



QUICKSAND:

Borrowers of Color & the Student Debt Crisis

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Executive Summary

Higher education has long been considered a pathway for advancement in our country. However, the playing field has not been level for low- and moderate-income families and people of color in their pursuit of a postsecondary education. Sadly, the resulting disparities in educational outcomes contribute to the persistent and growing racial wealth and income gaps. Nationwide, trends in the higher education landscape such as state disinvestment, rising college costs, the increasing necessity of college degrees in the labor market, and the loss of savings and other forms of wealth from the Great Recession have led us to a crossroads. Now, student debt threatens the well-being of an entire generation of students and their families.

Historically, access to higher education has been dramatically unequal.¹ This pattern persists today as African American and Latino students struggle to fund their college experiences due to the effects of compounding wealth and educational inequities rooted in discrimination. Too often, these students are preyed upon by poor quality for-profit institutions that fail to provide reliable educational benefits.² As a result, students of color accumulate high levels of unsustainable debt.

Historically black colleges and universities (HBCUs) and other minority-serving institutions (MSIs) have a long history of providing increased opportunities in education for African American, Latino, and native students. In particular, HBCUs perform a critical function for African American undergraduates: Across the 21 states and territories where they are located, HBCUs comprise only 9% of four-year institutions but awarded 26% of all African American bachelor's degrees in 2016.³ Among Latinos enrolled in postsecondary programs, the majority of Latino undergraduate students (65%) attend a Hispanic-serving institution (HSI). HSIs are public or private nonprofit schools with student populations that are at least 25% Latino, that enroll a high concentration of low-income students, and that have low core expenses. HSIs now account for 15% of all institutions of higher education, and the number of HSIs has doubled over the past 20 years. HSIs play an important role in educating Latino students, yet while HSIs serve low-income students, these institutions are often under-resourced themselves. On average, HSIs produce better graduation outcomes for Latino students compared with non-HSIs and also tend to have smaller completion gaps between white and Latino students.⁴ These schools, along with many public institutions, provide high-quality opportunities but have never been adequately funded. Indeed, the racial wealth and resource gap extends to institutions of higher education.⁵

Student debt is a significant drag on the entire economy as it depresses the purchasing power of millions, preventing people from starting families, investing in their own businesses, going back to school, and buying homes. And because students of color carry larger debt burdens, these consequences also exacerbate the racial wealth divide by impacting families of color the most acutely. Without action, this problem will only worsen.

In order to ensure that our higher education system provides meaningful opportunities for students to build a financial future and participate in our economy, fundamental reforms are necessary. This report provides the historical context for the student debt crisis as both a civil rights and an economic justice issue, and provides policy solutions for borrowers in repayment, current students, and future students.⁶



The federal government must reinvest in our future by providing broad-based debt cancellation to all borrowers in repayment.

The sheer amount of outstanding debt and the number of borrowers impacted pose significant risk to this country's economic well-being. Because of this, we must tackle the debt itself in addition to reforming the higher education system. The federal government must reinvest in our future by providing broad-based debt cancellation to all borrowers in repayment. Further, the system must be reformed to ensure that it works efficiently and is fair for borrowers with remaining debt and for future students.

Recommendations for System Reform:

- **Improve repayment options and provide debt relief:** Make it easier for students who currently carry debt loads to pay off their loans and move on with their financial lives so that they can participate in a growing economy through improvements to income-driven repayment, reduced interest rates, the availability of hardship bankruptcy relief, and broad debt cancellation;
- **Strengthen servicing standards and oversight:** Reform student loan servicing by setting clear standards and supporting students navigating student loan debt so that they can enroll in affordable repayment options quickly. Borrowers deserve clear and timely information about their options and basic consumer protections. Additionally, servicers should not pursue past-due debts through Social Security offsets and garnishments that are more aggressive than income-driven repayment options. Further, hold the Department of Education accountable for basic oversight and management of servicing and collection standards;
- **Prevent abuses by for-profit institutions:** Stop funding ineffective and abusive for-profit schools and hold schools accountable for student performance by establishing standards around the use of federal dollars, closing the 90/10 loophole, protecting students who attended closed schools, and reinstating meaningful Gainful Employment and Borrower Defense to Repayment rules; and
- **Make college accessible for ordinary Americans:** Reinvest in higher education as a public good by providing debt-free college options for students at two- and four-year HBCUs and public institutions, boosting funding to HBCUs and other minority-serving institutions, and protecting and expanding Pell Grants to prevent this crisis for the next generation of students.

Pathways to Loan Repayment & Forgiveness

Make IDR simpler and more affordable. Currently these programs require unaffordable levels of a borrower's income, failing to leave enough for essential living expenses. Borrowers should be allowed and encouraged to make student debt payments based on 8% of discretionary income above 250% of the poverty level. Further, IDR terms should be shortened from 20–25 years to 15 years.

Provide dollar-limited across-the-board loan cancellation to all students currently in repayment. Broad debt cancellation should be offered to students currently in repayment. This will benefit all students, but particularly serve low-income students and those in default, many of whom tend to have relatively low balances and would experience complete student debt elimination.

Student Debt Exacerbates the Persistent & Growing Racial Wealth Gap

Student debt has become a significant drag on the national economy, weighing the heaviest on African Americans and Latinos. Fortunately, policymakers can stem the crisis for borrowers and their families and jump-start the ability of young people and families to move ahead with their financial lives.

Historically, students have benefited from public investment in higher education, from the GI Bill to the creation of the Pell Grant program. But not all students benefited equally from these social investments: African American students did not have access to the GI Bill, and higher education institutions in many states have a long history of resistance to integration.⁷ By the end of the 20th century, just at the time when student bodies were diversifying, policymakers were shifting the costs of higher education from the public to the individual student.⁸ In the past decade, the higher education landscape has become significantly more perilous for student borrowers. When state legislatures began to tighten their belts in the wake of the Great Recession, investments in public colleges and universities began to decline.¹⁰ In response, public colleges and universities raised tuition, and cut student services.¹¹ As states slashed budgets and schools raised the cost of a degree, families experienced massive wealth declines from a sinking economy.¹² With foreclosures, job loss, and downturns in the market fracturing family balance sheets, an entire generation of students needed to borrow more than ever before to attend college. Further, a larger number of students than ever before chose to go to college to pursue an education that could help them secure a solid future.

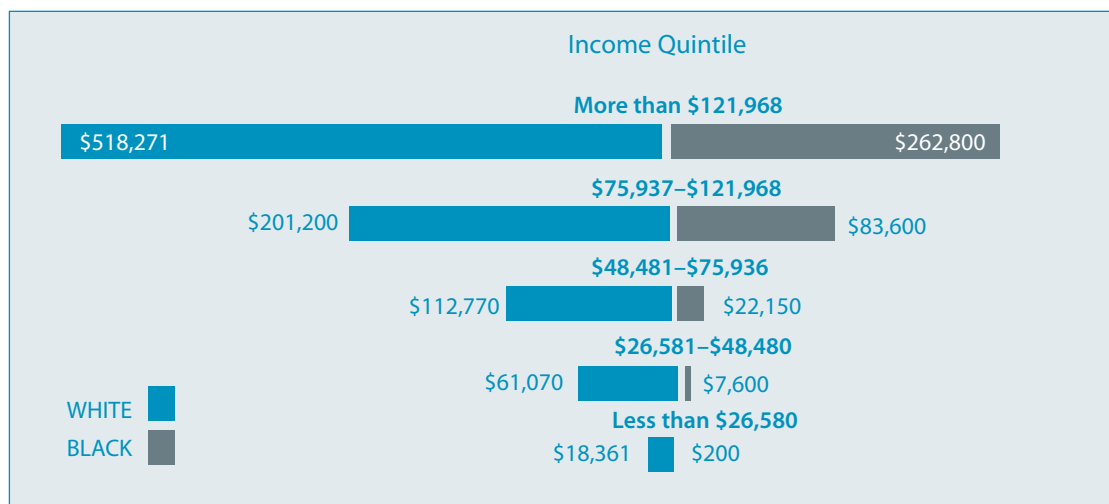


There has been “a vicious cost shift from the public to the individual precisely at a time when the share of students of color attending college has risen.... To say that the alternative to student loans is for students to forego college is a tacit admission that we collectively refuse to maintain our historic levels of investment for the most diverse generation of students in American history.”⁹

