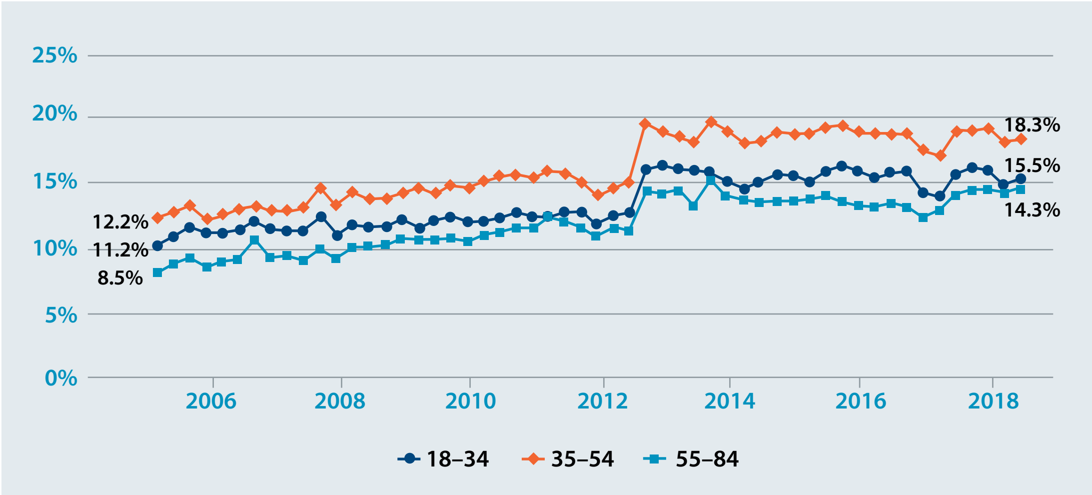


Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, tabulated by the Federal Reserve Banks of Philadelphia and Minneapolis and accessed via the Consumer Credit Explorer (date accessed: February 11, 2019).

The percent of severe delinquency amongst the youngest group of North Carolina student loan borrowers increased from 11.2% to 15.5% while severe delinquency increased among middle-aged borrowers from 12.2% to 18.3% (Figure 5). While these two age groups may not be as vulnerable as the third and oldest group of borrowers (ages 55–84) in some respects, their increasing student loan distress does not bode well for North Carolina's economy as they may be slower to purchase homes, spend on durable goods, form families, save for retirement and children's education, and start businesses.

The percent of severe delinquency amongst the youngest group of North Carolina student loan borrowers increased from 11.2% to 15.5% while severe delinquency increased among middle-aged borrowers from 12.2% to 18.3%.

Figure 5: Rates of Severely Delinquent Student Loan Debt Increase Substantially among All Age Groups of Student Loan Borrowers



Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, tabulated by the Federal Reserve Banks of Philadelphia and Minneapolis and accessed via the Consumer Credit Explorer (date accessed: February 11, 2019).

In addition to seriously undermining the ability of student borrowers to build savings and financial stability, delinquency and default can have other, long-term effects on borrowers.[18] Defaulting on a student loan harms a borrower's credit score, making it more difficult to access jobs and housing as employers and landlords routinely conduct credit checks when assessing applicants. Student loan borrowers in default frequently have their wages garnished and federal tax refunds offset, further increasing their financial distress. For seniors, it could mean garnishment of their Social Security income, making it even more difficult to cover basic expenses on a fixed income.

Hardest Hit Communities in North Carolina

While the data show that North Carolina's economic prosperity depends on addressing the student loan debt crisis, special attention must be paid to communities that are particularly hard-hit: communities of color, rural and low-income communities, veterans and servicemembers, women, and older Americans. What follows is a discussion of how the student loan crisis impacts each community in turn.

Communities of Color

The student loan crisis disproportionately impacts communities of color. It is both caused by and further exacerbates the persistent and wide racial income and wealth gaps. In North Carolina, the average annual household income of families of color is $25,000 less than for white families.[19] People of color also face a racial *wealth* gap, whereby nationally, white households have 10 times the wealth of African American and Latino households.[20, 21] State-level comparisons of the racial wealth gap reflect poorly on North Carolina, which ranks 41st out of all states.[22] These realities mean that North Carolina families of color are less able to pay for college, more likely to take out student loans and in larger amounts for both undergraduate and graduate education, and less likely to have a cushion with which to withstand financial shocks during repayment after leaving school. These factors together lead to a higher likelihood of delinquency and default on student loan debt.

In North Carolina, relative to enrollment share, more African Americans qualify for the maximum Pell Grant, have an expected family contribution of $0, and have borrowed more than $26,500 when compared to whites (Table 1). Latinos exceed their enrollment share only on the maximum Pell Grant measure.

Table 1: North Carolina African Americans Students Receive Less Financial Support from Family, Take on More Debt (Rows Sum to 100%)[23]

	Whites	African Americans	Latinos	All Others
Total Undergraduate Enrollment	56.8%	29.4%	6.4%	7.4%
Expected Family Contribution of $0	47.5%	38.5%	6.3%	7.7%
Pell Grant of Over $5,700	44.3%	38.4%	9.0%	8.3%
Borrowed $26,500 or More for Undergraduate Degree	43.9%	43.9%	5.8%	6.4%

Source: National Center for Education Statistics. 2015–16 National Postsecondary Student Aid Study (NPSAS:16).

And for African Americans and Latinos, a degree is no shield from racial disparities.[24] Twenty percent of North Carolina student loan borrowers who live in communities of color have student loan debt in collections, while only 14% of those who live in predominately white neighborhoods do. In the four most populous North Carolina counties, these disparities are even more pronounced (Table 2).[25] In Guilford and Forsyth counties, for example, student loan borrowers in communities of color are more than twice as likely as borrowers in predominantly white neighborhoods to have a student loan debt in collections.[26]

Table 2: Disproportionate Impact of Student Debt in Collections[27]

