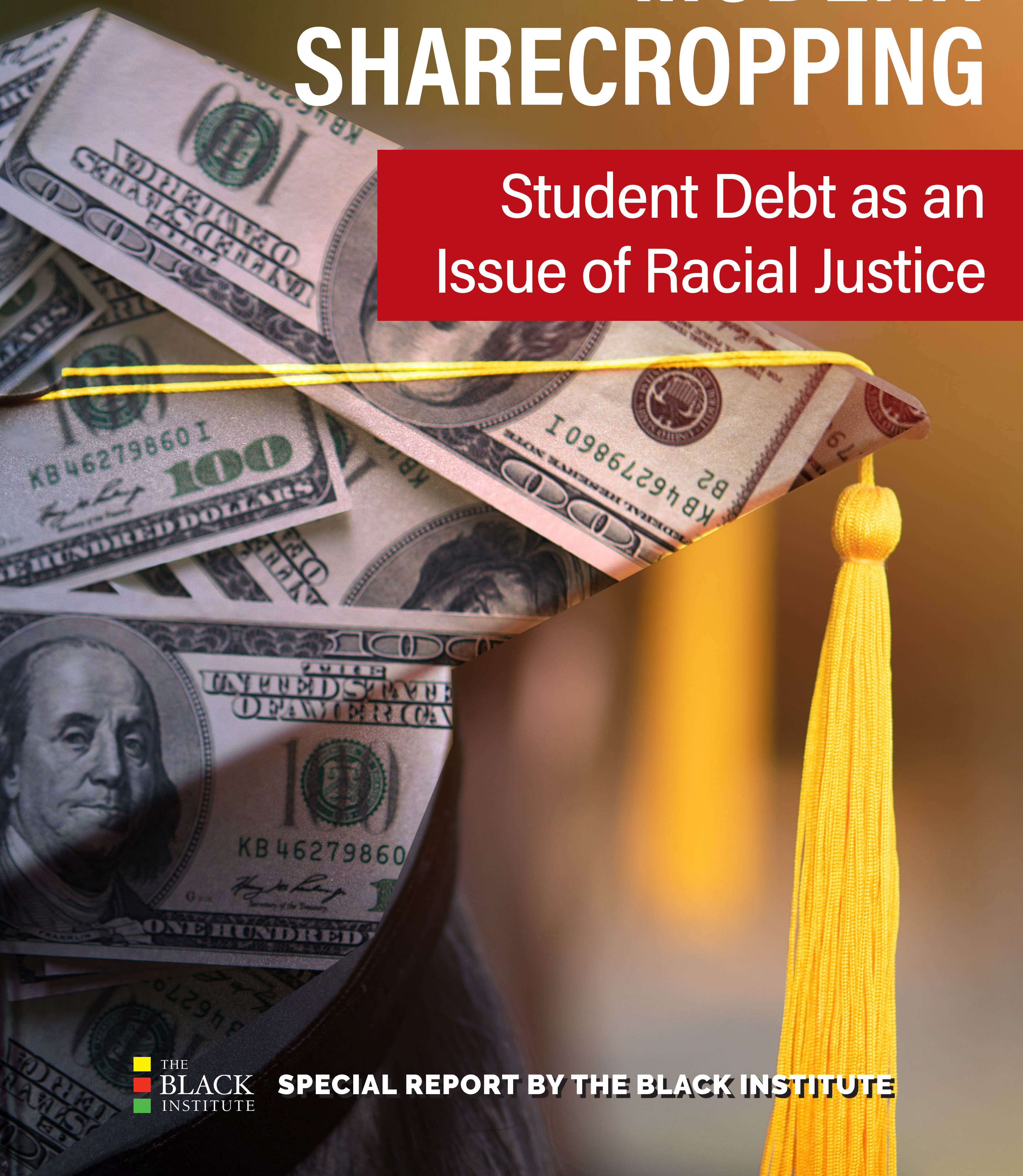
# MODERN SHARECROPPING

## Student Debt as an Issue of Racial Justice



THE BLACK INSTITUTE

**SPECIAL REPORT BY THE BLACK INSTITUTE**

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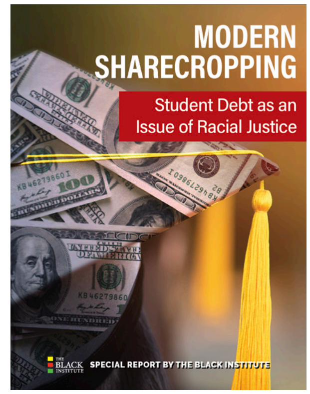


**Modern Sharecropping**
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# I. EXECUTIVE SUMMARY

The issue of student debt represents one of the most important debates in modern politics, as well as one of its greatest crises. Nearly one third of America has some amount of student debt, a figure that has ballooned in recent years, and the total weight of that debt has likewise grown to top a staggering 1 trillion-dollar figure. Debt of all kinds rules much of American life, but nowhere are the crippling effects of student debt more pronounced then in our most vulnerable populations; communities of color. Yet the research and discussion around student debt in relation to people of color specifically has been disappointingly minimal.

In this report, The Black Institute (TBI), seeks to remedy this lack of focus on our most vulnerable populations by examining the issue of student debt from the perspective of these communities of color. The examination begins with an overview of the history of student lending and a brief look at how the system currently functions. In both instances, we highlight the systemic inequities baked into student debt as well as the absurd complexity of the process which works only towards the detriment and debt servitude of everyone, but especially people of color. We next look at how these factors have led to the state the nation finds itself in today – inflated tuition, lacking choices for alternative financing, and examine the short- and long-term effects of student debt on borrowers, financially and psychologically. The report telescopes in on how people of color suffer the most from the current system, including a spotlight on higher education fraud and financing schemes.

The report concludes with a discussion of the contemporary efforts to "fix" the issue of student debt, what has been done, and TBI's perspective on what must be done to ensure that student lending reform is targeted towards benefitting the marginalized groups that need this reform, and the relief it would provide, the most. We support the cancellation of student debt for both economic and social reasons, but stress that without fundamentally altering the way that student lending is conducted we are doomed to see a repetition of the current crisis.

# II. INTRODUCTION

Student debt is an issue that has plagued the American higher education system for decades. Broadly speaking, it is something many students must face—a barrier that bars them from higher education. We are now in the middle of a national crisis that affects millions of students around the country; students owe almost 1.7 trillion USD, collectively a debt that is owed by almost 45 million people, with an increase of almost 99% in the past decade,[1] for the right to education and the American dream. The question of student loans becoming a 'national catastrophe' is one that needs to be answered now, both to mitigate the fast-growing debt gap but also to relieve the mental and financial burdens from the shoulders of America's future professionals.

"The right to education is a human right and indispensable for the exercise of other human rights," UNESCO notes in their official website. There is clear evidence that education enables and promotes the growth of democracy, peace, and economic growth as well as is a key player in the reduction of child labor and poverty. In this way, the right to education is one of the cornerstones of the vaunted American dream, where the people of the United States of America are free to achieve prosperity and success through hard work in a land rife with opportunity—but the cycle of debt and student loans operates almost completely in opposition to that notion.

More specifically, student debt is a product of oppression and further perpetuates a self-fulfilling cycle of continuous oppression in a way that dominates the futures of young Black and Brown students alike.

But to understand this assertion, one must first define exactly what student loan debt is. Student loans, as the name might suggest, are loans tailored for students to cover the cost of higher education, especially for students who lack the funds necessary to cover said cost. This money can be used in a variety of ways, including tuition, housing, books, and other expenses arising from attending college, university, or other higher education/training institutions. Most student loans are directly issued by the Department of Education, however, in contrast to private lenders. As tuition costs have risen and wage growth has stagnated, more and more students seeking higher education have found it necessary to take out debt to finance their education.

Student debt is overwhelmingly a racial issue, not in the least because this issue does not affect the lives of all students—it does, unless the student in question happens to be a part of the upper-class wealth bracket, where they may rely on the funds of their parents—but because of the overwhelming impact of student debt on minorities. The racial disparities inherent in this issue have become more and more apparent: students of color are affected, disproportionately, by student debt. A 2014 and 2015 report have both found that "Black students borrow more than other students for the same degrees, and Black borrowers are more likely than white borrowers to drop out without receiving a degree".[2]

Furthermore, not only do Black students hold more debt than white students do on average—by the age of 25, the debt gap is extremely evident, according to studies that involve national survey data[3,4]—but that after graduation, Black graduate students hold "substantially more debt by age 25 compared to their white counterparts."[5] Sadly, there is a striking lack of research on the causes of these disparities, according to a 2016 letter written by the National Consumer Law Center to the Secretary of Education. The letter states this: "For nearly a decade, the Department of Education has known that student debt impacts borrowers of color differently from white borrowers. Yet in that decade, **the Department has failed to take sufficient steps to ameliorate the disproportionately negative impact on borrowers of color,** or even to conduct further research to discover the causes or the extent of disparities."[6]

Not only is this an issue for all current, future, and former students of the United States, but this issue dearly affects the future prospects of primarily Black and Brown students. The racial disparities seen in student debt strongly correlate with disparities in wealth, disparities that have dramatically increased in the past decades with the net result of widening the general social and economic gaps between Black and white Americans. According to data given by Brookings, the Black-white gap is the only debt gap that "more than triples in size"; most other gap disparities remain continuous over time, signifying differences in undergraduate debt, and furthermore, "Black borrowers remain more than three times as likely to default within four years as white borrowers (7.6 percent versus 2.4 percent)."[7] This is only reinforced by systemic issues involved in the repayment of debt, including a widespread problem where people, especially people of color, find that the amount they owe has actually increased over time.

This is a grim picture, but it is not without precedent. What other American system offered the prospect of opportunity to marginalized communities, only to include in the fine print the mechanisms which would only bind them into a cycle of servitude and debt? We need only look back to the Reconstruction and the institution of sharecropping to see the similarities. Student debt is, for our vulnerable communities, merely a new form of an old practice; it is modern sharecropping. Higher education's ability to allow people of color to break the socioeconomic barrier into success is the promised harvest, but the crippling debt needed to reach that harvest is the landlord renting tools and selling supplies at utterly unreasonable rates. Thus the dream of a brighter future becomes a nightmarish cycle of struggling to survive while avoiding default, and ends up reinforcing the same disparities minority students are trying to overcome.

If this is the case, then why is it that we allow for student debt to force students into even further vicious cycles? More than that, the most widely-acknowledged solution—for Biden and his administration to cancel all student debt—is, even now, still a topic of contention. The current analysis of the situation doesn't take into consideration the minority view of such a topic, instead keeping it as an issue that is purely monetary. The cancellation of all student debt is only the first step we must take to mitigate the problem that plagues Black and brown students: our priorities must lie with the Black and brown students who stand to lose the most in this issue of racial justice—the growth of student debt must be moved to the center of public agenda.

[1] Abigail J. Hess. "What's Still up for Debate When It Comes to Student Debt Forgiveness." CNBC, CNBC, 6 Apr. 2021, https://www.cnbc.com/2021/04/06/what-the-student-debt-forgiveness-debate-is-about.html.

[2] Scott Clayton Evidence Speaks - Brookings. https://www.brookings.edu/wp-content/uploads/2016/10/es_20161020_scott-clayton_evidence_speaks.pdf.

[3] Addo, Fenaba R., et al. "Young, Black, and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt." Race and Social Problems, vol. 8, no. 1, Mar. 2016, pp. 64–76. Springer Link, https://doi.org/10.1007/s12552-016-9162-0.

[4] Grinstein-Weiss, Michal, et al. "Racial Disparities in Education Debt Burden among Low- and Moderate-Income Households." Children and Youth Services Review, vol. 65, June 2016, pp. 166–74. ScienceDirect, https://doi.org/10.1016/j.childyouth.2016.04.010.

[5] Scott Clayton Evidence Speaks - Brookings. https://www.brookings.edu/wp-content/uploads/2016/10/es_20161020_scott-clayton_evidence_speaks.pdf.

[6] "Student Loan Borrowers Assistance." Student Loan Borrowers Assistance, https://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/ltr-sec-king-race-student-debt.pdf

[7] Scott Clayton Evidence Speaks - Brookings. https://www.brookings.edu/wp-content/uploads/2016/10/es_20161020_scott-clayton_evidence_speaks.pdf.

# III. STUDENT DEBT: AN OVERVIEW

Understanding the history and machinations of student debt is integral to understanding not only how it functions, but how it is so systematically dysfunctional for students of color. From its genesis during the Cold War of the 20th century to the present debates about how to deal with it, student debt is a perennial issue with much debate and mixed response: first, from a point of hope—now, as a point of despair.

1. Student loan debt in the United States totals **$1.75 trillion and grows 6 times faster than the nation's economy.**
2. There are **43.2 million student borrowers that are in debt by an average of $39,351 each**.
3. The outstanding **Federal Loan Portfolio is over $1.65 trillion.**
4. Approximately **42.9 million Americans** with federal student loan debt each owe an average **$37,105 for their federal loans.**
5. More than **35 million** of these borrowers **qualified for general student debt relief** under the Coronavirus Aid, Relief, and Economic Security Act (CARES) of 2020.
6. The average public university student borrows **$30,030 to attain a bachelor's degree.**[8]

## a. The History of Student Debt

The root of modern student loans, or loans specifically intended and marketed for educational purposes, occurred in the 1940s with the passage of the Servicemen's Readjustment Act of 1944, more commonly known as the G.I. Bill of Rights or G.I. Bill. This sweeping program was the result of concentrated and successful lobbying by veteran groups after highly publicized fallout from the Bonus Army demonstration, which saw World War 1 veterans protesting the lack of support from the federal government and ended with the Army being mobilized to clear the demonstrators out of the capitol. In comparison to the benefits that had been awarded to WWI veterans, the G.I. Bill was a major package of low-interest mortgages, loans, and most significantly tuition and training cost assistance for returning veterans aimed at re-integrating service members into civilian economy and society. Through these loans and grants, service members in WWII who had potentially been out of work for multiple years could establish or re-establish comfortable and productive lives. The original G.I. Bill is lauded in history as being one of the major socioeconomic forces that led to decades of general American prosperity and has seen many subsequent iterations and expansions that have primarily built upon the education and training aspects of the original bill.

Despite its generally positive effects on America, however, the G.I. Bill's passage also served as the beginning of the modern racial divide in student debt. It is a well-known fact that Black and brown service members, despite their exemplary service during the war, received no meaningful accolades or general recognition for their efforts in Europe and the Pacific and faced widespread discrimination, harassment, and even death upon returning. To add further insult to injury, these nonwhite service members were also denied many of the benefits that the G.I. Bill offered returning veterans due the bill being, as some have described, "deliberately designed to accommodate Jim Crow."[9] The primary benefits of the bill being the low-interest loans, the bill

[8] "Student Loan Debt Statistics [2021]: Average + Total Debt." Education Data Initiative, 17 Nov. 2021, https://educationdata.org/student-loan-debt-statistics.

[9] Nick Kotz, "'When Affirmative Action Was White': Uncivil Rights," The New York Times (The New York Times, August 28, 2005), https://www.nytimes.com/2005/08/28/books/review/when-affirmative-action-was-white-uncivil-rights.html?_r=0.

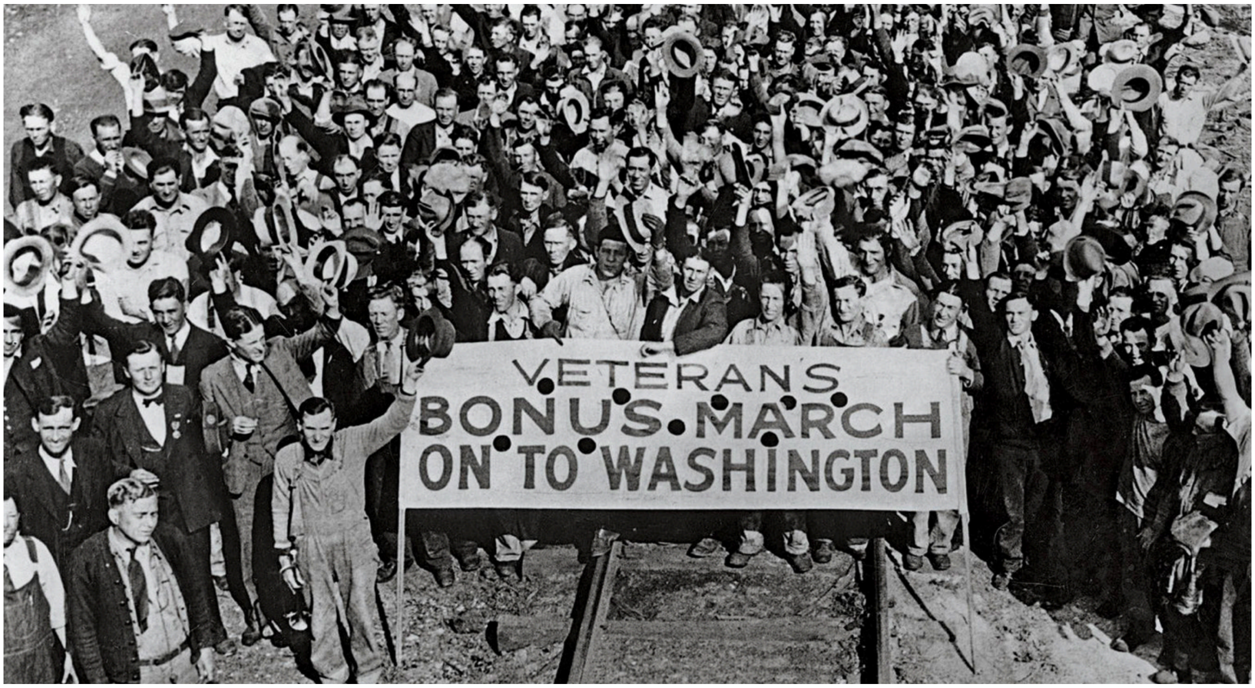


**FIGURE 1:** Bonus Army Protesters, circa 1932. The march was politically embarrassing to the federal government and was a major motivation for the generosity of the G.I. Bill. Courtesy of the National Parks Conservation Association.[10]

delegated the responsibility for approving and administering these to local institutions, which were virtually entirely controlled by a racist white elite. This meant that thousands of veterans of color were denied access to capital for housing, businesses, and education and instead forced to seek low-paying, unskilled labor that would functionally guarantee continued Black servitude. Even though the bill did encourage increased Black and brown college participation, the amount who were actually able to finance their education through the bill was small and geographically limited. Moreover, due to persistent discrimination, the actual number of schools that would allow veterans of color were small and lacked the facilities to accommodate even those with the means to attend, resulting in thousands of veterans being turned away.[11]

The G.I. Bill can therefore be considered as a spiritual ancestor of the modern system of student debt, as federal money was used to subsidize the education of private individuals. However, the restriction of the bill's target population only to service members and the racial divisiveness of the bill meant that large sections of the population were unable to utilize federal money in the form of educational loans. The modern system of student debt truly begins in 1958 under the National Defense Education Act (NDEA). Under the NDEA, the federal government officially entered the business of student loans. The NDEA was a relatively limited program aimed at, as the name might suggest, promoting areas of study that had significant relevance to the security of the United States. This meant that those hoping to benefit from the program had to be studying something with national security implications, primarily the sciences, engineering, and mathematics. While this program was small and focused, it paved the way for more wide-ranging federal involvement

[10] "The Forgotten March," National Parks Conservation Association (National Parks Conservation Association), accessed May 17, 2022, https://www.npca.org/articles/1915-the-forgotten-march.

[11] Erin Blakemore, "How the GI Bill's Promise Was Denied to a Million Black WWII Veterans," History.com (A&E Television Networks, June 21, 2019), https://www.history.com/news/gi-bill-black-wwii-veterans-benefits.

in the business of tuition assistance for students, which would happen just seven years later.

In 1965, as part of his Great Society agenda, President Lyndon B. Johnson signed into law the Higher Education Act of 1965[12] (HEA), which dramatically increased the amount of resources for students pursuing college and/or graduate education. Much like the NDEA, Johnson's intentions were primarily aimed at promoting science and technologically adept Americans, but unlike the NDEA the act was also meant to be a first step to making higher education available to all. As such, HEA's express purpose was to ensure that more students, regardless of background, would be prepared and able to participate in collegiate and graduate education. This vision of progress and equality in education, through the HEA, laid the foundation for student assistance through scholarships, federally insured low-interest loans, and work-study programs, though even in the law's first incarnation, the emphasis was on loans rather than grants or work-study.[13] Under this act, the foundation for the modern system of student loans was laid down and codified as an American institution.

The impact of HEA was tremendous and near-immediate. College enrollment increased 120% in the 1960s alone, and at the end of the decade over a third of 18–24-year-olds were in college. The cost of tuition annually in the 1968/69 academic year for public and private colleges was $321 and $1,417 respectively;[14] adjusted for inflation, in 2022, that works out to $2,617 and $11,552. While not particularly expensive even at the time, it was expensive enough to make the prospect of cheap aid highly compelling for prospective students, and students flocked to it in ever-increasing numbers.

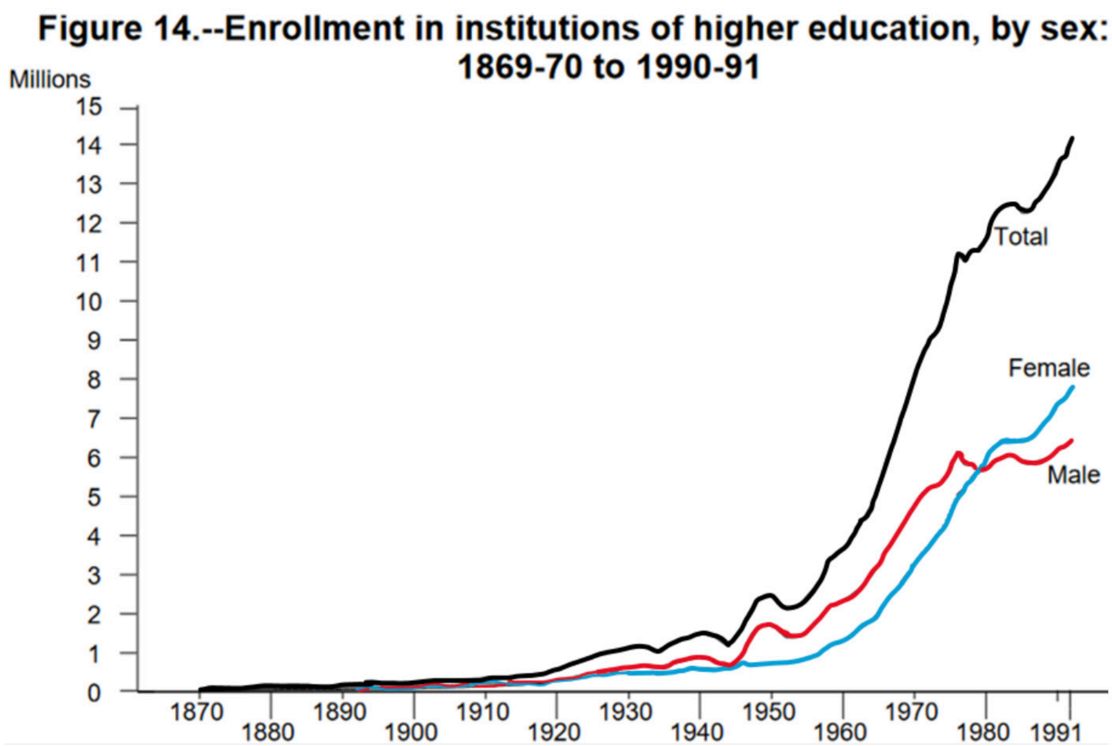


**FIGURE 2:** Figure 2: Higher education enrollment statistics from 1896-1990. Edited for clarity. Note the spike in 1945 and the increased positive slope beginning in 1960.[15]

[12] Kagan, Julia. "The Higher Education Act of 1965 (HEA) Definition." Investopedia, Investopedia, 19 May 2021, https://www.investopedia.com/terms/h/higher-education-act-of-1965-hea.asp.

