

Ten Reasons to Cancel Student Loan Debt

Student debt cancellation must be a federal priority for the new administration. As the devastating health and economic toll of the COVID-19 pandemic deepens, millions of student borrowers are held back by high levels of debt on top of job losses and the struggle to cover their basic needs. The pause on payments is only a temporary fix. Since student loan debt disproportionately impacts Black and Latinx borrowers, especially women, cancelling student debt is a racial and economic justice issue.

1. Student loan debt is a national crisis

In recent decades, especially after the 2008 Great Recession, outstanding student loan debt has skyrocketed, reaching \$1.7 trillion. It affects over 45 million borrowers, households, and families nationwide.¹ The price of a higher education has risen while wages and incomes have remained stagnant. Cancellation would bring much-needed relief to millions, especially because many people may also be struggling with lost income, food and housing insecurity, and a disrupted education due to the COVID-19 pandemic and economic recession.

2. Cancelling student debt would advance gender and racial equity

The burden of student loan debt is not borne equally. Women hold over two-thirds of all outstanding debt.² Black borrowers also have higher average levels of debt and default.³ Systemic barriers, such as persistent discrimination in housing, employment, and access to educational opportunities, have kept many Black households from accumulating and inheriting wealth. As a result, Black students are overrepresented at for-profit institutions, many of which strand borrowers with astronomical levels of debt. Cancelling student debt can help close the racial wealth gap, and studies show that cancelling \$50,000 in student debt would alleviate the debt burden for nearly three in four Black households and increase Black wealth by a third.⁴

3. Cancelling student debt is good for the economy

Cancelling student loan debt could also have a powerful stimulus effect on the economy, which will be crucial as we look to build a sustainable economic recovery. Research has shown that cancellation would boost GDP by billions of dollars and add up to 1.5 million new jobs, reducing the unemployment rate.⁵ Workers who are Black, Latinx, immigrants, women, and those in industries paying low wages are still facing a terrible economic situation with high levels of unemployment.⁶ Cancellation will help borrowers and the lagging economy, as well.

4. Cancellation *is* targeted and would benefit those who need it most

Student debt cancellation is a targeted, progressive policy that would benefit those struggling the most. While wealthier borrowers make larger monthly payments outright, student debt *as a share of income* is higher for lower income borrowers.⁷ Additionally, partially due to sky-high interest rates and misleading forbearance policies, most borrowers still owed more than half of what they borrowed for college even 12 years after enrolling, with Black students being the sole group that owed more than what they borrowed after 12 years.⁸ Therefore, lower income borrowers, especially Black borrowers, would benefit immensely from debt cancellation.

5. The public broadly supports—on a bipartisan basis—student debt cancellation

Polls show that cancelling student debt is broadly popular. A bipartisan May 2020 poll from the Center for Responsible Lending and Americans for Financial Reform found that “a majority of Americans across all regions of the U.S. support permanently reducing student loan debt by \$20,000 for all borrowers.”⁹ Similarly, another poll found that 56 percent of registered voters—even those who had never had loans—supported Senator Elizabeth Warren’s proposal to cancel student debt.¹⁰

6. Student debt holders are not only young college graduates

Student loan debt does not just harm young millennials or college graduates. It is a multi-generational problem, and one that hurts people who faced insurmountable barriers to completing their degree. Over 8 million borrowers are aged 50 or older and, the fastest-growing age group of borrowers are people over 60 in some states.¹¹ Furthermore, a staggering 40 percent of all people who hold student debt did not finish college or attain a degree.¹² These borrowers often face the most hardship repaying their loans. Students of color, first generation students, and students with low incomes are also likelier to drop out due to the high costs of college and the lack of financial and institutional support. Cancellation would promote college affordability, access, and completion.

7. The benefits of student debt cancellation are life-changing

Cancelling student debt will significantly improve borrowers’ lives.¹³ Without the burden of student loan payments, borrowers will have more money to cover their basic needs and build wealth for their families.¹⁴ Many borrowers have had to delay significant life events, such as starting a family or buying a house, due to the burden of student loans.¹⁵ Studies show that when student debt is cancelled, people are more able and likely to create or invest in small businesses, attain more advanced degrees, and move to where they want to live or work.¹⁶

8. Cancellation would have significant intergenerational, anti-poverty effects

Student debt is not an individual burden but one that strains entire families. Many borrowers take on student loans while also caring for their parents. At the same time, millions of parents are still repaying Parent PLUS loans they borrowed to pay for their children’s education. Struggling to pay off debt can cause serious generational consequences, as going into default can be financially devastating. Penalties can include wage garnishment or having critical benefits and tax credits withheld, such as the Earned Income Tax Credit. Loan cancellation would allow for more financial security for future generations.

9. Institutional failures have worsened the student debt crisis

Student debt has skyrocketed as college tuitions have risen while state funding on education and financial aid has fallen. At the same time, predatory for-profit institutions have lured students of color into expensive, low-quality programs, leading to higher debt levels and default rates.¹⁷ Student loan servicers have been sued for misleading borrowers and preventing them from accessing vital programs and benefits. Even the U.S. Department of Education has been investigated for failing to administer the Public Service Loan Forgiveness program fairly.¹⁸ Borrowers deserve relief because factors such as skyrocketing tuition, debt-financed education as the norm, and deceptive behavior from institutions meant to uphold the system have deepened the crisis.

10. Higher education should be a right, not an expensive privilege

Student loans should be cancelled because higher education should be a right to all, not a luxury only accessible to those who can afford it. Student loans for higher education should not be the second most expensive purchase a person will make after buying a house. Along with other affordability measures such as investments in community colleges, debt-free college, and increased Pell grants, student debt cancellation can help all students access, complete, and flourish in higher education.