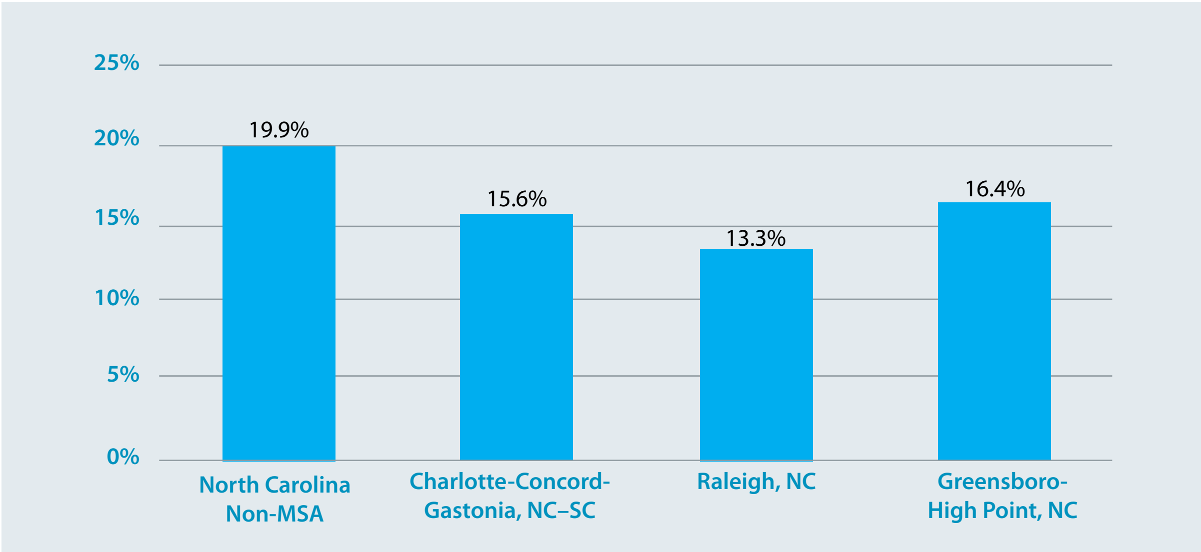
	Communities of Color	Predominantly White Communities
Mecklenburg	16%	8%
Wake	14%	9%
Guilford	19%	8%
Forsyth	28%	11%
North Carolina	20%	14%

Source: Urban Institute. (2018). Debt Collection in America: Student Loan Debt.

Rural Communities

North Carolina's rural areas, which tend to have higher unemployment rates and lower incomes than urban areas, also have higher student loan delinquencies. These differences are illustrated below in a comparison of the three largest metropolitan statistical areas (MSAs) of Charlotte, Raleigh, and Greensboro with the non-metro areas (or non-MSAs) of the state (Figure 6). North Carolina non-MSAs on an aggregated basis have a severe delinquency rate of just under 20%, compared to 15.6% in Charlotte, 13.3% in Raleigh, and 16.4% in Greensboro. This rate is also higher than the overall severe delinquency rate in North Carolina, which is 16.5%.

Figure 6: North Carolina Severe Delinquency Rate for Student Loan Borrowers, as of June 2018: Non-Metro vs. Select Metro Areas

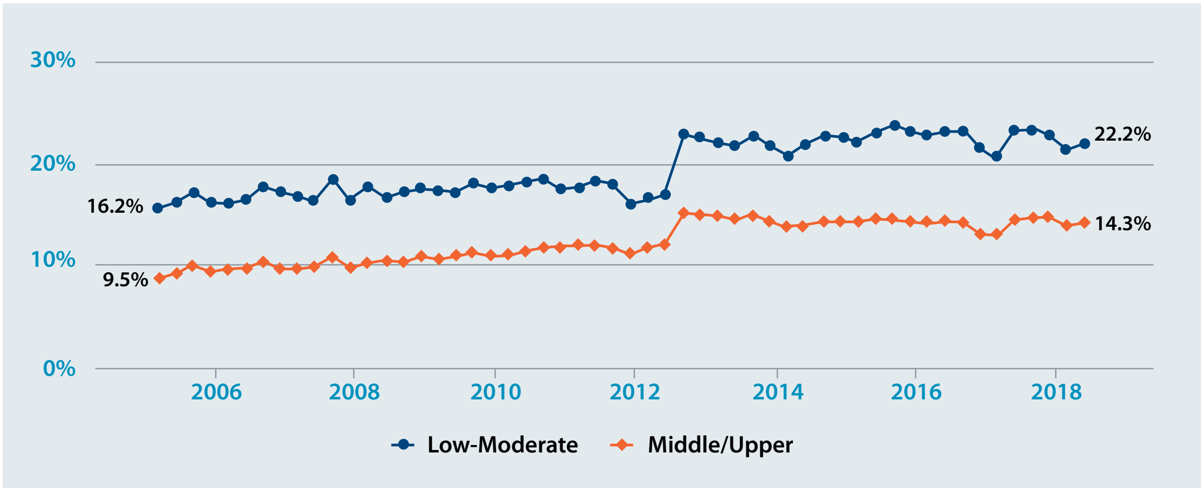


Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, tabulated by the Federal Reserve Banks of Philadelphia and Minneapolis and accessed via the Consumer Credit Explorer (date accessed: February 11, 2019).

Low-Income Communities

Low-income students tend to take on more debt and have a harder time paying it off. The data show that residents living in low- and moderate-income neighborhoods in North Carolina are slightly more likely to have student loans (16.5% as of June 2018) versus those in higher-income neighborhoods (15.0%). The likelihood of low-income borrowers taking on student debt has grown 212% since 2005, compared to a 185% increase in higher-income neighborhoods over the same period.[28] While delinquency has become more common for all student loan borrowers, low-income student loan borrowers are having an especially difficult time in repayment. Low-income student loan borrowers, for instance, had a severe delinquency rate of 22.2% in June 2018, compared to a much lower rate of 14.3% for higher-income student loan borrowers (Figure 7).

Figure 7: Low- and Moderate-Income Neighborhoods Struggle Disproportionately with Student Debt Delinquency (Percent Severely Delinquent)



Source: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, tabulated by the Federal Reserve Banks of Philadelphia and Minneapolis and accessed via the Consumer Credit Explorer (date accessed: February 11, 2019).

