Thank you for joining us for today’s webinar:

Student Loan Debt Relief: What Do We Know?

The webinar will begin promptly at 12 PM CT
Student Loan Debt Relief: What Do We Know?

- Welcome and Introduction to WCSD with Lara Sutherlin
- Presentations:
  - State and federal policy strategies for student loan debt
  - What do we know about student loan debt in Wisconsin?
  - Why debt forgiveness?
- Panelist Q & A
- Sign off
The Wisconsin Coalition on Student Debt is a nonprofit organization representing a range of concerned organizations and stakeholders who seek to increase clarity around the key issues of student debt, college affordability, and loan repayment.

As a nonpartisan group, the Coalition is not an advocacy organization. Instead, we raise awareness of policy insights and promote outreach that improves the borrowing and repayment experience for Wisconsin residents with the goal of improved financial outcomes.

Website: debtsmarts.org
Email: WiCoalitionStudentDebt@gmail.com
Subscribe to our newsletter for webinar and convening events
Our Presenters

• Jack Porter, Policy Analyst, National Governors Association

• Nick Hillman, Associate Professor and Director of the SSTAR Lab, University of Wisconsin-Madison

• Kat Welbeck, Civil Rights Counsel, Student Borrower Protection Center (SBPC)
Federal and State Policy Strategies for Student Debt

Jack Porter, Policy Analyst, National Governors Association
Recently Enacted Federal Policy Change

• Changes to the Pell Grant
  o Maximum award increase
  o Eligibility formula adjustments
  o Restoration of eligibility for incarcerated students

• Repeal of the Subsidized Loan Eligibility Limit

• Tax Incentive for Employers

• Pause on monthly payments
Borrower Bill of Rights

Servicer Requirements

- Obtain operating license
- Evaluate borrowers for IDR before forbearance

Ombudsman Requirements

- Approve servicers
- Assist borrowers
- Resolve and analyze complaints
- Monitor federal policy change
New York’s “Get on Your Feet”

Program Parameters

• NYS makes 24 payments
• 10% of adjusted gross income
• Eligible repayment plans:
  • IBR
  • PAYE
  • REPAYE

Eligibility Requirements

• Income cap: $50,000
• Bachelor’s degree (nothing higher)
• Application within 2 years of completion
• Graduated from NYS high school & college
• 12 months of prior residency
• Employed in New York
<table>
<thead>
<tr>
<th>State</th>
<th>Eligible Loans</th>
<th>Funding</th>
<th>Servicer</th>
<th>Interest Rate</th>
<th>Debt : Income Credit Score</th>
<th>Income Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>$5,000 - $100,000</td>
<td>Program Funds</td>
<td>Outsourced</td>
<td>Fixed: 4.75 - 5.0%, Variable: N/A</td>
<td>43% / 675</td>
<td>None</td>
</tr>
<tr>
<td>Maine</td>
<td>$10,000 - $240,000</td>
<td>Private*</td>
<td>Outsourced</td>
<td>Fixed: 4.5 - 9.0%, Variable: 4.25 - 8.50%</td>
<td>40% / 680</td>
<td>$24,000/year minimum</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$10,000 - $70,000</td>
<td>Program Funds</td>
<td>Outsourced</td>
<td>Fixed: 4.25 - 6.75%, Variable: 4.0 - 5.35%</td>
<td>45% without co-sign 40% with co-sign 700</td>
<td>None: 60-day continuous employment</td>
</tr>
<tr>
<td>Iowa</td>
<td>$5,000 - $200,000</td>
<td>Tax-exempt &amp; taxable bonds</td>
<td>Iowa Student Loan</td>
<td>Fixed: 3.50 – 7.50%, Variable: N/A</td>
<td>None 690</td>
<td>None</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$1,000 - $200,000</td>
<td>Taxable bonds</td>
<td>NH Higher Ed. Loan Authority</td>
<td>Fixed: 4.29 – 7.49%, Variable: 4.34-7.14%</td>
<td>43% 700</td>
<td>$30,000/yr. min. $50,000 for loans over $100,000</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$5,000 minimum</td>
<td>Tax-exempt bonds</td>
<td>NJ Higher Ed. Student Assistance Authority</td>
<td>Fixed: 4.90 – 6.90%, Variable: N/A</td>
<td>40% 670</td>
<td>$40,000/year minimum</td>
</tr>
</tbody>
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## Maryland’s Tax Benefits