–Mark Huelsman, Demos

Today, the amount of outstanding total student debt in America exceeds \$1.5 trillion.¹³ This debt disrupts the lives of millions of students and families seeking financial stability and hinders the health of the overall economy.¹⁴ While shocking, the total sum of student debt also masks important trends within the crisis: specific populations of students facing more severe consequences due to poorly structured and operated student loan programs; neglect in overseeing abuses of the higher education system by for-profit schools; and inadequate support for affordable, quality higher education. For students of color, and particularly for African American students and families, the current system can be catastrophic, too often turning visions of increased opportunity into lasting financial burdens.¹⁵

Figure 1. Racial Wealth Gap Persists at All Income Levels¹⁶



Source: Darity, William; Hamilton, Darrick; Paul, Mark; Aja, Alan; Price, Anne; Moore, Antonio; and Chiopris, Caterina. 2018. "What We Get Wrong About Closing the Racial Wealth Gap." Durham, NC: Samuel DuBois Cook Center on Social Equity.

Unfortunately, in America the wealth gap begins at birth. The average African American child is born into a family with 10 times less wealth than the average white child.¹⁷ This disparity is driven by the structural racism and the pervasive discrimination that occur within all sectors of society, including housing, education, employment, and lending.¹⁸ Due to these inequities, African American families at all income levels lag behind white families in wealth accumulation (Figure 1). Thus, families of color are more likely to need to borrow, and in higher amounts, to pay for postsecondary education.



An African American household with a college-educated head has less wealth than a white family whose head did not even obtain a high school diploma. It takes a postgraduate education for an African American family to have comparable levels of wealth to a white household with some college education or an associate degree.¹⁹

When working after completing school, African American and Latino students face substantial job discrimination and earn far less than white counterparts.²⁰ African Americans can also face more difficulty paying off debt and building savings to withstand future financial shocks because of this persistent income gap. Given these disadvantages, these students tend to take longer to pay their loans back compared to their white counterparts.²¹

Students of color pursue postsecondary education in a social and economic system built on racist ideologies and infused with hidden and unconscious biases that create and perpetuate the racial wealth, income, and achievement gaps.²² This reality means that, on average, students of color have less familial financial support or knowledge about navigating this complex system.²³ It also often means that students of color are more likely than their white counterparts to have additional obligations while they are students.²⁴ They are also caregivers or parents or full-time workers. For many students of color, higher education is neither a luxury nor a choice, it is a necessity.²⁵

Historically, access to higher education has been dramatically unequal.²⁷ Today this pattern persists, and African American and Latino students struggle to fund higher education due to wealth stripping policies that have and continue to hinder the economic security of African American and Latino students and their families. Often they end up trapped by poor quality for-profit institutions that fail to provide reliable educational benefits.²⁸ As a result, students of color too frequently accumulate high levels of unsustainable debt.

Historically black colleges and universities (HBCUs) and other minority-serving institutions (MSIs) have a long history of providing increased opportunities in education for African American, Latino, and native students. HBCUs perform a critical function for African American undergraduates: Across the 21 states and territories where they are located, HBCUs comprise only 9% of four-year institutions but awarded 26% of all African American bachelor's degrees in 2016.²⁹ Among Latinos enrolled in postsecondary programs, the majority of Latino undergraduate students (65%) attend a Hispanic-serving institution (HSI). HSIs are public or private nonprofit schools with student populations that are at least 25% Latino, that enroll a high concentration of low-income students, and that have low core expenses. HSIs now account for 15% of all institutions of higher education, and the number of HSIs has doubled over the past 20 years. HSIs play an important role in educating Latino students, yet while HSIs serve low-income students, these institutions are often under-resourced themselves. On average, HSIs produce better graduation outcomes for Latino students compared with non-HSIs and also tend to have smaller completion gaps between white and Latino students.³⁰ These schools, along with many public institutions, provide high-quality opportunities but have never been adequately funded. Indeed, the racial wealth and resource gap extends to institutions of higher education.³¹

Today, higher education is not only failing to help close the racial wealth and income gaps, it is fueling their growth. This crisis must be immediately addressed with fundamental reforms that provide meaningful opportunities for students to build a financial future and participate fully in our economy.



Borrowers In Their Own Words

One recent study found that student loan borrowers recognized a value in their degrees that could not be measured in dollars. One graduate said that her higher education was “100%” worth it and added: “I know that sounds so insane to even say that [due to the amount of debt I have]. But, I mean, I feel like I came so far from where I was... and yes, I have this debt looming over me, and I have a lot of anxiety about that, and that really sucks. But... I feel like I wouldn't be where I am in my life, and I owe that to being able to go to school and do everything that I've done.”²⁶

The Student Debt Crisis

Unlike previous generations, most college students now graduate with debt. In 2016, almost 70% of graduating seniors borrowed to cover the cost of college, at an average amount of almost \$30,000 (Figure 2).³² There are significant differences across racial and ethnic groups, with some groups particularly reliant on student loans. For example, native Hawaiians and other Pacific Islanders borrow in almost 90% of cases, and African American graduates borrow in 85% of cases. These rates vary by state, and Appendix B provides a state-by-state look at how racial and ethnic categories impact median debt, share with debt, and delinquency.

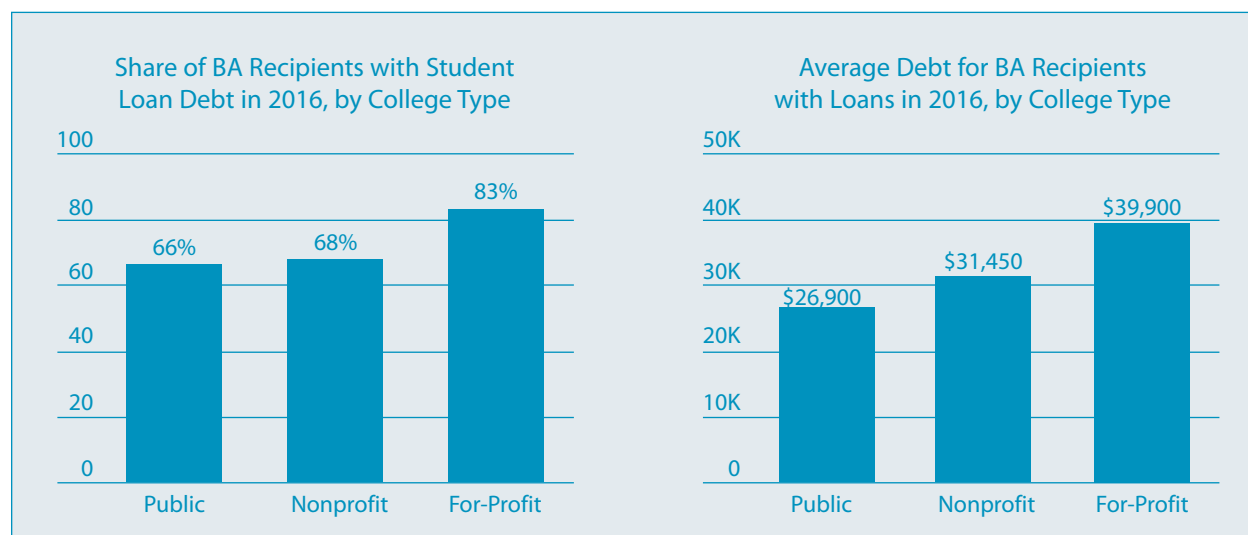
Figure 2: Significant Differences in Amount & Share of Student Debt across Racial & Ethnic Groups

