

Student Debt in the COVID Era

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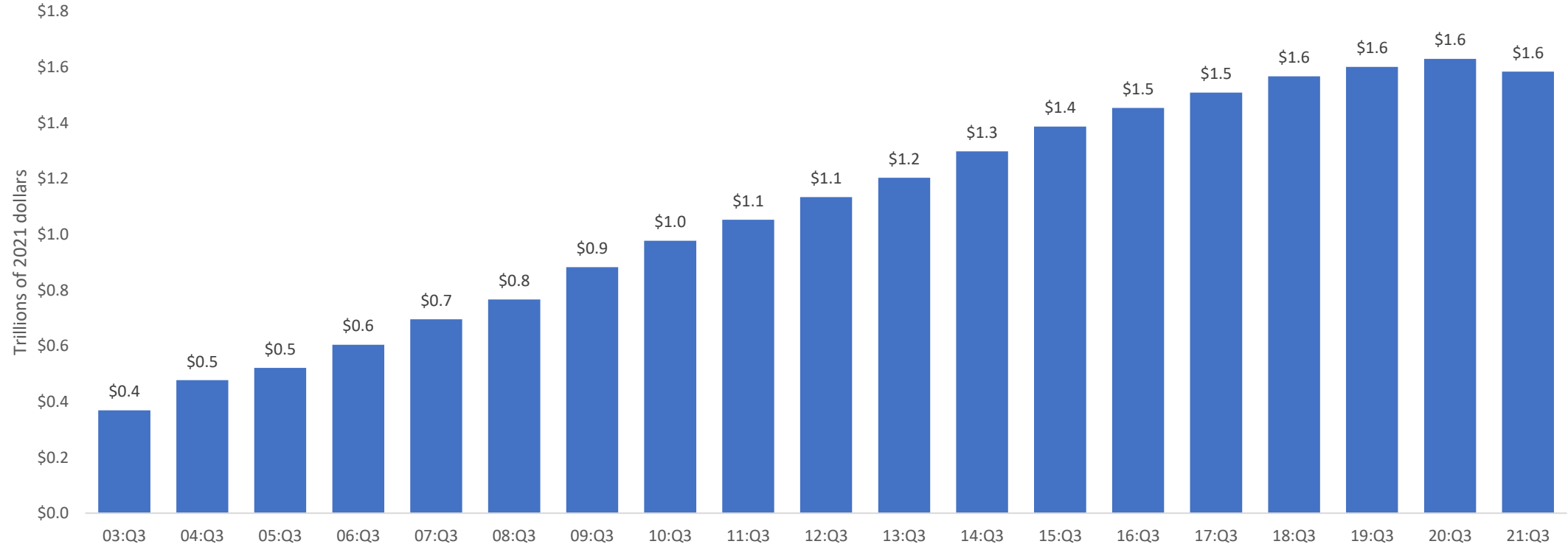
Student debt is not a broad and undifferentiated “crisis.”

- Some students / groups of students struggle disproportionately.
- Loan repayment is confusing.
- Loan servicing is problematic and sometimes abusive.
- A lot of change is needed—but it’s okay for students to borrow moderately.

Outstanding student debt has leveled off since 2016.

Student debt as share of all household debt.