[13] "Student Loan Debt and the Higher Education Act of 1965," US RENEW NEWS, November 10, 2020, https://www.usrenewnews.org/2020/11/09/student-loan-debt-and-the-higher-education-act-of-1965/.

[14] Melanie Hanson and Fact Checked, "Average Cost of College over Time: Yearly Tuition since 1970," Education Data Initiative, January 9, 2022, https://educationdata.org/average-cost-of-college-by-year.

[15] Thomas Snyder, "120 Years of American Education: A Statistical Portrait," National Center for Education Statistics (NCES) Home Page, a part of the U.S. Department of Education, January 19, 1993, https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=93442.

However, it was not only a good deal for the students. The original version of the HEA created two broad types of federal lending: **direct loans** and guaranteed loans. The former, direct loans, were administered directly by the Department of Education (DoE), meaning that the creditor for these loans was the federal government itself and, by extension, the money was the governments. While considered an economically sound idea, at the time of the HEA's passing the rules for the 1965 federal budget would have led to these loans being tallied as losses on the federal balance sheet. While only an accounting technicality, the concept of the federal government potentially having recorded losses in the millions, if not tens of millions, was a wildly unpopular one at the time. As such, the HEA provided a second type of federal loan, the **federally guaranteed loan**, which were managed under the Federal Family Education Loan Program (FFEL). Unlike direct loans, guaranteed loans were issued by private banks under the FFEL, rather than from the government itself.[16] In the event students defaulted, the government would compensate the bank for the loss incurred. Under the 1965 budget rules, guaranteed loans had "no cost" to the government as paying out on guarantees would not become a consideration until at least the following year. The decision to prioritize guaranteed lending as opposed to direct lending was, therefore, essentially one based on optics.

In a somewhat ironic inversion of what happened with the G.I. Bill, where private lenders restricting access to loans to certain demographics, the HEA led them to do the exact opposite. Private banks got a sweet deal; the HEA would lead to more and more students going to college, expanding the market for the loans, and there was basically no risk on their part as the government would cover the losses from delinquent borrowers. There was no good reason to not lend to anyone who met the relatively lenient requirements for federally-guaranteed loans, and so private lenders plunged into the market wholeheartedly. Specialized banking services like Sallie Mae, which was created in 1972 as a government sponsored enterprise and fully privatized in 2004,[17] began to crop up to specifically act as middlemen for federally-guaranteed loans. Predictably, this created an annual cycle of more students taking more debt, earning greater profits for lenders, and further incentivizing them to market to more and more students. At the time, it seemed to be a winning deal for both the students and the banks – cheap aid and protected profits, respectively.

The good times were not to last, however. Post-secondary education, whether private or public, remained governed by the laws of supply and demand and were quick to realize that they too could make money off of a well-intentioned attempt to encourage education in America. This manifested in a steady increase in annual tuition rates beginning in the 1980s. For the 1979/80 year, a year of college cost an average of $738 and $3,617 for public and private colleges, respectively.[19] A decade later those figures had increased to $1,780 and $8,396; increases of 14.1% and 160.3%, respectively.[20] Borrowers began to borrow more as a result, and banks began to work with colleges to increase the need for borrowing. This fueled a growth that has continued almost unabated until the present day, with tuition and fees having increased nearly 1,200% since 1988.[21]

In the early 1990s, people began to take notice of the increasing amount of student debt Americans held, coupled with the massive profits it generated for private banks, and demanded greater emphasis on direct lending through the DoE. As part of the 1993 budget, a bill was passed that

[16] "Student Loan History," New America, accessed April 5, 2022, https://www.newamerica.org/education-policy/topics/higher-education-funding-and-financial-aid/federal-student-aid/federal-student-loans/federal-student-loan-history.

[17] Adam S. Minsky, "The Story of Sallie Mae," Boston Student Loan Lawyer, January 29, 2014, https://bostonstudentloanlawyer.com/the-story-of-sallie-mae.

[18]

[19] Melanie Hanson and Fact Checked, "Average Cost of College over Time: Yearly Tuition since 1970," Education Data Initiative, January 9, 2022, https://educationdata.org/average-cost-of-college-by-year#1980.

[20] Ibid.

[21] Emmie Martin. "Here's How Much More Expensive It Is for You to Go to College than It Was for Your Parents." CNBC, CNBC, 29 Nov. 2017, https://www.cnbc.com/2017/11/29/how-much-college-tuition-has-increased-from-1988-to-2018.html.

https://educationdata.org/average-cost-of-college-by-year#1980

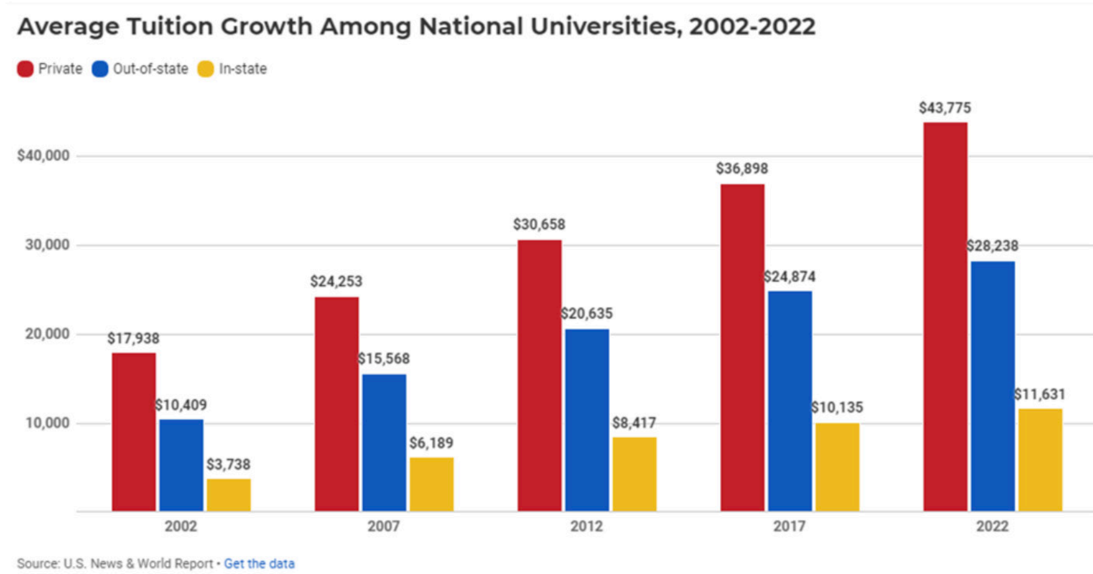


**FIGURE 3:** Average Tuition Growth Among National Universities, 2002-2022. Courtesy of U.S. News.[22]

would phase in direct lending, but was undone four years later by another budget bill. As a result, the DoE was prohibited from influencing institutions in any capacity towards direct lending, while placing no limits on private activities to continue guaranteed loans.[23] This led to a decade-long decline of direct lending that was only reversed thanks to the 2008 Global Financial Crisis, which was spawned as a result of predatory lending practices in the mortgage market but had dramatic implications for virtually all financial institutions, including student loan purveyors operating under the FFEL. It was clear by this point that private lenders could not be trusted to act responsibly and indeed bore much of the blame for the massive increases in college-related expenses. As a result, President Barack Obama signed the Health Care and Education Reconciliation Act of 2010, which included a provision that eliminated guaranteed loans and reclassified all existing federal loan programs as direct lending under the DoE.[24] Put plainly, from now on federal lending was exclusively done by the government itself; private lenders could no longer lend education money in the government's name or expect a bailout in the event of a default.

However, the legislation stopped short of directly addressing the problems of providing the illusion of cheap funding for secondary education. While its end was a positive change, little was done to address the currently existing amount of student debt, which just two years later, in 2012, broke the $1 trillion mark.[25] The effects of the financial crisis four years prior had barely abated and Americans graduating in 2012 faced an average debt of $29,400[26] with few economic opportunities to repay it. For college hopefuls, the end of guaranteed loans had done nothing to lessen the need for loans; higher education institutions remained addicted to the easy money that widespread lending had brought them and showed little mercy for students and families still suffering from 2008. In 2008, public and private tuition was $6,312 and $22,040 respectively; four years later, it was $8,070 and $24,523, increases of 28.9% and 11.7% respectively.

[22] 20 Years of Tuition Growth at National Universities." US News, 17 Sept. 2021.

[23] https://educationdata.org/average-cost-of-college-by-year#1980

[24] SANTO JR., G. F., & RALL, L. L. (2010). Private Student Loan Financing in an Era of Needs and Challenges. Journal of Structured Finance, 16(3), 106-115

[25] "The History of Student Loans in a Timeline," LendEDU, January 19, 2022, https://lendedu.com/blog/history-of-student-loans.

[26] Melanie Hanson and Fact Checked, "Student Loan Debt by Graduation Year [2022]: Total + per Student," Education Data Initiative, January 19, 2022, https://educationdata.org/average-student-loan-debt-by-year.

The end result of this history is one of good intentions being perverted and twisted by the greed of private lenders and post-secondary educational intuitions of all kinds. It was born out of a spirit to make our nation stronger and better, but regulation was hindered and failed to keep pace with the staggering implications of making easy debt widely available and under the responsibility of capitalist managers. While the core problem of private lenders has largely been solved through making federal loans direct, the damage has been done and, as we inch ever closer to the $2 trillion-mark, half-hearted measures are simply not enough.

## b. The Student Debt System

Student debt is often considered to be a monolithic institution in part because, following the elimination of guaranteed loans (loans backed but not issued directly by the federal government), almost all student debt in the United States is derived from the federal government. It should come as no surprise, however, to learn that the forms of federal student debt are numerous and confusing. In fact, as one can observe from countless testimonials and articles to the point, the entire system of student lending, federal and private, is a bewildering tangle of who owes who what, how much, when, and so forth. Delving into the delicate machinations of each and every program, loan, and so forth is beyond the scope of this section, but a brief exploration will serve to demonstrate how the system seems almost deliberately engineered to confuse and entrap Yet even that debt manifests in a variety of forms that each have an impact on the student debt crisis, and it is worth examining these various forms, as well as private student aid, in order to comprehend exactly how these loans contribute to this ever-growing crisis.

It is pertinent to begin with federal loans, as these make up the vast majority of the current student loan debt. Federal loans are administered by the Department of Education under the William D. Ford Federal Direct Loan Program (Direct Loan Program). Under this program, there are four kinds of federal loans available to students:[27]

- **Direct Subsidized Loans**
- **Direct Unsubsidized Loans**
- **Direct Plus Loans**
- **Direct Consolidation Loans**

**Direct Subsidized Loans (DSL),** or Subsidized Stafford Loans, are federal loans that are only made available to undergraduate students with demonstrated financial need. Financial need is calculated through the Free Application for Federal Student Aid (FAFSA). In the case of DSL, the institution determines the amount of your loan in relation to the financial need demonstrated on the FAFSA, which must be completed annually, and federal limitations on the total annual amount, which starts at $3,500 in freshman year and caps at $5,500 in senior year.[28] These loans are only available to undergraduates and are unique as they do not begin to accrue interest until after leaving college,[29] and for the first six months after leaving the government will pay the interest on the accrued amount of loans. This makes them ideal for students who come from poor families, as they can graduate or leave and have time to secure a job and begin to pay off debt before it starts accumulating interest. Critically, graduate students cannot take DSL loans.

**Direct Unsubsidized Loans (DUL)**, or Unsubsidized Stafford Loans, are federal loans that are available to undergraduate and graduate students regardless of need. Like with DSL loans, the school sets the amount that you are eligible to receive, but unlike DSL loans interest on the loan begins to accrue immediately after taking the loan.[30] This makes them less ideal than DSL loans, which effectively have no interest until six months after graduation; for example, DUL loans taken out in freshman year of undergraduate schooling will effectively accumulate four years of interest without any form of repayment during that time. Federal lending caps also prioritize DSL amounts relative to DUL amounts – for dependent students[31] there is an aggregated limit of $31,000 in federal student aid for all four years of undergraduate education, of which not more than $23,000 can be in DSL loans. For independent students, the aggregate total is $57,500 but the $23,000 cap on DSL loans remains in force.[32] The rate of the loan also depends on the student's educational status – undergraduate students pay the same rate for DSL loans as they would DUL loans, but graduate students pay an additional 1.55% in interest, which will be visualized more directly shortly.

**Direct PLUS** loans come in two forms – parent PLUS and grad PLUS. The former targets parents of undergraduate students to assist with the financing of education for students.[33] With these, parents assume federal debt for the student's education that the student themselves may not have been eligible for, but responsibility for repayment lies on the shoulders of the parents, not the students themselves. Unlike DSL and DUL loans, the maximum borrowing is determined by the cost of attendance to the school in question minus financial aid given to the student, meaning that parents can annually borrow tens of thousands of dollars for their student as long as they meet the requirements. Grad Plus loans function similarly to parent Plus loans, with the same APR and borrowing restrictions, but are made directly to the student in question and not to the student's parents.[34] Both do not require payment until six months after the student graduates, but like DUL loans the interest on these begins to accrue almost immediately.

***"No one ever disclosed to me that I would lose the opportunity of forgiveness if I consolidated loans. I will never ever be able to pay back the loan in the manner that is being asked of me."***

*-Adelfa H., speaking on how consolidation prevented her from public service debt forgiveness programs. Retrieved from the Student Debt Crisis Center*

**Direct Consolidation Loans** are less a federal student loan and more so a service made available to federal student borrowers. Under this program students and parents with multiple student loans may bundle together their federal loans at a fixed interest rate under one servicer; in other words, instead of paying loans A, B, and C to servicers 1, 2, and 3, you can combine the loans into loan D and only pay servicer 2 based on the amount of loan D. The idea is to reduce the stress and headaches of having to pay multiple loan servicers and keeping track of the various loans one has.[35] You only need to pay once a month, to one servicer. But this program has its downsides. For one, combining your loans under a new interest rate can increase the amount of time it will take to pay off your debt, since now all your loans, regardless of how far they were repaid, are one. The process of consolidation also voids any special advantages on certain loans, like lower interest rates or adjustable interest rates depending on your economic status or profession. In fact, you may end up owing more per month because your interest rate has increased or because the amount of interest you owe on your new principal balance (the combined total of all of your loans) now

[27] "Understanding Aid: Loans," Federal Student Aid, accessed April 5, 2022, https://studentaid.gov/understand-aid/types/loans.

[28] "Understanding Aid: Subsidized vs. Unsubsidized Loans," Federal Student Aid, accessed April 5, 2022, https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized.

[29] "Loans," FinAid, accessed April 5, 2022, https://finaid.org/about/contact/collegeloanbeforegraduation.

[30] Rebecca Lake, "Subsidized vs. Unsubsidized Student Loans-What's Best for You?," Investopedia (Investopedia, April 5, 2022), https://www.investopedia.com/personal-finance/federal-direct-loans-subsidized-vs-unsubsidized.

[31] Students who are claimed as dependents by parents or other family members

exceeds what you owed when they were separate. Depending on your personal circumstances, consolidation could actually be worse than simply paying off each individual loan!

Of course, we must also discuss the interest rates on these federal loans, which are equally varied and, especially in instances of consolidation, can become even more confusing. It comes as a surprise to many people to learn that the DoE is actually not responsible for setting or approving student loan interest rates at all. Instead, the Congressional Budget Office (CBO) sets the annual rate using a standardized formula for each class of loan, which is then approved by the U.S. Congress. The formulas for each class of loan are as follows: [36, 37]

- **For DSL and DUL Undergraduate Loans: 10-Year Treasury Note Rate + 2.05%**
- **For DUL Graduate Loans: 10-Year Treasury Note Rate + 3.60%**
- **For PLUS Loans: 10-Year Treasury Note Rate + 4.60%**

One could understandably be confused by what seems to be a simple formula. The 10-Year Treasury Note is essentially a bond that matures in 10 years – think of it as a 10-year loan to the government, where you are collecting the interest. The rate in question is the interest the government pays on that loan, which many investors call the "yield" since the interest rate is tied to the profitability of the loan. Ten-year notes are considered one of the most important investments as they are used as a way of determining the health of the economy, as well as a way to calculate everything from mortgages to future economic performance and are one of the safest investments in the world as each note is fully backed by the U.S. government.[38] These are auctioned monthly at changing rates, which are typically determined by investor demand for the notes.

In the context of student debt, the CBO uses the May 10-Year Note rate in all of the aforementioned formulas, plus a fixed increase set by congressional law, and which are included in the aforementioned formulas. However, you may see a very large problem with this calculation – it is tied to an asset that changes frequently and could at any given point have a value that is near zero or potentially unlimited. The general rule of thumb is that when investors feel the economy is strong, the rate on these notes increases since they are less in demand, and vice versa for when the economy is doing poorly. So, the CBO has a built-in limit on the amount of interest the government can charge for its student debt, which can be seen below:[39]

- **For undergraduate DSL and DUL Loans: 8.25%**
- **For graduate DUL Loans: 9.50%**
- **For PLUS Loans: 10.50%**

While the issues with this formula will be addressed later, the fundamental issues with how the government administers and sets interest rates on student loans should be clear. There is a startling disparity in the loans the government offers that needlessly complicates the terms of borrowing and can lock out undergraduate borrowers from the more advantageous DSL loans, and which penalizes graduate students trying to pursue advanced degrees as well as parents trying to support their child's education.

The interest rates themselves constitute a far more egregious issue in almost every respect,

[32] Lake, "Subsidized vs. Unsubsidized Student Loans-What's Best for You?,"

[33] "Understanding Aid: Parent PLUS Loans," Federal Student Aid, accessed April 5, 2022, https://studentaid.gov/understand-aid/types/loans/plus/parent.

[34] "Understanding Aid: Grad PLUS Loans," Federal Student Aid, accessed April 5, 2022, https://studentaid.gov/understand-aid/types/loans/plus/grad.

[35] Federal Student Aid. "Consolidating Your Federal Education Loans Can Simplify Your Payments, but It Also Can Result in the Loss of Some Benefits." Federal Student Aid. Department of Education. Accessed July 19, 2022. https://studentaid.gov/manage-loans/consolidation.

however. Chiefly is the formula, which may seem logical at first, but is usurious and counterproductive to the goal of facilitating a more educated America. By tying interest rates to an asset that is supposed to broadly represent the health of the economy, and then leveraging a fixed amount in addition to that, it creates inequity amongst students, and even amongst individual loans held by a single student. Students borrowing in a strong economy end up being penalized relative to those that borrow in a worse economy which, while perfectly sound business logic, only reinforces the idea that education is a commodity and not an intrinsic asset in our nation. And given that families of color benefit far less from economic booms and suffer more from economic busts, this rate directly reinforces the gap between borrowers of color and white borrowers.

Moreover, the maximum cap rates are set at levels which, while likely unreachable in the coming years given the economic fallout from the COVID-19 pandemic, are set far above what should be reasonable for educational funding. It is true that since the end of guaranteed lending, the rates have not approached the caps. Yet consider what setting interest rate caps so extraordinarily high represents for the likely rates, combined with the current formula. The average rates between the 2006/07 and 2022/23 years for the respective types of debt are:

- **For undergraduate DSL and DUL Loans: 4.26%**
- **For graduate DUL Loans: 6.18%**
- **For PLUS Loans: 7.23%**

While these rates may not be considered excessive relative to other forms of interest (mortgage, credit cards, etc.) it is important to again reiterate that when student debt was first envisioned, it was intended to make higher education more accessible to Americans who, without the aid, might otherwise be barred from attendance. The average rates above are all fairly removed from the capped amounts, yet because the capped amounts are so high in relation to the formula that is used to calculate the annual rates, it allows for interest rates that are unreasonable relative to the original purpose of federal student lending. Exorbitant interest payments extend the repayment period – for context, see the below examples. Note that in all cases: the loan term is ten years (standard for unconsolidated loans) the standard minimum payment is at least $50, undergraduate DSL and DUL loans assume a period of four years and graduate DUL loans assume a period of two years:

- **An independent undergraduate student who takes the maximum amount of DSL loans ($23,000) at the average rate of 4.26% will pay roughly $5,285.87 in interest before fees, roughly $235.72 per month. At the capped rate of 8.25%, interest before fees is $10,852.19, a monthly payment of roughly $282.10.**

- **An independent undergraduate student who takes the maximum amount of DUL loans ($34,000) at the average rate of 4.26% will pay $5,975.52 in interest before fees, roughly $266.46 per month. At the capped rate of 8.25%, interest before fees is $12,267.40, a monthly payment of roughly $318.90.**

- **An independent graduate student who takes the maximum amount of DUL loans ($41,000) at the average rate of 6.18% will pay $14,067.82 in interest before fees, roughly $458.90 per month. At the capped rate of 9.50%, interest before fees is $22,664.38, a monthly payment of roughly $1,061.04.**

[36] Sarah Foster, "How Fed Rates Impact Student Loans," Bankrate (Bankrate, April 12, 2022), https://www.bankrate.com/loans/student-loans/how-fed-rate-cut-impacts-student-loans.

[37] Elyssa Kirkham, "How Are My Student Loan Interest Rates Determined?," Student Loan Hero (Student Loan Hero, September 27, 2019), https://studentloanhero.com/featured/how-student-loan-interest-rates-decided.

[38] Zucchi, Kristina. "Why the 10-Year U.S. Treasury Yield Matters." Investopedia, October 8, 2014. https://www.investopedia.com/articles/investing/100814/why-10-year-us-treasury-rates-matter.asp.

[39] Kirkham, "How Are My Student Loan Interest Rates Determined?"

The actual totals will vary as students will not always take out the maximum amounts or, in the case of graduate example, may need to take out quite a bit more (recall that the maximum for graduate students is $138,000). Yet even as hypotheticals, this should serve to highlight the absurdity of the current rates and the current caps on these loans. With wages having stagnated for decades while the cost-of-living increases, making these full payments on schedule is a pipe dream for many borrowers. For borrowers of color in particular, who must also reckon with racial disparity in pay, these are simply impossible.