	All	White	Black	Hispanic/ Latino	Asian	American Indian or Alaska Native	Native Hawaiian/ Other Pacific Islander
Average Debt for BA Recipients with Loans in 2016	\$29,669	\$30,093	\$33,993	\$25,452	\$25,447	\$26,380	\$26,515
Share of BA Recipients with Student Loan Debt in 2016	68.9%	69.4%	84.9%	66.3%	45.1%	76.1%	89.4%

Source: U.S. Department of Education. National Postsecondary Student Aid Study, 2016 (NPSAS: 16).

Institution type is also an important factor in determining a student's likelihood to borrow. Whereas 66% of students at public institutions borrow to cover the costs of higher education, 83% of students at for-profit colleges borrow. The average debt load is also higher for students at for-profit colleges, with an average amount borrowed of \$39,900 compared with an average of \$26,900 for a graduate at a public institution (Figure 3).³³

Figure 3: Students at For-Profit Institution Borrow More Often & In Higher Amounts



Source: The Institute for College Access and Success. 2019. "Quick Facts about Student Debt."

Approximately 90% of student loan debt is held by the federal government, and the remaining 10% of loans are privately held.³⁴ The interest rates on federal loans in 2019–2020 are 4.53% for Direct Subsidized and Direct Unsubsidized Loans to undergraduates, 6.08% for Direct Unsubsidized Loans to graduate and professional students, and 7.08% for Direct PLUS Loans, which are available to parents along with graduate and professional students. Federal loans have borrower protections, such as deferred payments so that students do not have to pay while they are in school, fixed interest rates, income-driven repayment (IDR) plans after graduation, and even some forgiveness options such as public service loan forgiveness (PSLF). Private loans, conversely, can have variable interest rates, require payment while students are in school, and do not qualify for federal repayment and forgiveness programs.³⁵ Protections and incentives for federal student loan borrowers such as PSLF, the Borrower Defense to Repayment rule, and the Gainful Employment Rule have been under attack by the Trump administration, further endangering the financial lives of borrowers.

Federal Loan Repayment

Once students graduate or leave school, they begin to pay on a federal loan after a six-month grace period. The standard repayment plan is over 10 years, and other repayment options lower the monthly payment but extend the term over a longer period of 20 to 30 years. For instance, the Revised Pay As You Earn, or REPAYE plan, limits payments to 10% of discretionary income and extends the repayment term to 20 years.

African American Students

Over the past few decades, the number of African American students completing college has risen significantly.³⁶ Due to the racial wealth and income gaps, African American students face challenges paying for higher education, whether or not they complete their degree. Over half of all families with African American heads of household aged 25–40 have student debt, and 85% of African American graduates in 2016 took on debt to finance their undergraduate degree.³⁷ And the student loans are a burden: For African American borrowers who entered higher education in 2003–2004 as undergraduates, almost 49% had defaulted by 2016. Up to 70% of this cohort is projected to default by 2024.³⁸

For African American students, a degree is no shield from racial disparities: African American bachelor's degree graduates are unable to afford their loans at five times the rate of white bachelor's degree graduates and are more likely to default than white borrowers who never finish a degree.³⁹ Many African American student loan borrowers find themselves drowning in increasing student debt despite making regular payments. Almost half of African American graduates owe more on their undergraduate student loans four years after graduation than they did when they received their degree, compared to 17% of white graduates.⁴⁰ One key concern is that for-profit colleges target African American students with expensive, low-quality programs.⁴¹ As a result, many of these students end up in unsustainable debt from programs that fail to adequately prepare them for employment opportunities, producing no increase in earning capacity and



Almost half of African American graduates owe more on their undergraduate student loans four years after graduation than they did when they received their degree, compared to 17% of white graduates.

substantial levels of debt.⁴² Students at for-profit institutions who do not complete their degrees are further at risk because they never secured the credential that could help them, in the best case, achieve a boost in earnings.

Defaults Don't Capture the Full Extent of the Distress

Student loan default numbers do not fully reflect the high level of financial distress for two reasons. First, many students are in “deferral periods,” during which payments are not due on their loans, but interest is accruing and their debt is growing. These students are not included in the default numbers. Second, the definition of “default” for student debt is far more severe than default in other areas of lending. For instance, most loans, such as car loans and mortgages, are considered to be in default after payments are 90 days past due.⁴³ Student loan debt, in contrast, is not in default until a student does not make full payments for 270 days, reflecting a much deeper level of borrower financial distress.

Research has established that many borrowers struggle to successfully repay their student loans. Today, two in five borrowers are in default or delinquent, and many borrowers are not reducing their principal even after almost a decade of repayment.⁴⁴ Almost one in four (23%) of student loan borrowers still owe more than half of their original loan balance after eight years in repayment. Even worse, more than 6% of borrowers owe more than 90% of their original loan balance after eight years of repayment.⁴⁵ And 27% of borrowers of all races and ethnicities who entered higher education in 2003–2004 as undergraduates had defaulted on their student loans by 2016. Up to 40% of this cohort are projected to default by 2024.⁴⁶ Ultimately, the research indicates that borrowers are unable to manage their student debt payments and that the situation is worsening.

Latino Students

Latino students make up almost one-fifth of all students in U.S. postsecondary institutions, and are projected to keep growing their share of the student population in years to come.⁴⁷ Latino students borrow at rates similar to their white peers, but have lower household incomes and significantly less wealth. They are more likely to drop out of school because of the high price of education; in 2009, 31% of Latino student loan borrowers dropped out of college. Once a student stops or drops out of college, they are much more likely to experience trouble in repayment because they have debt but no degree or credential in hand.