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Offers tax credits to borrowers who:</td>
<td>Executive order cites workforce shortages in stage agencies &amp; declares priority for those fields</td>
<td>Proposed interest deduction for full amount paid in a fiscal year</td>
</tr>
<tr>
<td>- Incurred at least $20,000</td>
<td>- Personnel management</td>
<td>- Income cap:</td>
</tr>
<tr>
<td>- Have at least a $5,000 balance</td>
<td>- Transportation services</td>
<td>- $91,000 income cap for full write-off</td>
</tr>
<tr>
<td>- Priority:</td>
<td>- $9 million awarded to 9,494 residents</td>
<td>- Sliding scale for income between $91K-$100K</td>
</tr>
<tr>
<td>- Higher debt to income ratios;</td>
<td>- $1,000 for in-state</td>
<td></td>
</tr>
<tr>
<td>- In-state students;</td>
<td>- $883 for out-of-state</td>
<td></td>
</tr>
<tr>
<td>- Did not receive tax credit in prior year</td>
<td></td>
<td></td>
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</tbody>
</table>
Connecticut’s Employer Tax Credit

**Foundation of Employee Benefit Plans Survey**

- 23 percent of companies indicated interested in assisting employees repaying student loans, 4 percent already do so, 2 percent are in the process of implementing this benefit.

**Senate Bill 72’s Program Parameters:**

- Effective in 2022, employers will receive a tax credit for half of the amount they contribute to employees’ student loans. To be eligible, employees must have completed a bachelor’s degree in the last five years, be a Connecticut resident, and have refinanced their student loan through the state.

**The Hartford**

- About 17,000 employees at the insurance company will be eligible to receive a lifetime total of $10,000 toward their student loan debt.
Next Steps?
What Do We Know About Student Debt in Wisconsin?

Nick Hillman
Associate Professor, Educational Leadership & Policy Analysis
Director, Student Success Through Applied Research Lab

February 9, 2021
Why do students borrow?

• Four main reasons
  • Rising tuition and non-tuition expenses
  • Constrained family budgets, especially for students of color
  • Low purchasing power of grant aid
  • ROI justifies (on average) some debt

• Why do we know so little?
  • Poor data quality (via surveys)
  • Difficult to access good data (via NSLDS)
  • Debt data often not linked to demographic data
  • Hard to disentangle cause and effect
  • There’s simply a wide range of variation in experiences
Average federal loan debt

Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
Interactive: https://sstar.wisc.edu/federal-student-debt-in-wisconsin/
Average federal loan debt

~714,400 borrowers
~ 1 in 5 adults
~$22.7 bill. outstanding
~$31,700 per borrower
~45th in US (avg. debt)

Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
Interactive: https://sstar.wisc.edu/federal-student-debt-in-wisconsin/
Distribution of debt by size

Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
Distribution of debt by size

17% of borrowers hold 1% of the debt

Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
Distribution of debt by size

33% of borrowers hold 5% of the debt

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Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
Distribution of debt by size

33% of borrowers hold 5% of the debt

5% of borrowers hold 30% of the debt

Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
Median debt varies across WI

US: $19,219

WI: $17,829

Interactive for WI: [https://sstar.wisc.edu/student-debt-dashboard/](https://sstar.wisc.edu/student-debt-dashboard/)
Median debt varies across WI

Median student loan debt ($) over time for Madison and Rural areas.


