

# Student Debt

## A Crushing Barrier to Asset Building

April 18<sup>th</sup> 3pm-4pm EDT



AFN is the leading national grantmaker membership organization focused on advancing equitable wealth building and economic mobility.

- ✓ Broaden your Knowledge Base
- ✓ Connect to a Powerful National Network
- ✓ Amplify your Impact
- ✓ Collaborate for Influence



**Business  
Ownership**

**Financial  
Health**

**Employment  
& Income**

**Education**

**Health**

**Housing**

**The Wealth  
Gap**

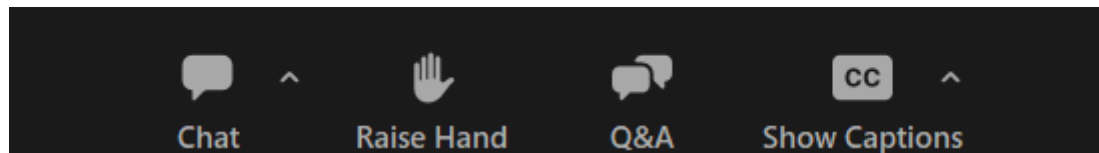
# WEBINAR CONTROL PANEL

## PARTICIPATE

Type your question in the  
**Q&A BOX**  
to be addressed during  
discussion breaks or during  
Q/A

## CLOSED CAPTIONS

Captions can be turned on via  
**Show Captions**  
to be viewed in real-time and  
will also be available in the  
recording afterwards