Endnotes

- ¹ Federal Reserve Board, *Consumer Credit*, December 7, 2020, <https://www.federalreserve.gov/releases/g19/current/>.
- ² Asha Banerjee and Rosa Garcia, "The 'Great Equalizer': Women in Higher Education," *CLASP*, March 25, 2020, <https://www.clasp.org/blog/great-equalizer-women-higher-education>; American Association of University Women, *Deeper in Debt: Women & Student Loans*, 2020, <https://www.aauw.org/resources/research/deeper-in-debt/>.
- ³ The Institute for College Access & Success, *Quick Facts About Student Debt*, April 2019, https://ticas.org/files/pub_files/qf_about_student_debt.pdf.
- ⁴ Federal Reserve Board, *Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances*, September, 28, 2020, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>; Anna N. Smith, "Student Debt is a Racial Equity Issue. Here's How Mass Debt Relief Can Address It," *Roosevelt Institute*, October 29, 2020, <https://rooseveltinstitute.org/2020/10/29/student-debt-is-a-racial-equity-issue-heres-how-mass-debt-relief-can-address-it/>.
- ⁵ Scott Fullwiler, Stephanie Kelton, Catherine Ruetschlin, and Marshall Steinbaum, "The Macroeconomic Effects of Student Debt Cancellation," *Levy Economics Institute*, February 2018, http://www.levyinstitute.org/pubs/rpr_2_6.pdf.
- ⁶ Adewale Maye, Asha Banerjee, and Cameron Johnson, "How the COVID-19 Recession Deepens Racial and Economic Equality Among Communities of Color," *CLASP*, November 19, 2020, <https://www.clasp.org/publications/report/brief/dual-crisis-how-covid-19-recession-deepens-racial-and-economic-inequality>.
- ⁷ Hillary Hoffower and Madison Hoff, "The case for cancelling student debt isn't political—it's practical. Here are the benefits of erasing \$1.6 trillion, no strings attached," *Business Insider*, December 5, 2020, <https://www.businessinsider.com/economic-benefits-of-student-debt-forgiveness-2020-12>.
- ⁸ American Council on Education, *Race and Ethnicity in Higher Education*, 2020, <https://www.equityinhighered.org/indicators/how-students-finance-undergraduate-study/ratio-amount-owed-to-amount-borrowed/>.
- ⁹ Julia Barnard, "New Bipartisan Poll Shows Strong Support for Student Loan Debt Cancellation During COVID-19 Pandemic," *Center for Responsible Lending*, May 12, 2020, <https://www.responsiblelending.org/media/new-bipartisan-poll-shows-strong-support-student-loan-debt-cancellation-during-covid-19>.
- ¹⁰ Annie Nova, "Elisabeth Warren's plan to cancel student debt is popular with voters, survey finds," *CNBC*, May 9, 2019, <https://www.cnn.com/2019/05/09/elizabeth-warrens-plan-to-cancel-student-debt-popular-with-voters.html>.
- ¹¹ Higher Ed Not Debt Campaign, *Higher Education Debt: The Case for Debt Cancellation*, 2020, https://cdn.higherednotdebt.org/wp-content/uploads/2020/09/18164136/FS_Cancel_Student_Debt_Week_of_Action_National-.pdf; Federal Student Aid, *Federal Student Loan Portfolio*, 2020, <https://studentaid.gov/data-center/student/portfolio>; Fiscal Policy Institute, *The Rising Burden of Education Debt on Older New Yorkers*, December 2020, http://fiscalpolicy.org/wp-content/uploads/2020/12/EducationDebt_Dec2020.pdf.
- ¹² Mark Huelsman, November 20, 2020, <https://twitter.com/MarkHuelsman/status/1329822197406453762>.
- ¹³ Higher Ed Not Debt Campaign, *Higher Education Debt*.
- ¹⁴ Darrick Hamilton and Naomi Zewde, "Eliminate student loan debt and establish a right to higher education," *Washington Center for Equitable Growth*, February 18, 2020, <https://equitablegrowth.org/promote-economic-and-racial-justice->

[eliminate-student-loan-debt-and-establish-a-right-to-higher-education-across-the-united-states/](#).

¹⁵ Federal Reserve Board, *Consumer & Community Context*, January 2019,

https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf?mod=article_inline;

<https://www.demographic-research.org/volumes/vol30/69/30-69.pdf>.

¹⁶ Federal Reserve Board, *Consumer*; Marco di Maggio, Ankit Kalda, and Vincent Yao, "Second Chance: Life Without Student Debt," *Harvard Business School*, 2019, **<https://www.hbs.edu/faculty/Pages/item.aspx?num=56163>.**

¹⁷ Dyvonne Body, "Worse Off Than When They Enrolled: The Consequence of For-Profit Colleges for People of Color," *Aspen Institute*, March 19, 2019, **<https://www.aspeninstitute.org/blog-posts/worse-off-than-when-they-enrolled-the-consequence-of-for-profit-colleges-for-people-of-color/#:~:text=According%20to%20the%20Federal%20Reserve,at%20all%20for%2Dprofit%20colleges>;**

Judith Scott-Clayton, "The looming student loan default crisis is worse than we thought," *The Brookings Institution*, January 11, 2018, **<https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>.**

¹⁸ Student Borrower Protection Center and American Federation of Teachers, *Broken Promises: Employer Certification Failure*, August 2020, **<https://protectborrowers.org/wp-content/uploads/2020/08/ECF-Failures.pdf>.**