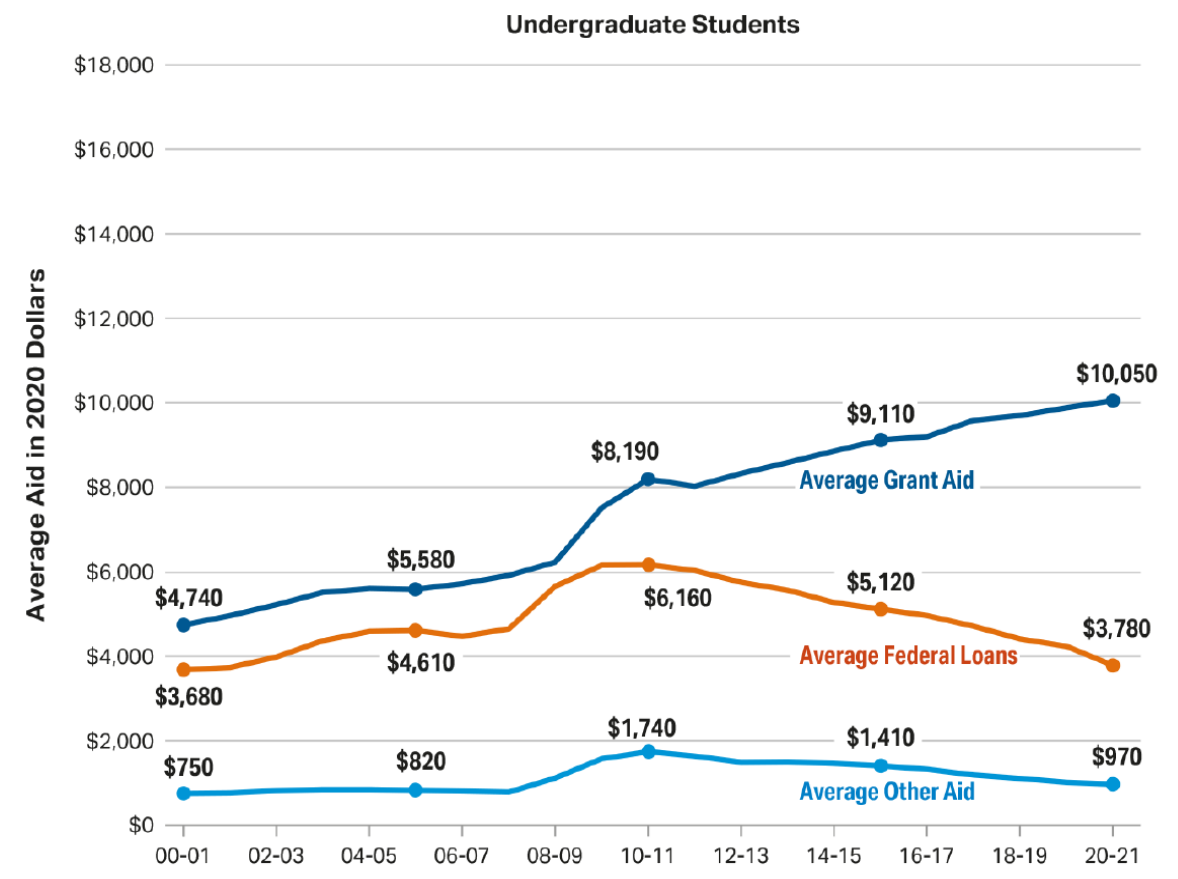
2003	2005	2007	2009	2011	2013	2015	2017	2019	2021
3%	4%	4%	6%	7%	9%	10%	10%	11%	10%



Source: Federal Reserve Bank of New York Quarterly Report on Household Debt and Credit, November 2021

Borrowing per undergraduate student has been declining since 2010-11.
(Graduate borrowing is an increasing share of the total: 24% of student borrowers, 45% of federal student loans in 2020-21.)