At this point, it bears mentioning the role of the private sector in the student loan business. About 92% of student debt in America, or roughly $1.61 trillion is owned by the federal government through the DoE. However, despite the end of guaranteed loans, there remains a private student debt market that accounts for 7.89% of the total student loan figure, or roughly $136.31 billion.[42] Unlike federal loans, which have set interest rates based off of calculated figures and set repayment options, the process of determining private loan rates is far more subjective depending on the individual. Credit scores, the amount and type of loan, and the state of the market all play into determining exactly what sort of deal individuals will receive on a year-to-year basis. Depending on the terms of the deal, moreover, the loan may allow for a variance in the interest rate; unlike federal loans, which have fixed interest rates, some private lenders may tie your interest rate to abstract market rates, which means that depending on the state of the economy you may owe more or less than you originally planned for. It goes without saying that unlike federal loans, which

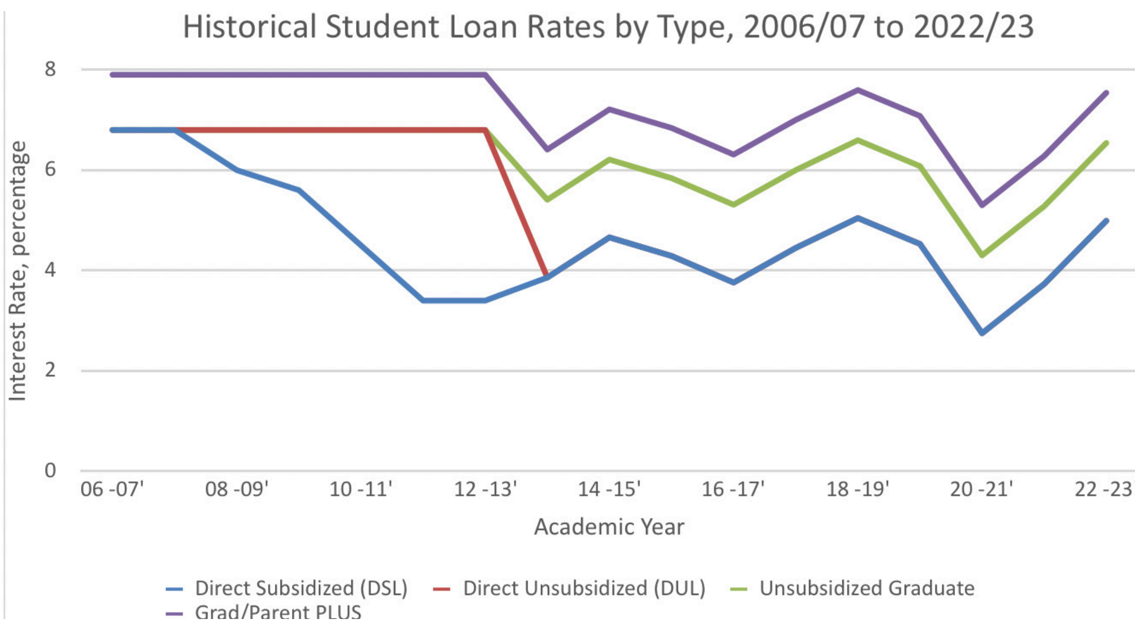


**FIGURE 4:** Federal Lending, 2006/07 - 2021/22. Note that beginning in the 2013/14 academic year, DSL and DUL loans for undergraduates were reconciled to the same rate. For each academic year, chart reflects the fixed rate. [40, 41]

[40] Kantrowitz, Mark. "Historical Federal Student Loan Interest Rates and Fees." Savingforcollege.com, May 12, 2020. https://www.savingforcollege.com/article/historical-federal-student-interest-rates-and-fees.

[41] Kumok, Zina. "Current Student Loan Interest Rates." LendEDU, June 3, 2021. https://lendedu.com/blog/student-loan-interest-rates.

can be halted, adjusted, or eliminated by federal action, there is far less recourse or hope for the same to happen with private debt.

***"I am so overcome with grief and depression at the prospect of this weight which for the last two years has felt...invisible. Weightless. And now that weight returns and I feel as if my chance at a healthy, happy, financially secure future slipping away... I just really, dont know what I am going to do."***

*– Michael, speaking on the emotional cost of student debt. Retrieved from the Student Debt Crisis Center*

Private lenders are numerous and range from companies specifically in the business of lending to those that simply have it as a branch of their operations. Eerily similar to credit cards (at least one of which, Discover, does offer student loans), borrowers have a number of factors to consider depending on their individual circumstances besides just the rates, such as fee structure, cosigner flexibility, and how easy it is to deal with the lender. Below is a partial list:

- **Sallie Mae**
- **Ascent**
- **College Ave**
- **SoFi**
- **Custom Choice**
- **Education Loan Finance**
- **Lendkey**
- **Discover Student Loans**
- **Advantage Education Loan**
- **Earnest**

However, the private sector still plays a large role in the business of federal student loans, even if they are now a minority in providing loans themselves. For those without student loans this may seem strange given that, per previous discussion, the DoE is now solely responsible for disbursing, or giving out, federal student loans. But the devil is in the details, and while it is true that federal student loans now come solely from the federal government, the federal government is not actually the one making sure you pay. This is where loan servicers come into play, serving as the middleman between the government and borrowers by collecting payments for the government and, supposedly, helping borrowers maximize their repayments.[43] The federal government

[42] Helhoski, Anna, and Ryan Lane. "Student Loan Debt Statistics: 2022." NerdWallet, September 22, 2017. https://www.nerdwallet.com/article/loans/student-loans/student-loan-debt.

[43] Anna Helhoski. "Student Loan Servicers: Who They Are and What They Do." NerdWallet, April 22, 2016. https://www.nerdwallet.com/article/loans/student-loans/who-is-my-loan-servicer.

[44] Anna Helhoski. "Student Loan Interest Rates: Federal, Private, Refinancing." NerdWallet, March 19, 2018. https://www.nerdwallet.com/article/loans/student-loans/student-loan-interest-rates.

contracts loan servicers for this, and in exchange the servicer collects a “servicing fee”, which is typically tacked onto the interest one pays monthly.[44] As of July 2022, there are nine contracted loan servicers for the federal government:[45]

- **FedLoan Servicing (PHEAA)**
- **Great Lakes Educational Loan Services, Inc.**
- **HESC/Edfinancial**
- **MOHELA**
- **Aidvantage**
- **Nelnet**
- **OSLA Servicing**
- **ECSI**
- **Default Resolution Group**

[45] Federal Student Aid. Who's My Student Loan Servicer. U.S. Department of Education, 2022.

## c. The Cost of Student Debt

When you take these figures into consideration and match them up with the idea of the average student paying nearly $100,000 for a four-year degree, the issue is abundantly clear. The reality is that most students simply cannot afford to pay for college out of pocket. Moreover, even if a student were able to get a scholarship, was a Pell recipient, and/or was working throughout their education, the chances that those would be enough to fund even undergraduate education is slim. Knowing these numbers, then, and knowing that in today's society, education is often the only way for students to grasp their futures, financial aid just is not enough to keep up with these rising tuition costs. Student loans are an inevitable necessity for any student without a trust fund or family willing to contribute for their education

According to the Pew Research Center, around 20% of student borrowers are in default: meaning that around 20% of students are not making payments on their debt and/or cannot make said payments. The immediate penalty for defaulting is that the borrower's credit score goes down, a potentially devastating occurrence. Credit scores, regardless of the ethical implications of the concept, are a critical component in many major actions and aspects of life and are based on one's reliability. Failing to make payments on existing debt, such as student loans, can have far reaching consequences for one's life: banks will refuse to lend to you or demand high interest payments, landlords deny rental applications for fear that the renter will not pay, and even some employers may refuse to hire applicants with bad scores on the grounds said applicants may prove unreliable. Moreover, simply defaulting on student loans does not erase them; they can and will continue to snowball as unpaid months pass and the interest on the balance continues to accrue.

**Borrower loan default rate within 12 years after entry, by attainment status and race and ethnicity**
**Students who entered college in 2003-04 and took out federal loans for undergraduate education**

| | Overall | Attained bachelor's degree | Attained associate degree | Attained certificate | No degree, still enrolled | Dropped out |
|---|---|---|---|---|---|---|
| White | 21 % | 6 % | 17 % | 40 % | 23 % | 38 % |
| Black or African American | 49 % | 23 % | 33 % | 54 % | 46 % | 65 % |
| Hispanic or Latino | 36 % | 14 % | 21 % | 51 % | 30 % | 48 % |
| Overall | 29 % | 9 % | 22 % | 46 % | 29 % | 46 % |

**FIGURE 5:** Borrower loan default rate within 12 years after entry, 2017. Courtesy of Inside Higher Ed and the Center for American Progress.[46]

The figure above is a sad example of how trying the burden of student debt can be, such that holders may default despite knowing the consequences. The table depicts the default rate for students who entered college in the 2003-04 academic year, and how many were in default at the end of 2016. At the time, tuition for public schools was still firmly below the $10,000 mark, and private four-year tuition was under $20,000. Despite this, nearly half of Black borrowers in that year were in default in 2017, on loans over a decade old, and the majority of those in default were those who had had to drop out. It is abundantly clear that the overall pressure of rising tuition costs and the lack of viable funding alternatives create a funneling effect towards student loans, with potentially devastating long-term effects for those that take them long after they have graduated.

Moreover, the above figure represents another problem that is present throughout analysis of student debt – a lacking specificity regarding race. While the above figure does demonstrate a

[46] Fain, Paul. "Default Crisis for Black Student Borrowers." Inside Higher Ed, 17 Oct. 2017, https://www.insidehighered.com/news/2017/10/17/half-black-student-loan-borrowers-default-new-federal-data-show.

racial breakdown, it makes no mention of Asian or Indigenous American default rates; information which, while maybe not pertinent to the overall point, is still critical to include in order to completely represent the issue and provide context for the other figures. As further evidence, the Federal Reserve's breakdown of student lending by race is organized into just four categories: White (non-Hispanic), Black (non-Hispanic), Hispanic, and Other. Yet when examining the breakdown of these figures, the Other category accounts for 24.3% of the total debt holders![47] Nearly a quarter of student debt is held by people that are not White, Black, or Hispanic, yet the government refuses to specify further despite almost certainly having that data available to them. This is a failure of responsibility by not making more specific data accessible to the public.

Yet even despite these, students may still be able to count on family to provide at least some help towards funding their education; that is, if their families have the capacity to do so. While there are certainly large segments of the population that contradict this rule, the general notion that white families are in a much better position to provide this sort of aid holds true, due in part to these families having a sounder financial base to accommodate the financial stress of paying for education.

Even more worrying is that, according to the Economic Policy Institute, "after controlling for age, gender, education, and region, Black workers are paid 14.9% less than white workers."[48] This means that Black families have, even after graduation and during a period of stable work, even less of an opportunity to build their own financial base as a result of this wage gap. If this goes on, then the issue of student debt will only continue to grow and affect students even more strongly and will only become a greater burden to bear.

[47] Federalreserve.gov. "The Fed - Table: Survey of Consumer Finances, 1989 - 2019." Accessed July 26, 2022. https://www.federalreserve.gov/econres/scf/dataviz/scf/table.

[48] Gould, Elise. "State of Working America Wages 2019: A Story of Slow, Uneven, and Unequal Wage Growth over the Last 40 Years." Economic Policy Institute, https://www.epi.org/publication/swa-wages-2019.

# VI. THE STATE OF STUDENT DEBT TODAY

Despite the end of private lending, student debt remains an issue of unparalleled economic strife that weighs on millions of Americans and continues to rise. As of March 31, 2021, the total amount of student debt in the United States was $1.75 trillion,[49] with an average federal individual debt of $37,013.[50] That is an amount that is equivalent to over 83% of the median income in America – no wonder nearly 6% of borrowers are delinquent on their loans. It therefore demands examination in order to assess exactly what the issues are that have led to continuous increases in debt so that solutions may be ascertained.

## a. Rising Tuition Costs

As previously demonstrated, the cost of attending college and graduate school has been rising at a steady rate since the 1980s. Colleges were spurred on by the glut of easy money to begin raising tuition rates a clip that has dramatically outpaced wage growth – a comparison of tuition inflation vs median weekly wage increases between 2000 and 2020 shows a growth rate of nearly 59% versus 5%, respectively,[51] all while inflation has similarly maintained a steady upwards trajectory. Each year, the cost of attendance at all forms of college has continued to hit new highs; in the 2021/2022 academic year, the average cost of attendance[52] for one year at a public four-year in-state college was $25,487, while a year at a private four-year college cost $53,217.[53] This is despite the widespread awareness of

**Annual Cost of College**

| Public Institutions | Cost of Tuition | Additional Expenses** | Cost of Attendance |
|---|---|---|---|
| 4-Year In-State | $9,349 | $16,138 | $25,487 |
| 4-Year Out-of-State | $27,023 | $16,138 | $43,161 |
| 2-Year In-State | $3,377 | $12,371 | $15,748 |
| **Private Institutions** | **Cost of Tuition** | **Additional Expenses** | **Cost of Attendance** |
| 4-Year Nonprofit | $35,807 | $17,410 | $53,217 |
| 4-Year For-profit | $14,957 | $20,168 | $35,125 |
| 2-Year Nonprofit | $16,898 | $17,121 | $34,019 |
| 2-Year For-profit | $15,333 | $17,046 | $32,379 |

**FIGURE 6:** Annual Cost of College in 2021. [54]

[49] "A Look at the Shocking Student Loan Debt Statistics for 2022," Student Loan Hero, February 9, 2022, https://studentloanhero.com/student-loan-debt-statistics.

[50] Travis Hornsby et al., "Student Loan Debt Statistics for 2022 [Average Student Loan Debt + More]," Student Loan Planner, March 30, 2022, https://www.studentloanplanner.com/student-loan-debt-statistics-average-student-loan-debt.

[51] Ibid.

[52] The cost of attendance includes tuition as well as costs such as housing, meals, books, and other miscellaneous costs associated with attending postsecondary education

[53] Melanie Hanson and Fact Checked, "Average Cost of College [2022]: Yearly Tuition + Expenses," Education Data Initiative, March 29, 2022, https://educationdata.org/average-cost-of-college.

the horrific economic impacts of the Covid-19 pandemic and tuition freezes implemented by many colleges in order to alleviate a level of pressure on students.

The above graphic provides a snapshot of just how expensive college of any kind has become. While the graphic segments institutions into two broad categories, there are actually three different kinds of institutions with one to two sub-types. First are **public institutions,** or those that receive a majority or all of their funding from the state, which are **nonprofit** and required to be more accessible to the public as a means of securing college education. **Private** non-profit institutions are, as the name suggests, privately-run colleges and universities that are registered non-profits, which means that they cannot produce "profit"; excess money has to be re-invested into the institution's programs, facilities, etc. These are typically smaller, more expensive schools. Lastly are **for-profit institutions,** which operate as businesses providing an educational service, experience, or other "product" to a customer and which operate as businesses that aim to deliver profits for investors. Within these three kinds of institutions there are also two major sub-types; four-year and two-year institutions. Four-year institutions are the "classic" higher education experience with more resources and more educational paths, whereas two-year, or community, colleges are more focused on either basic education or on specific skills.

Regardless of the type of institution, however, the focus is on the cost of attendance in this report. Tuition is understandably a major factor in determining how much a postsecondary education costs, but one should also pay attention to the "Additional Expenses." These are costs associated with attending the school in question, which include everything from room and board to textbooks, technology fees, and even minor things like paying for laundry.[55]

As tuition prices increase, many students and their families find themselves simply unable to pay for the cost of their education. Yet even though the number of jobs requiring nothing more than a high school diploma continue to outweigh those that require further education,[56] students are well aware that college and post-collegiate education pays – median weekly earnings for people with only a high school diploma are only 60% of that for those with a bachelor's degree, a difference of over $500 per week.[57] Education pays and students are thirsty for the opportunities to enter into the ever-more competitive workforce of today, but the cost of tuition is simply beyond the capacity of many students and families to pay when the median household income in America is only $68,703.[58] This figure, however, does not do justice to the families of students of color, who have a household income of only $45,870[59] annually and are thus far less positioned to be able to afford the skyrocketing tuition rates demanded by colleges. Seeking out alternative funding sources such as grants, scholarships, work opportunities, or loans is essentially required in order to attend. But while there are grants and working opportunities available, these are so highly competitive that most students will get little to no aid from these.

According to the HSBC Bank's Value of Education report,[60] at least 59% of parents are concerned about their financial resources regarding their children's education: 14% of parents say that their resources also include the contribution of their child's grandparents. In a way, this denotes the sheer impossibility for many families to pay for tuition fees; not only do the students have to rely on the financial funds of their nuclear family, but even those funds might not be enough to pay the bill. It is,

[54] Hanson, "Average Cost of College [2022]: Yearly Tuition + Expenses,".

[55] These figures are based on averages, and thus do not necessarily affect all students equally. Measures like living at home, purchasing used textbooks, and other lifestyle factors may contribute to decreased (or increased) expenses.

[56] "Education Level and Projected Openings, 2019–29 : Career Outlook," U.S. Bureau of Labor Statistics (U.S. Bureau of Labor Statistics), accessed April 5, 2022, https://www.bls.gov/careeroutlook/2020/article/education-level-and-openings.htm#s4.

[57] "Education Pays, 2020 : Career Outlook," U.S. Bureau of Labor Statistics (U.S. Bureau of Labor Statistics), accessed April 5, 2022, https://www.bls.gov/careeroutlook/2021/data-on-display/education-pays.htm.

[58] "What Is the Average American Income in 2021?," PolicyAdvice, March 12, 2022, https://policyadvice.net/insurance/insights/average-american-income.

[59] Published by Statista Research Department and Sep 20, "Household Income of Black Families U.S. 2020," Statista, September 20, 2021, https://www.statista.com/statistics/203295/median-income-of-black-households-in-the-us/.60 "Educatio

[60] "The Value of Education & Price of Success - HSBC Bank USA," The Value of Education & Price of Success - HSBC Bank USA, accessed April 5, 2022, https://www.us.hsbc.com/value-of-education/.

then, up to the attending students to make up for their families' lack of financial funds set aside for higher education, forcing them to seek out student loans in order to pay for postsecondary education because of their lack of family resources.[61]

It is inevitable, then, that students and families turn to student loans as a means to finance their education, with the implicit hope that the value of their education will allow them to pay off the debt they accumulate over the course of their education. Yet every year, history has shown us, the costs of college will increase again and again while families and students become ever-more pressed to come up with the money to finance their education and end it further behind than when they initially started.

***"My parents wanted a better future for me than what they had...The debt in their name that they took out so that we could go to school is 1000 a month not counting our other loans and my own and my siblings individual educational loans. We can't afford to move out now and are worried about losing the house at the same time. My dad might have to work two jobs (he already commutes two hours for work) And will no longer be able to retire as planned."***

*– Al, speaking on his parents' attempts to help him and his siblings with tuition. Retrieved from the Student Debt Crisis Center*

## b. A Lack of Viable Alternatives

By now, the poison pill of student loans is a near-universally known truth to anyone nearing, in, or beyond post-secondary education. It is clear that while they offer perhaps the easiest way to finance one's education, they are also the deadliest. But how else can a student go to school without taking loans? There are other ways, of course, but as alluded to previously each of these non-loan opportunities have some issue that prevents them from being truly viable for the vast majority of students.

First, we consider merit-based scholarships. In the 2015-2016 National Postsecondary Student Aid Study, the most current data on student scholarships, less than 1% of each year's incoming class are able to win full-ride college scholarships and only 0.2% of students obtained $25,000 or more in scholarships per year.[62] In that year a total of $6.1 billion was awarded to 1.58 million American undergraduate and graduate students as merit-based scholarships and grants. That sounds like quite a lot, but considering the number of students in that year, less than 10% of undergraduate and graduate students actually received merit scholarships. Indeed, the average award per person actually ended up at $3,852 that year, which sounds ludicrous relative to the massive figure until one considers that many of the full-ride scholarships were given at some of the most expensive universities in the country. Figures from the following year Considering the cost of attendance figures referenced in the previous section, that figure only barely scratches the surface of the costs.

Merit scholarships are not the only forms of grant money students can seek, however. Need-based aid does exist on the federal level as well as the university level, with non-loan federal need-based aid taking form primarily in Pell Grants. Over a third of undergraduate students get Pell Grants each year, with the majority going to students from families with income less than $20,000 per year.[63] However, the amount of money these provide is also fairly negligible; for the 2021/2022 academic year the

[61] Sociology of Education, Volume: 87 issue: 1, page(s): 53-69, Jason N. Houle, 2013 https://journals.sagepub.com/doi/10.1177/0038040713512213

[62] The Odds of Your Child Getting a Free Ride to College Are Long - The Washington Post. www.washingtonpost.com, https://www.washingtonpost.com/business/2018/10/16/odds-your-child-getting-full-ride-college-are-low/.

[63] Melanie Hanson and Fact Checked, "Pell Grant Statistics [2022]: How Many Receive per Year," Education Data Initiative, January 15, 2022, https://educationdata.org/pell-grant-statistics.

maximum grant was $6,495[64] and in the 2022/2023 academic year, it will increased a total of $400 to $6,895.[65] These are just the maximums; in 2019 the Pell Grant was $6,195,[66] but the average award was only $4,491.[67] In light of aforementioned current student tuition costs, even if one were to receive the maximum Pell award it would provide only up to a quarter of the annual cost of attendance at a public university. While most universities and colleges have some form of student aid program, the fact that this supposedly universal need-based aid award is so low demonstrates that the majority of students who need this aid would still require far more money.

There are also work-study initiatives administered by the federal government through the DoE's Federal Student Aid office, which are part-time jobs at institutions that participate in the Federal Work-Study Program, which is presently not mandatory for institutions to be a part of. These jobs, according the Federal Student Aid office, try to emphasize "employment in civic education and work related to your course of study whenever possible"[68] with the implicit hope that students who are eligible for the program will gain the experience to qualify for higher-paying work upon graduation while also earning money to help support their education.

However, these jobs have no mandated wage beyond the general federal minimum wage and the amount of aid you can receive from these is limited by the need the government determines for you, meaning that the number of hours as well as your compensation rate is determined before you begin working. In a hypothetical scenario, the average award typically stands between $2,000 and $5,000 per year,[69] and the federal minimum wage stands at $7.25 per hour, which means that annually the average work-study participant will work 275 and 689 hours over the course of 30 weeks (15 weeks per semester). This means anywhere from 9 to 24 hours a week could be necessary for work-study, and the wages are taxable.

***"I went to school for 7 terms before they took away my financial aid...I owe over $43,000. I was going to school so I didn't have to try and survive on minimum wage. Now im stuck with minimum wage and a debt hanging over my head that I can never repay."***

*– Matt, speaking on his educational dream and his debt. Retrieved from the Student Debt Crisis Center*

Practically, of course, the amount of aid and the rate of compensation will affect the workload; a student with a $5,000 work-study award at a rate of $12 an hour would only need to work about 14 hours a week. Regardless, however, this represents a massive drain on qualifying students' time that could be used to study or engage in other prospect-enhancing activities. Additionally, as many as 85% of students engage in some form of part-time work, outside of the federal work-study program, during the course of their undergraduate study, with 57% of those students doing so out of financial necessity.[70] While not exactly need-based aid, it demonstrates that the costs of going to school are large enough that many students feel the need to sacrifice an average of 4.2 hours each day working; more time than they spend on doing the schoolwork they are paying to do in the first place.

[64] "Everything You Need to Know about the Federal Pell Grant ...," accessed April 5, 2022, https://www.usnews.com/education/best-colleges/paying-for-college/articles/everything-you-need-to-know-about-the-pell-grant.

[65] "Understanding Aid: Pell Grants," Federal Student Aid, accessed April 5, 2022, https://studentaid.gov/understand-aid/types/grants/pell.

[66] "(Gen-19-01) (GEN-19-01) Subject: 2019-2020 Federal Pell Grant Payment and Disbursement Schedules," (GEN-19-01) Subject: 2019-2020 Federal Pell Grant Payment and Disbursement Schedules | Knowledge Center, accessed April 5, 2022, https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2019-01-23/gen-19-01-subject-2019-2020-federal-pell-grant-payment-and-disbursement-schedules.

[67] Hanson, "Pell Grant Statistics [2022]: How Many Receive per Year,"

[68] "Understanding Aid: Work Study," Federal Student Aid, accessed April 5, 2022, https://studentaid.gov/understand-aid/types/work-study.