Latino students who attend for-profit schools experience particularly poor outcomes. At for-profit colleges, non-completion is particularly high, with 67% of Latino borrowers at four-year for-profit colleges leaving school before graduation.⁴⁸ Latino students at all institution types are more likely than their white peers to default on their loans, with 15% of those in repayment in default, and 29% in serious delinquency.⁴⁹

As college costs are higher than ever, many Latinos are still recovering from the deep financial shocks of the Great Recession. Latino families also continue to face a persistent and growing wealth gap; in 2016 white wealth was 8.5 times that of Latino family wealth. Given their lower incomes and wealth, Latino families often invest a greater share of their scarce incomes in higher education, but rising costs mean

that more and more students are turning to loans. College is a valuable investment, but student loan debt too often becomes a barrier to financial security and severely limits wealth building opportunities for those with student debt, including many Latinos, who struggle to pay.^{50, 51}

Borrowers In Their Own Words

"I'm hoping once [the loan] is paid off, it's going to be worth it. When I started out, my debt load was a little over \$32,000. My thought was, at least I'm paying this chunk off and I can say I paid for a portion of my education, and that means something. At the same time, as I reflect on it, no one should have to owe money for an education. Today, I spend at least \$400 a month making these payments. I could imagine all the things I could be doing with that money: putting it to savings, taking trips. That's certainly affected getting a new car. It affects a lot, so I'm hoping all this struggle and putting things off, at least in the long run, will be worth it."⁵²

Women Students

Women—and particularly African American women—are more likely to take on student loan debt, face a wage gap in the workforce, and struggle with repayment. Women graduate, on average, with \$2,700 more in student loan debt than their male counterparts.⁵³ And because women earn less than their male counterparts in the workforce, paying off their debt takes significantly longer.⁵⁴ This is especially true for African American women and Latinas, who have the greatest average amount of student loan debt and are paid only 61 cents and 53 cents to the dollar, respectively, compared to white men.⁵⁵

Millions of college-going women are also mothers—an estimated 25% of all college students are parents with dependent children, and over 40% of these parents are single mothers.⁵⁶ Mothers, and especially single mothers, face challenges at all types of institutions related to child care, as the current supply of on-campus childcare centers meets only 5% of demand.⁵⁷ Single mothers are another constituency that is targeted by expensive and predatory for-profit schools.⁵⁸ All of these factors combine to make single mothers more likely to drop out of college with higher debt loads.⁵⁹

In repayment, women fare worse than men overall. According to a 2009 study by the American Association of University Women, just over half of women working full-time were paying more than what was affordable toward their student loan debt, while only 39% of men were.⁶⁰ Further, difficulties in repayment can make it difficult for women to meet their basic needs: Approximately 34% of all women and 57% of African American women who were repaying student loans reported that they had been unable to meet essential expenses within the past year.⁶¹

Borrowers In Their Own Words

Women are also particularly vulnerable to the promises of for-profit colleges, which target single mothers who are worried about supporting their children. When CRL conducted focus groups of students who attended for-profit colleges, these mothers spoke about their experiences.⁶²

Rosa, a focus group participant, described how her children motivated her to enroll in a for-profit school. She now has \$108,000 in student loan debt and is disillusioned about higher education:

"So I don't mean to sound sappy...so when I was 17, I had my daughter in high school. I had everybody tell me like 'You just threw your life away, blah blah blah. You're not going to make anything of yourself, you're not even going to go college, you're not even going to finish high school!' So I just always had this determination to kind of, like, prove everybody wrong. So, after I graduated high school I just went straight into college and just thought that, you know, I could make a nice life for my child...and I could prove everybody wrong. Just because you're a teen mom doesn't mean you're like a piece of trash. Because that's what everybody perceived me as."

Older Americans

Student debt isn't just a problem for Millennials. In 2015, \$66.7 billion of total outstanding student loan debt was owed by 2.8 million borrowers age 60 and older.⁶³ This is quadruple the number of older borrowers with student loan debt since 2005. For seniors, defaulting on student loan debt can be devastating. For federal student loans, seniors can have their Social Security income seized by the federal government. In 2015, about 114,000 adults over 50 had their Social Security income seized for these purposes.⁶⁴

Americans over 60 are not only paying off loans for their children—they are also taking on debt to finance their own educations. The Federal Reserve Board reports while 68% of borrowers over 60 are paying for loans for their children and/or grandchildren, 27% of student loan borrowers over 60 are paying for their own education or education for their spouse.⁶⁵

Servicemembers

The federal government appropriately provides servicemembers with additional education benefits through the GI Bill and Post-9/11 GI Bill. Unfortunately, abusive for-profit schools turn these benefits into a financial jackpot for poor quality programs that they target to servicemembers. Under current provisions, for-profit schools must bring in at least 10% of total revenue from sources that are not federal financial aid. This rule, called the "90/10 Rule," ensures that for-profit schools are, in fact, competitive in the marketplace and are not relying only on taxpayers to survive. However, because veterans' benefits are not counted as federal financial aid, these schools are financially rewarded for signing up servicemembers, and veterans are targeted for recruitment by many for-profit institutions.⁶⁷



"Large for-profit schools remain dependent on recruiting GI Bill students in 2018. GI Bill students... still represent more than 10% of students enrolled in six large for-profit schools from 2013–2016, underscoring their dependence on recruiting this population."⁶⁶

–Veterans Education Success

The Burdensome Structure of Student Debt Makes It Devastating & Inescapable for Many Students

Many families see education as a ladder to success, but student debt can be a serious impediment to wealth building. For borrowers who are struggling the most and who owe on student loans for many years, it can have devastating consequences. Student debt has several characteristics that make it far more difficult to manage than other types of debt:

- Students receive this debt at the beginning of their working careers, effectively pledging as collateral their future income, despite having no real way to measure the future financial value of their degrees.
- Interest on some loans accrues while the student is in school and during deferral periods, adding to the debt. Moreover, there is no time limit on how long interest accrues or how long the loan can be collected, so students can end up owing primarily interest on their original loans.
- The government has extraordinary collection power. Most student loans are originated and owned by the federal government and are not only collectable by wage garnishment, but by taking away government payments, such as tax refunds and even Social Security retirement payments, which are protected from offset for almost all other debts.
- Student loans are generally not dischargeable in bankruptcy, making them life-long debts.

Harmful Student Loan Servicing Practices Further Add To the Debt Burden

While federal student loans are originated by the U.S. government, they are serviced by private companies and state guaranty agencies, with whom the Department of Education contracts. During the Obama administration, contract negotiators for student loan servicers were instructed to include important consumer protections and incentives in the contracts.⁶⁸

Unfortunately, the current administration reversed those guidelines despite recent Consumer Financial Protection Bureau (CFPB) lawsuits against two of the largest servicers.⁶⁹ The lawsuits alleged that the servicers routinely undermined borrowers by misapplying payments, reporting incorrect information to credit bureaus, and placing borrowers in plans that caused their debt to balloon. With \$1.5 trillion in student debt and with defaults on the rise, good servicing is vital.

- Programs designed to help borrowers, such as income-driven repayment (IDR) plans that have payments based on the borrower's income, are not promoted to borrowers and have complex requirements and documentation.
- The Department of Education has set up financial incentives for loan servicers to push borrowers into collection in order to earn higher fees than they receive by offering payment plans and has not monitored servicers or debt collectors for compliance with basic consumer protection standards.⁷⁰

A College Education Should Serve Students, Not Just Enrich For-Profit School Owners & Investors

For-profit colleges continue to be major drivers of student loan debt and defaults, particularly for students of color. One of the major contributors to high rates of default for African American borrowers is their over-representation at for-profit colleges. Over 52% of borrowers who first entered higher education in the 2003–2004 undergraduate cohort at for-profit institutions defaulted by 2016 compared to just over 17% for borrowers of the same cohort that first enrolled in four-year public colleges.⁷¹

In 2017, the Center for Responsible Lending conducted a series of focus groups with Florida for-profit college borrowers that confirmed what research had already suggested: For-profit college students pay more for programs that do very little to improve their earnings compared to more affordable, high-quality programs in other sectors of higher education.⁷² These focus group participants voiced disappointment in not being able to find full-time employment sufficient to make any progress repaying student debt, inability to cover typical family living expenses or access credit to buy a car or home, and despair and cynicism about the prospect for better financial prospects for their children—coupled with a determination that they avoid for-profit colleges for their education.