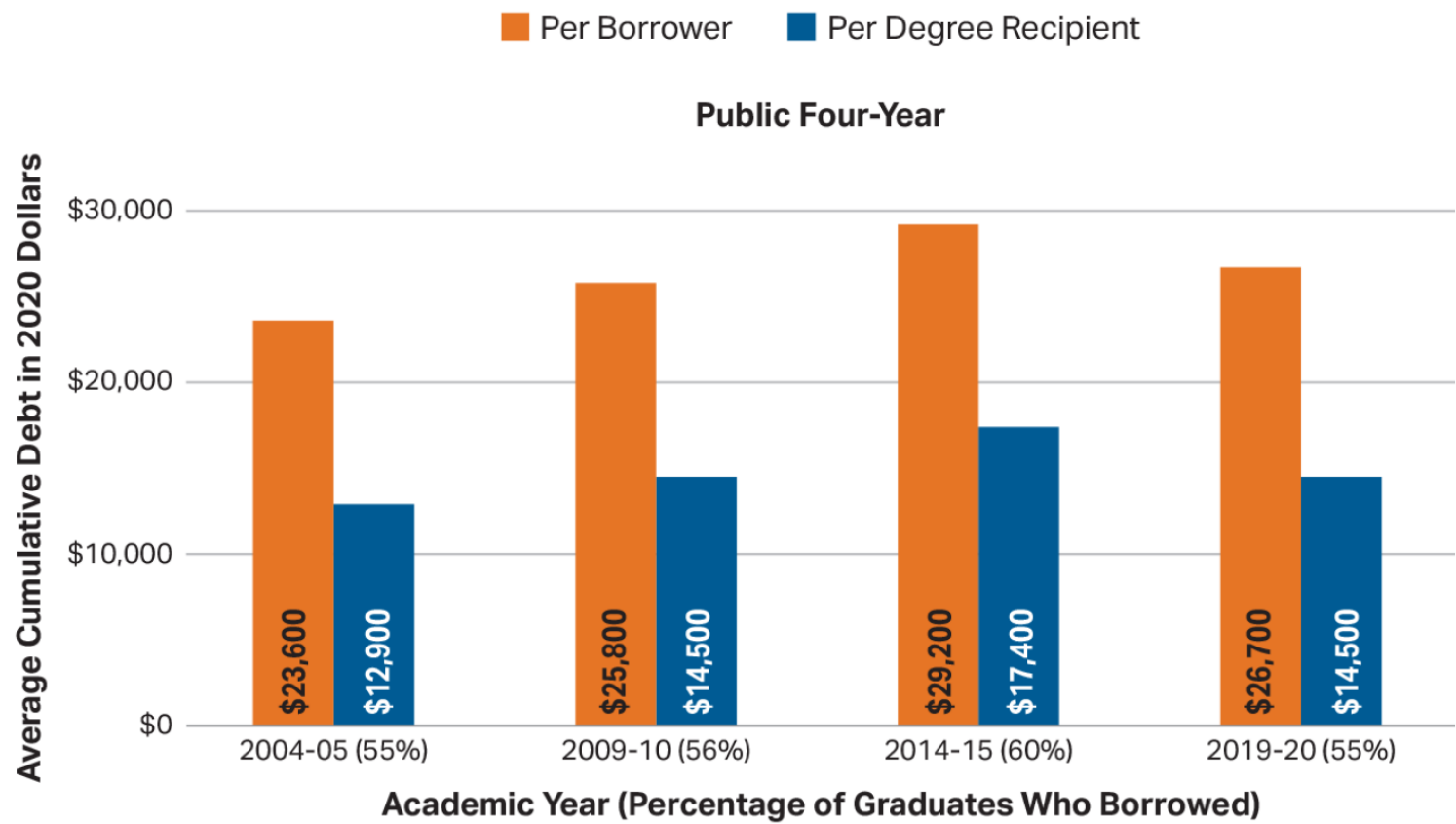
Average Aid per Full-Time Equivalent (FTE) Undergraduate Student in 2020 Dollars, 2000-01 to 2020-21



Source: College Board, *Trends in Student Aid 2021*

Average total debt for public four-year college graduates is declining.