# SPEAKERS



**Hiba Haroon**  
(Moderator)  
Annie E. Casey  
Foundation



**Rosie Silber-Marker**  
Neighborhood Trust  
Financial Partners



**Dr. Jason Caldwell**  
MDC



**Kristin McGuire**  
Young Invincibles



**Kat Welbeck**  
Student Borrower  
Protection Center  
(SBPC)



STUDENT BORROWER  
PROTECTION CENTER

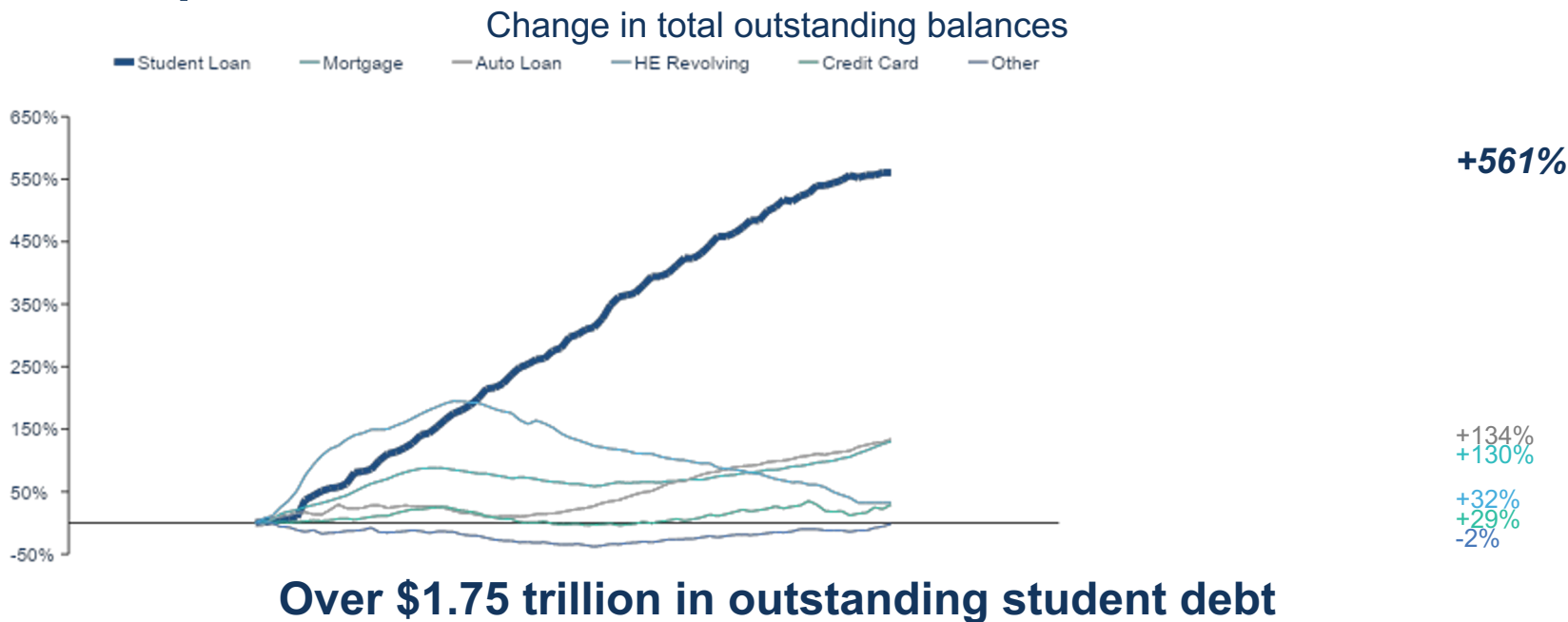
PROTECT BORROWERS

# The Student Debt Crisis

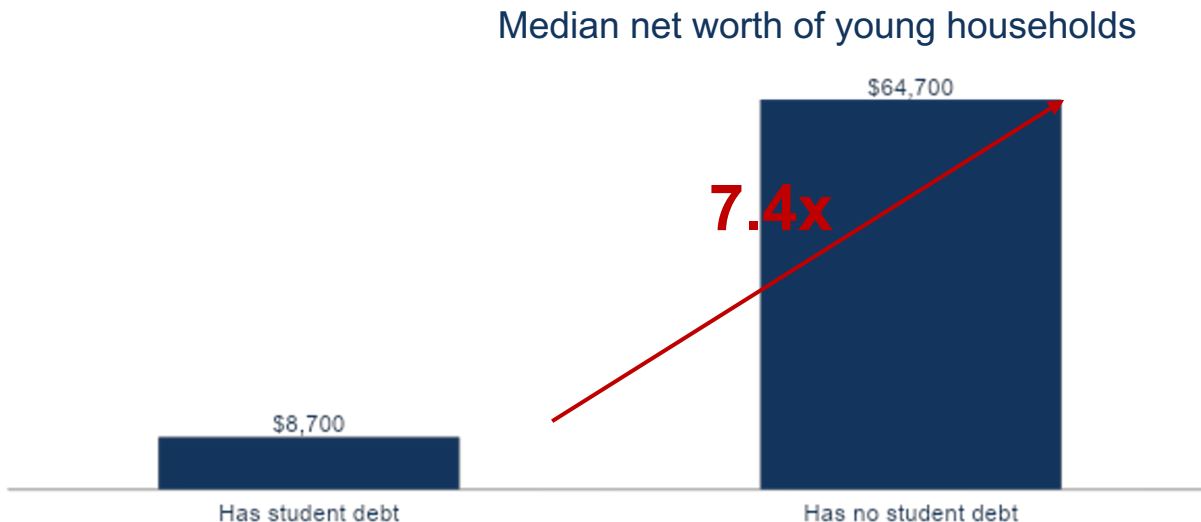
---

April 2023

## The growth of U.S. student loan debt has been consistent and explosive



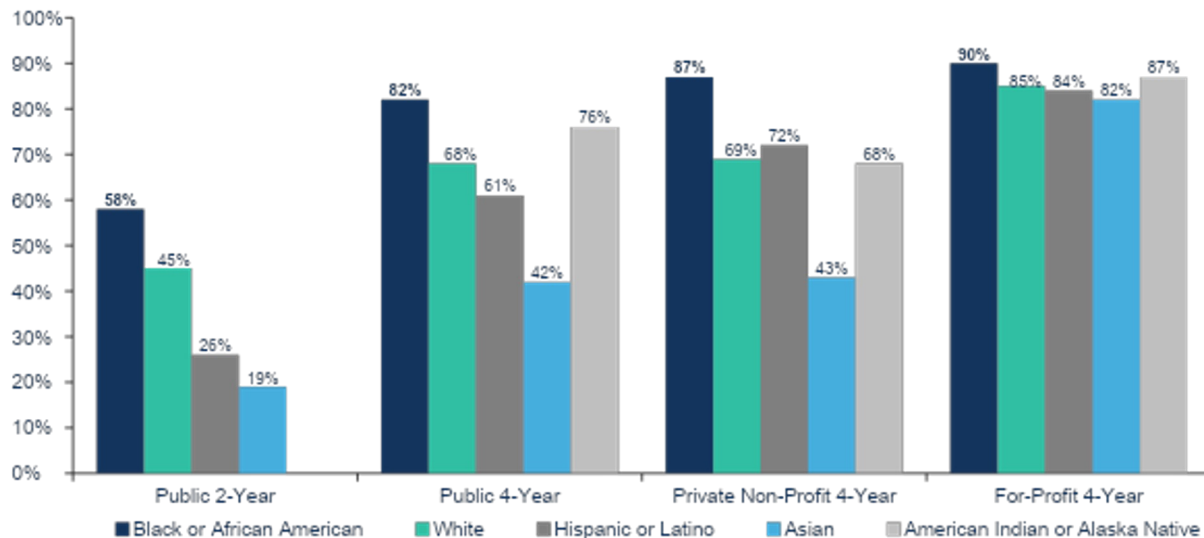