Despite years of failing to serve students, however, for-profit colleges continue to make financial gains under the current administration—just recently, the current administration withdrew a rule that cut federal funding for programs at colleges that regularly resulted in graduates having debt that far outweighed their incomes. And those financial gains come at the expense of borrowers and taxpayers. Unfortunately, many for-profit schools fail to spend these public dollars responsibly. Of the top 10 education advertisers online, seven are for-profit institutions. Six-month spending on advertising for these seven schools averaged \$11.8 million (Aug. 2016–Jan. 2017). A study of these same schools using Department of Education data found that on average only 22.9% of tuition dollars were spent on instruction (FY 2015).⁷³

Student Debt is an Individual & National Crisis

Defaults can cause borrowers to spiral into poverty. 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. In some states, defaulted borrowers could lose their driver's license and specialty work licenses related to their employment. For seniors, defaulting could mean garnishment of their Social Security income, locking them into poverty.

While default is catastrophic, even borrowers who are able to make payments are struggling. Student loan debt is leading borrowers to delay purchases like a car, saving for their retirement, and even starting families.⁷⁴ And because of the lopsided consequences associated with student debt, these delays also exacerbate the racial wealth gap.

Without action, this problem will continue to get worse. Research from the National Association of Realtors shows that the average student loan borrower delays



Borrowers In Their Own Words

"It's insane, like stress, like crazy—I feel like I am never going to get through it. I mean it causes anxiety and depression from it. And so, I just feel like I can't move forward with my life because I am constantly paying this and I'm never going to be able to get out of it."

-Melissa, a focus group participant

the purchase of their first home by an average of seven years.⁷⁵ This is a significant problem in and of itself, but it is particularly worrisome in light of the fact that differing rates of homeownership are a key contributor to the racial wealth gap and the fact that homeownership has historically been a critical pathway through which Latino households build wealth.⁷⁶ And homeownership rates for African Americans are the same today as they were in 1968.⁷⁷

Research has also identified a persistent negative impact of student debt on small business formation.⁷⁸ For instance, nearly half of Millennials who either already own a business or have plans to do so say that their student loan payments have impacted their ability to start a business.⁷⁹ And, once started, small businesses owned by people with student loan debt are less likely to grow. Given that small businesses are such a significant source of employment, the hampering of small business growth due to student loan debt also limits the types and number of available job opportunities.⁸⁰

A Path Forward

Fortunately, reform is within reach. Any student loan policy reform must help both the millions of students currently carrying unsustainable debt and reform the student loan system in order to spare the next generation of college students. Immediate improvements can be made for students with existing debt loads that would reduce unfair burdens and kick-start the economy. This includes helping students reduce existing and unfair debt loads and immediately improving servicing to better serve students with debt. However, more meaningful reform must also prevent future students from enrolling in programs that do not serve their interests and increase affordable access to higher education to avoid repeating the mistakes of the last decade.



Any student loan policy reform must help both the millions of students currently carrying unsustainable debt and reform the student loan system in order to spare the next generation of college students.

Recommendations for System Reform Include:

- **Improve repayment options and provide debt relief:** Make it easier for students who currently carry debt loads to pay off their loans and move on with their financial lives so that they can participate in a growing economy through improvements to income-driven repayment, reduced interest rates, the availability of hardship bankruptcy relief, and broad debt cancellation;
- **Strengthen servicing standards and oversight:** Reform student loan servicing by setting clear standards and supporting students navigating student loan debt so that they can enroll in affordable repayment options quickly. Borrowers deserve clear and timely information about their options and basic consumer protections. Additionally, servicers should not pursue past-due debts through Social Security offsets and garnishments that are more aggressive than income-driven repayment options. Further, hold the Department of Education accountable for basic oversight and management of servicing and collection standards;
- **Prevent abuses by for-profit institutions:** Stop funding ineffective and abusive for-profit schools and hold schools accountable for student performance by establishing standards around the use of federal dollars, closing the 90/10 loophole, protecting students who attended closed schools, and reinstating meaningful Gainful Employment and Borrower Defense to Repayment rules; and

- **Make college accessible for ordinary Americans:** Reinvest in higher education as a public good by providing debt-free college options for students at two- and four-year HBCUs and public institutions, boosting funding to HBCUs and other minority-serving institutions, and protecting and expanding Pell Grants to prevent this crisis for the next generation of students.

Current Student Loan Borrowers

Improve the Repayment Process

Provide dollar-limited across-the board loan cancellation to all students currently in repayment. Debt cancellation should be offered to students currently in repayment. This will benefit all students, but particularly serve low-income students and those in default, many of whom tend to have relatively low balances and would experience complete student debt elimination (see Appendix A for analysis and detail).

Student Loan Cancellation

Widespread student loan cancellation has the potential to alter the financial life courses of millions of Americans. Reducing or eliminating student loan balances could expand consumers' access to important financial products such as mortgages and could jump-start consumer spending and family formation for student loan borrowers who are relieved of a significant monthly expense.

Complete debt cancellation has been shown to increase GDP, decrease unemployment, and release millions of students from debt service obligations that prevent them from engaging in business and household formation, homeownership, and future educational attainment.⁸¹ While total cancellation plans have encountered resistance because of the regressive nature of cancelling large debt totals for the highest-earning graduates, cancelling a set amount of loan debt for all borrowers upon entering repayment could focus the benefits on those that need it the most.⁸² Overall, approximately 7.3 million borrowers were in default by March 2019 and almost 10% of outstanding student debt (\$145 billion) was in default.⁸³ Estimates suggest that almost 90% of the defaulters are Pell Grant recipients and that the median amount owed is less than \$10,000.⁸⁴ This suggests that even a modest amount of loan debt forgiveness of \$10,000 for all borrowers could have a profound impact on borrowers in default (see Appendix A for more details and analysis).

Make IDR simpler and more affordable. Currently these programs require unaffordable levels of a borrower's income, failing to leave enough for essential living expenses. Borrowers should be allowed and encouraged to make student debt payments based on 8% of discretionary income above 250% of the poverty level. Further, IDR terms should be shortened from 20–25 years to 15 years.

Automatically qualify all borrowers for IDR programs. If a borrower does have to take a student loan for college, they should be automatically enrolled in an income-based repayment plan after filing taxes in the first year after their graduation. IDR should be an opt-out, not an opt-in, program. This change would allow the vast majority of borrowers who need income-driven payment relief to be automatically enrolled, while giving borrowers who can pay faster the option to opt out and pay on an accelerated schedule.

Forgive all student loans after paying on an IDR plan for 15 years. Student loan debt shouldn't last a lifetime, and discharge after years of payments should not create a tax burden for the borrower. Once a person has paid in good faith based on their available income under an IDR plan for 15 years, any remaining debt should be discharged on a tax-free basis. Those enrolled in Public Service Loan Forgiveness (PSLF) would still be eligible for that discharge after 10 years of repayment.

Forgive All Student Loans after Paying on an Income-Driven Plan for 15 Years

CRL's proposed income-driven repayment plan protects substantially more income for low- and moderate-income student loan borrowers compared to current policy in three ways.⁸⁵ First, under the proposed CRL plan, borrowers making less than 250% of the poverty level make no payments, compared to 150% under the current Revised Pay as You Earn (REPAYE) plan. As a result, borrowers struggling to make ends meet, in this case those with less than \$23,000 in starting income, make no payments during the life of the loan under the CRL plan (assuming moderate wage and poverty level inflation and the repayment term ending in 15 years as outlined below). The comparable figure for the current REPAYE plan is \$13,000 in starting income. Second, payments are calculated at 8% of discretionary income, as opposed to the 10% of discretionary income that is used for the REPAYE plan. Lastly, the repayment term ends after 15 years when remaining debt is forgiven, whereas the REPAYE plan ends after 20 years.