Servicemembers & Veterans

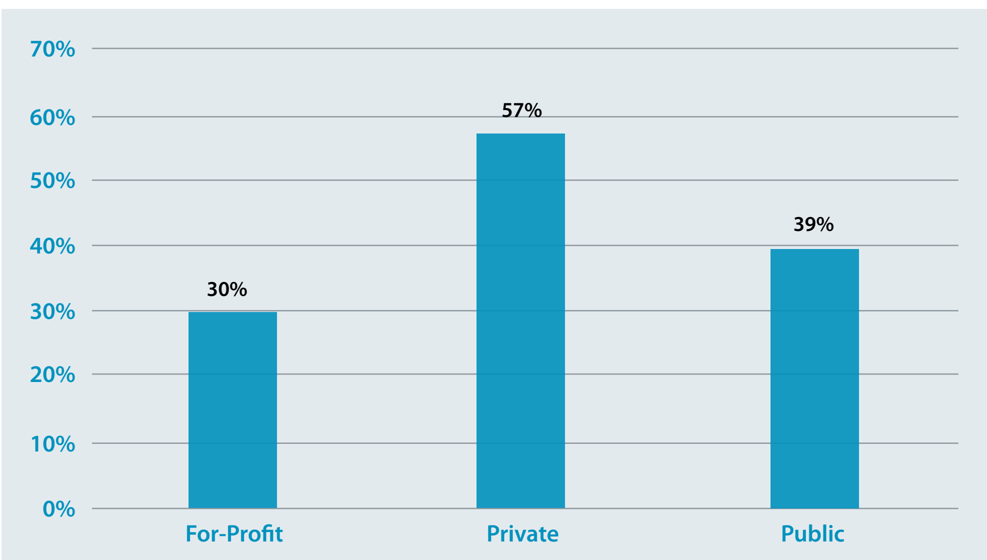
Servicemembers and veterans are particularly vulnerable to exploitation by predatory for-profit schools, because their educational benefits are excluded from what is known as the "90/10 Rule." This rule prohibits for-profit schools from receiving more than 90% of funding from federal financial aid and requires that the remaining 10% come from private sources. Because GI Bill funds are not considered federal financial aid under the 90/10 Rule, for-profit colleges often aggressively recruit veterans and servicemembers to exploit the loophole and collect as much GI Bill revenue as possible. This recruiting matters, as attendance at for-profit colleges often results in devastating financial outcomes for students, based on heavy borrowing and poor earnings after leaving school. This is reflected in the three-year repayment statistics (Figure 8), where the repayment rate for North Carolina for-profit schools is far less than that of public and private schools. (See Appendix A for a list of for-profit institutions enrolling 100 or more GI Bill recipients in North Carolina, institution-level repayment rates, and institution-level Post-9/11 GI Bill tuition revenues.)

Servicemembers' & Veterans' Education Benefits in North Carolina

Many active duty military students, veterans, and their eligible dependents receive grants to finance their education as a result of their service.[29] There are many different types of educational benefits for veterans and eligible family members, including the Post-9/11 GI Bill, the Montgomery GI Bill, and the Survivors and Dependents Educational Assistance Program (DEA).[30] Over 70% of the beneficiaries of military education assistance in North Carolina in 2018 used the Post-9/11 GI Bill, and an additional 9% used the Montgomery GI Bill.[31]

The Post-9/11 GI Bill is the most widely used type of educational assistance for North Carolina beneficiaries today. The Post-9/11 GI Bill was signed into law in 2008 and began enrolling beneficiaries in 2009. To be eligible, individuals must have served a minimum of 90 days on active duty after September 11, 2001 and received an honorable discharge. In August 2017, the Post-9/11 GI Bill was updated to remove a time limit for using benefits for individuals who left active duty on or after January 1, 2013. As a result, the 2017 law is often referred to as the "Forever GI Bill." It also restored lost benefits to veterans affected by school and degree program closures, expanded benefits for online programs, and permanently authorized work-study programs. Additionally, since the 2017 updates to the law, tuition and fees are paid directly to institutions instead of to the benefits holder.[32] Beneficiaries who attended a school that closed between January 2015 and August 16, 2017 can have their benefits fully restored, while beneficiaries attending schools that close subsequently have more limited benefits restoration.

Figure 8: For-Profit Institutional Three-Year Repayment Rate Lags Public, Private Institutions



Source: Department of Veterans Affairs (VA). Comparison Tool data (FY 2018). The three-year institutional repayment rate refers to the share of all student borrowers at an institution type that have repaid at least $1 of principal on their loans in three years.

In North Carolina, over 30,000 recipients of the GI Bill are enrolled in public, private nonprofit, and for-profit institutions: 16.3% of students enrolled at for-profit institutions were recipients of the GI Bill in 2017, compared to approximately 5.5% at both public and private nonprofit institutions (Table 3). At for-profit institutions, this share reflects enrollment of almost 3,000 students, while at public institutions it reflects an enrollment of almost 25,000 servicemembers and veterans. Because of higher tuition costs at for-profit colleges, these institutions receive almost $22 million per year from the Post-9/11 GI Bill alone, while lower-cost public colleges receive just over $60 million despite serving almost six times more students who are eligible for the Post-9/11 GI Bill (Table 4). Taxpayers, veterans, servicemembers, and other students at for-profit institutions would be better served by turning away from predatory for-profits with poor outcomes and toward public institutions that are often lower in cost and higher in quality (Figure 8).

Table 3: For-Profit Institutions Enroll Outsized Share of GI Bill Recipients*

	Public	Private	For-Profit	Total
Total Enrollment	454,632	97,319	17,908	569,859
Students Receiving the GI Bill*	24,792	5,498	2,911	33,201
Veterans Enrollment Share	5.45%	5.65%	16.26%	5.83%

*In Table 3, GI Bill recipients include recipients of both the Post-9/11 GI Bill and the Montgomery GI Bill.

Source: Total enrollment data are from the Integrated Postsecondary Education Data System (IPEDS) (Fall 2017). GI Bill recipient data from VA Comparison Tool data (FY 2018). Note: Veterans Enrollment Share was calculated by dividing the number of GI Bill recipients by total enrollment.

Table 4: For-Profit, Private Institutions Receive More Than Double the Funding per Servicemember Compared to Public Institutions

	Public	Private	For-Profit
Students Receiving the Post-9/11 GI Bill	13,565	3,534	2,273
Tuition Revenue from Post-9/11 GI Bill (in millions)	$60.38	$36.32	$21.80
Tuition Revenue per Post-9/11 GI Bill enrollee	$4,451	$10,277	$9,591

Source: VA Comparison Tool (FY 2018). Note: Post-9/11 GI Bill Revenue per Post-9/11 GI Bill enrollee was calculated by dividing Post-9/11 GI Bill tuition revenue by the number of Post-9/11 GI Bill enrollees.

Women

Female students tend to take on more student debt than their male counterparts. And after they leave school, women face a wage gap in the labor market and thus have greater repayment struggles than men. In North Carolina, more women than men qualify for the maximum Pell Grant, more women than men have an expected family contribution of $0, and more women than men borrow more than $26,500 for an undergraduate degree (Table 5). These impacts have a compound effect, resulting in a structural disadvantage for female students in North Carolina.

Table 5: North Carolina's Female Students Take on More Debt[33]

	Male	Female
Total Undergraduate Enrollment	41.1%	58.9%
Expected Family Contribution of $0	34.5%	65.5%
Pell Grant of over $5,700	38.7%	61.3%
Borrowed $26,500 or More for Undergraduate Degree	31.9%	68.1%

Source: National Center for Education Statistics. 2015–16 National Postsecondary Student Aid Study (NPSAS:16).