## Student loan borrowers lag behind in wealth accumulation



Median net worth is **over 7 times higher** among young households that do not have student debt

## Across college types, Black students are more likely to graduate with debt

Percent of graduates with debt

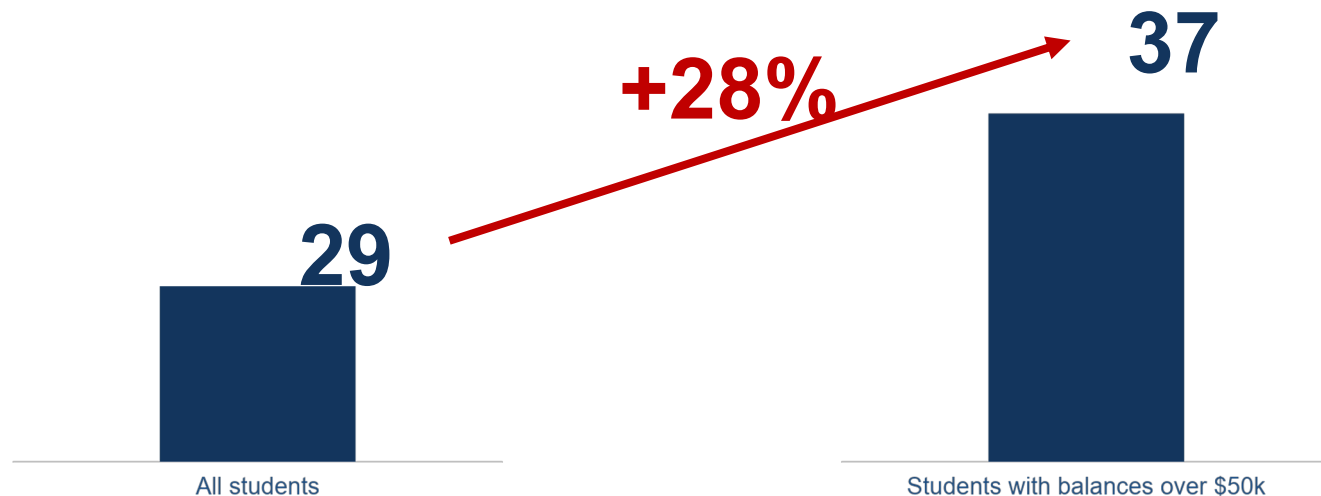




## Black and Latino students make up a disproportionate share of students with large debt balances

Of every 100 college students, **29** are **Black or Latino**

Of every 100 borrowers with a balance over \$50,000, **37** are **Black or Latino**