Using a repayment calculator developed by the Urban Institute, we calculated the savings to the borrower of CRL's plan compared to the REPAYE plan using the present value of borrower payments for each plan at various starting income levels. We also used the repayment calculator to show the differences in actual repayment length in years.⁸⁶

Figure 4: IDR Proposal Results in Increased Savings, Shorter Term than Current IDR Plan for a Single Individual

Starting Adjusted Gross Income	Savings Under CRL Proposal	Difference in Repayment Period
\$15,000	\$1,507	-5 years
\$20,000	\$10,567	-5 years
\$25,000	\$20,738	-5 years
\$30,000	\$27,279	-5 years
\$35,000	\$28,494	-4 years
\$40,000	\$21,154	-1 years
\$45,000	\$14,195	2 years
\$50,000	\$7,448	4 years
\$55,000	\$839	5 years
\$60,000	-\$1,503	5 years

Source: CRL analysis derived from Urban Institute's Charting Student Loan Repayment calculator.

The table above shows that the present value savings over the life of the actual repayment periods are substantial and rising between \$15,000 in income and \$35,000 income, and still positive up until \$60,000 in income.⁸⁷ Changes in income-driven repayment plans can save thousands of dollars for low-income borrowers during their repayment period and can relieve borrowers of their loan burdens faster.

Reduce interest rates, end interest capitalization, and end origination fees to prevent struggling borrowers from becoming underwater on their student loans. Interest recapitalization is the adding of unpaid interest to the principal amount of the loan, thus increasing the amount of future interest that accrues. Origination fees are upfront charges that are added to the amount borrowed.

Allow struggling borrowers to pause their payments for a period of time without capitalizing interest. Replace the current deferment and forbearance options into a simpler, interest-free “pause” on monthly payments. Under present rules, interest continues to accrue during these periods, and therefore large sums are added to the amount owed.

Allow adjustments and discharge of student debt in bankruptcy for hardship cases. At a minimum, borrowers must be able to discharge private student loans, as well as any federal loans that are ineligible for income-driven repayment.

Protect borrowers from aggressive collection actions after default. Protections afforded to borrowers in income-driven repayment should not disappear for the borrowers experiencing the most distress and falling behind on their payments. Several changes to the default process are critical: The entire balance of the loan should not come due upon default (as it does currently in a process called “acceleration”), borrowers should not have their earnings garnished in amounts larger than what they would pay under their IDR plan, involuntary payments should count towards forgiveness, and certain income types should be exempt from garnishment (such as Social Security and the Earned Income Tax Credit [EITC]). Further, borrowers who qualify for means-tested benefits, such as the EITC, should be exempt from garnishment.

Help borrowers access clear and consistent information about their loans by increasing resources to make independent counseling services available to students who carry debt, similar to the counseling made available to first-time homebuyers.

Strengthen Servicing Standards & Oversight

Reinstate borrower protections into contracts of federal student loan servicers. These include requiring servicers to act in the best interests of borrowers, prohibiting abusive fees and practices, and ensuring that voluntary overpayments are allocated to principal. Common sense affirmative duties and clear prohibited acts can ensure that servicers respond to and communicate with borrowers in a timely manner and that they provide consistent information.

Restructure servicer compensation to encourage and compensate servicers for spending time with borrowers at risk of delinquency and default, including enrolling borrowers in income-driven repayment. Today servicers are paid more to put borrowers into collection than to help them get more affordable payments.

Affirm and assert the power of the CFPB and state attorneys general in servicing enforcement by explicitly making violations of servicing standards enforceable under state Unfair, Deceptive, or Abusive Practices (UDAP) laws and the CFPB Act. Today, the Department of Education is ignoring its own duty to effectively oversee student loan servicers and simultaneously trying to block states from exercising oversight. Affirm that states have a right to oversee and sanction abusive student loan servicers.

Empower borrowers to enforce their own rights by banning mandatory arbitration clauses and recognizing a private right of action by borrowers against student loan servicers and debt collectors who violate consumer protection laws or contract requirements.

Current & Future Students

Each of the above recommendations would dramatically reduce existing debt burdens for students who are facing unprecedented financial costs for attending college. However, further steps are needed to prevent schools from selling credentials that cannot provide students a real path to economic security and to improve access to affordable, quality higher education.

Prevent Abuses by For-Profit Institutions

For current and future students and borrowers, in addition to the above reforms, we must stop funding ineffective and abusive for-profit schools and reduce overall student debt levels.

Congress should establish for-profit college standards. The Department of Education must stop writing blank checks to for-profit colleges, allowing them to spend federal dollars however they like. Instead, the Department should annually audit for-profit college spending, ensuring that at least 70% of Title IV dollars are being spent on instruction and student services.

Hold online for-profit schools to the same standards as brick-and-mortar institutions. Previously, schools could not receive federal support and run the shell operations with poor quality online programs that exist today. Allow states to measure online education providers against the same standards of approval they use for brick-and-mortar institutions in their state.

Close the 90/10 loophole. Reduce the ratio of federal dollars to other sources of tuition payment from 90/10 to 85/15 and classify funding from the GI Bill and the Department of Defense as federal sources in the ratio to protect veterans from exploitation.

Give automatic discharges to borrowers who attended closed schools. While current law allows student borrowers who attended closed schools within a certain timeframe to discharge their loans, the truth is that any borrower who attended a failed and closed school is going to see a serious decline in the value of their degree—especially if the school’s closure was major national news. All student loan debt connected to obtaining that degree should be refunded, and the school should be on the hook for refunding taxpayers.

Reinstate meaningful Gainful Employment and Borrower Defense to Repayment rules. Any plan to reduce student loan debt must include provisions for students to receive debt relief when they are defrauded by their schools. Further, more effective metrics are needed in order to understand how students fare after attending Title IV-funded career education programs.

Make College Affordable for Ordinary Americans

According to a 2016 paper by the Center on Budget and Policy Priorities, nearly a decade of divestment from educational institutions has left a \$10 billion hole in the budgets of institutions of higher education.⁸⁸ Major support, including the following, is required to make college reasonably affordable for working families.

Boost HBCUs, MSIs, and Tribal Colleges. The racial wealth gap extends to institutions. HBCUs, MSIs, and tribal colleges are consistently underfunded and need more investment to serve the unique needs of their populations and historical missions.

Use state-federal partnerships to help states reinvest in higher education. Congress can and should make it possible for any American to attend college without going into debt. Already, the federal government uses federal and state partnerships in other areas, leveraging federal resources to encourage state prioritization and investment. Unemployment Insurance, Medicaid, the Every Student Succeeds Act, and Temporary Assistance for Needy Families all rely on these partnerships in order to be viable social safety nets. A similar partnership regarding higher education would help restore funding levels to beyond pre-recession levels, and make it possible for all families to afford a college education.

Protect and expand Pell Grants. Pell Grants are insufficient to help the lowest-income students graduate from four-year colleges and universities debt-free, and Pell Grant levels have fallen far behind the rate of inflation and the cost of education. Pell funding should be increased to cover the average cost of attendance at a four-year public institution; all Pell funding should be a part of the mandatory, not the discretionary, budget; and Pell should be permanently tied to inflation. Furthermore, Pell should be extended to justice-impacted individuals and DACA recipients.