These inequities persist into repayment. Across the country, women graduate with an average of $2,700 more in student loan debt, and because they earn about 26% less on average, paying off their debt takes significantly longer.[34] Women of color in particular are experiencing challenges: While 34% of women who were repaying loans reported that they had been unable to meet essential expenses during the past year, 57% of African American women report the same, a difference of 23 percentage points.[35]

Older Americans

As the fastest-growing group with student debt nationally, adults ages 60 and over are also being impacted by the student loan crisis. Collectively, adults over 60 in North Carolina held almost $2.5 billion in student loan debt in 2017.[36] Because almost two-thirds of jobs now require at least some higher education, many older adults are returning to school.[37] Others are still struggling with debt they incurred as co-signers for their children or grandchildren. In North Carolina, the number of borrowers age 60 and older with student loan debt grew from 56,112 to over 87,000 between 2012 and 2017.[38] Within this group of borrowers, a staggering 18% are delinquent on their student loans.[39]

The federal government has extraordinary powers of collection over the federal student loan portfolio. The government can garnish not only a defaulted borrower's wages without court proceedings, but also their tax returns and Social Security payments. A recent report found that in 2015, nearly 40% of federal student loan borrowers aged 65 or older were in default, and 114,000 older Americans had their Social Security income seized.[40] Social Security provides a foundation of income to allow seniors to meet their most basic needs; in fact, 36% of older adults in North Carolina rely on Social Security as their sole source of income.[41] Garnishing Social Security income from these borrowers can prevent them from accessing the money they need to pay for housing, utilities, medicine, and food, as the federal government garnishes Social Security even when it pushes an individual below the poverty line.

Other Challenges Facing North Carolina's Borrowers

Other challenges face North Carolina's students on an institutional level. For-profit colleges, both brick-and-mortar institutions and those that are primarily online, lure vulnerable students with promises of convenient and quick degree and certificate programs that can lead to lucrative, fulfilling careers. Actual outcomes, however, are often far different: Students take on crushing debt for these high-cost, for-profit programs and frequently don't graduate. Even when they do graduate, they experience disappointment in the job market. In contrast, North Carolina's HBCUs stand out as national exemplars of excellence in educating African American students and other students of color. Despite their impressive outcomes, these institutions struggle financially as a result of historic and ongoing inadequate public investment. Finally, student loan servicers, who do not face adequate oversight at the federal level, hold great power to either aid or impede all student borrowers in their efforts to successfully navigate repayment options.

For-Profit Colleges Are a Major Driver of Student Loan Debt in North Carolina

For-profit, postsecondary institutions are more expensive than most other schools and typically leave students with debt burdens that are difficult to repay. The vast majority of revenue for for-profit schools comes from federal student loans made to their enrolled students, but only a small percentage of these revenues are devoted to educational purposes by these schools. For example, a 2012 congressional investigation into the nation's largest 30 for-profit schools showed that these schools spent, on average, just 17% of all revenues on instruction.[42] Because of the often inferior quality of instruction and misleading statements made to students about job placement and earnings levels, students at these for-profit colleges were typically unable to obtain employment that enabled them to repay their loans after leaving school. For-profit colleges generally have a long history of aggressive and deceptive marketing, often aimed at low-income students, women, and people of color.[43] In North Carolina, more than 17,000 students attend for-profit institutions. (See Appendix C for a list of all for-profit schools in North Carolina with more than 100 undergraduate students.)

For-profits tend to enroll students that are "browner, poorer, older, and more likely to be female," in the words of scholar Tressie McMillan Cottom.[44] CRL's research shows that this is largely due to targeted, intentional marketing and recruitment on the part of for-profit schools.[45] And, indeed, in North Carolina, undergraduate students at for-profit colleges are disproportionately low-income (65.3%), African American (53.6%), and female (66.5%) when compared to combined public and private nonprofit schools at 42.2%, 23.3% and 58% respectively. For-profit colleges tend to have poor outcomes in North Carolina that contribute to the problems of higher-than-average debt loads, lower graduation rates, and higher default rates than other students in the state (Table 6). Completion rates at for-profit colleges in North Carolina are the lowest in the nation.[46] North Carolina's for-profit institutions also target and enroll an inordinate number of low-income students, graduate fewer than 2 in 10 of these students, and leave borrowers with large loans that they may not be able to repay. Over one in four North Carolinians who attended a for-profit institution have not repaid $1 of their loan principal five years after leaving school (Table 6).

Table 6: For-Profit Colleges in North Carolina: Worse Outcomes, More Debt for Students (Results Shown for Four-Year Schools)[47]

	For-Profit	Private	Public
Graduate within 6 Years	17.7%	48.9%	56.4%
Take Out Student Loans	75%	67.2%	59.3%
Median Debt at Graduation	$31,181	$26,538	$23,337
3-Year Default Rate	13.4%	10.2%	7.3%

Source: Center for Responsible Lending (2019). State of For-Profit Colleges: North Carolina Fact Sheet.

Online For-Profit Colleges Skirt Meaningful Oversight

In North Carolina, at least 57,000 students were enrolled in out-of-state online programs in 2017–2018.

Online education has become an increasingly dominant aspect of the offerings of for-profit colleges, operating as either stand-alone entities or as partners to other colleges. The findings of a recent CRL report show that this trend does not bode well for the economically vulnerable students who enroll in these programs, as many of these programs prove to be both costly and substandard.[48] In North Carolina, at least 57,000 students were enrolled in out-of-state online programs in 2017–2018.[49]

Regulating Online Education: The Role of NC-SARA

The National Council for State Authorization Reciprocity Agreements (NC-SARA) is the primary interstate compact responsible for providing these institutions with uniform regulations in all member states. Membership is voluntary for both states and distance education institutions, and currently the District of Columbia and all states except California are members.

NC-SARA shifts the principal oversight responsibilities from the state in which the distance education student resides to the "home state" of the institution offering the online instruction. NC-SARA member institutions reported that in 2017–2018, 57,508 North Carolina students were enrolled in out-of-state online schools (including for-profit and nonprofit private and public schools with many of the largest enrollments at for-profits).[50] This number is likely to be an undercount of all such students because not all distance education providers are members of NC-SARA. Currently, there is no way for state regulators to track a comprehensive count of residents that are enrolled in out-of-state online schools, a major shortcoming of the voluntary interstate compact structure.

Further, NC-SARA standards for its member institutions are weak and make it difficult for state agencies responsible for higher education oversight, including those in North Carolina, to ensure that residents are receiving a quality education from out-of-state online institutions.