Interactive for WI: [https://sstar.wisc.edu/student-debt-dashboard/](https://sstar.wisc.edu/student-debt-dashboard/)
Default rates vary across WI

Source: Urban Institute Debt in America: https://apps.urban.org/features/debt-interactive-map/?type=student&variable=perc_stud_debt_collect_STUD&state=55
Interactive for WI: https://sstar.wisc.edu/wisconsin-residents-in-default-on-student-loans/
Default rates vary across WI

~Default rates in WI:
  overall: **11%**
  white communities: **9%**
  comm. of color: **25%**

~ Median defaulted loan in WI:
  overall: **$9,109**
  white communities: **$9,743**
  comm. of color: **$6,474**

Source: Urban Institute Debt in America: https://apps.urban.org/features/debt-interactive-map/?type=student&variable=perc_stud_debt_collect_STUD&state=55
Interactive for WI: https://sstar.wisc.edu/wisconsin-residents-in-default-on-student-loans/
Default rates vary across WI colleges

Source: US Dept of Education College Scorecard (cdr3 and cdr3_denom)
Default rates vary across WI colleges

~ 9,300 borrowers default < 3 years
~ half of defaults are from WTCS

Source: US Dept of Education College Scorecard (cdr3 and cdr3_denom)
Income-Driven Repayment

Share of borrowers by repayment plan

Share of loan volume by repayment plan

Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
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Source: US Dept of Education Federal Student Aid Data Center (Sept 30, 2020)
Race, Income, and Student Debt

Race, Income, and Student Debt

[loans: x7824; x7847; x7870; x7924; x7947; x7970; x7179] [income: x5729] [race: x6809] [pweight: x42001]
Race, Income, and Student Debt

Race, Income, and Student Debt

Race, Income, and Student Debt

Share of borrowers’ debts fully cancelled:

~ $10,000 cancellation [<$150 inc]
  Black: 30%  [27%]
  White: 28%  [17%]

~$50,000 cancellation
  Black: 71%  [62%]
  White: 75%  [47%]

Source: Federal Reserve Board Survey of Consumer Finances https://www.federalreserve.gov/econres/scfindex.htm
[loans: x7824; x7847; x7870; x7924; x7947; x7970; x7179] [income: x5729] [race: x6809] [pweight: x42001]
Policy Responses

- Consumer Protections
  - Student Loan Bill of Rights
  - Student Loan Ombudsman
  - Financial Wellness/Literacy
  - Consumer Information
  - Advocacy for defrauded borrowers

- Current & Future Borrowers
  - Regulatory Environment
  - Data & Practice
  - Subsidies & Finance

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Data & Practice

Administrative Services Agency
Ongoing Assessment
Technical Assistance Networks
Evaluate Promising Practices
Policy Responses

Reduce Tuition
Invest in Colleges
Expand Grant Aid
Cancel Debt
Refinance Debt
Tax Credits
Policy Responses

State Authorization
Program Approval
Reporting/Oversight

Regulatory Environment
Consumer Protections
Current & Future Borrowers
Data & Practice
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Tax Credits

Administrative Services Agency
Ongoing Assessment
Technical Assistance Networks
Evaluate Promising Practices
Thank you

Nick Hillman
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SSTAR Lab
www.sstar.wisc.edu
Student Loan Debt Relief: What Do We Know?

Kat Welbeck, Civil Rights Counsel, Student Borrower Protection Center

February 9, 2021
The Student Borrower Protection Center is a nonprofit organization focused on alleviating the burden of student debt for millions of Americans. The SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers’ rights, and advance economic opportunity for the next generation of students.

Led by the team of former federal regulators that directed oversight of the student loan market at the Consumer Financial Protection Bureau, SBPC works to protect borrowers’ rights and advance economic opportunity for the next generation of students.
Student loan debt is the second largest consumer debt market

Total outstanding non-mortgage debt (trillions)

- Student loan: $1.7 trillion
- Auto loans: $1.3 trillion
- Credit card: $820 billion
- HE revolving: $380 billion
- Other: $420 billion
Student loan borrowers pay a “secret price” for other forms of credit

Student loan borrowers face higher rates on auto loans, mortgages, and credit cards