Pay attention to living costs in college affordability plans. No family should go into debt for a two- or four-year public education. Too often, free college plans are at once too limited and too generous—paying for tuition at public two-year colleges, but also paying tuition for the children of millionaires. Instead, families who can pay should pay an appropriate share and other, working families should be supported more generously. And affordability goals should be applied not just to tuition, but to all college expenses, including living expenses, for public two- and-four-year colleges and all HBCUs.

Conclusion

The student loan debt crisis is pernicious. It puts young people at a tremendous disadvantage as they begin their families and careers, it leaves older Americans struggling in their golden years, and it deepens and entrenches the already devastating racial wealth gap. The student loan debt crisis puts deeply held beliefs like the value of hard work, the transformative power of education, and the ability to build wealth during one's own lifetime into question. The balance sheets of millions of borrowers and this nation demonstrate that our current student debt system operates in direct contradiction of these ideals.

Rather than lifting people out of poverty and providing access to the middle class, student debt is further entrenching the racial wealth gap and perpetuating the cycle of poverty that results from systemic lack of access to resources, capital, and affordable credit. Our short-sighted approach is leaving jobs unfilled, money wasted, and human potential squandered, threatening our national security and economic well-being.⁸⁹

Fortunately, this particular crisis is easily solvable. For some students in generations past, education debt was manageable and a college degree translated into a more financially secure future. With a renewed commitment to the value of higher education and the important role it plays in our lives and communities, we can return to that America, and help the 44 million student loan borrowers today realize not just the American Dream, but their own.

The Impact & Importance of Debt Cancellation: An Example of \$10,000 Across-the-Board Federal Student Loan Cancellation

The Impact of Even Limited Debt Cancellation

This appendix outlines the impact of an up to \$10,000 broad-based, fixed amount of federal student loan cancellation for all borrowers (undergraduate, graduate, and parents) of federal loans in repayment. It also anticipates the same cancellation benefit for those current student loan borrowers not yet in repayment, once they have entered repayment.⁹⁰ There are many possible forms and amounts of student loan cancellation that have been proposed recently and are worthy of consideration. This example of across-the-board fixed amount cancellation is simple, fiscally modest, and provides relief to all borrowers. It also provides complete debt cancellation for those who need it most based on earnings and likelihood of being in default. The \$10,000 cancellation amount is proportionate with the increase in the average undergraduate's cumulative federal student debt at graduation (including certificate, AA, and BA degrees) which grew from \$13,540 in 1999–2000 to \$22,520 in 2015–16.⁹¹ As discussed at the beginning of this report, this period coincided with substantial cuts in state support for higher education while federal grant support failed to fill the gap, leaving students to take on unprecedented amounts of debt to pursue their college dreams.

Benefits

How impactful would the benefits be from an up to \$10,000 across-the-board student loan cancellation for all borrowers in repayment? Most immediately, the approximately 29 million borrowers currently in repayment on their federal loans would experience substantial relief.⁹²

CRL projects that, for these 29 million current borrowers in repayment, approximately 40% (the two lowest quintiles of all borrowers by indebtedness) would experience *complete student loan cancellation*. (The median student loan outstanding by quintiles of borrowers in repayment was as follows: \$2,470; \$6,712; \$12,498; \$23,565; and \$57,528.) For those that remain, the median borrower in the 3rd quintile would experience debt reduction of 80%; the 4th quintile, 42%; and the 5th quintile, 17%.

Note that the lowest two quintiles of borrowers by dollar amount outstanding, those experiencing complete cancellation, *also have very low earnings*, at \$20,506 for the 1st quintile and \$22,140 for the 2nd quintile. (The federal poverty level for a family of three in 2019 was \$21,330.)⁹³ In terms of share of total federal loan student debt dollars, the borrowers in the first two quintiles represent only 7.6% of all student loan debt outstanding that has been in repayment at least one year.

Additionally, without specific targeting, this limited cancellation also benefits additional categories of borrowers who need it most. Seventy-six percent of all current borrowers⁹⁴ would have only undergraduate debt; 11% graduate and undergraduate debt; 6% graduate only; and 2% parent debt. By type of school of first loan for all current borrowers: 25% are for-profit; 14% community college; 15% non-selective four-year; 41% selective four-year; and 5% graduate. Finally, for current borrowers in default (7.2 million at YE 2018), *approximately 61% would experience complete cancellation*, representing 22% of all loan dollars in default. An additional 20% of all dollars in default would be cancelled for the remaining 39% of borrowers who would experience partial reduction of their balances.

Beyond the 29 million borrowers currently in repayment that experience immediate relief, each new cohort of borrowers that enters repayment would experience relief up to \$10,000.⁹⁵ For each of these cohorts, approximately 25% would experience complete debt cancellation, a lower percentage of complete cancellation than the borrowers currently in repayment based on growing levels of indebtedness for more recent borrowers, but still a significant percentage of borrowers entering repayment.

Fiscal Costs & Economic Benefits⁹⁶

The total unduplicated current borrowers count is 43 million including Direct, FFEL, & Perkins loans. The total immediate gross price tag for \$10,000 cancellation for the 29 million borrowers in repayment is estimated at \$227 billion, which represents approximately 23.9% of the federal portfolio in repayment.⁹⁷ The remaining 14 million not yet in repayment would receive an up to \$10,000 loan cancellation once they enter repayment. We estimate this occurs at a rate of about 4.1 million borrowers per year. The incremental yearly approximate cost of cancellation for each new cohort entering repayment is \$35.9 billion.

There are substantial macroeconomic offsets to these fiscal costs. In a recent analysis of the economic and fiscal impact of complete student loan cancellation (federal and private), the Levy Economics Institute simulated significant positive economic benefits in the form of increased GDP from increased household consumption and investment in the range of \$86 billion to \$108 billion per year over a 10-year period.⁹⁸ Their model also showed increased employment with little to no inflationary pressure. The average effect on the federal net budget position relative to current levels of deficits and the national debt was less than one-half of 1% of GDP per annum, in the range of -.29% to -.37%. The authors note that their analysis doesn't quantify the social benefits of student loan cancellation, which studies have shown could include increased family formation and stability, ability to pursue additional training, improved health status, increased entrepreneurial activity, and the like.

Obviously, our example is somewhat more modest than that of the Levy Economics Institute, with both lower budgetary costs and lower, but still substantial, macroeconomic benefits. Nevertheless, the Levy report shows that across-the-board student loan cancellation such as that outlined here would sow benefits far beyond the borrowers affected, accruing to the entire economy.