Minority-Serving Institutions Thrive Despite Underfunding

The racial wealth gap persists at the institutional level. North Carolina's minority-serving institutions (MSIs), such as historically-black colleges and universities (HBCUs), are underfunded despite being nationally recognized for their excellence.[51] Almost 50,000 undergraduate students in North Carolina are enrolled at MSIs (Table 7). Over 30,000 of these students are enrolled in HBCUs, and over 8,000 attend Predominantly Black Institutions (PBIs). Additionally, almost 8,000 students attend Native American Serving Non-Tribal Institutions (NASNTIs) such as the University of North Carolina at Pembroke, and almost 4,000 others attend institutions that are federally designated as other types of MSIs. (See Appendix B for a listing of all MSIs in the state.)

The racial wealth gap persists at the institutional level. North Carolina's minority-serving institutions (MSIs), such as historically-black colleges and universities (HBCUs), are underfunded despite being nationally recognized for their excellence.

Table 7: More Than 20 MSIs in North Carolina Enroll Almost 50,000 Students

MSI Designation	Undergraduate Enrollment	Number of Institutions in North Carolina
HBCU	32,101	10
PBI	8,219	7
NASNTI	7,670	3
ANNHI	1,870	2
HSI	1,411	1
AANAPISI	357	1
TCU	0	0
Total	49,758	22

Source: U.S. Department of Education College Scorecard, 2017–2018. Totals are accurate and reflect the fact that two institutions in North Carolina, Robeson Community College and Pamlico Community College, are designated as two types of MSI. (See Appendix B for details.)

Higher Education Act Defines & Designates Minority-Serving Institution Types

The federal government designates institutions as "minority-serving" if a certain percentage of their student population exceeds a particular number and if a certain percentage of students receive the Pell Grant. Other institutions are designated as "minority-serving" if they were created to educate a specific population (such as Native American students or African American students) that was historically denied access to predominantly-white institutions (PWIs).[52] The federal government formally recognizes and funds the following types of MSIs in the Higher Education Act:[53]

- **Historically Black Colleges and Universities** (HBCUs) that were specifically founded to educate African American students;
- **Tribal Colleges & Universities** (TCUs) that were specifically founded to educate Native American students;
- **Native American Serving Non-Tribal Institutions** (NASNTIs), defined as institutions with 10% or more Native American students;
- **Predominantly Black Institutions** (PBIs), defined as institutions with both 40% or more African American students and a student body that is at least 50% low-income;
- **Alaska Native or Native Hawaiian Serving Institutions** (ANNHIs) are defined as institutions with 10% or more students who are Alaska Natives or Native Hawaiians;
- **Hispanic Serving Institutions** (HSIs), defined as institutions with both 25% or more Latino students and a student body that is at least 50% low-income; and
- **Asian American or Native American Pacific Islander Serving Institutions** (AANAPISIs) defined as institutions with both 10% or more Asian American and Native American Pacific Islander students and a student body that is at least 50% low-income.

In North Carolina, HBCUs represent only 16% of the four-year institutions in the state, but they enroll 45% of all African American undergraduates at public and private four-year institutions and award 43% of all bachelor's degrees earned by African American students.[54] North Carolina's HBCUs are consistently ranked as top HBCUs nationwide. Almost 32,000 undergraduates in the state were enrolled at 10 HBCUs in 2018. (See Appendix B for a list of HBCUs in North Carolina by undergraduate enrollment.)[55] In 2018, for example, North Carolina's HBCUs secured the highest number of nominations (25) in the history of the HBCU Awards.[56] North Carolina A&T State University (NC A&T), Winston-Salem State University, Shaw University, and North Carolina Central University (NCCU) are renowned for their academic programs, student organizations, alumni associations, and general excellence. NCCU was recognized as HBCU of the Year in 2016, and NC A&T is the number one producer of both African American engineers at the undergraduate level and African American mathematicians and statisticians at the graduate level.[57] Notable alumni of North Carolina's HBCUs include national leaders such as Rev. Jesse Jackson, Sr. (NC A&T), civil rights leader Ella Baker (Shaw), Vogue editor-at-large André Leon Talley (NCCU), astronaut Dr. Ronald McNair (NC A&T), and North Carolina Representative G.K. Butterfield (NCCU).

In North Carolina, HBCUs represent only 16% of the four-year institutions in the state, but they enroll 45% of all African American undergraduates at public and private four-year institutions and award 43% of all bachelor's degrees earned by African American students.

However, a history of unequal treatment and funding, deferred maintenance costs, and financial challenges threaten the important legacy of HBCUs in North Carolina.[58] A Government Accountability Report recently found that almost half of all HBCU buildings need repair or replacement, and public HBCUs in North Carolina have historically lagged behind the University of North Carolina (UNC) System's predominately-white institutions (PWIs) in per student funding.[59]

Some HBCUs, such as North Carolina A&T and Winston-Salem State, have large endowments relative to other HBCUs, totaling over $48 million and $37 million respectively.[60] Nevertheless, the wealth of these institutions pales in comparison to PWIs in North Carolina such as Duke University ($7.3 billion), UNC-Chapel Hill ($2.9 billion), UNC-Greensboro ($249 million), or Appalachian State University ($94 million).[61] Though there are over 100 institutions of higher education in North America with an over $1 billion endowment, not a single one is an HBCU.[62] Endowments allow colleges and universities to rely less heavily on tuition dollars for general operations and to provide financial assistance for students and faculty. Thus, the funding inequities accumulate for HBCUs, and in the absence of robust federal, state, and institution-level support, students are left to fill gaps in funding with student loans. Indeed, students at HBCUs tend to take on more debt than students who are not at HBCUs.[63]

Student Loan Servicers Link Borrowers & Their Repayment Options

Student loan servicers play a crucial role as the link between borrowers and the successful repayment of their loans. Though the federal government is the lender for the vast majority of student loans—over 90%—it has outsourced the work of managing these loans to private student loan servicers. These same servicers also handle student loans made by private lenders such as Discover and Sallie Mae. Student loan servicers are tasked with collecting student loan payments. For federal loans, servicers are also responsible for educating borrowers about repayment plans and processing applications and annual recertifications for income-driven repayment plans.

Unfortunately, servicers have failed to fulfill these obligations consistently, engaging in a variety of abusive practices that have long-term negative consequences for borrowers. These practices include misapplying payments, reporting incorrect information to credit bureaus, and placing borrowers in plans that cause their debt to balloon, leading to delinquencies and defaults.[64] The Department of Education has also failed to provide clear consistent guidance to servicers on identifying borrowers that could benefit from income-based repayment programs, including assistance in enrollment and annual renewals instead of more costly forbearance and loan repayment options.