[69] https://thecollegeinvestor.com/32614/federal-work-study

[70] HSBC Bank, "The Value of Education & Price of Success - HSBC Bank USA,"

# V. STUDENT DEBT: A RACIAL ISSUE

Not only does student debt affect each and every inch of the lives of American students, it is also an issue that is flush with racial injustices. Student debt predominantly reinforces the racial disparity in wealth between Black students and white students, and student loans affect Black students particularly heavily because of racism inherent to the socioeconomic system of America. Black families have more barriers that bar them from accessing forms of higher education and to further build their wealth. This, then, means that Black families are more likely to borrow much more than white families do and, furthermore, this also means that they are also much more likely to have struggles in repaying their loans.

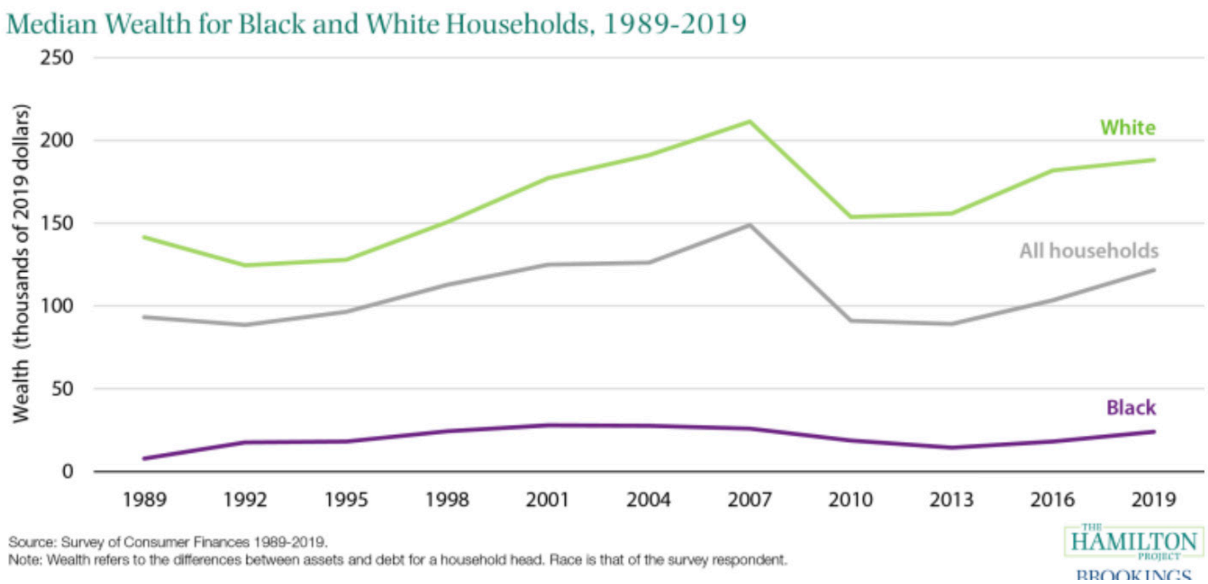


**FIGURE 7:** Median Wealth for Black and White Households, 1989-2019. Courtesy of Brookings[71]

Therefore, when it comes to Black and brown students, the foundation of generational wealth is simply not built up enough to be able to withstand the amount of financial strain that college tuition imposes. It is a well-established fact that decades of both lawful and de facto discrimination have led to significant percentages of the African-American population across the country lacking the financial standing to offer significant, if any, tuition support.

This has led to Black and brown students leaving undergraduate education with an average debt load of $52,726 per person compared to just $28,006 for white graduates.[72] In this way, Black and Brown students are systemically pressured even more than white students to rely on student loans. Their families are less likely to be able to offer any form of financial assistance, and they also are denied "good" terms for the debt they are compelled to take from private lenders because these families are less likely to have the credit scores needed to get this debt. The racial wealth gap is therefore a primary

[71] Broady, Emily Moss, Kriston McIntosh, Wendy Edelberg, and Kristen E. "The Black-White Wealth Gap Left Black Households More Vulnerable." Brookings, 8 Dec. 2020, https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable.

[72] Andre M. Perry, Marshall Steinbaum, and Carl Romer, "Student Loans, the Racial Wealth Divide, and Why We Need Full Student Debt Cancellation," Brookings (Brookings, March 9, 2022), https://www.brookings.edu/research/student-loans-the-racial-wealth-divide-and-why-we-need-full-student-debt-cancellation.

reason for why the student debt crisis has such dramatic importance to borrowers of color.

In fact, for many Black borrowers, according to The Education Trust's study Jim Crow Debt, student loans are not a form of "good debt". Rather, student debt is "bad debt," a heavy burden that provides no redeeming advantages beyond padding the already stuffed pockets of college executives.[73] In exchange, the student borrower receives a degree that was overpriced and an economic ball and chain that they must drag with them throughout their studies and even beyond. There is no guarantee that the degrees these graduates have earned will likewise entail higher compensation rates should they get a job, which further increases the weight of said debt as the ability to repay it simply is not there. This similarly applies to their families, who through programs like the federal parent PLUS program or through private lenders, are technically holding "student debt" that has brought them no benefit by giving them college degrees or training.[74]

The sad reality is that Black and brown aspirants, by and large, face significant socioeconomic impediments in their lives and families that hinder their ability to pay for college any other way. A lack of generational wealth, the result of racist policies such as segregation and redlining[75] is perhaps the most direct roadblock, but many others have their own sordid part to play, from unemployment to a mindset that does not value higher education as a viable pathway.

Therefore, we must answer this question in order to finally realize solutions that would benefit the minority students in question: why do students of color take out so many more loans for education? The answer that seems to have the greatest support lies not in the classroom, but in the homes and communities that students of color grow up in. More simply, they lie in the socioeconomic factors of being a non-white student.

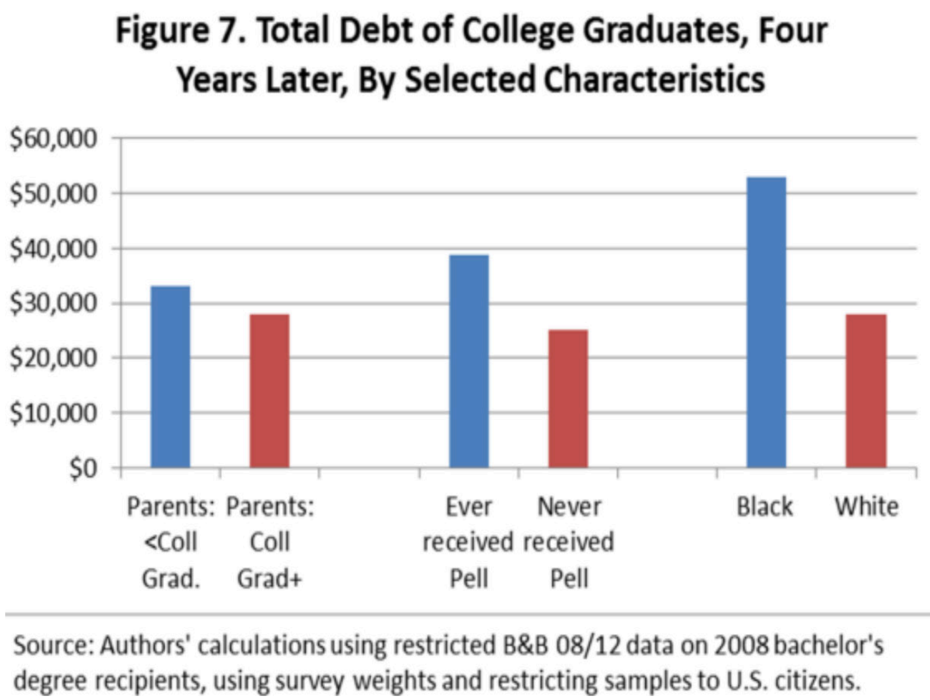


**FIGURE 8:** T otal Debt of College Graduates, Four Years Later. Courtesy of Brookings[76]

[73] Jalil Bishop and Jonathan Davis, "Jim Crow Debt," The Education Trust, March 29, 2022, https://edtrust.org/resource/jim-crow-debt.

[74] Perry, Steinbaum, and Romer, "Student Loans, the Racial Wealth Divide, and Why We Need Full Student Debt Cancellation"

[75] The refusal of banks to lend to people who are deemed to be an unacceptable financial risk, or who live in areas considered to be risky. This practice was used in the early 20th century to justify not providing persons of color loans to purchase or improve homes, one of the first and critical steps needed to build generational wealth.

[76] Scott Clayton Evidence Speaks - Brookings. https://www.brookings.edu/wp-content/uploads/2016/10/es_20161020_scott-clayton_evidence_speaks.pdf.

To further this comparison, we can see that **"twenty years after starting college, the median debt of white borrowing students has been reduced by 94 percent—with almost half holding no student debt—whereas Black borrowers at the median still owe 95 percent of their cumulative borrowing total."**[77] In the figure above, it is clear that the debt gap between Black and white students is strikingly more disparate than between any other group in comparison. We can break this graph down even further; in twenty years, as the graph below demonstrates, a "typical Black borrower still owes 95% of debt [while a] typical white student owes just 6%." The racial disparities between the amount of debt that Black students owe versus the amount of debt that white students owe undeniably highlights the precarious position of Black students. Having little to no family wealth to fall back on, Black students can only take on more loans in order to pay for further opportunities leading to an endless cycle of debt and financial precarity.

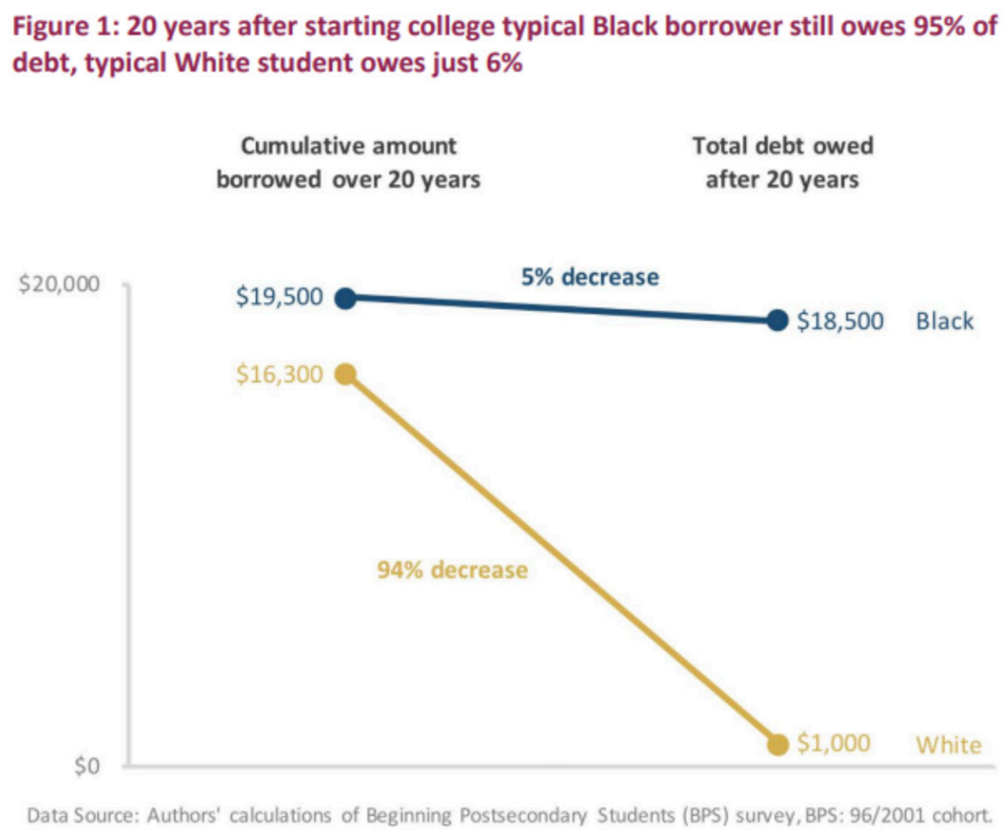


**FIGURE 9:** Comparison of debt in 20 years. Courtesy of Brandeis[78]

These socioeconomic factors form a complex web of causes, effects, and impediments that ultimately deny Black students the right to education without the stress of having to count every penny in an effort to pay off interest-collecting loans. Student debt overwhelmingly harms these Black student borrowers; because of a lack of generational wealth, owing to systematic and historic racial prejudices, Black households find it more difficult to pay off growing student loans as opposed to non-Black households.

[77] How Student Debt Is Disrupting Life Chances and Widening ... https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf.

[78] How Student Debt Is Disrupting Life Chances and Widening ... https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf.

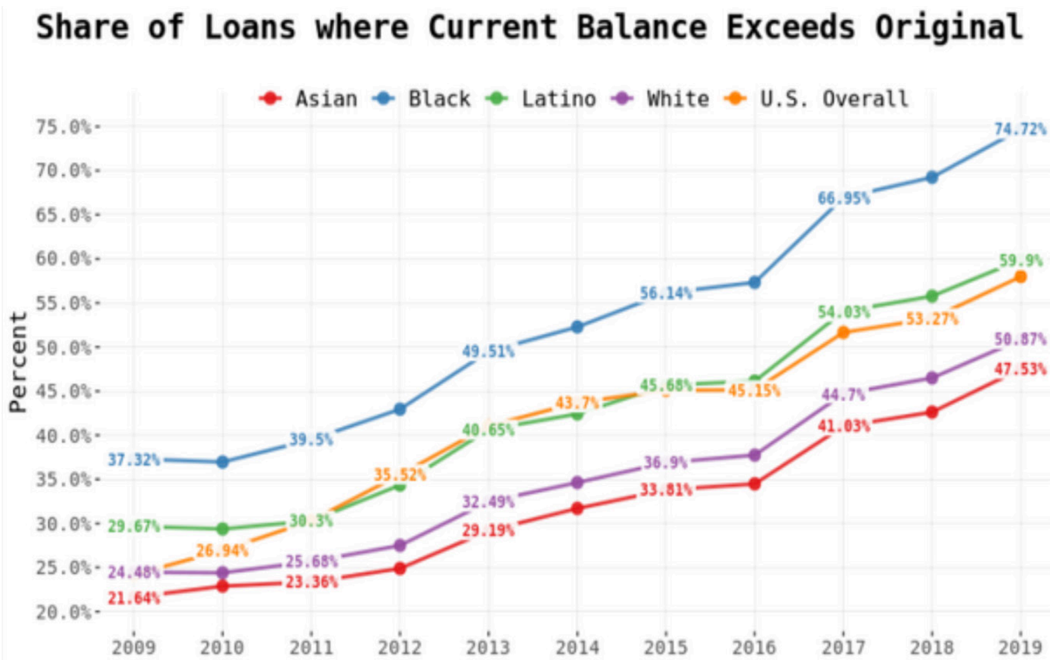


**FIGURE 10:** Racial share of loan debt where the current balance exceeds the original principal, 2009-2019.[79]

In the above figure, we can see the previous point illustrated in startling detail. More and more, the balanced owed by students of color exceeding that of their original balance has been on a steady rise,[80] with most of the burden of student debt falling on the shoulders of Black students. In recent years, the number of black students who owe student loans and owe more than they originally borrowed has skyrocketed, more than tripling. The consequences of student loans are far-reaching for those who have no other choice but to turn to them, affecting not only future plans but also on the students' physical and mental health. Black and brown students, in particular, face the constant stress of loans and debt lingering in the backs of their minds.[81] As they make their way through the already demanding workloads their education requires, they face the added pressure of knowing the end of the tunnel is far from bright. Student debt has a significant negative mental-health impact on Black borrowers, with the inherent stress of keeping up with school, work, and future plans, and many of them believe that they will never be able to pay off the endless spiral of debts and interests on their loans. However, even despite knowing the drawbacks of student loan debt, students of color understand that there are not any other options that they can take in order to attend college.

Furthermore, many student borrowers are financially insecure while trying to pay off their debts: Too many borrowers of color report skipping meals, an inability to properly save for the future as they attempt to pay bills, feed themselves, and repay their debts, the suspension of their future plans to buy a house or other assets and, perhaps the most damning consequence of them all, being unable to pursue graduate or doctoral schooling as a result of high loans. With the rising need of graduate education to secure jobs, this last aspect is perhaps the most unfortunate. Student debt not only affects the financial lives of borrowers, but may even affect their personal timelines. These hardships are a fact of life for Black and Brown students, according to statistics reported by Education Data:

[79] Perry, Steinbaum, and Romer, "Student Loans, the Racial Wealth Divide, and Why We Need Full Student Debt Cancellation"

[80] Clayton, "Evidence Speaks"

[81] "Black Student Borrowers: In Their Own Words." Black Student Borrowers: In Their Own Words | Center for Responsible Lending, 9 Nov. 2021, https://www.responsiblelending.org/research-publication/black-student-borrowers-their-own-words.

- At 46%, Black student borrowers were the most likely to put off buying a home.
- At 43%, Black indebted student borrowers are also the most likely to report having to work more than they would prefer.
- In 2007/'08, Black bachelor's degree holders were the most likely among their indebted peers to describe their educational debt-related stress as 'very high'."

***"Who can survive with an increase of 3% [referencing her hourly wage increase] in these times. It just feels so hopeless sometimes. i just wanted to better myself, be a good role model for my children and ear[n] good money. I feel like I am drowning."***

*– Marie H., talking about her current financial situation. From "Black Student Borrowers: In Their Own Words"*

Though student debt affects nearly every student who takes on student loans, Black students are more vulnerable to the negative effects of student debt and make up many of those who hold hefty debts; according to the U.S. Census Bureau, "Younger adults, particularly those in their late 20s and early 30s, held a disproportionate amount of debt and clear racial and ethnic differences existed in this age group as well." The age bracket described is anecdotally considered to be the "prime" of an individual's life, a time where possibilities are unlimited and people can begin to lay the foundations for a stable, prosperous future by building careers, starting families, and so forth. Despite historic, discriminatory socioeconomic barriers, people of color in this age bracket are theoretically as capable as white people of engaging with life in a similar capacity, including building generational wealth. However, the disproportionate amount of debt these young people of color carry acts instead as a depressant on future aspirations and renders the population myopic, focused entirely on short-term survival rather than long-term stability, let alone future generations.

Another consideration in the discussion of the student debt crisis is examining why so many students, despite having college degrees, are incapable of paying them off simply by earning enough. A common criticism of student debt relief is that many of the students who bear the highest amounts of debt are those who have chosen to pursue careers and majors with far less earning potential and more "up front" education costs, such as required graduate education. If that is the case, then it bares examination whether students of color, who as established are more likely to earn less than white graduates in the same field, are choosing majors that are less profitable. The most comprehensive analysis of this question, while not entirely contemporary, does provide an insightful look at the professions that students of color orient themselves towards, with the top ten major groupings being:[82]

| | |
|---|---|
| **1. Law and Public Policy** | **15%** |
| **2. Psychology and Social Work** | **12%** |
| **3. Health** | **10%** |
| **4. Business** | **9%** |
| **5. Computers, Statistics, Mathematics** | **9%** |
| **6. Communications and Journalism** | **8%** |
| **7. Physical Sciences[83]** | **8%** |
| **8. Biology and Life Sciences** | **7%** |
| **9. Industrial Arts, Consumer Services, Recreation** | **7%** |
| **10. Education** | **7%** |

[82] "African Americans: College Majors and Earnings," CEW Georgetown (CEW Georgetown, April 6, 2020), https://cew.georgetown.edu/cew-reports/african-american-majors.

[83] The study of nonliving objects, includes disciplines like physics, chemistry, astronomy

Interestingly, the group that has the highest median earnings for Black and brown students is Architecture and engineering, yet participation in that field is lower than more public service-oriented majors like Psychology, which also ranks as one of the ones with the lowest median earnings for Black and brown students. In the list of specific majors chosen by students of color, the top six majors in terms of degree holders of color are largely outside of Science, Technology, Engineering, and Mathematics (STEM) – Computer and Information systems, which has 14% of degree holders being Black and brown students, is seventh.[84] Indeed, it is an established fact that people of color are heavily underrepresented in STEM fields, which begs the question – why are students of color choosing fields that pay less but cost the same?

There are several reasons, all of which illustrate the damaging effect of student debt to some extent. Research has pointed to students of color struggling in collegiate STEM courses due to lacking educational foundations, forcing them to "catch up" academically to students who had better high school educations.[85] They point to ingrained stereotypes about students of color being viewed and/or viewing themselves as "intellectually inferior" in disciplines that demand aspirants have a particular type of intellectual capacity. Stressed about the need to catch up and feeling inferior to students that already have a foundational knowledge in the subject matter places enormous pressure on students, who end up dropping out of these programs. This has massive implications for the student debt crisis, which includes a number of people who were dropped out of school due to academic stress but retained the loans taken out for the period they were enrolled. Anecdotally, there are a number of reports suggesting that perception plays a large role in understanding why Black and brown students abandon higher-paying, STEM-oriented fields – they are dominated by white people, which increases the aforementioned feelings of dissonance about being inferior or alone in a field populated with individuals with a near-foreign perspective on both the field and the world at large.[86]

***"Now the student loan people are seizing all my income tax returns and garnishing 20% of my Social Security monthly check. I never thought I'd be in the situation where I have to choose between buying my required medications and food, but now it seems that I'm always running out of [money] about one week to a week and a half before I get paid."***

*-David M., speaking on how his age and disability combined with his loans make life extremely difficult*

Somewhat related to this is the high level of participation in majors and fields focusing on issues of social justice. For clear reasons, students of color are acutely aware of injustice in American society and the damaging impacts it has on marginalized communities, as well as the lack of effective social services in these communities. A lack of connection in STEM fields to solving social issues is identified as being one of the primary reasons students of color favor fields that they feel will allow them to have a more meaningful impact on the issues that matter.[87] Choosing health, social work, and public policy fields, while not the economical choice, is one that is seen to grant a greater opportunity to make a difference at the ground level and help to solve the critical issues that they themselves have experienced. Making a difference in marginalized communities lacking generational wealth, effective support services, and other elements of a just society seems to unconsciously outweigh the economic detriment of choosing fields of study that are themselves economically marginalized within the American economy.

[84] CEW Georgetown, "African Americans: College Majors and Earnings"

[85] Jeremy Bauer-Wolf, "Latinx, Black College Students Leave STEM Majors More than White Students," Inside Higher Ed (Inside Higher Ed, February 26, 2019), https://www.insidehighered.com/news/2019/02/26/latinx-black-college-students-leave-stem-majors-more-white-students.

[86] Daniel Block, "Why STEM Needs to Focus on Social Justice," Washington Monthly (Washington Monthly, January 9, 2022), https://washingtonmonthly.com/2020/08/30/why-stem-needs-to-focus-on-social-justice/.

[87] Ibid.

Regardless of the chosen major, however, according to statistics in Education Data in Student Loan Debt by Race, we can see that the majority of Black student borrowers have a net worth lower than the amount they owe on their student loans. Perhaps even more shockingly is the disparity between graduate students - "40% of Black graduates have student loan debt from graduate school while 22% of white college graduates have graduate school debt."[88] There is a lack of consistent, reliable data for the number of graduate degree holders regarding race and ethnicity, but the Education Data reports that nearly 45% of individuals 25 and older with a master's degree or greater in 2019 were white; only 9% of holders were black.[89] An estimated 25.5 million Americans held masters and/or doctoral degrees that year,[90] which means that of the roughly 2.3 million Black and brown Americans with a master's degree or higher, about 920,000 held debt for their postsecondary education. A little over 2.5 million white students in the same educational attainment had debt, but there were nearly 11.5 million of them in 2019. This should serve as a chilling example of the disproportionality of student debt – yes, more white degree holders had debt, but they occupied a far lower share of the population compared to their peers of color.