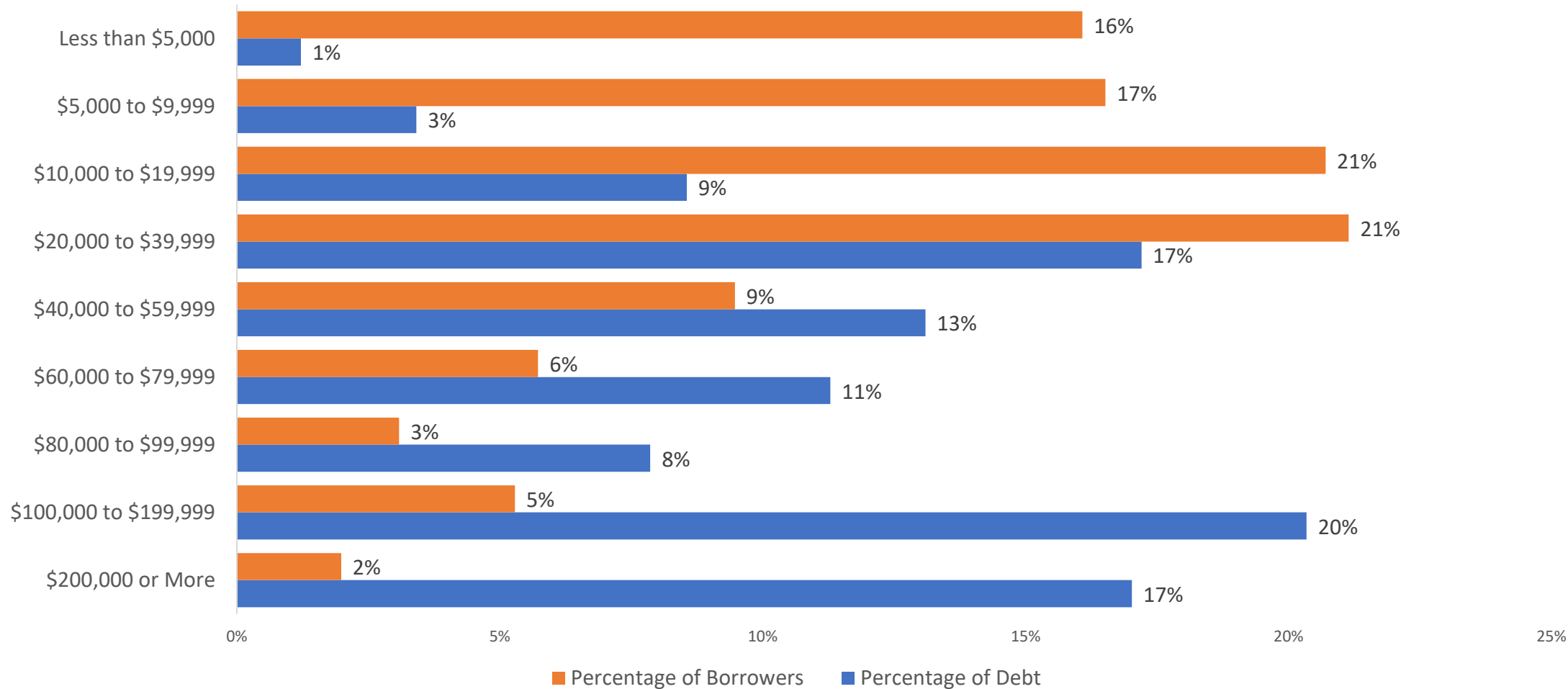
Average Cumulative Debt Levels in 2020 Dollars: Bachelor's Degree Recipients, Public Four-Year Institutions, 2004-05 to 2019-20



Source: College Board, *Trends in Student Aid 2021*

The 7% of borrowers owing \$100,000 or more hold 37% of the debt. The 33% owing less than \$10,000 hold 4% of the debt.

