

Model Resolution on Student Loan Debt Crisis in North Carolina

WHEREAS – Student loan debt has reached crisis levels in North Carolina. North Carolina’s borrowers now owe an astounding \$41 billion in student loan debt.¹ In North Carolina, 21 percent of residents owe money for their educations,² and the average four-year college graduate leaves school with roughly \$26,500 in federal student loan debt.³

WHEREAS – North Carolina’s student loan borrowers are struggling to repay their loans. One in three student loan borrowers in repayment are severely past due or in default.⁴ Fourteen percent of all borrowers are in collections on their student loan debt, and that figure increases to eighteen percent for borrowers of color.⁵

WHEREAS – The rate of homeownership, one of the most important ways to build wealth, has returned to fifty-year lows.⁶ One contributing factor is student loan debt. Research from the National Association of Realtors has demonstrated that student loans are leading to serious delays in home purchases, with the average student loan borrower delaying the purchase of their first home by an average of seven years.⁷

WHEREAS – Student debt disproportionately affects communities of color. For people of color, even a bachelor’s degree is not a safeguard against crushing debt: Black bachelor’s degree graduates default at five times the rate of white bachelor’s degree graduates, and are more likely to default than whites who never finish a degree.⁸

WHEREAS – Women are more likely to struggle with student loan debt. Approximately 34 percent of all women and 57 percent of Black women who were repaying student loans reported that they had been unable to meet essential expenses within the past year.⁹ Women graduate, on average, with \$2,700 more in student loan debt, and because they earn about 26 percent less, paying off their debt takes significantly longer. This is especially true for women of color, who face even greater income disparities. Black women have the greatest average amount of student loan debt.¹⁰

WHEREAS – People living in low- and moderate-income neighborhoods in North Carolina are more likely to borrow money for college attendance than those living in higher income neighborhoods,¹¹ exacting high levels of distress on these communities. North Carolina’s rural areas, which have more low-income student loan borrowers than urban areas, also have higher student loan delinquencies. Twenty percent of rural North Carolina consumers have severely delinquent student loan debt, compared to an average of 15 percent in Raleigh, Charlotte, and Winston-Salem.¹²

WHEREAS – The AARP is increasingly concerned about student loan debt affecting the financial stability of older Americans.¹³ In North Carolina, the number of people over the age of 60 with outstanding student loan debt increased by 56 percent between 2012 and 2017, with the amount of outstanding debt burdening this age group growing by 91 percent to \$2.5 billion over this same time period.¹⁴ More seniors are being pushed into poverty because of the

federal government's ability to garnish seniors' social security income for repayment of federal student loan debt.

WHEREAS – For-profit colleges are a major driver of student loan debt. For-profit, post-secondary institutions are more expensive than other schools, and borrowers are less likely to be able to repay their loans when they leave. In North Carolina, undergraduate enrollment at for-profit colleges are most likely to be students that are low-income (65%), African-American (54%), and women (67%). Unfortunately, this means that an inordinate number of low-income students, students of color, and women are left with large loans that they cannot repay, and very little to no educational benefit in return.

WHEREAS – Servicemembers and veterans are aggressively targeted by for-profit colleges seeking to take advantage of the G.I. Bill and other military educational assistance funds.

WHEREAS – Seventy-one percent of students attending historically black colleges and universities (HBCUs) received a Pell Grant, almost double the proportion of students who receive Pell Grants at non-HBCUs.¹⁵ However, the Pell grant's ability to meet rising college costs has decreased dramatically, creating challenges for low-income students to afford postsecondary education without going deep into debt.

WHEREAS – Student loan servicers are a critical link in determining whether people will have a pathway towards paying off their debt, or simply be continually rolled into one unaffordable payment after another. Servicers have engaged in a range of abusive practices like misapplying student loan payments, failing to properly discharge the loans of veterans and others who qualify for discharge due to their disabilities, and placing borrowers into plans that simply delay the debt rather than repay it. These actions and others cause student debt to balloon for individual borrowers, and thus contribute to the growing student loan crisis.

WHEREAS – By rolling back existing federal guidance and by seeking to thwart states' rights to protect students in their own states against student loan abuses, the U.S. Department of Education has signaled that it is willing to make it easier for servicers of federal student loan debt to operate with less oversight and fewer protections for students. Among other rollbacks, the Department has stopped sharing routine information with the Consumer Financial Protection Bureau and state law enforcement agencies. To the benefit of for-profit colleges, the Department has also rolled back protections against fraudulent for-profit schools.