Furthermore, the impact of loans on people of color extends far beyond just the borrowers themselves. A look at the figure below reveals, shockingly, that close to 10% of Black debt holders are

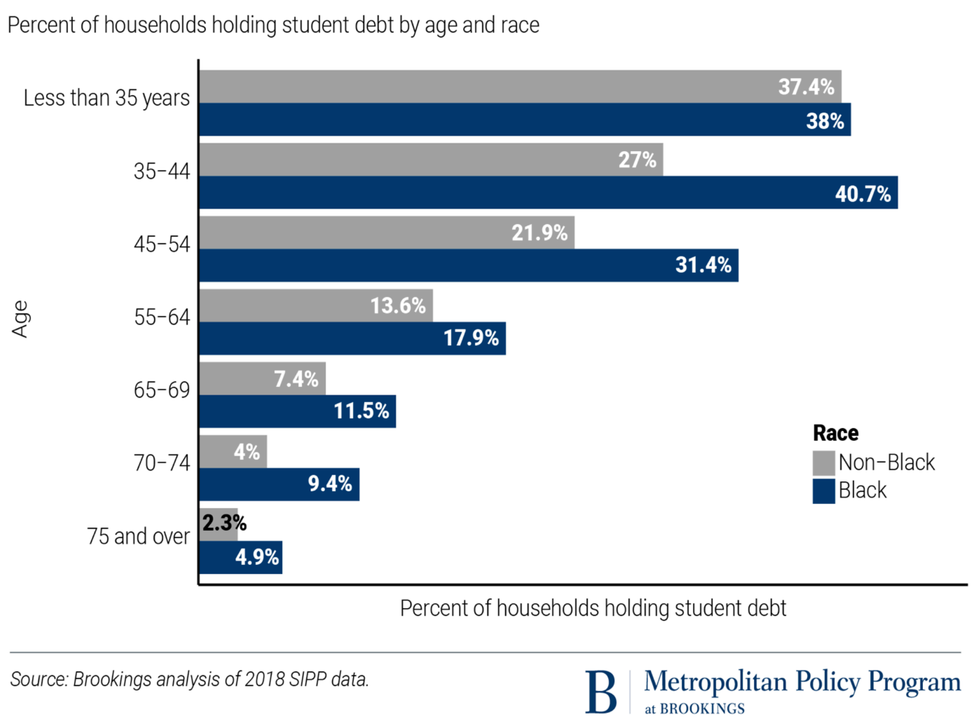


**FIGURE 11:** Black households pay off student debt slower than non-Black households Courtesy of the Metropolitan Policy Program at Brookings[92]

[88] Melanie Hanson, "Student Loan Debt by Race [2022]: Analysis of Statistics," Education Data Initiative (Education Data Initiative, June 13, 2022), https://educationdata.org/student-loan-debt-by-race.

[89] Melanie Hanson, "Educational Attainment Statistics [2022]: Levels by Demographic," Education Data Initiative (Education Data Initiative, November 22, 2021), https://educationdata.org/education-attainment-statistics.

[90] U.S. Census Bureau, "About 13.1 Percent Have a Master's, Professional Degree or Doctorate," Census.gov (Census.gov, February 19, 2019), https://www.census.gov/library/stories/2019/02/number-of-people-with-masters-and-phd-degrees-double-since-2000.html.

[91] John Waggoner, "Student Loan Debt Is an Unheralded Burden for Older Borrowers," AARP (AARP, October 30, 2021), https://www.aarp.org/money/credit-loans-debt/info-2021/student-debt-crisis-for-older-americans.html.

[92] Perry, Andre M., and Carl Romer. "Student Debt Cancellation Should Consider Wealth, Not Income." Brookings, February 25, 2021. https://www.brookings.edu/essay/student-debt-cancellation-should-consider-wealth-not-income/.

over 70 years old – these individuals are retired, and they are still paying for student loans, either for themselves or their family! The AARP notes that about 25% of borrowers 50 years or older are paying for loans taken out for their children, either on Parent PLUS loans or private loans they cosigned for and are now responsible for since the student is not making the payments.[91] These are people who are retired, living off of Social Security and whatever retirement disbursements they were able to save – in the case of Black and brown elders, little to none given the disparities in retirement savings. Yet they are still paying off loans; in fact, for federal student loans, the government can take up to 15% of a senior's Social Security check in order to make payments on federal student loans. Seniors are the most egregious example of how student debt doggedly follows people of color throughout their lives, but even before that, parents must take out Parent Plus loans or cosign on costly private loans in order to support their children.

Student debt, in this way, is very much an issue of justice—both socially and economically. Despite this fact and the abundance of evidence that supports it, the overarching debate surrounding student debt is criminally lacking the perspective, or even the consideration of, the obstacles that Black and brown students have to face. It is worth noting that in the above figure, there is again a criminal lack of specificity when it comes to race. The reference for the image makes no delineation of whether "Non-Black" is an indirect reference to white people, or if it is an umbrella term intended to cover all groups besides Black people, which confuses the value of the statistic for anything beyond simply looking at the plight of aging Black households. This is problematic as it prevents a comprehensive understanding of both the issue at large and in this specific facet.

It is not only the students who are suffering, but their parents and even their grandparents who are forced to take on part of the burden to support their loved ones' chance at a better life. It is very clear that this issue is one that affects every student that has debt to repay. However, what is clearer and dramatically under-discussed is the gravity of this situation with respect to students of color. Implementing the solutions that have been discussed in the national debate and within this report is critical to ensuring not only the financial future of all students, but especially for those students of color.

# VI. ADDITIONAL AREAS OF CONCERN

## a. Refinancing Scams and Predatory Lending Schemes

Not only are these socioeconomic factors already making it extremely hard for minority families to pay off student debt, but there is also the case of predatory lenders looking out for their own interests at the cost of these same Black and brown families.

**Predatory Loan Servicing Practices**

**Six most common industry-wide illegal loans servicing practices**

1. **Allocating partial payments to maximize late fees.**[57] Monthly loan payments are often the sum of minimum payment of multiple loans. Some servicers allocated partial payments to ensure the minimum payment was not met on any loan so as to trigger late fees on more loans than necessary.

2. **Misrepresentations about required minimum payments on billing statements.** Inflating the minimum payment due or including interest charges on deferred debt in the minimum payment due for loans not in deferment.

3. **Charging improper late fees.** One or more servicer charged late fees on payments received during the grace period and not subject to a late fee.

4. **Failure to provide accurate tax information.** Consumers can deduct up to $2,500 in interest paid on student loans from federal taxable income. At least one servicer did not provide borrowers with appropriate tax forms or tell consumers they made no deductible interest payments. Those borrowers could not use the student loan interest deduction on their taxes up to $2,500.

5. **Misrepresentations about discharging student loans in bankruptcy.** Servicers under supervision told consumers that student loans are never dischargeable in bankruptcy. Bankruptcy is an option for people with student debt if they affirmatively assert and prove "undue hardship" in a court.

6. **Making illegal debt collection calls at inconvenient times.** One servicer made automated calls to delinquent borrowers in the early morning and late at night.

*Source: Policy Matters Ohio based on CFPB Fall 2014 Supervisory Highlights*

**FIGURE 12:** Predatory Loan Servicing Practices. Courtesy of Policy Matters Ohio[93]

Refinancing itself is not always a scam, as there are reputable lenders who may offer their services. However, predatory lenders often target minority families who are in desperate need of being able to repay their debts.[94] These lenders are generally master marketers, often utilizing glitzy advertisements and catchy buzz phrases along with demographically appealing actors, thereby attracting students and their families who might not otherwise know the ins and outs of the nature

[93] Johnson, Victoria. "Student borrowers: prey for predatory loan servicers." Policy Matters Ohio, 26 December 2017. https://files.eric.ed.gov/fulltext/ED594786.pdf

[94] Johnson, Victoria. "Student borrowers: prey for predatory loan servicers." Policy Matters Ohio, 26 December 2017. https://files.eric.ed.gov/fulltext/ED594786.pdf

of lending agencies. Despicable tactic these lenders utilize to take advantage of poorly informed, desperate borrowers include aggressive pursuit, to the point of railroading families into signing loan agreements within a short timeframe.[95] They also typically require insanely high interest rates, charge additional fees for poor credit and loan servicing using vague language, and attempt to mislead or misdirect families in need in order to justify refinanced rates that are potentially equivalent or even higher than the prior rates on loans.[96] These companies thrive on exploiting a lack of knowledge; the less educated and aware the debtor, the more appealing of a mark they are. Unfortunately, many Black and brown borrowers and families lack the experience necessary to see through such practices, rendering them especially vulnerable to these schemes.

As a result, whether or not they are aware of the potentially shady practices of these companies or their refinancing agreement, people of color are often left with little choice but to accept the terms of the contract as they are. From this ignorance and/or misunderstanding, the true ramifications only begin to manifest after they have signed on the dotted line, after the window of choice has closed.

The infuriating reality is that predatory lenders often "make a profit at the expense of the borrower, typically by making it difficult to repay the loan and easier for students to fall into financial difficulties."[97] Minority students and families who need to take out these loans to pay for education have to pay back these loans, but in this process are often caught into a deeper cycle of debt. Predatory lenders raise interest rates, add in additional costs other than the principal and interest, and their interest rates are often unfixed—which can lead to an incredibly high increase on the interest rate over the course of a few years.

It can also be incredibly difficult for borrowers and refinancing clients alike to challenge the terms of their contract should they realize that there has been fraud or deception. A common practice in these contracts are clauses that prohibit "borrowers from bringing charges against the company on the basis of fraud or misrepresentation."[98] While these clauses are not ironclad, it is often very hard for borrowers to hire an attorney in response to potentially predatory lending behavior. Why? For the same reasons that these students and families are forced to seek debt financing in the first place: outstanding debt and a lack of funds to pay. This has the net result of further perpetuating the cycle of debt and loan repayment.

Below is a list of some of the companies, both private lenders and refinancers, identified by the Consumer Financial Protection Bureau (CFPB) in 2021 with the highest number of complaints.[99] Between those servicing federal student loans (those that collect money owed from borrowers) and those directly involved in lending or refinancing debt, there were roughly 3,400 complaints between September 2020 and August 2021, but this only reflects the number of official complaints.
Top companies identified in complaints regarding federal student loan servicing:

- **American Education Services (AES)**
- **Navient**
- **Nelnet, Inc.**
- **Heartland Payment**
- **MOHELA**

[95] "Predatory Lending," The United States Department of Justice (The United States Department of Justice, April 16, 2015), https://www.justice.gov/usao-edpa/divisions/civil-division/predatory-lending.

[96] Elyssa Kirkham, "7 Predatory Lending Warning Signs to Run From," Student Loan Hero (Student Loan Hero, February 9, 2021), https://studentloanhero.com/featured/predatory-lending-warning-signs/.

[97] "Tackling Unfair College Student Loan Practices." Affordable Colleges Online, 13 May 2021, https://www.affordablecollegesonline.org/college-resource-center/unfair-college-loan-practices.

[98] "Tackling Unfair College Student Loan Practices." Affordable Colleges Online, 13 May 2021, https://www.affordablecollegesonline.org/college-resource-center/unfair-college-loan-practices/.

[99] "Report of the CFPB Education Loan Ombudsman," Consumer Financial Protection Bureau (Consumer Financial Protection Bureau, October 2021), https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman-annual-report_2021.pdf.

Top companies identified in complaints regarding private loans or refinancing:

- **Navient**
- **SLM Corporation**
- **Nelnet, Inc.**
- **AES**
- **Wells Fargo**

It is worth pointing out that a common name in these two lists is Navient, a publicly traded company deeply invested in the business of handling student loans. The CFPB filed a lawsuit in 2017 against the company as a result of investigation revealing that Navient had, amongst other atrocities, deliberately steered consumers towards multiple forbearances, or temporary pauses in payments, instead of other plans such as income-driven repayment.[100] While temporary pauses sound good, the reality is that it only means you avoid defaulting; interest continues to accrue during the forbearance period and while there is an option to pay the interest only during the period, it does little to pay down the loan itself.[101] It is akin to bandaging a wound that could be healed faster with stitches; it takes longer to solve the underlying problem and forces you to continue relying on bandages. As a result, with forbearances acting as the bandage in this analogy, Navient was able to retain clients for far longer and thus continue making money off of borrowers who might otherwise have paid down some or all of their debt with a better program by misleading them towards less effective solutions. It is a clear example of just how greedy and atrocious this often-overlooked part of the student debt conversation is, and how damaging it can be for borrowers who are ignorant or misled about their options.

***"I have student loans which date back to 1996. I was steered for years to forbearance. Then to refinance. Now I'm told because I refinanced I won't be included on loan forgiveness... I am unable to repay these loans, and I feel that I haven't been given good advice from my loan servicer."***

*– Roshel M., speaking on the lack of sound advice in the student loan process. Retrieved from the Student Debt Crisis Center*

## b. For-Profit Colleges

For-profit colleges also represent a critical issue in the student loan crisis, especially for people of color. The concept of for-profit education, or education as a purely business venture with the goal of generating profit for owners and investors, has existed in its modern form for decades.[102] Unlike traditional colleges and universities, these schools are owned by companies and can use revenue for non-educational purposes, in contrast to traditional universities which are typically run by boards of trustees and are required to use income earned through tuition, donations, and other revenue sources solely for the purpose of educational expenses.[103] For-profits, as opposed to traditional colleges, typically market themselves as alternatives to traditional colleges by offering more flexible

[100] Anna Helhoski, "Navient Lawsuit: What Student Borrowers Need to Know," NerdWallet (NerdWallet, January 13, 2022), https://www.nerdwallet.com/article/loans/student-loans/navient-student-loan-lawsuit.

[101] "Student Loan Forbearance Allows You to Temporarily Stop Making Payments.," Federal Student Aid (Department of Education), accessed May 17, 2022, https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance.

[102] Robert Shireman et al., "The For-Profit College Story: Scandal, Regulate, Forget, Repeat," The Century Foundation (The Century Foundation, May 31, 2019), https://tcf.org/content/report/profit-college-story-scandal-regulate-forget-repeat/?session=1.

[103] "For-Profit Colleges vs. Nonprofit Colleges: The Best Schools," TheBestSchools.org, January 20, 2022, https://thebestschools.org/resources/for-profit-vs-non-profit-colleges.


**FIGURE 13:** A banner ad for the University of Phoenix, 2009[105]

learning options, a more lenient acceptance rate, and a faster degree track, which makes them appealing to students without the luxury of spending years without income or without the grades to get into more restrictive universities.

However, for-profit colleges have evolved from a decent premise of providing flexible and fast education to underserved segments of the population into scams that have consistently abused students and federal lending practices for the enrichment of private individuals and companies. For-profit schools, most notably the University of Phoenix, engaged in aggressive and, it was found, deceptive marketing practices that promised students high-quality education and degrees at grossly bloated costs that all but guaranteed students would be required to take on student debt. Many of these for-profit school commercials and advertisements specifically targeted people of color, like the image seen below, who schools knew were anxious to achieve college education but, due to the economic, academic, and time commitments of more traditional institutions, were unable to pursue accredited education. Documents retrieved as part of an investigation by the Senate into the usage of federal funds by for-profit institutions showed that recruiters and marketers were specifically instructed to appeal to struggling individuals' personal circumstances by providing a doom-and-gloom scenario of what would happen if they did not get a college degree.[104]

The aforementioned Senate investigation found billions of dollars were being invested by the government in for-profit education without positive results. The report stressed that while these colleges should theoretically be effective in providing education, the reality was that these schools asked "students with modest financial resources to take a big risk" and take on debt that was massive and led to hundreds of thousands of withdrawals annually as a result.[106] The report specifically notes that 96% of for-profit students take out student debt to finance their degrees, with the next closest sector being private four-year colleges with a rate of 57%. While the report interestingly did not once, in the main body of the report, mention racial demographics or marketing, there is no doubt that among the students these colleges routinely target are students of color who, to the operators of these companies, represent a goldmine of recruits to bolster bottom lines.

[104] Chris Kirkham, "For-Profit College Recruiters Taught To Use 'Pain,' 'Fear,' Internal Documents Show," Huffpost, February 8, 2011, https://www.huffpost.com/entry/for-profit-college-recruiters-documents_n_820337.

[105] "I Want to Be a Phoenix," Marketing to Women Online, November 6, 2009, https://marketingtowomenonline.typepad.com/blog/2009/11/i-want-to-be-a-phoenix.html.

[106] "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success," accessed April 5, 2022, https://www.help.senate.gov/imo/media/for_profit_report/PartI.pdf.

Below is a list of some of the biggest for-profit colleges; while not all those listed are necessarily predatory, the very concept of for-profit education itself implies predatory behavior. Education and profit motive are not concepts that should pair together in any capacity; the idea that an intangible public resource like an educated population can be exploited for private gain inherently suggests that there will be some level of deception, fraud, and/or exploitation in order to satisfy the demands of investors. It is symptomatic of the greater rot within the nation's view of education – that it is a commodity, rather than a public good, to be subjected to the whims of the almighty marketplace.

- **Ashford University**
- **DeVry University**
- **University of Phoenix**
- **Grand Canyon University**
- **Monroe College**
- **Strategic Education Inc.**
- **Capella University**
- **Strayer University**

## c.Broken Promises by the Military

Sadly, scams in the student debt problem are not limited just to the machinations of capitalism and corporate greed. The public sector is not free from scandal in that regard, and this unfortunately comes from an institution that makes this especially egregious - the armed forces. There are many bold, aggressive advertisements carrying the stamp of our nation's armed services that inform viewers that if they are worried about funding or repaying the costs of their education, there is a solution – enlistment. In exchange for putting one's life on the line, the military promises a route for you to either enter college or, more pertinently, repay your current student loan debt by serving under the Public Service Loan Forgiveness Plan, which gives those working in a public service capacity (like serving in the nation's armed forces) the chance for loan forgiveness. This plan will be discussed more later, but for now it is pertinent to know that the plan allows participants to have their outstanding federal debt forgiven after a decade of qualifying payments.

***"When I graduated from high school in 2003 I never imagined the nightmare that pursuing higher would cost me. Today, 9 years after graduating from college I still stay up nights with knots in my stomach, constant dread and the weight of the world on my shoulders. This is all due to the International Academy of Design and Technology Chicago's predatory lending and deceptive recruiting practices."***

*– Faith, speaking on the mental trauma caused by predatory for-profits.*
*From "Black Student Borrowers: In Their Own Words"*

However, this is not exactly the case. A report by CBS's 60 Minutes showed that despite the program having been around since 2007, not even 1% of the roughly 180,000 active-duty personnel have been able to qualify for the program's forgiveness – a total of 124, to be precise.[107] Moreover,

[107] Lesley Stahl, "Military Members Promised Student Debt Relief in Exchange for Ten Years of Public Service Say Promise Is Often Broken," CBS News (CBS Interactive, October 3, 2021), https://www.cbsnews.com/news/student-loan-debt-forgiveness-public-service-60-minutes-2021-10-03.

many of those who had managed to even qualify for the program were misled or uninformed by their servicers about the true nature of their enrollment and forgiveness chances – some loans did not qualify, others found out that they still had years of qualifying repayments to make after they thought they were finished, and so forth. In fact, sometimes active service actually ended up setting back repayment by months because while you can skip the otherwise mandatory monthly payments while in a combat zone, this also stops the repayment clock, meaning that continued enlistment is required in order to remain eligible.

This is an unacceptable breach of trust for the men and women who are putting their lives on the line in any of America's forever wars. They enlist with the hopes that they can get forgiveness by risking their literal lives, potentially affecting their families, and as thanks are told that they still have payments to make or that the payments did not actually qualify. There is a racial component to this problem as well; while the armed services are overwhelmingly white, nearly 25% of the combined armed forces are people of color.[108] While the data sadly is not complete in this regard, and all those interviewed by 60 Minutes were white, it stands to reason that there are people of color serving in the military that enlisted under similar circumstances – a hope that some of the crippling debt they face could be forgiven if they risk their lives in combat – and likewise faced similar disappointment upon learning that they were still far away from forgiveness.

There is also a unique plan specific to the military, known as the College Loan Repayment Program (LRP). Under the LRP, graduates of higher education may have a third of their outstanding federal loan balance or $1,500 (whichever is greater) paid after each year of service – the soldier must serve for at least three years or more.[109] Only federal loans are qualified. The total amount forgiven is limited to $65,000 for regular military branches and slightly less for the Coast Guard and National Guard. Interested parties must enlist in a Military Occupational Specialties (MOS) position for a minimum of three years, pass an aptitude test with a score above 50, hold a high school diploma, and renounce rights to the Montgomery GI Bill,[110] which helps already enlisted or honorably discharged service members pay for college.

While this program also seems to be a good option, there are several issues that are not fully apparent at first. The most critical one is the necessity of enlisting as an MOS position, which are predominantly engineering and servicing roles requiring degrees and/or skills that many debt holders do not have. If you studied the humanities or some other non-STEM field, chances are you will not be eligible unless you somehow managed to acquire an MOS-priority skill outside of your education. This automatically disqualifies these non-STEM graduates from this option, to say nothing of other requirements, including not being in default and, if enrolled, remaining fully qualified in the MOS role for the duration of your service. Payments are also only made annually, which means that failing qualification or being discharged prior to that payment invalidates the eligibility.

The problem with military recruitment under the pretenses of resolving education costs is that it marginalizes the hidden costs and barriers towards that resolution. There is a demonstrable amount of omission that makes it so that individuals may enlist before fully understanding the path towards student loan forgiveness, comparable to for-profit colleges misleading students about the value and attainability of their degrees. The standards to maintain in order to achieve forgiveness or at least a reduction of debt are extremely high, and a failure to meet them could result in the erasure of progress. Most importantly, however, is the fact that desperate individuals are mortgaging their lives in order to resolve debt, a concept that belongs to the same era as debtors' prisons and slavery. The notion that a person's life can have a dollar sign attached to it, in the form of their debt load, is a truly heinous idea that is exploited by both private and public institutions and represents one of the ugliest aspects of the entire student debt crisis.

[108] "Demographics of the U.S. Military," Council on Foreign Relations (Council on Foreign Relations, January 13, 2020), https://www.cfr.org/backgrounder/demographics-us-military.

[109] "College Loan Repayment Program (LRP)," MyArmyBenefits (MyArmyBenefits), accessed May 17, 2022, https://myarmybenefits.us.army.mil/Benefit-Library/Federal-Benefits/College-Loan-Repayment-Program-(LRP)?serv=122.

[110] "Army Student Loan Repayments," Military.com (Military.com, June 29, 2020), https://www.military.com/education/money-for-school/army-student-loan-repayments.html.

## d. College Tuition: Unchecked and Unsupervised

Another critical issue that demands additional attention is the unsupervised and unrestricted ability of universities to set tuition rates. This is a point of contention among many, because unlike scams, schemes, and neglectful oversight with the previous issues, rising tuition rates at first appear to have some plausible origins. It can be reasonably argued that tuition increases have, in part, been driven by the increasing cost of providing education as much as by general inflation and college greed. Teachers are expensive, the resources needed to educate and support students are more complex and costly than in the past, and so forth.[111] Public universities in particular face additional hurdles in setting tuition, as they derive large portions of funding from their respective states and are thus required to justify their tuition rates to the people, through their respective state governments and educational administrators. And one also cannot ignore the basic law of market economies – supply and demand, which in this case manifests in a limited student capacity of existing institutions creating scarcity, which in turn increases the price.