Appendix B

Student Loan Debt Shares, Median Debt Amounts, & Share with Severely Delinquent Debt by State

	Share of People with Student Debt in Predominately-White Communities (Urban)	Share of People with Student Debt in Communities of Color (Urban)	Median Debt Held by People in Predominately-White Communities (Urban)	Median Debt Held by People in Communities of Color (Urban)	Percent with Severely Delinquent Debt (Philadelphia Fed)
Alabama	13%	18%	\$16,526	\$16,770	19.5%
Alaska	14%	11%	\$14,316	\$14,250	16.2%
Arizona	15%	14%	\$17,625	\$12,480	18.9%
Arkansas	15%	19%	\$14,990	\$15,675	20.1%
California	12%	12%	\$18,218	\$14,058	15.6%
Colorado	19%	16%	\$18,227	\$15,613	14.1%
Connecticut	18%	15%	\$19,052	\$15,710	12.7%
Delaware	14%	22%	\$19,286	\$17,535	15.3%
Florida	13%	15%	\$16,624	\$15,934	17.7%
Georgia	15%	23%	\$17,516	\$20,291	18.4%
Hawaii	6%	11%	n/a*	\$15,813	14.4%
Idaho	17%	7%	\$15,541	n/a*	15.5%
Illinois	16%	18%	\$17,610	\$16,538	13.5%
Indiana	17%	22%	\$16,750	\$16,636	17.8%
Iowa	20%	19%	\$15,380	n/a*	14.1%
Kansas	18%	12%	\$15,750	\$11,599	15.4%
Kentucky	16%	20%	\$15,945	\$15,921	19.5%
Louisiana	14%	19%	\$14,664	\$16,652	17.3%
Maine	19%	n/a**	\$16,706	n/a**	14.5%
Maryland	14%	20%	\$18,009	\$19,678	14.5%
Massachusetts	19%	18%	\$18,861	\$14,315	11%
Michigan	17%	22%	\$17,408	\$15,097	17.3%
Minnesota	20%	23%	\$17,289	\$14,823	11%
Mississippi	15%	23%	\$15,724	\$15,966	24.2%
Missouri	17%	21%	\$16,537	\$17,450	18.3%
Montana	16%	13%	\$15,827	\$7,930	15.3%
Nebraska	18%	13%	\$15,421	\$10,602	12.1%
Nevada	12%	12%	\$15,634	\$11,826	20.3%
New Hampshire	20%	n/a**	\$18,777	n/a**	11.8%
New Jersey	16%	16%	\$20,061	\$14,975	13%
New Mexico	12%	13%	\$17,714	\$13,512	20.8%
New York	18%	16%	\$18,591	\$16,650	12.1%
North Carolina	14%	20%	\$17,019	\$19,429	15.3%

	Share of People with Student Debt in Predominately-White Communities (Urban)	Share of People with Student Debt in Communities of Color (Urban)	Median Debt Held by People in Predominately-White Communities (Urban)	Median Debt Held by People in Communities of Color (Urban)	Percent with Severely Delinquent Debt (Philadelphia Fed)
North Dakota	20%	13%	\$16,587	n/a*	10.3%
Ohio	19%	23%	\$18,116	\$16,498	18.1%
Oklahoma	15%	13%	\$15,317	\$14,081	20.2%
Oregon	17%	6%	\$17,977	n/a*	15.9%
Pennsylvania	19%	24%	\$18,987	\$15,188	14.1%
Rhode Island	18%	18%	\$17,174	\$12,211	13.7%
South Carolina	16%	21%	\$18,023	\$20,104	17.1%
South Dakota	20%	10%	\$16,793	n/a*	11.9%
Tennessee	14%	21%	\$15,891	\$18,236	19.3%
Texas	14%	15%	\$16,392	\$13,995	17.3%
Utah	14%	9%	\$13,842	\$11,000	13.1%
Vermont	17%	n/a**	\$18,000	n/a**	10.1%
Virginia	15%	19%	\$19,118	\$18,864	13%
Washington	15%	13%	\$16,475	\$14,101	12.9%
Washington, D.C.	17%	23%	\$31,822	\$21,786	15.2%
West Virginia	15%	n/a*	\$15,014	n/a*	20.5%
Wisconsin	17%	22%	\$15,175	\$15,316	12.9%
Wyoming	13%	5%	\$13,615	n/a*	14.6%
National	16%	16%	\$17,300	\$15,511	15.7%

Source: Ratcliffe, McKernan, Lou, Hassani, and Quakenbush. 2018. "Debt in America: An Interactive Dashboard." Washington, DC: Urban Institute. Tabulations of data from a major credit bureau (2016) and the American Community Survey (2015). For more information and definitions of the variables, see the technical appendix accompanying the dashboard. Note: For the student loan variables, share of people with debt in predominantly-white communities and communities of color are based on zip codes in the state that are predominantly white (at least 60% of the population is white) or predominantly nonwhite (at least 60% of the population is nonwhite). *Not available due to insufficient sample size. **Not available because there are no areas in the state that are predominantly nonwhite/predominantly white.

Percent of borrowers with severely delinquent debt data was calculated as the number of borrowers with at least one severely delinquent account for a given credit type divided by the number of borrowers with debt of that type. Severe delinquency is defined as having at least one account 90+ days past due (DPD), in collections, or classified as severely derogatory. For student loans, this includes loans that are 30+ DPD, although many lenders do not begin to report past-due student loans until payments are 90+ DPD. However, this measure may underestimate effective delinquency rates for student loans since roughly half of these loans are in deferment, grace periods, or forbearance. Delinquency rates provided in this analysis may differ from estimates from other sources in at least two ways. First, these rates reflect the percent of individuals with a delinquent account rather than the percent of outstanding debt (or loans) past due. Second, the delinquency rates presented here include individuals with accounts that lenders have likely closed and charged off the balance because they no longer expect repayment. Many lenders will report a charged-off account in the period in which it occurs but not thereafter. In the credit bureau data, serious derogatory accounts (including ones charged off) can be reported for up to seven years. To the extent that lenders continue to report these accounts, they will be reflected in these charts.

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86 Note as income grows beyond a certain threshold level, repayment length differences shorten as individuals in REPAYE complete repayment faster than the maximum 20 years starting at about \$35,000 in income, but individuals in CRL's plan don't complete repayment faster than the maximum 15 years until about \$59,500 in income.

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96 Detailed cost calculations are available upon request from CRL.

97 This represents an unamortized one-time reduction of the federal loan portfolio. In practice, the loan portfolio pays off slowly over time, thus reducing the fiscal impact substantially—see Levy Economics Institute discussion that follows.

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**National
Urban League**

nul.org

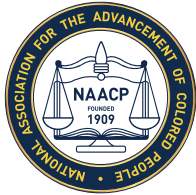
The **National Urban League** helps African Americans and others in underserved communities achieve their highest true social parity, economic self-reliance, power, and civil rights. The League promotes economic empowerment through education and job training, housing and community development, workforce development, entrepreneurship, health, and quality of life.



**The Leadership
Conference
Education Fund**

civilrights.org/edfund/

The **Leadership Conference Education Fund** builds public will for laws and policies that promote and protect the civil and human rights of every person in the United States. The Education Fund was founded in 1969 as the education and research arm of The Leadership Conference on Civil and Human Rights, the nation's oldest and largest civil and human rights coalition of more than 200 national organizations.



www.naacp.org

Founded in 1909, the National Association for the Advancement of Colored People (hereinafter NAACP) is our nation's oldest, largest and most widely known grassroots civil rights organization. The principal objectives of NAACP are to ensure the political, educational, social and economic equality of all citizens; to achieve equality of rights and eliminate racial prejudice among the citizens of the United States; to remove all barriers of racial discrimination through democratic processes; to seek enactment and enforcement of federal, state and local laws securing civil rights; to inform the public of the adverse effects of racial discrimination and to seek its elimination; to educate persons as to their constitutional rights and to take all lawful action to secure the exercise thereof.



www.unidosus.org

UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an Affiliate Network of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers at the national and local levels. For 50 years, UnidosUS has united communities and different groups seeking common ground through collaboration, and that share a desire to make our country stronger.



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.

While the housing crash was devastating to families at all income levels, it was disproportionately destructive to entire communities of low- and moderate-income families and borrowers of color. In fact, it wiped out generations of family wealth in these communities. Many of these families had successful 30-year loans, but they were lured by the promises of deceptive marketing and then financially devastated when they were placed in egregious loan products.

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.

This paper has been updated since original release in July 2019. Original draft available upon request.

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