**The New York Times** | DealBook / Business & Policy

Student Loan Company Accused of Mismanaging Debt Forgiveness Program



REUTERS World Business Markets Politics TV

U.S. JUNE 22, 2017 / 5:10 PM / 8 MONTHS AGO

Servicing issues may hamper U.S. student-loan forgiveness for thousands



Why Public Service Loan Forgiveness Is So Unforgiving

**This government loan forgiveness program has rejected 99% of borrowers so far**

**The 'broken' public service student loan forgiveness system is particularly brutal for military veterans**

EDITORS' PICK | 16,933 views | Aug 12, 2020, 03:30pm EDT

New Report Shows Public Service Loan Forgiveness Is A Mess

## Fixing a broken Income Driven Repayment “safety net”

- Only 157 of 4.4 million borrowers received cancellation via IDR
- One-time “revision” and adjustment of Direct and FFEL qualifying payments;
- Repayment status (regardless of payment, loan, plan)
- Some periods of forbearance and deferment count
- Credit before consolidation
- PSLF Credit
- **Commercial FFEL & Perkins must consolidate\***

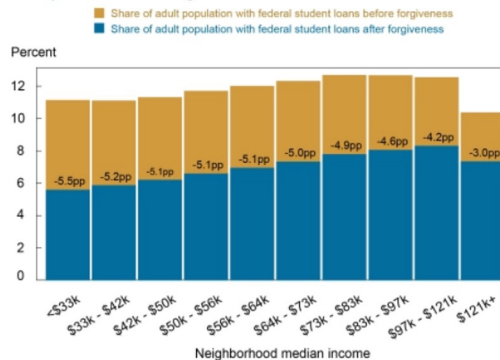
## Giving the lowest-income borrowers a “Fresh Start”

- Restores repayment options for borrowers, including IDR plans
- Immediately restores Title IV eligibility
- Restores one-time rehabilitation if used during the payment pause
- Provides beneficial credit reporting features
- Protects borrowers from involuntary collections

## Cancelling Debt for (Nearly) Everyone

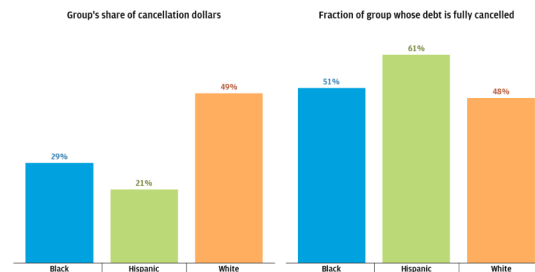
- Estimated 40 million could receive cancellation, 20 million borrowers' loans could be completely cancelled
- Nearly 90% of benefit would go to those earning less than \$75,000 per year
- Estimated 25% of Black borrowers and 50% of all Latino borrowers would have debts completely cancelled

Student loan prevalence in the lowest-income areas will be nearly halved after forgiveness



Sources: New York Fed/Equifax Consumer Credit Panel; American Community Survey, authors' calculations.

Notes: Under the forgiveness plan, some borrowers will see their debts completely cancelled. The percentage point figures within the bars denote the percentage point decline in the shares of the adult population holding federal student loans as a result of the forgiveness event.



Note: Raw income data is sum of net or take-home income across all customer's checking accounts. Calculation of gross income used to determine program eligibility is based on an income tax withholding and payroll tax of 7.65%. The income tax withholding increases linearly with income from 13% to 20% at \$125,000 of net income and is constant thereafter. Race and ethnicity come from self-reported declarations on voter registration forms in Florida, Georgia, and Louisiana; analysis on these variables is restricted to the sample in these states.

Source: JPMorgan Chase Institute

## Payments are expected to resume by Fall 2023

- More than 40 million borrowers will be pushed into repayment
- The payment pause is currently scheduled to end 60 days after June 30, 2023 or 60 days after a final disposition on the SCOTUS cases
- Borrowers will receive a statement 21 days before their first payment is due



Grantmakers Advancing  
Economic Equity