Distribution of borrowers and debt by outstanding balance, 2021



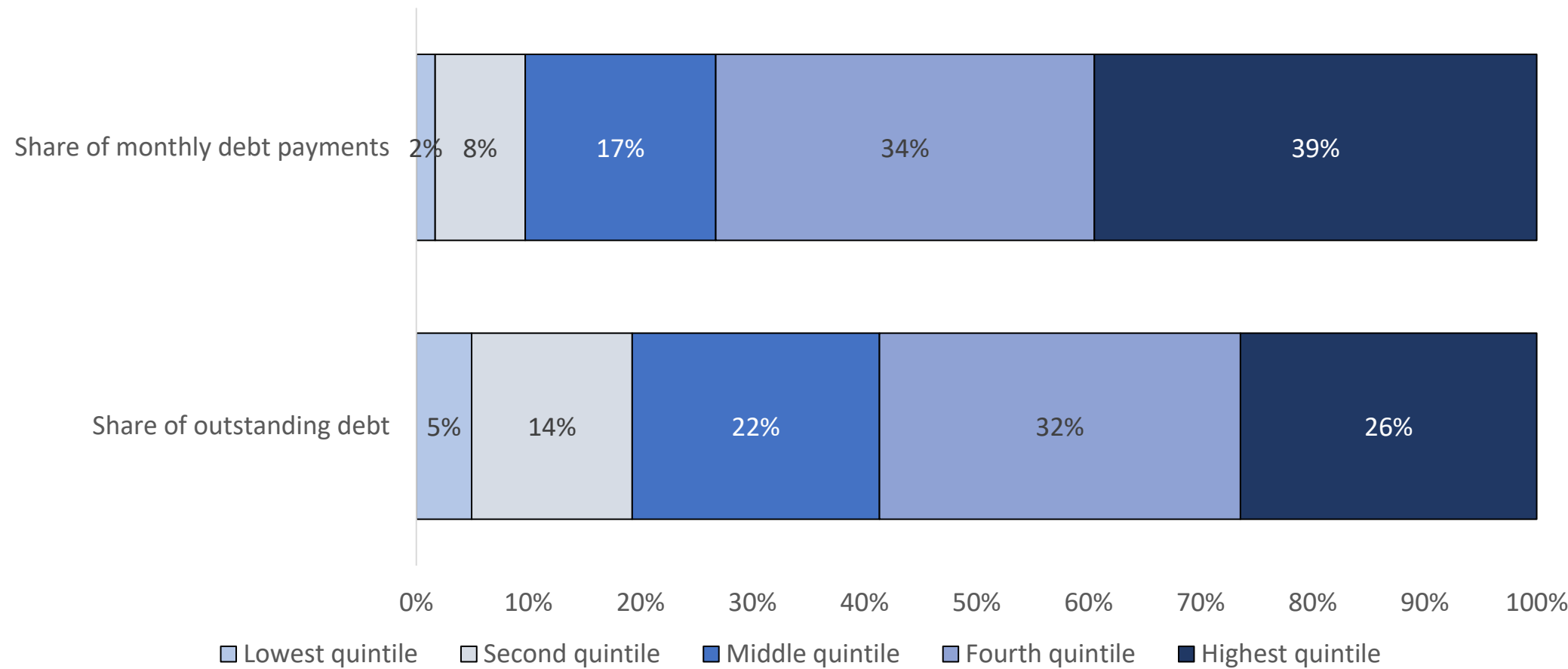
Source: US Department of Education, Federal Student Aid Data Center, Federal Student Loan Portfolio

Debt in Connecticut

- Among the state's indebted student borrowers, 12.7% owe less than \$5,000.
 - 23% owe \$20,000 to \$40,000.
 - 2% owe more than \$200,000.
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- Source: <https://educationdata.org/student-loan-debt-by-state#connecticut>

Who would benefit most from broad debt forgiveness?

Education debt is concentrated in the upper half of the income distribution.



Notes: Households ages 25 and older.
Source: Baum and Looney (2020) “Who owes the most in student loans? New data from the Fed?” *Brookings*..

COVID policies

- Payment pause for two years.
- No interest charged.
- Months count toward loan forgiveness.
- Biden administration: canceling debt for victims of fraud and abuse, loosening requirements for Public Service Loan Forgiveness.
- But no broad debt forgiveness!

Improving income-driven repayment would solve a lot of problems.

- Automatic enrollment
- Payroll deductions
- Time to forgiveness should depend on amount borrowed.
- Limit graduate borrowing for IDR.

Should we seek targeted forgiveness?

- Students who were victims of fraud or closed schools
- Poor parents with PLUS loans
- Students with very low debts and very low incomes

What can states do? Reduce debt among future students

- Connecticut has relatively high state funding per student (\$14,450 vs. \$8,640 in US), but also relatively high tuition and fees (\$4,550 vs. \$3,800 at public two-year colleges, \$14,550 vs. \$10,740 at public four-year institutions).
- State grant aid is need-based but \$260 per students vs. \$980 in US.

What can states do? Relieve burden of existing debt

- California student debt commission: recommended coordinated information, guidance, assistance.
- New York: Get on Your Feet Loan Forgiveness. AGI < \$50,000. In IDR. State makes up to two years of payments. Undergraduate debt only.