Between 2014 and 2018, the CFPB received nearly 1,200 complaints from North Carolina borrowers regarding their student loans, with over 60% of these complaints relating to issues with servicers and lenders.[65] The most common reasons for complaints, as detailed by North Carolina consumers based on their experiences with servicers, are trouble with how payments are handled and receiving bad information about their loans (Figure 9). One consumer narrative discusses how a servicemember was denied public service loan forgiveness (PSLF) due to a lack of clarity around compliance. Other complaints point to a lack of good information provided by servicers. (See another complaint narrative in Appendix D.)

Between 2014 and 2018, the CFPB received nearly 1,200 complaints from North Carolina borrowers regarding their student loans, with over 60% of these complaints relating to issues with servicers and lenders.

Figure 9: Complaint from a North Carolina Servicemember, 2018

"The loan service company could not answer questions nor provide guidance"

I am currently working towards loan forgiveness via the PSLF program as an XXXX XXXX service member. I recently learned that 99% of applicants were denied forgiveness for a very similar issue I have experienced. The first two years of my military service there was little information regarding the means to ensure compliance with the complex rules congress established for forgiveness. Further, the loan service company could not answer questions nor provide guidance. Merely through the assistance of an acquaintance, I learned that I must consolidate my loans in order to qualify for PSLF. Nearly two years of payments towards my initial loan payments, paid in the honest and fair spirit of the law, will not count towards loan forgiveness. I believe this is truly an unfortunate and saddening realization that clearly thousands of other public servants are facing. The execution of this program have [sic] failed those faithfully serving this great nation.

Source: Complaint filed by a North Carolina servicemember on October 22, 2018. (Complaint ID: 3052584). "XXXX" represents complaint text redacted by the CFPB to protect consumer privacy.

The complaints to the CFPB and high delinquency rates across the country and state indicate that the careless practices of student loan servicers are harming borrowers with long-lasting consequences. One of the lessons learned from the Great Recession and foreclosure crisis, now a decade ago, was the importance of protecting consumers from abusive servicer practices. These lessons must be applied to student loan servicers to ensure that student borrowers are treated fairly when trying to repay their loans.

North Carolina Must Respond

Though the issues of student loan debt and student loan servicing are not unique to North Carolina, the state must act to ensure that the interests of student loan borrowers in North Carolina are protected. The U.S. Department of Education is currently taking steps to roll back existing protections against student loan servicing abuses. In April 2017, the Department withdrew the safeguards against companies with a history of fraudulent and illegal practices.[66] In July of 2019, the Department of Education repealed the Gainful Employment rule, which protected students from college career training programs that resulted in unaffordable student debts relative to achieved earnings for most graduates. In light of the federal government's failure to meet its obligation to protect students, states must and can take action to fill the void.

While addressing the larger issue of increasing student loan debt burdens in this country will require a multi-faceted approach, states can take the following concrete steps to ensure their citizens can earn degrees without incurring debt that will last a lifetime:

Provide a greater financial commitment to students and institutions across the state, including community colleges and MSIs, recognizing that these allocations are critical investments in the future of the state. The state can provide additional need-based grant aid for students who qualify for Pell Grants, provide more funding for student services and bridge programs such as GEAR UP and TRIO,[67] and partner with HBCUs to take advantage of federal capital financing and to strengthen existing programs. In particular, North Carolina should invest in its HBCUs by increasing state funding per student to match those of PWIs in the state.

Protect students and prospective students from for-profit colleges, which target people of color, low-income communities, and servicemembers, while taking millions of dollars of tax-payer money and leading to dismal outcomes as compared with alternatives such as community colleges and public universities. States can exercise oversight over for-profit colleges to prevent fraudulent and abusive practices by using their authority to increase the quality of student instruction. States should ensure that for-profit colleges allocate adequate resources to instruction, so that students are well-prepared to obtain employment in their field of study.

Close the 90/10 loophole. To do this, the state could deny eligibility to enroll North Carolina students to schools that are more than 85% reliant on taxpayer funds, including all federal funding sources—importantly also including GI Bill revenue. North Carolina should maintain current protections that exclude for-profit schools from accessing state-level financial aid dollars as well. By closing the loophole and maintaining current protections, the state can guarantee that schools are meeting the market-viability standard at the heart of the 90/10 rule.

Diversify the leadership of the State Board of Proprietary Schools. The majority of the members of North Carolina's State Board of Proprietary Schools are directors and owners of for-profit schools in the state. In order to ensure oversight of for-profit institutions that is in the interest of all North Carolinians, the General Assembly should reconsider the makeup of this Board and diversify its membership.

Provide enhanced back-end protections for those students harmed by schools or who attended for-profit schools that close. Though North Carolina has a Student Protection Fund that provides reimbursement for tuition, fees, and instruction-related expenses at non-degree granting closed for-profit institutions, students who are enrolled at degree-granting for-profit schools that close are not currently eligible for reimbursement. The state should expand eligibility so that all students attending closed schools, including online schools, are eligible for reimbursement and ensure that the Student Protection Fund is adequately funded by raising the fund cap amount.

Protect students attending online, for-profit institutions. As a member of NC-SARA, North Carolina can advocate within the existing framework to improve the standards of schools that have signed on and consumer protections for students that attend these schools, regardless of student location. These protections include uniform minimum standards and allow states to retain their rights to enforce postsecondary-specific laws with respect to out-of-state online programs and schools. Additionally, North Carolina should consider withdrawing from the agreement altogether in order to engage in more oversight of out-of-state online schools. With respect to out-of-state, online schools that are not part of NC-SARA, the state can and should step up oversight of these schools to ensure that North Carolina students are provided with quality instruction and are not being misled or defrauded.

Take action to rein in abuses by student loan servicers. Since 2015, states have begun to enact state level laws to hold student loan servicers accountable. In efforts to avoid this additional oversight, student loan servicers and the U.S. Department of Education have made misguided claims that states do not have any authority in this area. Despite these claims, the power of states to regulate the abusive practices of student loan servicers is clear. In fact, the Attorney General of North Carolina, Josh Stein, has affirmed the right of the states to oversee and enforce student loan laws, joining other state attorneys general in signing a letter stating in part:

> *"Given the states' experience and history in protecting their residents from all manner of fraudulent and unfair conduct, they play an essential role in consumer protection in student loans and education. States are uniquely situated to hear of, understand, confront, and, ultimately, resolve the abuses their residents face in the consumer marketplace. Abuses in connection with schools or student loans are no different. As with other issues facing their citizens, state regulators bring a specialized focus to, and appreciation for, the daily challenges experienced by students and borrowers. Far from interfering with the Department and other federal efforts to rein in abuses, the record overwhelmingly demonstrates that state laws and state enforcement complement and amplify this important work."*[68]

Enact laws which set common sense standards for student loan servicers and include a robust enforcement mechanism. The state can and should ensure that student loan servicers are prohibited from misleading student loan borrowers, misrepresenting borrowers' obligations under their loans, misapplying loan payments, refusing to communicate with authorized representatives of borrowers who provide written authorization, and providing inaccurate information to credit bureaus, thereby harming borrowers' creditworthiness. States should ensure that servicers assess a borrower's eligibility for an income-driven repayment plan before placing them into forbearance or default. Just as the North Carolina Office of the Commissioner of Banks licenses mortgage servicers and the Attorney General's Office enforces state laws to ensure that North Carolinians are protected from abusive mortgage servicing standards, these agencies could work together to make sure that North Carolinians are treated fairly by their student loan servicers.