But this leads us to question; why, if all of these are true, to colleges continue to so aggressively market to applicants if they do not have the capacity or ability to support the number of students they are trying to appeal to? Why are they not trying to expand their facilities to bring in more students, expand their potential for a paying base? This has a simple answer; they are enthralled by the profit that limited supply allows them to generate. The average college president makes upwards of $300,000 annually,[112] with some reaching millions of dollars annually. Here is just a small selection of salaries for these presidents:

1. **C.L. Mac Nikias (University of Southern California) - $7,061,188**
2. **Robert J. Zimmer (University of Chicago) - $5,976,635**
3. **Stephen K. Klasko (Thomas Jefferson University) - $5,386,357**
4. **Lee Bollinger (Columbia University) - $4,518,999**
5. **Drew Faust (Harvard University) - $3,577,432**

Increased student service costs are understandable, but the lack of detailed, transparent accounting by schools makes it unacceptably uncertain exactly how colleges spend their money and to what extent the increased costs of education bear upon the ever-increasing cost of tuition.[113] These details must be known so that we can clearly assess whether or not schools are taking students for a very expensive ride; we need to know whether the cost is truly worth the experience and, if it is not, implement controls on how schools set and increase tuition. There must be concrete regulation of post-secondary tuition to ensure that college remains affordable to as many people as possible, even if college may not be the right path for all.

[111] Robert B Archibald and David H Feldman, "The Anatomy of College Tuition - American Council on Education," American Council on Education (American Council on Education), accessed April 12, 2022, https://www.acenet.edu/Documents/Anatomy-of-College-Tuition.pdf.

[112] "College President Salary," Salary.com (Salary.com), accessed April 12, 2022, https://www.salary.com/research/salary/benchmark/college-president-salary.

[113] Thomas Peele, "Few Strings for Colleges on How to Spend Record Federal Covid Relief Dollars," EdSource (EdSource, July 8, 2021), https://edsource.org/2021/how-colleges-tap-into-federal-cash-to-cover-revenue-loss-and-covid-costs/657393.

## e. Repayment

We must also fundamentally change how the government approaches repayment. The government does provide options for students to repay their loans beyond just monthly payments tethered to their outstanding balance and accrued interest, but they are far too narrow or present alternatives that are simply not an option for many people. As mentioned, one such program is the Public Service Loan Forgiveness (PSLF) program. Under the PSLF, a person's outstanding Direct loans under an income-driven repayment (IDR) plan are forgiven after 10 years of monthly payments. To be eligible, the person must be working at a "qualified organization" that is considered as a public service. The DoE broadly defines what qualified public service organizations are as government, tribal, or nonprofit organizations.[114] This program sounds like a good deal, but the issue comes when one considers the interaction of the IDR plan alongside government and nonprofit salaries. Both vary depending on the position and organization, but generally both have far less competitive salaries than private sector work. Repayment amounts under IDR plans vary depending on your salary, location, and family size, but are never less than 10% of your annual discretionary income.[115] When you factor in the costs of living, let alone other potential costs, the deal becomes far less attractive, especially for Black and brown families who make far less than their white counterparts.

***"I have worked at a nonprofit for 27 years and have tried to work with my multiple loan servicers to get public service forgiveness. I only get the run around ... I tried the Department of Education, my congressmembers. I am 62 years old and do not know how I will retire."***

*- Georgia (who borrowed $24,000 in 1990; and owes $125,000 today). Retrieved from The Education Trust's "Jim Crow Debt" project*

To illustrate this, we should consider that the median government salary is just over $63,500 annually in the United States,[116] though there are significant variances depending on what level of government you are working in and the job you are doing. By comparison, the average income for African Americans was just above $45,000 annually.[117] There are a variety of IDR plans that would qualify for PSLF, but for this discussion we will use the Revised Pay As You Earn (REPAYE), which uses 10% of discretionary income. Discretionary income is calculated based on adjusted gross income, location, and family size, using a formula that subtracts 150% of the poverty level for the state from the household income.[118] For this example, we will assume the borrower lives in New York City, has a family of three (we will refer to them as the Johnsons), and has the average amount of debt, $52,000. Therefore: the household's monthly income is $3,750, discretionary income is $871.25, and monthly debt payments are $87.

[114] "Public Service Loan Forgiveness (PSLF)," Federal Student Aid (U.S. Department of Education), accessed April 12, 2022, https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service.

[115] Ryan Lane, "How Is Income-Based Repayment Calculated?," NerdWallet (NerdWallet, December 5, 2021), https://www.nerdwallet.com/article/loans/student-loans/income-based-repayment-calculated.

[116] M.T. Wroblewski, "The Average Salary of Government Employees," CHRON (Hearst, March 10, 2021), https://work.chron.com/average-salary-government-employees-7863.html.

[117] "The Average Net Worth and Income for African Americans," Financial Samurai (Financial Samurai, February 9, 2022), https://www.financialsamurai.com/the-average-net-worth-and-income-for-african-americans.

[118] Lane, "How Is Income-Based Repayment Calculated?"

This may sound reasonable; $2,879.75 should be enough to cover the necessities of a family of three, right? However, in New York City, the median rent for a two-bedroom apartment is $2,152 per month,[119] theoretically leaving just $727.75 for utilities, groceries, healthcare, transportation, and other necessary costs. The costs of all of these essential things have risen dramatically in recent years, however, forcing families like the Johnsons to use more and more of their discretionary income for essential purposes. Adding on a nonnegotiable $87 payment only further cuts into that discretionary fund. Let alone actual "discretionary" activities like recreation, these payments reduce the ability of families like the Johnsons to put money towards their children's future, let alone their own future.
This plan is a great idea in conception – serve the people rather than a corporation and be rewarded by having your loans forgiven after a decade – but having to mortgage one's career plans for that long and potentially seeing only a slight reduction in your monthly payments is simply not good enough. This program must be expanded and reworked to make this deal more attractive to borrowers, either by reducing the IDF repayment percentage or increasing government salaries, which will not only ensure that the student debt crisis never returns but has the potential to encourage more highly skilled graduates to seek long-term careers in public service.

***"The interest is what kills you on student loans…These interest rates have essentially put handcuffs on two or more generations' ability to purchase a home, raise children, start businesses, invest…the things that define us as Americans and keep the economy moving and strong. I'm 54. I don't know if I'll ever pay off my student loans before death; it's pretty doubtful."***

*- Kelly, speaking on usurious student debt rates. Retrieved from the Student Debt Crisis Center*

The previously mentioned LRP and military paths to debt forgiveness deserve to be reiterated at this stage, as they suffer from the same issues as the current model for the PSLF. The paths too narrow and complicated to the point of exclusivity, to the point that military service for forgiveness is functionally pointless. Recently enlisted personnel earn about as much as the average government/nonprofit employee, but they have the option to live and eat on base eliminated, which does render military service slightly more desirable than civilian public service. However, there is the very real possibility of deployment into a potentially fatal situation, not to mention the rigors and challenges of service, which leave this option little more desirable, if not less so, than civilian public service. If we are to continue supporting the notion that armed service is a viable option for forgiveness, the pathway to forgiveness for military service must be substantially re-evaluated in order to justify the real risks of serving.

Moreover, as previously discussed, the current scheme of interest rates and how they are calculated is absurd and extortionary for borrowers and especially borrowers of color. It is absurd that interest rates are subject to both the fluctuations of the capitalist system and a mandatory minimum amount of interest, not to mention the high ceiling for these rates. It leads to payments that are unreasonable and unachievable without spending years, if not decades, longer than the original loan term repaying it, and is especially hurtful for people of color given the continuing wage gap. The interest levied on these loans eats into whatever financial benefit the borrower obtains by going to school in the first place and is a betrayal of what these loans are intended to conduct.

[119] Davina Ward, "Cost of Living in New York, NY 2022," Apartment List (Apartment List, April 26, 2022), https://www.apartmentlist.com/renter-life/cost-of-living-in-new-york.

# VII. WHAT ABOUT HBCUS?

Historically Black Colleges and Universities (HBCUs) present an interesting question in the discussion of race and student debt. These institutions are monuments to the struggle of our Black and brown ancestors in America to achieve economic, social, and educational equality in post-slavery America despite the efforts of Jim Crow to keep us subordinate. While schools that specifically targeted students of color did exist prior to the end of the Civil War, all of these were private institutions and located only in the North.[120] It was only following the Civil War in 1865 that the first HBCU, now known as Clark Atlanta University, was founded in the South and only after the 1890 Second Morrill Act, which included provisions for states to set aside land grants for schools that specifically served people of color if the state segregated higher education, that HBCUs became a real force in providing education to people of color.[123] Compared to traditional public and private universities, HBCUs were and continue to be, on average, more affordable institutions for people of color.[122]

Yet while HBCUs have carved a positive legacy in higher education as provisioners of quality education and creating a diverse space for students (HBCU racial enrollment is far more equal than predominantly white universities, or PWIs, with non-Back students accounting for 24% of enrollments in 2020),[123] they are still institutes of higher education that students can borrow to attend. In light of the fact that students of color are disproportionately burdened by student debt, and because there is an established precedent of HBCUs offering more affordable cost of attendance in comparison to traditionally white institutions, are these students better off than other students at less affordable institutions?

The answer, unfortunately, appears to be negative, though it is important to qualify this with the understanding that data on this issue is sparse. The only government examination of this issue was released over 20 years ago, in 1998,[124] addressing the profile of defaulting students at HBCUs with the goal of preventing HBCUs from losing loan eligibility. The report emphasizes that defaulting students were characterized as lacking academic preparation, both in relation to PWIs and internally, and pointed to students' backgrounds as primary indicators of default chance.

This is the only easily accessible government publication on the topic – the DoE has no specific references or analysis of the relationship between student debt and HBCUs beyond press releases regarding the $1.6 billion dischargement of debt held by HBCUs as part of the HBCU Capital Financing Program in April 2021.[125] However, this program is not related to student debt, but rather debt provided by the DoE to HBCUs to pay for infrastructure improvements, like classrooms and laboratories.

More contemporaneous data and conclusions are sparse, but what is available is not encouraging. Reportedly, over 75% of HBCU attendees financed their education using federal student loans and, on average, borrowed over $10,000 more in federal debt then students at PWIs.[126] The United Negro College Fund, who conducted the last substantial analysis on this topic, additionally found that students at HBCUs are more likely to utilize both the more costly federal DUL and Parent PLUS loans as well as private student debt, in order to pay for education. Most concerning is the fact that repayment rates were

[120] HBCU First, "HBCU History Timeline," HBCU First (HBCU First), accessed April 5, 2022, https://hbcufirst.com/resources/hbcu-history-timeline.

[121] "Colleges of Agriculture at the Land Grant Universities: A Profile," National Academies Press: OpenBook (National Academies Press), accessed April 5, 2022, https://nap.nationalacademies.org/read/4980/chapter/2.

[122] Sarah Wood, "How HBCUs Are Addressing the Cost of College," U.S. News and World Report, September 29, 2021, https://www.usnews.com/education/best-colleges/paying-for-college/articles/how-hbcus-are-addressing-the-cost-of-college.

[123] "The NCES Fast Facts Tool Provides Quick Answers to Many Education Questions (National Center for Education Statistics)," National Center for Education Statistics (National Center for Education Statistics), accessed May 17, 2022, https://nces.ed.gov/fastfacts/display.asp?id=667.

[124] U.S. Government Accountability Office. "Student Loans: Characteristics of Students and Default Rates at Historically Black Colleges and Universities." Gao.gov. Accessed July 26, 2022. https://www.gao.gov/products/hehs-98-90.

[125] Www.ed.gov. "Department of Education Discharges over $1.6 Billion in HBCU Capital Finance Debt." Accessed July 26, 2022. https://www.ed.gov/news/press-releases/department-education-discharges-over-16-billion-hbcu-capital-finance-debt.

[126] Katherine M Saunders, Krystal L Williams, and Cheryl L Smith, "FEWER RESOURCES, MORE DEBT: Loan Debt Burdens Students at Historically Black Colleges and Universities," United Negro College Fund (United Negro College Fund, 2016), https://cdn.uncf.org/wp-content/uploads/reports/FINAL_HBCU_Loan_Debt_Burden_Report.pdf?_ga=2.32275006.143846847.1522074542-2044485191.1493842567.

substantially lower for HBCU students than non-HBCU students – 59% versus 85%, respectively – which unfortunately confirms one of the core findings of the 1998 government investigation of the topic.

As a result, HBCUs end up presenting the racial student debt gap in far more vivid light then broad statistics do precisely because the differences between HBCUs and traditional universities are so racially coded. Because HBCUs enroll a far higher percentage of students of color compared to PWIs, the issues these students face regarding debt appear in far higher contrast. Of the 21 states that house one or more HBCUs, 58% of all HBCUs are within just six states: Alabama (14), North Carolina (10), Georgia (9), Texas (9) South Carolina (8) and Louisiana (7).[127] As a whole, people of color earn far less than their white neighbors, and many of the states in the above list are among the poorest states in the country. While racial wage disparity in many of these states is comparatively less, there is still a marked difference in median income which makes Black and brown families in these states far less capable of funding their children's education without the usage of loans, even at HBCUs. Students and parents alike are faced with a poison pill gamble; education might be the only way for students to move up the economic ladder of the nation, but the chances that it will lead to a job that will justify the cost is uncertain at best. The general racial gap and discriminatory hiring comes back in force after graduation, with HBCU graduates being less likely to find competitive wages and thus having lower rates of repayment compared to non-HBCU graduates.[128]

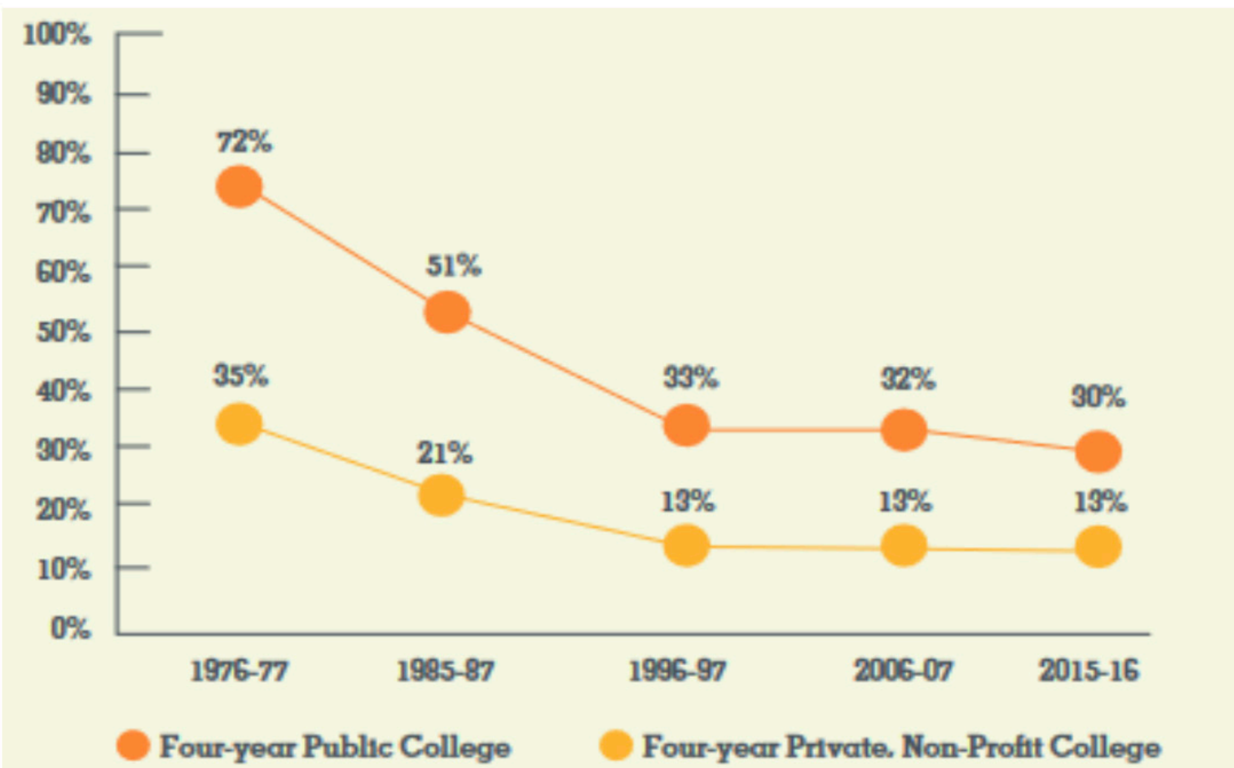


**FIGURE 14:** Maximum Pell Grant as a Percentage of the Cost of Attendance (Tuition, Fees, Room and Board) by Institutional Sector, 1976-1977 to 2015-2016 Academic Years[129]

[127] Taylor Nichols, "Which States Have the Most Hbcus?," OnlineU (Optimal, March 8, 2022), https://www.onlineu.com/magazine/states-with-most-hbcus.

[128] Ibid.

[129] Saunders, Williams, and Smith, "FEWER RESOURCES, MORE DEBT".

This is highly problematic in relation to the promise of HBCUs as a viable alternative to PWIs. A large part of the problem, indeed, rests on a broader, systemic issue surrounding HBCUs and the cost of college attendance; funding. In light of this nation's problematic history, it is understandable that HBCUs tend to have smaller endowments than PWIs, which reduces both the amount and financial value of grants and scholarships that they can afford to give to students in order to attend. It also prevents major systemic changes to tuition, as there is no substantial cushion of wealth to fall back on to prevent students from feeling the cost of upgrades or other infrastructure investments in these institutions.

The issue is, however, fundamentally tied to one of the broad issues in relation to student debt – cost inflation. HBCUs have increased in price along with PWIs while wages and non-loan financial aid like grants and scholarships have stagnated. The majority of HBCU students receive Pell Grants, which were mentioned previously as one of the few widely accessible grants for low-income students to help with the cost of attendance. But the cost of education has rapidly outpaced the increases to Pell Grant amounts, and combined with limited merit aid, even students at HBCUs who have received both tend to demonstrate a higher amount of unmet need than their non-HBCU peers. [130]

Despite HBCUs serving as an excellent vector for students of color to receive quality education and to begin to build economically viable livelihoods, these students are unfortunately a key example of the racial student debt gap. HBCUs enroll a proportionately higher number of lower-income individuals and as the real amount of federal grant money to low-income students decreases and tuition increases, many of these students and their families are being forced to assume a proportionately higher amount of debt. Unlike PWIs, however, HBCUs are far more willing to act on this issue and since the pandemic have taken a leading role in addressing the racial disparities in student debt by utilizing pandemic aid given by the CARES Act to directly forgive students' debt.[131] Given the historical role of these institutions in promoting Black and brown collegiate education, this is an unacceptable reality.

130 Saunders, Williams, and Smith, "FEWER RESOURCES, MORE DEBT".

131 Shivaram, Deepa. "HBCUs Erasing Student Debt with Federal Funds Brings Hope for Students and Schools." NPR. August 14, 2021. https://www.npr.org/2021/08/14/1027401478/hbcu-student-debt-federal-funds-wealth-gap.

# VII. ADDRESSING THE ISSUE

## a. Actions taken and not taken

There has been a fair amount of legislation in recent years intended to address the student debt crisis the nation faces, notably during the Covid-19 crisis. However, these policies are still not enough to truly mitigate the widespread and devastating impact of student debt on many facets of American society. Moreover, the measures that have been taken have sorely failed to account for the racial perspective of student debt in the context of what are very broad measures and of the disparate effects they have had on different racial populations.

Despite multiple bills introduced since the passage of the Health Care and Education Reconciliation Act of 2010, there was very little done by the federal government to combat the growing amount of student debt prior to 2020. With the advent of the Covid-19 pandemic, however, the discussion was dramatically shifted. Lockdowns and layoffs put many debt holders into a precarious position; without regular income, but unforgiving payments, a nationwide default seemed inevitable. The crisis was temporarily averted in a rare instance of timely action, however, when Congress passed and President Donald Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES) on March 27th, 2020.[132] While the CARES Act itself was not a student debt relief bill, it contained elements of relief in the form of automatically deferred payments, deferred interest accumulation, and no penalties on student loan defaults[133] through, at first, September 30th, 2020.[134]

Until August 24th, 2022, the future of student debt remained in limbo as the date for payments to resume was continually kicked down the road. Every time the deadline loomed, the same three questions were raised; would the deadline be extended, for how long would it be extended, and would there be any action addressing the underlying problem? It should be perfectly clear – these extensions were not, and never were, actual student debt relief, as has been claimed by opponents to relief. It was merely a suspension that with each extension made the eventual end all the more terrifying indebted Americans, still struggling in the wake of the pandemic. President Trump extended the pause three times and his successor, President Joe Biden, extended it five times,[135] with the penultimate extension occurring on April 6th, 2022, where Biden extended the deadline from May 1st to August 31st.

Before discussing the "final" pause that occurred on August 24th, 2022, it bears discussing the circumstances and discourse that occurred in the first seven pauses. 2020 was a pitched election year, with the issue of student debt taking a center place. As part of his 2020 presidential campaign now-President Biden spoke extensively about the need for student debt relief, including plans to, in an article he wrote for Medium,[136] immediately cancel "a minimum of $10,000 of student debt per person." He also supported, as a header in the same article states, "Forgiving student debt for low-income and middle-class individuals who have attended public colleges and universities," for all individuals earning up to $125,000 annually.[137] This proposal, along with others that would

[132] Andrew Pentis, "Student Loan Repayment Freeze Extended to End Aug. 31 - Here's How to Prepare," Student Loan Hero (Student Loan Hero, April 6, 2022), https://studentloanhero.com/featured/student-loan-relief-extended/.

[133] "COVID-19 Emergency Relief and Federal Student Aid," Federal Student Aid (Federal Student Aid), accessed April 9, 2022, https://studentaid.gov/announcements-events/covid-19.

[134] "CARES Act Student Loan Fact Sheet," National Conference of State Legislatures (National Conference of State Legislatures, March 30, 2020), https://www.ncsl.org/Portals/1/Documents/statefed/Student-Loan-Fact-Sheet_v03.pdf.

[135] Pentis, "Student Loan Repayment Freeze Extended to End Aug. 31"

[136] Joe Biden, "Joe Biden Outlines New Steps to Ease Economic Burden on Working People," Medium (Medium, April 9, 2020), https://medium.com/@JoeBiden/joe-biden-outlines-new-steps-to-ease-economic-burden-on-working-people-e3e121037322.

[137] Ibid.

have forgiven federal loans after 20 years and provided significant breaks to those earning under $25,000 annually, represented a vision towards solving the debt crisis that was moderate, but promising to those struggling to breathe. Biden also notably suggested the idea that public two-year colleges (community colleges) should be made free – a proposal that would open the door to higher education for far more people and potentially lead to wage increases along lines previously discussed. A widely held belief is that Biden's defined and (relatively) strong position on forgiveness may have been critical in his 2020 presidential victory.