WHEREAS – The North Carolina Attorney General has affirmed the right of states to oversee and enforce student loan laws, signing a letter with a bipartisan group of 29 attorneys general that said, 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."¹⁶

WHEREAS – Several states have already begun to take legislative and enforcement actions related to unfair and deceptive practices of student loan servicers and for-profit colleges.

THEREFORE, BE IT RESOLVED – That student loan debt is a \$41 billion crisis in North Carolina. The crisis particularly burdens women, people of color, seniors, veterans, rural communities, and low-income students.

THEREFORE, BE IT FURTHER RESOLVED – That the current student loan debt crisis will seriously affect the financial future of borrowers in our state, including their ability to buy homes, start businesses, and save for retirement in the state of North Carolina.

THEREFORE, BE IT FURTHER RESOLVED – That the North Carolina General Assembly should act to prevent unfair and abusive practices by for-profit colleges which sink borrowers into debt but provide little educational benefit.

THEREFORE, BE IT FURTHER RESOLVED – That the North Carolina General Assembly should act to ensure that students are treated fairly when trying to repay their debt, such as through legislation that sets standards for student loan servicers by banning unfair and deceptive practices as well as deliberate negligence or inaccuracy in loan servicing or reporting.

THEREFORE BE IT FURTHER RESOLVED – That U.S. Department of Education should to recommit itself to borrowers and their families, instead of for-profit colleges and student loan servicers.

THEREFORE BE IT FURTHER RESOLVED – That the federal government and state should increase funding for low-income students to attend college, including increasing federal Pell Grants and investing more state and federal funds in HBCUs and other institutions serving low-income students.

BE IT FINALLY RESOLVED – That local, state, and federal governments must recognize student loan debt as a crisis, and work across party lines to find a solution that will benefit America's student loan borrowers and their families.

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- ¹ State Level Household Debt Statistics 2003-2017, Federal Reserve Bank of New York, (Feb. 2018), https://www.newyorkfed.org/medialibrary/Interactives/householdcredit/data/xls/area_report_by_year.xlsx
- ² Consumer Credit Explorer, Federal Reserve Bank of Philadelphia, <https://www.philadelphiafed.org/eqfx/webstat/index>.
- ³ The Institute for College Access & Success, *Student Debt and the Class of 2017* 10 (2018), https://ticas.org/sites/default/files/pub_files/classof2017.pdf.
- ⁴ Consumer Credit Explorer, Federal Reserve Bank of Philadelphia, <https://www.philadelphiafed.org/eqfx/webstat/index>.
- ⁵ Urban Institute, Debt Collection in America: Student Loan Debt, <https://apps.urban.org/features/debt-interactive-map/>
- ⁶ Economic Policy Institute, 50 Years After the Kerner Commission, February 2018, <https://www.epi.org/files/pdf/142084.pdf>.
- ⁷ National Association of Realtors, Student Loan Debt and Housing Report, Oct. 2017, <https://www.nar.realtor/research-and-statistics/research-reports/student-loan-debt-and-housing-report>.
- ⁸ Brookings Institution, The looming student loan default crisis is worse than we thought, January 10, 2018, <https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf>.
- ⁸ Economic Policy Institute, 50 Years After the Kerner Commission, February 2018, <https://www.epi.org/files/pdf/142084.pdf>.
- ⁹ American Association of University Women, Women's Student Debt Crisis in the United States, May 2018, <https://www.aauw.org/research/deeper-in-debt/>.
- ¹⁰ *Supra*, note iii.
- ¹¹ Consumer Credit Explorer, Federal Reserve Bank of Philadelphia, <https://www.philadelphiafed.org/eqfx/webstat/index>.
- ¹² *Id.*
- ¹³ Michael Stratford, Why the AARP is worried about student loans, Politico, June 7, 2018, <https://www.politico.com/agenda/story/2018/06/07/student-loans-debt-aarp-000666>
- ¹⁴ CFPB, Older consumers and student loan debt by state, Aug. 2017, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_older-consumers-and-student-loan-debt-by-state.pdf
- ¹⁵ United Negro College Fund, Fewer Resources, More Debt: Loan Debt Burdens Students at Historically Black Colleges and Universities, 2016, http://images.uncf.org/production/reports/FINAL_HBCU_Loan_Debt_Burden_Report.pdf?_ga=2.242088706.101454009.1535490292-1424695705.1535490292.
- ¹⁶ <http://ncdoj.gov/CMSPages/GetFile.aspx?nodeguid=b5070505-2d2d-40d1-a158-256f231a2d6d&lang=en-US>.