In addition to enforcement by the Attorney General's office, North Carolina consumers should have other avenues to ensure that they understand their rights and that their complaints against servicers are addressed. As has been done in other states, the General Assembly should allow individuals to bring private actions to enforce their rights and create a state-level Student Loan Ombudsman, which will serve as an important resource to ensure that student borrowers are empowered to understand and advocate for their own rights. Through analyzing complaints and identifying state-level trends, the Ombudsman would be in a position to make recommendations and advise policymakers and the public on solutions as the state continues to grapple with this crisis.

North Carolina lawmakers have an opportunity to enact, with widespread support, meaningful reforms to protect citizens who have taken on student debt in pursuit of better opportunities. By taking action to stand up for students in their dealings with loan servicers and rein in fraudulent for-profit colleges, North Carolina can maintain its position as a leader in consumer protections and ensure that students can earn degrees that will lead to stable financial futures for their own families and the state of North Carolina.

North Carolina lawmakers have an opportunity to enact, with widespread support, meaningful reforms to protect citizens who have taken on student debt in pursuit of better opportunities.

Appendix A:

For-Profit Colleges Enrolling 100+ GI Bill Recipients in North Carolina

Institution Name	City	Tuition Revenue from Post-9/11 GI Bill	GI Bill Recipients	Three-Year Repayment Rate for All Students
Nascar Technical Institution	Mooresville	$3,871,972	331	46%
Miller-Motte College	Jacksonville	$1,440,255	272	20%
Miller-Motte College	Fayetteville	$1,575,139	247	20%
Carolina Career College	Durham	$2,191,937	212	Not Available
Strayer University	Raleigh	$781,019	160	23%
ECPI University	Raleigh	$1,510,495	150	32%
Miller-Motte College	Wilmington	$794,615	116	20%
ECPI University	Charlotte	$1,028,762	125	32%
Strayer University	Charlotte	$597,343	100	23%
MyComputerCareer.com	Raleigh	$1,174,746	100	Not Available
Total		$14,966,283	1,813	27%

Source: Comparison Tool data from the VA, 2019. Note: GI Bill recipient totals include both recipients of the Post-9/11 GI Bill and the Montgomery GI Bill.

Appendix B:

MSIs in North Carolina by Undergraduate Enrollment

Institution	Location	Type	Undergraduate Enrollment	MSI Designation
North Carolina A & T State University	Greensboro	Public	10,011	HBCU
North Carolina Central University	Durham	Public	5,939	HBCU
University of North Carolina at Pembroke	Pembroke	Public	5,308	NASNTI
Fayetteville State University	Fayetteville	Public	4,817	HBCU
Winston-Salem State University	Winston-Salem	Public	4,570	HBCU
North Carolina Wesleyan College	Rocky Mount	Private	2,086	PBI
Johnson & Wales University	Charlotte	Private	1,892	PBI
Edgecombe Community College	Tarboro	Public	1,775	PBI
Shaw University	Raleigh	Private	1,545	HBCU
Robeson Community College	Lumberton	Public	1,513	NASNTI & ANNHI
Chowan University	Murfreesboro	Private	1,494	PBI
Sampson Community College	Clinton	Public	1,411	HSI
Johnson C. Smith University	Charlotte	Private	1,392	HBCU
Elizabeth City State University	Elizabeth City	Public	1,301	HBCU
Livingstone College	Salisbury	Private	1,143	HBCU
Saint Augustine's University	Raleigh	Private	974	HBCU
Bladen Community College	Dublin	Public	849	NASNTI
Halifax Community College	Weldon	Public	714	PBI
Bennett College	Greensboro	Private	409	HBCU
Pamlico Community College	Grantsboro	Public	357	AANAPISI & ANNHI
Carolina College of Biblical Studies	Fayetteville	Private	193	PBI
Charlotte Christian College and Theological Seminary	Charlotte	Private	65	PBI

Source: U.S. Department of Education College Scorecard, 2017–2018. Notes: HBCUs are Historically Black Colleges and Universities that were specifically founded as minority serving institutions (MSIs); NASNTIs are Native American Serving Non-Tribal Institutions, defined as institutions with 10% or more Native American students; PBIs are Predominantly Black Institutions defined as institutions with both 40% or more African American students and a student body that is at least 50% low-income; ANNHIs are Alaska Native or Native Hawaiian Serving Institutions defined as institutions with 10% or more students who are Alaska Natives or Native Hawaiians; HSIs are Hispanic Serving Institutions defined as institutions with both 25% or more Latino students and a student body that is at least 50% low-income; and AANAPISIs are Asian American or Native American Pacific Islander Serving Institutions defined as institutions with both 10% or more Asian American and Native American Pacific Islander students and a student body that is at least 50% low-income.

Appendix C:

For-Profit Colleges in North Carolina with Undergraduate Enrollment of 100+

Institution	Undergraduate Enrollment
Strayer University–North Carolina	3,643
Miller-Motte College–Wilmington	3,015
NASCAR Technical Institute	1,307
MyComputerCareer.edu–Raleigh	900
Miller-Motte College–Fayetteville	879
The Art Institute of Charlotte†	594
Miller-Motte College–Jacksonville	530
Health And Style Institute	478
The Art Institute of Raleigh-Durham†	455
Miller-Motte College–Raleigh	454
Paul Mitchell the School–Gastonia	398
King's College†	359
South University–High Point	343
Miller-Motte College–Greenville	325
Virginia College–Greensboro*†	294
Living Arts College	284
Miller-Motte College–Cary†	280
Aveda Institute–Chapel Hill	240
University of Phoenix–North Carolina	236
DeVry University–North Carolina*	203
Brightwood College–Charlotte†	198
Gwinnett College	183
Paul Mitchell the School–Fayetteville	176
College of Wilmington	173
Southeastern Institute–Charlotte	161
Paul Mitchell the School–Raleigh	161
Leons Beauty School Inc	146
Harrison College–Morrisville	140
Empire Beauty School–Pineville	129
Sherrill's University of Barber & Cosmetology*	122
Empire Beauty School–Concord	111
Durham Beauty Academy	103
Total	17,020

Source: U.S. Department of Education College Scorecard, fall 2018.