Following his victory, advocates for forgiveness were justifiably elated and anxious to see Biden act on his promise. Yet following his election to the Presidency, Biden failed to act decisively on the issue. Granted, Biden did take some action on student debt, cancelling roughly $17 billion for over 700,000 borrowers.[138] However, this forgiveness was narrowly targeted to affect specific groups; none of the groups, however, were borrowers of color. The administration instead focused most of its efforts on expanding programs that were also targeted at the same groups: disabled borrowers, borrowers who were scammed, and those working in public-service jobs for debt forgiveness through the Public Service Loan Forgiveness plan.[139] It was clear that Biden had decided that an indirect approach to forgiveness, by casting existing nets wider, was an adequate fulfilment of his campaign promises.[140]

***"I wish something would be different … that students [were] not punished for not wanting to live in poverty. I say that because it's like when you're in grad school, they want you to get these experiences through internships, through real world practice, but then when you do it and [want] somebody to pay you for it, it's like you're punished."***

*- Dae (who borrowed $35,000). Retrieved from The Education Trust's "Jim Crow Debt" project*

**It is easy to see this as a betrayal of the promises made, because it very much is.** Biden leaned hard on this during his campaign and, as many commentors point out, can credit much of his success with young voters to his perceived support of the issue. But the administration had failed to make good on these promises. Biden repeatedly deferred to Congress to do the heavy lifting, abandoning the executive action option early in his term when Congressional leaders said they would push back on what was considered to be an executive overreach.[141] We, like many other advocates, were incredibly frustrated and angry as Biden ignored the pleas of the indebted Americans who brought him to office. Every time the resumption of payments loomed, we were forced to wonder about whether it would be the last, with all the implications of resumption. And as time passed, we had to wonder about the specifics of Biden's plan, and its efficacy in alleviating the pressure on borrowers of color. Biden repeatedly remained committed to his figure of $10,000 without compromise, which many analysts have proven would not bring relief equally. While

[138] Katie Lobosco, "Why Biden Hasn't Scored a Political Win from Canceling $17 Billion in Student Loans," CNN (Cable News Network, April 5, 2022), https://www.cnn.com/2022/03/27/politics/biden-student-loan-debt-17-billion/index.html.

[139] Friedman, Zack. "Biden Has Cancelled $11.5 Billion of Student Loans, but Here's What This Means for Student Loan Forgiveness." Forbes, Forbes Magazine, 10 Dec. 2021, https://www.forbes.com/sites/zackfriedman/2021/10/12/biden-has-cancelled-115-billion-of-student-loans-but-heres-what-this-means-for-student-loan-forgiveness/?sh=2bd04c127fd7.

[140] Lobasco, "Why Biden Hasn't Scored a Political Win from Canceling $17 Billion in Student Loans"

[141] Lance Lambert, "Biden Hasn't Followed through on His Pledge to 'Immediately Cancel' $10,000 per Student Loan Borrower," Fortune Education (Fortune, January 4, 2022), https://fortune.com/education/business/articles/2022/01/04/biden-has-not-kept-pledge-to-immediately-cancel-student-loan-debt.

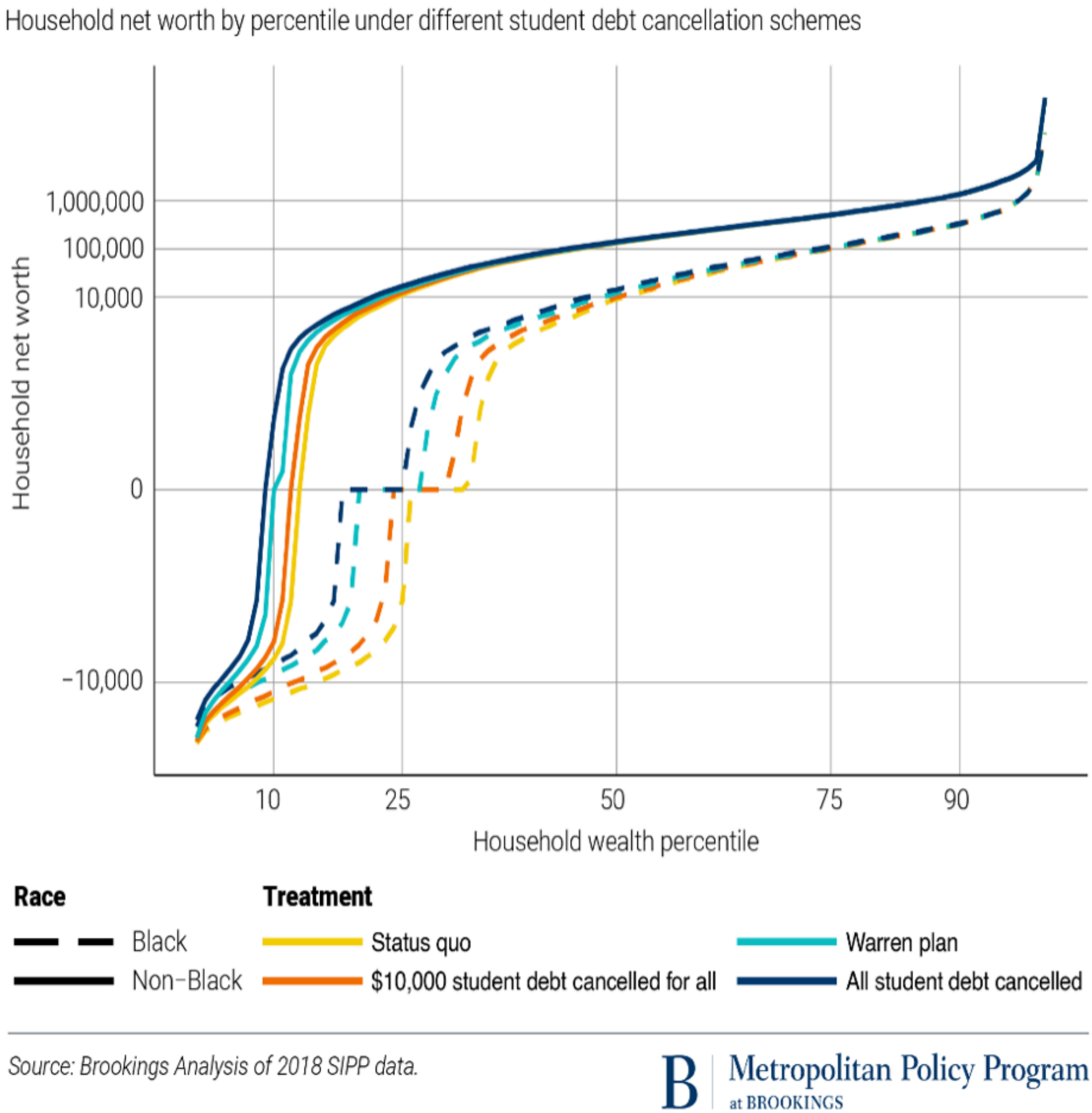


**FIGURE 15:** A graph depicting the outcomes of various plans to deal with the student debt crisis. While the effect of these plans for non-Black households is minor, there is clear evidence that complete student debt cancellation would dramatically increase the wealth of Black households

this forgiveness would undoubtedly help all borrowers, it would not help the people that need it most – people of color. Instead, this partial relief helps middle-class to upper-class families at a disproportionately high rate, whereas complete student debt cancellation "disproportionately helps wealth-poor Black households".[142]

If this is the case, it bodes ill for minority borrowers whose debt far exceeds Biden's proposed amount. **Indeed, one could make the argument that the president, despite his abundant public show of support for the economic struggles of marginalized groups, either does not know or does not care that his plan happens to mostly benefit white borrowers and leave minority borrowers**

[142] "Student Debt Cancellation Should Consider Wealth, Not Income." Brookings, 25 Feb. 2021, https://www.brookings.edu/essay/student-debt-cancellation-should-consider-wealth-not-income/.

**only a bit better off, if that.** This is demonstrated excellently in the chart on the right, an analysis of the impact of various debt cancellation schemes on household net worth.[143] Unfortunately, Brookings had done a disservice by only analyzing the impact on Black households against the nebulous catch-all category of "Non-Black" households in this graph – the implication seems to be that "Non-Black" means White, but this is still unacceptably vague. Nonetheless, operating on that assumption, the conclusions from this chart are clear – Black families have disproportionately less wealth than White households, and increased levels of cancellation benefit Black households disproportionately. And as Figure 15 shows, Biden's minimum of $10,000 affects household wealth roughly in equal amounts. If this effect is the result of ignorance, then one wonders how Biden's policy team, theoretically equipped with the funding and expertise to research this, could have missed it. If it is because of a lack of care, then it speaks volumes about the veracity of the president's goals for marginalized groups far beyond the singular issue of student debt.

## a.Biden Acts, At Last

In August of 2022, like many other cancellation advocates, we were resigned about the prospect of cancellation. The April extension expired at the end of the month, and the administration had been silent about both cancellation and a possible extension of the deadline yet again. We expected that the latter would occur; two months shy of the 2022 midterms and a narrow majority at stake, to end the freeze now would be political suicide on Biden's part. In spite news that the DoE had been working on the plan to implement widespread relief, and representatives of lenders affirming those preparations,[144] the prospect had been teased enough that it seemed unlikely that broad forgiveness of any amount would occur before the midterms.

On August 24th, 2022 however, with just seven days before the April extension was due to expire, the situation changed. In an unexpected affirmation of the rumors, the Biden administration announced not only a "final" extension of the moratorium until the end of 2022, but executive action forgiving up to $20,000 of debt relief and proposing changes to certain repayment plans.[145] The announcement, and its salient points, have been summarized below:

1. **The Department of Education will provide debt relief of up to $20,000 for borrowers who received Pell Grants, and up to $10,000 for borrowers who did not receive the grant. Eligible borrowers must make less than $125,000 (or $250,000 for couples/households) annually.**
2. **A proposed rule creating a new income-driven repayment plan (IDR) for low- and middle-income borrowers which would:**
    a. **Cut the amount paid on undergraduate loans in half, from 10% to 5% of discretionary income (borrowers with undergraduate and graduate would pay a weighted average rate)**
    b. **Increase the amount of nondiscretionary income, protecting it from being factored into repayment**
    c. **Forgive loan balances after 10 years of payments (instead of the standard 20) for borrowers with less than $12,000 of their original loan balance**

[143] Andre M Perry and Carl Romer, "Student Debt Cancellation Should Consider Wealth, Not Income," Brookings (Brookings, July 12, 2021), https://www.brookings.edu/essay/student-debt-cancellation-should-consider-wealth-not-income.

[144] Stratford, Michael. "The Education Department Has a Plan for Canceling Student Debt — If Biden Gives the Word." POLITICO. July 27, 2022. https://www.politico.com/news/2022/07/28/cancel-student-loans-education-department-00048365.

[145] "Biden-Harris Administration Announces Final Student Loan Pause Extension through December 31 and Targeted Debt Cancellation to Smooth Transition to Repayment," Biden-Harris Administration Announces Final Student Loan Pause Extension Through December 31 and Targeted Debt Cancellation to Smooth Transition to Repayment | U.S. Department of Education (U.S. Department of Education, August 24, 2022), https://www.ed.gov/news/press-releases/biden-harris-administration-announces-final-student-loan-pause-extension-through-december-31-and-targeted-debt-cancellation-smooth-transition-repayment#page-header.

| | White Borrowers | Black Borrowers |
|---|---|---|
| Base Average Debt | $27,000 | $52,000 |
| Max Non-Pell Forgiveness ($10,000) | $17,000 (-37%) | $42,000 (-19%) |
| Max Pell Forgiveness ($20,000) | $7,000 (-74%) | $32,000 (-38%) |

**TABLE 1:** Comparison of Biden's Forgiveness

   d. **Cover unpaid monthly interest in order to prevent debt from "snowballing"**
3. **Proposed changes to the Public Service Loan Forgiveness Program that would:**
   a. **Allow more payment types to qualify for the PSLF (lump sum, partial, and delinquent payments)**
   b. **Allow certain deferments to count towards the PSLF, such as Peace Corps, Americorps, National Guard, and military service**
4. **Steps to reduce the rising cost of college including:**
   a. **Reactivating the Enforcement Unit of the Federal Aid office to reduce education cost scams**
   b. **Reinstate and expand a rule to hold career programs accountable for absurd graduating debt**
   c. **Maintaining a list of programs and colleges with the worst debt levels and requiring said institutions to create plans to reduce debt levels**
5. **A reaffirmation of the administration's intent to make community college free and increase the size of Pell Grants**

There is a lot to unpack with this announcement, especially since much of the conversation following the announcement has focused on the actual cancellation. Granted, the cancellation is certainly worth a level of celebration. According to the administration, 43 million Americans are eligible for some forgiveness, with nearly half of that number having their total remaining balance being forgiven.[146] But this is overshadowed in light of what this entire report has shown – student debt is not equal. As mentioned, even though the majority of loans are held by white individuals, they have a disproportionately lower debt balance then people of color – on average, $25,000 less than the Black average of $52,000.[147] Because of that the actual impact of Biden's plan is, as expected, likewise disproportionate, as can be seen in the table below.

This table is already a shocking reveal of the real impact of Biden's forgiveness, but there is more. **It should be noted, however, that DoE statistics breaking down Pell Grants are woefully out of date; the last published data dates to the 2016-2016 year, nearly a decade ago, so the insights are unfortunately not exact.** Given that Pell Grants are handed out every year, it is confusing why the DoE does not make a point of releasing data like this on a regular basis. With the data we have, however, it confirms that Black students are more likely to receive Pell Grants, with 57% of Black students in 2015-16 receiving them.[148] The surprise, however, is that White students receive the majority of grants, followed by Hispanic students and then Black students!

[146] Andre M Perry, "Biden's Student Debt Cancellation Doesn't Solve the Root Problems Facing Borrowers—but It's a Start," Biden's Student Debt Cancellation Doesn't Solve the Root Problems Facing Borrowers—but It's a Start (blog) (The Brookings Institution, August 25, 2022), https://www.brookings.edu/blog/the-avenue/2022/08/25/bidens-student-debt-cancellation-doesnt-solve-the-root-problems-facing-borrowers-but-its-a-start.

[147] Hanson, "Student Loan Debt by Race [2022]: Analysis of Statistics"

[148] "Trends in Pell Grant Receipt and the Characteristics of Pell Grant Recipients: Selected Years, 2003–04 to 2015–16," Trends in Pell Grant Receipt and the Characteristics of Pell Grant Recipients: Selected Years, 2003–04 to 2015–16 § (2019), https://nces.ed.gov/pubs2019/2019487.pdf.

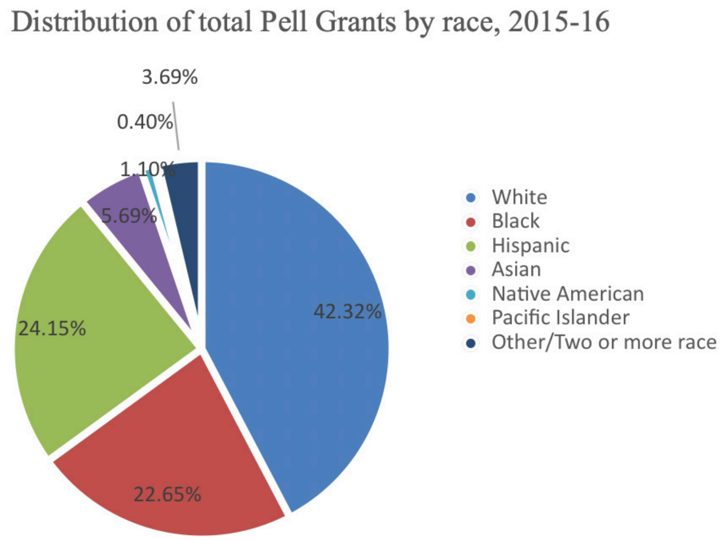


**FIGURE 16:** Distribution of total Pell Grants by Race, 2015-16 [149]

One might have thought, after seeing Table 1, that the forgiveness would have "balanced out" in a way; working on the notion that more Black holders would have received Pell grants, which would put their percent forgiveness on par with White students. However, many White borrowers are also eligible to receive up to $20,000 in forgiveness and as Table 1 showed, if their debt is about the average for their group, they could have nearly 75% of their debt wiped out, compared to just 40% for Black borrowers! The Biden administration's statement that nearly half of the 43 million eligible borrowers would have their debt wiped out is true, but the fine print is that many of those individuals will be white.

This is extremely problematic because, as Figure 15 demonstrated, increased levels of forgiveness dis-proportionately benefit households of color by a far greater magnitude not just in terms of relieving an economic pressure, but also in wealth creation. Before continuing, however, we must yet again condemn organizations for failing to collect data regarding this subject with the racial nuance it deserves though yet again we must condemn the organizations collecting the data as being delinquent in collecting data on the racial nuances of debt. As further demonstrated in Figure 17, blanket forgiveness up to $20,000 disproportionately benefits white borrowers relative to all other racial groups, though yet again we must condemn the organizations collecting the data as being delinquent in collecting data on the racial nuances of debt.

While the forgiveness is undeniably important, the rest of the release is just as, if not more, important than the forgiveness itself. The second item, creating a new IDR program for low- and middle-income families, is a critical step in the right direction for both individual borrowers and families of color if approved. The proposed plan's income percentage being set at 5%, coupled with a reduction of the share of income considered discretionary (by raising the amount considered essential) has the potential to significantly alleviate the financial stress of loan payments. The Johnsons, our hypothetical family from Section 8(e), would see their payment drop from $87 to $44 from the start and would potentially see it drop further, depending on how much more income can be considered essential. The 10-year forgiveness window for balances under $12,000 provides a meaningful goal for low- and middle-income borrowers, as does the covering of unpaid interest incentivize regular payments by keeping debt from snowballing.

The third item is a welcome recognition, and attempted solution to, the failures of the DoE towards members of the armed service and other borrowers who have been unjustly taken advantage of or rejected by the PSLF. By expanding forms of payment and counting military service, as well as other forms of deferment in service of the public, the DoE is righting the major wrongs outlined in the earlier section's discussion of military loan programs. In a similar vein, the fifth item is a welcome sign that the administration has not written off its promises to expand access to education by increasing non-loan federal aid like the Pell Grant, and by making community

[149] Ibid.

college free.

Lastly, the fourth item has significant potential. By itself, it was welcome; the for-profit college scams that have targeted so many people of color thrived because of a lack of federal enforcement. To see the administration not only reinstate the DoE's enforcement unit but affirm its commitment to hold programs and schools that are legitimate, but absurdly expensive and thus contributing to the debt issue, is heartening. But the language itself that makes us even more hopeful. To be precise, the DoE's assertion that it will "hold colleges accountable for raising costs" leaves us hopeful that the DoE will not just publish debt lists for offender universities but will pursue policies and enforcement that will stay or even reduce the cost of colleges around the country.

Of course, the Biden decision has not gone unchanged or unchallenged. Perhaps first and foremost was the administration's reversal on FFEL and Perkins loan forgiveness in late September.[151] One may recall, earlier in this report, that these are the loans made by private lenders which were backed by the federal government which led to ballooning debt figures and corporate profits.[152] The reason the administration backpedaled on forgiving these loans? According to NPR, they were afraid that the banks that still own these loans (roughly 4 million people still have these) would sue for infringing on their profits.[153] In fact, one of the plaintiffs is the state of Missouri, which happens to be the home of MOHELA, a federal loan servicer who one might recall made the list as one of the worst servicers in the nation.[154] As a result of the decision to drop FFEL/Perkins borrowers, the administration has disenfranchised an estimated 800,000 borrowers.[155]

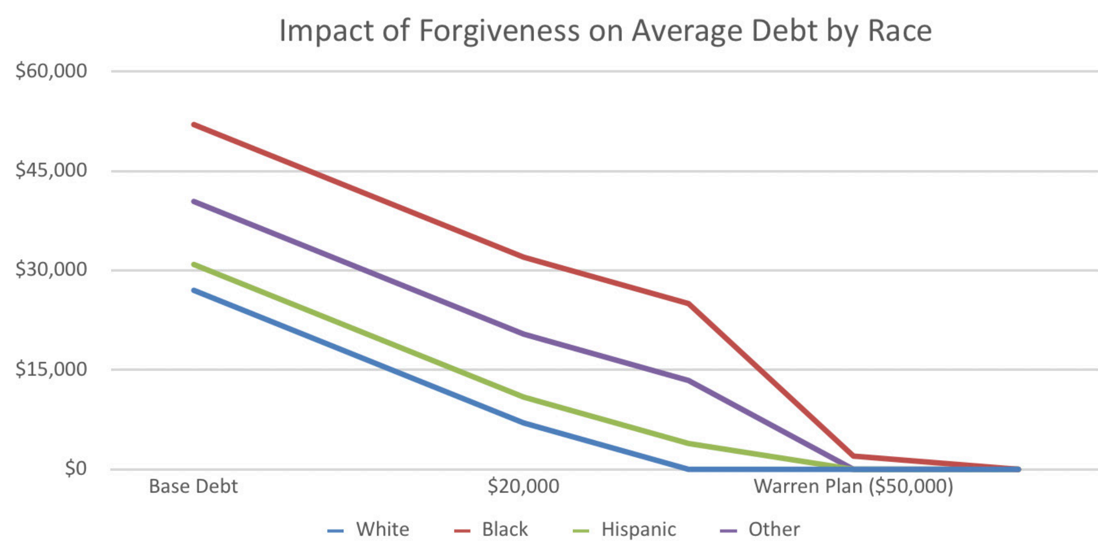


**FIGURE 17:** Impact of Forgiveness on Average Debt, by race. Note that figures for Hispanic and the nebulous "Other" category are based on 2019 data from the Federal Reserve, which does not specify what the "Other" category includes specifically.[150]

[150] "Education Installment Loans by Race or Ethnicity," Board of Governors of the Federal Reserve (Board of Governors of the Federal Reserve System, November 4, 2021), https://www.federalreserve.gov/econres/scf/dataviz/scf/table/#series:Education_Installment_Loans;demographic:racecl4;population:all;units:mean.

[151] Cory Turner, "In a Reversal, the Education Dept. Is Excluding Many from Student Loan Relief," NPR (NPR, September 30, 2022), https://www.npr.org/2022/09/29/1125923528/biden-student-loans-debt-cancellation-ffel-perkins.

[152] See page 11

[153] "Docket for State of Nebraska v. Biden, 4:22-Cv-01040," CourtListener (Free Law Project, September 29, 2022), https://www.courtlistener.com/docket/65385675/state-of-nebraska-v-biden.

[154] See page 46

[155] Turner, "In a Reversal, the Education Dept. Is Excluding Many from Student Loan Relief"

Moreover, the Congressional Budget Office (CBO) gave ammunition to opponents of Biden's modest forgiveness around the same time that has put forgiveness at risk in the public perception. The CBO claims that Biden's extension of the moratorium to the end of the year would cost the government an additional $20 billion, which combined with the total amount of moratoriums and the estimated cost of forgiveness, brings the total cost to $400 billion. Since this figure was publicized, several other lawsuits have been filed alleging economic harm resulting from Biden's forgiveness plan. The complaint is common – "why should we [being taxpayers] pay for other with our money?" This will be discussed later, but suffice to say, these developments are an expected but unwelcome example of the mindset of those that oppose even the smallest amount of relief for borrowers.

But there is some good news regarding the relief itself. The DoE has opened the application in a beta form on October 15th, 2022;[157] however, the Biden administration has stated in a recent court filing it would not discharge relief before October 23rd.[158] Despite that, more good news comes in the form of the application itself. It is simple, only asking for basic information: name, date of birth, social security, a phone number and an email.[159] Financial information, from proof of income to data on the individuals' loan balances, are not required. Instead, applicants will check a box that constitutes a legal testament that they qualify and are telling the truth. This promises to substantially reduce the potential burden on people of color to apply for forgiveness, which we commend the administration on. Less satisfactory is that the application will only be in English and Spanish, which presents a barrier for other communities of color in America. It is our hope that the administration will expand the language offerings in order to ensure that eligible borrowers who do not understand English or Spanish are not left out.

[156] Phillip L Swagel, "Re: Costs of Suspending Student Loan Payments and Canceling Debt," Congressional Budget Office § (2022), https://www.cbo.gov/system/files/2022-09/58494-Student-Loans.pdf.

[157] "Apply for Federal Student Loan Debt Relief," Federal Student Aid (Department of Education, October 15, 2022), https://studentaid.gov/debt-relief/application.