<table>
<thead>
<tr>
<th>Typical Borrower Bundle</th>
<th>Auto loan: $32,797 balance, 70 month term</th>
<th>Mortgage: $354,000 balance, 360 month term</th>
<th>Credit card: $6,194 balance, 60 month term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline level of student debt stress</td>
<td>$39,625 Total auto loan cost</td>
<td>$40,927 Total auto loan cost</td>
<td>$42,915 Total auto loan cost</td>
</tr>
<tr>
<td>Moderate level of student debt stress</td>
<td>$651,189 Total mortgage cost</td>
<td>$661,119 Total mortgage cost</td>
<td>$676,538 Total mortgage cost</td>
</tr>
<tr>
<td>High level of student debt stress</td>
<td>$8,672 Total credit card cost</td>
<td>$8,914 Total credit card cost</td>
<td>$9,101 Total credit card cost</td>
</tr>
<tr>
<td>Total combined cost</td>
<td>$699,487 Total combined cost</td>
<td>$710,959 Total combined cost</td>
<td>$728,553 Total combined cost</td>
</tr>
</tbody>
</table>

The secret price tag of student debt: $+29,066

Source: Student Borrower Protection Center (2020)
Affecting individuals, households, and communities

- Reducing saving for borrowers' own children (Martin et al., 2020)
- Encouraging flight out of rural communities (Morpeth, 2019)
- 400,000 fewer home purchases by millennials (FRB, 2019)
- Delaying marriage and family planning (Rauscher & Elliott, 2016)
- 2 million fewer businesses between 2006 and 2015 (Busteed, 2015)
- More likely to owe credit card debt (FRB, 2015)
- Reducing small business formation by 14% (Ambrose et al., 2015)
- 60-70% reduction in likelihood of attending graduate school (Gale, 2014)
- Reduced emergency savings (Fry, 2014)
- More likely to be delinquent on other debt (Thompson & Bricker, 2014)
- Reducing net worth by seven times that of non-borrowers (Fry, 2014; Cooper & Wang, 2014)
- Reducing economic mobility (Cooper & Wang, 2014)
- Reducing the home-ownership rate of millennials (Brown & Caldwell, 2013)
- Lessening lifetime wealth by $200,000 (Hiltonsmith, 2013)
- Reducing average retirement savings by $115,000 (Egoian, 2013)
- More likely to be denied other consumer credit (Thompson & Bricker, 2009)
Student debt is “both a cause and a consequence of racial inequality”

More than 90% of Black and 72% of Latino students take out student loans to attend college, compared to 66% of white students.

Across America’s most segregated neighborhoods, borrowers who live in neighborhoods with the highest concentration of non-white residents default on student loans five times more frequently than borrowers in the whitest neighborhoods.

Majority-Black communities have the highest and fastest-growing student loan balances, with an average balance of $38,000, approx. $5,000 greater than the national average.

The typical white borrower pays down almost 95% of their loans in the 20 years after starting college, whereas their Black peers will still owe 95% of their original balance after the same period.
The racial wealth gap fuels the student debt crisis for borrowers of color

“Existing racial wealth disparities and soaring higher education costs may actually replicate racial wealth disparities across generations by **driving racial disparities in student loan debt load and repayment**.”

- Federal Reserve Bank of St. Louis

Source: National Postsecondary Student Aid Study (2018)
Across college types, Black students are more likely to graduate with debt.

Source: Demos (2019)

Note: Data for Native Hawaiian/Other Pacific Islanders not available due to small sample size
Majority-black zip codes see the highest and fastest-growing student loan balances

Borrowers of color and women face particular hardship paying down their loan balances

12 years after starting college, the median black male borrower’s balance has increased 11%, and the median black female borrower’s balance has increased 13%.
Disparities in debt burdens and defaults

**Figure 1: Percent of population with a student loan**

- Majority-white zip codes
- Majority-minority zip codes


Note: the percent of population with a student loan is equal to the number of student loan borrowers as a share of the ACS 18+ population.

**Figure 2: Percent of student loan borrowers in default**

- Majority-white zip codes
- Majority-minority zip codes

Source: New York Fed Consumer Credit Panel/Equifax (2019Q2)

Note: the percent of student loan borrowers currently in default is equal to the number of student loan borrowers with a defaulted balance as a share of the total number of student loan borrowers.
Thank you for joining the Center for Financial Security for today's webinar:

Student Loan Debt Relief: What Do We Know?

Please remember that today’s webinar was recorded and will be posted on our website: cfs.wisc.edu within two business days.

Please contact Hallie Lienhardt with questions:

Hallie.lienhardt@wisc.edu
608-890-0229