* The VA or another federal agency (such as the Department of Education or Department of Defense) has applied increased regulatory or legal scrutiny to this program, for reasons including heightened cash monitoring, accreditation issues, or Federal Trade Commission settlements.

† This school is considered a Closed School by the U.S. Department of Education.

Appendix D:

Complaint against Navient Filed by North Carolina Older Adult, 2018

"Where was the offer for an income-driven repayment plan?"

Navient's retaliatory actions in response to complaint number: XXXX will cause my wife and I unnecessary financial hardship and stress beginning XX/XX/XXXX. In the complaint, I alluded to what I felt was unethical practices with regards to how Navient was managing my student loans and stated their practices were consistent with the law suit filed against them on the behalf of CFPB in XXXX. It appeared there was little consistency in how the monthly payment monies were distributed between interest and principle. I called them on XX/XX/XXXX after getting their response via the CFPB website and asked for further explanation because I needed more clarification than what was explained in their response. They immediately went from explanation of my student loans distribution to pressuring me into a {$1300.00} monthly payment revision I couldn't afford. I declined and stated I could not afford a revision at this time. They continued to persist in me agreeing to 1 of 3 plans with {$1300.00} being the cheapest of the options. I requested they leave the {$450.00} monthly payments in place -- however unfavorable the current payment plan was until I start drawing my Social Security monies next year and at which time I would be better prepared financially the handle a bigger repayment. I was told they couldn't " change it back " to the current payment agreement of {$450.00}, but I never changed the current agreement to begin with! I was merely asking for explanation of payment distribution. After arguing with them for 10 minutes and again explaining to them these were the same type of unethical practices the government sued them for, they terminated the phone call and sent me a new payment plan on XX/XX/XXXX totaling XXXX. The {$450.00} monthly payment constituting 1/6th of my monthly net income fit well within my budget. A {$940.00} increase results in a monthly payment of {$1300.00}, this is 1/3rd of my monthly income and will undoubtedly cause financial hardships. At XXXX years of age and facing employment uncertainties, I can ill afford to have this stress affecting my life. Where was the offer for an income-driven repayment plan, why wasn't there a mutually-agreed upon and documented repayment plan? Why not just leave everything in it's current state until I can make better accommodations next year? It should be noted that I never sought to revise the payment plan at this time.

Source: Complaint filed by an older adult against Navient, a private student loan servicer, on November 13, 2018, by a North Carolina consumer. (Complaint ID: 3072764). "XXXX" represents complaint text redacted by the CFPB to protect consumer privacy.

Endnotes

1 North Carolina student debt dollar totals are CRL calculations multiplying per capita student loan debt by total population with a credit record for each year, using New York Fed Consumer Credit Panel/Equifax data (as of March 2019). To access this data in a downloadable spreadsheet, see State Level Household Debt Statistics under State Data under the Student Loan tab at https://www.newyorkfed.org/microeconomics/databank.html. Note that Federal Reserve data for state level student loan debt comes from credit reporting data, includes both government and private loans, and can't be disaggregated by undergraduate or graduate debt or type of school attended.

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4 The College Board. (2019). *Trends in College Pricing*. Washington DC: The College Board. Retrieved from https://trends.collegeboard.org/college-pricing.

5 Mitchell, M., Leachman, M., Masterson, K., & Waxman, S. (2018). *Unkept Promises: State Cuts to Higher Education Threaten Access and Quality.* Center on Budget and Policy Priorities. Retrieved from https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and.

6 Ibid.

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8 The Institute for College Access & Success. (2018). Student debt and the class of 2017 [PDF file]. Retrieved from https://ticas.org/sites/default/files/pub_files/classof2017.pdf. The report includes data only for those borrowers who graduated from four-year degree programs at public and nonprofit private colleges and universities, as very few for-profits report data on what their graduates owe.

9 The Institute for College Access & Success. College Insight interactive dashboard. Retrieved on July 30, 2019 from http://college-insight.org/.

10 This is a minimum estimate, based on data for federal student loan borrowers, noting that these borrowers may also have private loans. Nationwide approximately 90% of outstanding student loan dollars are federal loans with the remaining dollars from largely private sources such as banks and online lenders. See: https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/Portfolio-by-Location-by-Age.xls (data as of September 30, 2018). In North Carolina, there are a small number of additional borrowers that have private student loans (but not federal student loans) and therefore do not show up in the data on federal loans. We estimate the number of additional borrowers that have only private student loans in North Carolina to be approximately 84,000 based on Federal Reserve Bank of New York/Equifax Consumer Credit Panel data on the share of all North Carolina consumers with a student loan and backing out federal student loan borrowers (CRL's calculation available on request).

11 North Carolina student debt dollar totals are CRL calculations multiplying per capita student loan debt by total population with a credit record for each year, using New York Fed Consumer Credit Panel/Equifax data (as of March 2019). To access this data in a downloadable spreadsheet, see State Level Household Debt Statistics under State Data under the Student Loan tab at https://www.newyorkfed.org/microeconomics/databank.html. Note that Federal Reserve data for state level student loan debt comes from credit reporting data, includes both government and private loans, and can't be disaggregated by undergraduate or graduate debt or type of school attended.

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15 Those student borrowers 30 days past due or more or in default divided by all student borrowers. Note, however, that delinquencies are generally not reported to credit reporting agencies until they are 90 days past due.

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28 Federal Reserve Bank of New York/Equifax Consumer Credit Panel, tabulated by the Federal Reserve Banks of Philadelphia and Minneapolis and accessed via the Consumer Credit Explorer (date accessed: February 11, 2019). Low- and moderate-income neighborhoods are defined by tracts where the median family income is less than 80% of the median family income in the metropolitan statistical area (MSA) associated counties based on five-year American Community Survey data. Likewise, the middle- and upper-income tracts have median family income greater than or equal to 80% of the MSA median.

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Notes

Notes

CRL
Center for Responsible Lending

www.responsiblelending.org

The Center for Responsible Lending (CRL) is working to ensure a fair, inclusive financial marketplace that creates opportunities for all responsible borrowers, regardless of their income, because too many hard-working people are deceived by dishonest and harmful lending practices.

CRL is a nonprofit, non-partisan organization that works to protect homeownership and family wealth by fighting predatory lending practices. Our focus is on consumer lending: primarily mortgages, payday loans, credit cards, bank overdrafts, and auto loans.

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