[158] Cory Turner, "What to Know about the Application for Biden's Student Loan Relief ," NPR, October 11, 2022, https://www.npr.org/2022/10/11/1128046324/biden-student-loans-debt-forgiveness-application.

[159] The White House. Twitter Post. October 11, 2022, 12:00 PM. https://twitter.com/WhiteHouse/status/1579864437749530624.

## c.What needs to be done

The August 24th announcement represented a jump of lightyears in the cause of student loan forgiveness. While small, Biden's plan is a step in the right direction for a more aggressive, and total, cancellation. Likewise, the measures to reform IDR payment plans and address the rising cost of college are an indication that the discussion is moving in the right direction.

However good a step it was, though, we must discuss what comes after this. The items laid out are pitiful compared to the amount of forgiveness and reform that the student debt industry requires. We are grateful for the action, but it cannot be the only action, indeed because the actions taken have so disproportionately favored white borrowers compared to borrowers of color. And as such, we move to the first thing that still must be done – a complete and total cancellation of the student loan balance left after Biden's forgiveness. This is a move that an overwhelming number of analysts have demonstrate would not only dramatically aid borrowers of color but would have significant secondary effects beyond just freeing up income for borrowers. As discussed earlier, many borrowers report significant stress resulting from their loans, as well as delaying plans such as getting married, having a family, buying a house, and so on. This is especially prevalent among borrowers of color, who not only carry larger burdens but face numerous systemic barriers to those goals, especially wealth creation barriers like buying a house. Cancelling student debt is a priority in the struggle for equality. Barring that, we insist that Biden and Congress implement debt relief that would specifically target communities of color, who remain the largest and most burdened portion of the population, to level the imbalances in this initial forgiveness plan.

While cancellation is undoubtedly the most visible and immediately relevant part of the conversation, it is not the most important. We can, and should, reduce the student loan balance to zero, but as it stands the system will eventually see the rise of a new student debt crisis, one that we know will occur because the system is so fundamentally broken. In that regard, we must discuss fixing the industry, and here we return to the Biden administration's first steps about attacking the rising cost of college tuition. Making community college free is good and publishing an annual "shame list" of schools with the highest amount of debt with the stipulation that those schools must reform themselves is better. But it skirts the core problem, which is not addressed by either of these – college tuition is rising, and will continue to rise, because there is nothing to stop schools from doing so.

College finances are opaque to the public and likely the government as well, obscuring grotesque overspending and inflated costs with reasonable-sound arguments about inflation and educator costs. It may be true, and if that is the case then that is a problem in its own right. But we can know for sure if the DoE steps up and audits each and every college that is accredited for federal lending. We must learn whether schools are truly just getting more expensive, or if the fact is that federal loans are being used to subsidize the cost of boondoggles like stadiums, or the purchase of land and buildings to be assimilated into that untouchable wealth fund known as the endowment. If that is the case, then we will have proof of the conventional wisdom – colleges and universities, the citadels of learning and alters of opportunity, have been corrupted by the vices of capitalism and the lust for profit, even as nonprofits. And if that is true, then there is a desperate need for reform, to end the devastating tuition creep that has demolished families and saddled students of color with unconscionable levels of debt.

There is also much to be done about the repayment of the loans themselves, another aspect of the broken system that sorely needs to be addressed. As has already been discussed, a critical element to this is revisiting the silly way that interest rates are calculated for these loans. Student loans were envisioned, not as a way for the government to profit off of its citizens as a bank profits off its customers, but as a way to give opportunities to those who would otherwise be denied them. Coupling federal student loan interest to the markets is a total betrayal of that intent. However, if the government stays in the business of lending money to student borrowers, (and it should, given the even more extortionary private lending industry) it would be unreasonable to simply demand that the loans are made at 0% interest. While it would be ideal and advantageous to borrowers, as well as the noble intent of providing opportunities to students from less wealthy backgrounds, we must accept the reality that our capitalist culture demands repayment with interest. Therefore, it seems reasonable to set rates that are both flat and low that would ensure that the “investment” is repaid, but not by squeezing the last drops of borrower blood into the cup. We believe that a static, non-compounding interest rate of no greater than 1.0% on all future loans, regardless of type, would ensure that loans are repaid, the government makes its money, and borrowers are still capable of surviving.

Likewise, we must address the systems and opportunities of repayment. We have discussed at length the issues with how loans are repaid – interest rates are a major factor, to be sure, but the issue at its core remains from what source the money is coming to repay these loans. Our society does equally value professions, and for students who have studied and found employment in fields that are do not pay, loans have and will remain a source of constant anxiety. The avenues to have debt repaid or forgiven are broken; the military, government employment, and nonprofit work and their associated programs have served less as avenues and more as traps for indebted students with degrees and a desire to serve the public. The Biden administration has taken steps to rectify problems with the PSLF, as well as expanding it, but more must be done. It would perhaps be too much to insist that government salaries be raised, though it would be ideal as a way of making public service competitive with private sector work. Restructuring the PSLF to require a lower monthly payment or a reduced payment period would accomplish the goal of having graduates commit a portion of their careers to public service without making that decision a life-altering one. It would ensure that graduates working in the government or nonprofit sectors would face significantly less financial anxiety from having to make exorbitant payments on a less competitive salary.

However, it is not enough to simply address the debt of current and former students. As shown, much of the problem has come from the unfortunate lack of education about exactly what student loans are, and what the entail. America is a capitalist country, ruled by contracts and obligations, and while we can and do denounce the current debt crisis as unjust, it would be wrong to say that borrowers are not at least partially responsible for the current catastrophe. A common complaint of those opposed to relief (which will be covered shortly) is that by forgiving student debt, we are forgiving obligations that were entered into freely, if ignorantly, and that borrowers are bound by their loan contract just as we are bound to follow the laws of the land. This is true – ignorance is not a defense – but it is also unjust in the same way that any trickery is. The solution is to mandate education for both students and parents on the pros, cons, and process of student debt so that students and parents alike can make an informed decision about whether taking on debt is the right decision. Furthermore, the DoE should include in those classes information regarding careers outside of the collegiate system, which have the potential to be just as financially rewarding as those requiring a college degree without the need to take on significant amounts of debt.

## d. On the other side

Student debt forgiveness is not without its critics, and unlike many other issues these critics have perspectives that are at least somewhat rational. The foremost argument is, ironically enough, grounded in the idea of inequality: why should people who have never gone to college or paid for their children's college education by meticulously saving their own salaries, pay for others?[160] They point to the fact that there are plenty of jobs that do not require college education, and question why individuals do not work before seeking higher education.


**FIGURE 18:** Untitled cartoon by Gary Varvel. Depicting the Democrat's government literally "shaking down" a person for student debt relief while telling them not to complain because the Democrats are helping people. This cartoon voices a core complaint – that "hardworking Americans" are being robbed to pay for other people. See footnote 161.

This argument is a timeless example of the destructive capitalist ethos of the United States – the "what's in it for me" attitude and dismissal of those who are not "pulling themselves up by their bootstraps." The argument sets up a strawman for struggling individuals and families; the nebulous shape of a whiny graduate who studied for a degree in social work or similar profession at Harvard and now wants taxpayers to subsidize their poor choices. The government takes on the form of an extortionary force subsidizing the student strawman by stealing money from "actually productive" people and families,[161] while ignoring those same individuals' needs. While there is some merit to this argument, its merits are undermined by its intent to demonize and denigrate careers and individuals that are not financially productive. Yes, paying $60,000 per year to study social work at Harvard may not be the smartest choice, but that individual has committed their life

[160] Michael Harriot, "The Top 10 Arguments against Student Debt Relief (and Why They're Wrong)," The Grio (The Grio, August 30, 2022), https://thegrio.com/2022/08/30/top-10-arguments-against-student-debt-relief-and-why-wrong/.

[161] Gary Varvel, "Creators.com," Creators.com (Creators.com, August 27, 2022), https://www.creators.com/read/gary-varvel/08/22/332555.

to addressing a critically overlooked aspect of social wellbeing. Their contribution to society is not to the GDP, but to helping members of our communities who might otherwise become social ills.

It also fails to account for the cultural pressure on students to go to college, the idea that you are only successful if you are a college graduate.  It is certainly true that the trades can, in some areas, pay far more than even mid-level white collar college jobs.  Yet those arguing that borrowers are irresponsible for choosing to go to school on loans ignore the cultural veneration of those that have gone to college. When was the last time Forbes, or the Financial Times, praised the business acumen or financial success of a plumber or electrician?  And when was the last time that they did a cover story on the performance of the CEO of a major corporation, who not only went to college but likely also has a law or master's degree in business administration? It is no surprise that when students are told that a white-collar job requiring a degree is better than a blue-collar job, they go to college, and do so at any cost; they have been programmed to believe that they will be successful if they just go to college as fast as possible. Yet the glut of degree holders has lowered the salaries of degree requisite jobs and led employers to raise their education standards, thus raising the cost of entry for those underpaying positions!

Critics also point to the potential financial instability widespread forgiveness would cause. They claim that wiping $1 trillion off the government's books would be a catastrophe for the nation's debt, either leading to higher taxes on the entire nation (and the children of those responsible citizens who paid for college out of pocket or did not go) or forcing a critical rebalance of other budget items to prevent the nation's debt from growing. Another component of this argument is the claim of inflation.[162] Eliminating the current student debt balance would be no different then a massive cash injection into the economy, as people who were paying their debts would "get" that money in the form of no longer paying that obligation.  The laws of economics dictate that when the supply of money expands, the price of goods similarly goes up, and critics are all too happy to direct part of the blame for the COVID-19 pandemic inflation on the debt pause.

There is some weight to the idea that prices might rise as a result of people suddenly having more money.  Yet this claim substitutes that negative in place of the overwhelming positives that this cash injection would provide. As this report has laid out, people have put their lives on pause because of the gargantuan debt that they carry. People are not buying homes, not starting families, and not putting money into the economy through business patronage, travel, and other activities because they are putting it towards repaying debt.  It is entirely reasonable to assert that they would use this money responsibly, either by creating personal wealth by buying a house or saving for retirement, or that the ensuing spending would benefit the economy by increasing demand for products that are currently too expensive for these indentured payers.  This is especially true for borrowers of color, who unlike white borrowers are more likely to lack that generational wealth and more likely to want to build that wealth for themselves and their children.

As for the solutions to fill the hole that the $1 trillion dollar balance once filled in government books, we need not immediately resort to the taxation that critics so adamantly fear. Each year, our nation's budget has a core of essential spending that needs to be authorized – things like Medicare, funding to pay the government employees managing Social Security, national defense, and the support services that help to keep our society from stratifying even further. Packed around it (and sometimes stemming from it), however, is a thick, murky layer of pork fat and nonessential expenditure. Since October 2021, the government has spent $5.35 trillion,[163] of which 11% ($589 billion) has been spent on national defense and a further 5% ($268 billion) has been spent on a nebulous assortment of discretionary and mandatory outlays. Is it too much to ask our national legislature, fond of pork though it may be, to restrain themselves and make a few cuts to some

[162] Atlas Porter, "The 5 Most Common Arguments against Student Debt Forgiveness (and Why They Are Wrong)," Medium (Medium, September 7, 2020), https://atlasporter.medium.com/the-5-most-common-arguments-against-student-debt-forgiveness-and-why-they-are-wrong-6c28a1f0ec2f.

[163] "How Much Has the U.S. Government Spent This Year?," Federal Spending | U.S. Treasury Fiscal Data (U.S. Department of Treasury), accessed September 20, 2022, https://fiscaldata.treasury.gov/federal-spending/.

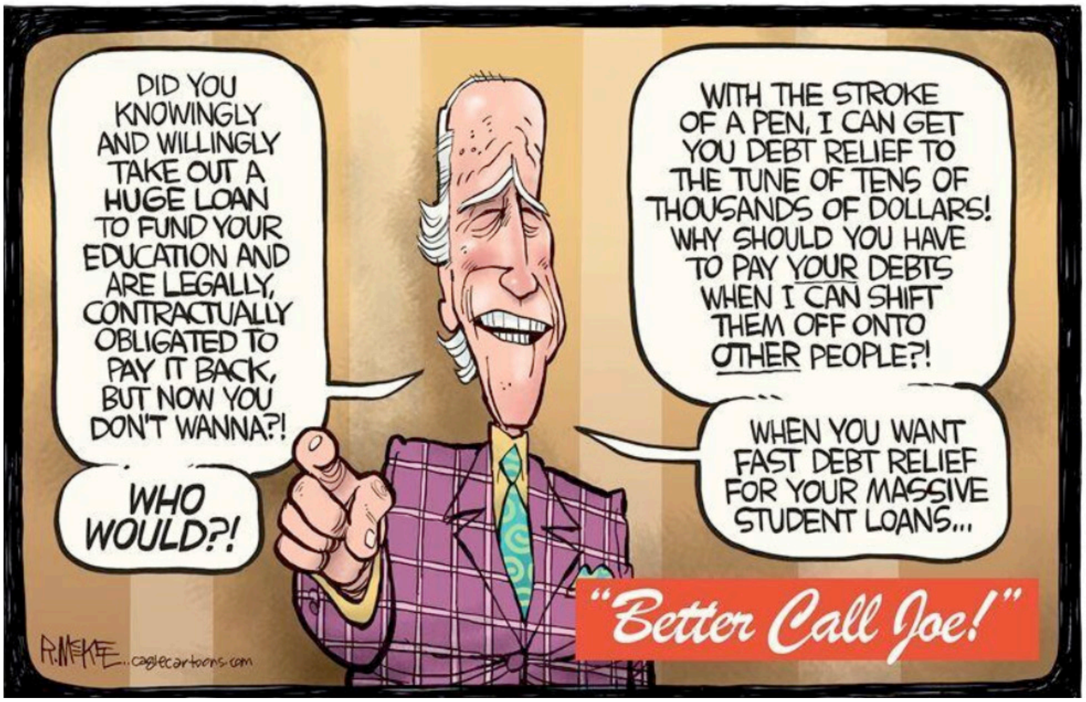


**FIGURE 19:** "BETTER CALL JOE" by Rick McKee. With Joe Biden in the place of Saul Goodman, the slimy "criminal" lawyer of TV shows Breaking Bad and Better Call Saul, the cartoon speaks to a common complaint of forgiveness - unfairly letting people escape obligations that they knowingly took on. See footnote 164

potentially bloated agencies for a few years, using that money to fill the trillion-dollar hole that erasing the balance would create? Barring that, there is also reversing former president Trump's immense two trillion-dollar tax cut for the wealthy. You could split hairs and say that its reversal is technically increasing taxation but think of it less as a tax raise and more as walking back a terrible decision, a reversal that would benefit millions of Americans at the expense of a few thousand, at most a few tens of thousands. Given the battery of deductions that are only available to those few, and considering the benefits it would bring, it is a more than fair trade.

Another argument is based around the concept of "personal responsibility" and precedent setting with regards to debt. It is somewhat tied to the first argument, since debt forgiveness is presented by critics as a process by which "responsible" taxpayers are forced to pay for the "irresponsibility" of students who go to schools outside their means or choose to study for careers that will not give them the means to pay their obligations after graduation. They also characterize forgiveness as the government "subsidizing" irresponsibility, claiming that the government is essentially "bailing out" borrowers from their contractual obligations. As previously mentioned, a major problem within the discussion of student debt is that many students and their families often lack an understanding of the student debt process. Yet this ignorance does not prevent, nor is it a legal way out of, the implications of signing a loan contact. This leads to the assertion that forgiveness would undermine the gravity of signing a loan by giving both future student borrowers and those carrying other forms of debt (mortgage, credit card, etc.) the belief that the government would bail them out in the future.[164]

This entire critique is incredibly ironic, as its proponents have conveniently forgotten that the

[164] Rick McKee, "Cagel Cartoons," Cagel Cartoons (Cagel Cartoons Inc., August 25, 2022), https://www.cagle.com/rick-mckee/2022/08/better-call-joe.

government has been in the business of bailing out corporations for irresponsibility and troubles since the 1970s.[165] The 2008 financial collapse, as one might recall, was an economic collapse triggered by the housing bubble popping, the bubble having been formed by a proliferation of subprime mortgages. Subprime mortgages are mortgages issued to borrowers who the lender believes has a higher-than-average risk of defaulting, or not paying the loan, due to poor credit or other issues that would affect their ability to pay. Now, a responsible institution would not give out mortgages to subprime borrowers, given the risk that the borrower would default, yes? Of course, the 2008 financial collapse occurred and, to prevent it from worsening, the government passed an array of bills designed to bail out banks, lenders, and other companies deemed "too big to fail".

Looking at the list of recipients, you will find a list of names that are very familiar, including Fannie Mae, Citigroup, Bank of America, American Express, and several others[166] who, in addition to having been in the business of mortgages, also had and continue to engage in private student lending.

It goes without saying that there is something incredibly wrong with the notion that private businesses are more deserving of government help then the literal citizens of the country. These businesses received taxpayer money to let them escape from their greedy and idiotic decisions. But to student debt naysayers, seeking education with debt to lead a better life is less forgivable than horrendously stupid lending decisions made in pursuit of profit! Words fail to express the sheer lunacy, the utter hypocrisy, of this argument that debt forgiveness will encourage future borrowers to be delinquent on their loans in the hope of a bailout. The only way this argument works is by using private banks and businesses as the example for what happens. They did it before 2008, did it in 2008, and when their greed leads to the economy collapsing again, you will find the exact same people spouting this drivel about forgiveness leading to delinquency first in line begging for the government to bail out those eternally maligned victims, the banking and lending industries.

The only argument of any merit in our eyes is one that we ourselves have included in our report as a major point. That is, forgiveness does not solve the fundamental problems of student debt. You help out millions of borrowers, relieving them of a crushing burden and opening up a world of possibilities for them to use their new wealth in a way that would improve their lives and their communities. But next semester, next school year, new and current students will need to take on new debt in order to finance their college education. Colleges will continue to raise their tuition, the interest rates will continue to fluctuate on the whims of the economy, and the demands of the job market will continue to force young and old people to continue seeking college education The cycle will begin again, from the start, only worse because unlike when student loans were first introduced the rates are higher, the jobs pay less, and opponents will be even more stalwart in their opposition to another slate wipe. Total cancellation solves the problem for this generation, but what about the next one?

We can mostly agree with this, though this report has demonstrated that we wholeheartedly believe that a slate wipe would have far reaching and long-lasting positive effects of all Americans, but especially those of color. But done in a vacuum, total cancellation or even further partial cancellation will only be a bandage on the festering wound to our society that is student debt. Reform is critical, and as we have exhaustively laid out, it is possible to reform the system so that the student loan system can serve its intended purpose – providing opportunities for disadvantaged individuals and communities to forge a new and better future for themselves. We can do this by eliminating the capitalist profit motives baked into the current system, setting safeguards against the problems that the old system had, and educating Americans more thoroughly.

[165] Jesse Nankin et al., "History of U.S. Gov't Bailouts," ProPublica (ProPublica, September 15, 2009), https://www.propublica.org/article/government-bailouts.

[166] Paul Kiel and Dan Nguyen, "Bailout Tracker: Bailout Recipients," ProPublica (ProPublica, August 18, 2022), https://projects.propublica.org/bailout/list.

# IX. CONCLUSION

As long as education is an issue marked by the increasing polarization of politics, as long as the right to redefine the futures of America's youth is a question of whether or not student debt forgiveness is "fair", this issue will remain a national catastrophe. Education in this nation has never received the proper respect that an institution, a service, of its importance deserves; it has remained subject to the same socioeconomic, political argumentation that far less important pork projects are subject to, treated as a commodity rather than a service. The net result is that it was, and remains, an institution grossly perverted by capitalism to the detriment of the quality and benefit that it provides. Nowhere is this clearer than in the issue of student debt; originally well intentioned, but used, abused, and twisted by the sinister forces of the market and racism to become the crisis it is today.

We have seen that student debt is not only a monetary issue, but an issue whose roots remain embedded in racial injustices and socioeconomic factors that Black and brown students face today. The burden of bearing a disproportionate amount of the nation's debt per person acts as a de facto system of modern slavery, one that imposes economic and psychological shackles on current and former students of color, their families, and their children. By sucking away money that could be used to build the foundation for a new generation of children to prosper, the system of student debt has become our new master to whom we give the fruits of our labor. The cycle must be disrupted. Student debt is, and has been, an issue that must be at the center of policy and debate—especially as it is an issue that affects present, past, and future students alike.

If we are to truly envision an end to the crisis, then we must look to the facts and figures that support the notion that student debt is, by large, an issue of racial justice. Only then can we finally come to understand the huge impact any policy decision regarding student debt may have on the people who are the most affected by it. People of all colors have suffered from student debt, yes, but we cannot allow that fact to lead us towards half measures that help those who need it least before those that need it most. People of color should, need, to have a preeminent seat at the table when discussing how to overcome this existential threat to our economic and sociopolitical situation. Our voices must be heard over those for whom student debt is a minor annoyance; it is not an annoyance, but a chronic and debilitating disease for us! Excluding us from the solution will only be another example of how Black and brown people remain second class, the expendable sacrifices for a foundation of continued white dominance in America. One could even argue that solving student debt for our debtors of color is a form of reparations; after all, our situations left us with little choice but to take out loans in order to grasp the slim hope of climbing out of the muck we have been kept faced down in for centuries. Is it not right that we should be given preference, in recognition of the historical oppression we have faced?

Make no mistake; a solution to the student debt problem is one that would help all people, and it is possible that we can reach a solution that will provide relief for all. We simply demand that, in recognition of the disproportionately crippling effect on our lives, our futures, that we should receive greater consideration. Ending student debt and reforming the system that has allowed it to fester in our nation- is a desperately needed action towards resolving the larger socioeconomic and political inequities that continue to persist in the nation to this day. By freeing current and former students of color from the shackles of debt, we are enabling them to venture into and improve America for the future; a truly equal, prosperous America. That is a vision worth solving the student debt crisis for.

# X. DEMANDS

The issue of student debt is one that lies in the foundation of America's education system, with implications for millions of former, current, and future students. As such, measures taken must be suitably massive in their scope and scale. Many organizations have already attempted to tackle this issue in its entirety, and with inspiration from them and our own research, The Black Institute makes its demands for minority debt holders in New York City, New York State, and the federal government. We demand:

### Federal Government:

- **That all current federal student debt be cancelled to give all borrowers, but especially Black and brown borrowers, the chance to build a brighter financial future**
- **That public two-year and four-year community college be made free to expand access to higher education and associated opportunities**
- **That the maximum aid from Pell Grants be increased to encourage more students to pursue higher education and reduce the number forced to rely on debt**
- **Expand the availability and amount of federally subsidized loans, which will reduce the stress of interest accruement on students and give more time for them to find viable careers**
- **That interest rates on federal student debt be eliminated or severely curtailed in order to truly facilitate access to opportunity**
- **Enable the Department of Education to audit postsecondary institutions every two (2) years and regulate tuition costs to reduce education inflation**
- **Eliminate for-profit colleges and universities or implement regulation that would hold them to the same, if not stricter, standards that nonprofit colleges and universities are held to**
- **Create and mandate participation in student debt seminars for college-bound students and their parents to increase awareness about the dangers of student debt**

### New York State:

- **That funding be allocated to fund mandatory high-school classes on the pros and cons of student loans**
- **That funding be allocated to cancel all current State University of New York (SUNY) debt**
- **That SUNY attendance be made free**

### New York City:

- **That funding be allocated to cancel all current City University of New York (CUNY) debt**
- **That CUNY attendance be made free**

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