

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



WISCONSIN
Coalition on Student Debt



WISCONSIN
Coalition on Student Debt

Student Loan Debt Relief: What Do We Know?

February 9, 2021

12:00 pm – 1:30 pm CT

Brought to you by:

Center for Financial Security

at the University of Wisconsin-Madison &

The Wisconsin Coalition on Student Debt

Center for
Financial Security

UNIVERSITY OF WISCONSIN-MADISON





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

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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

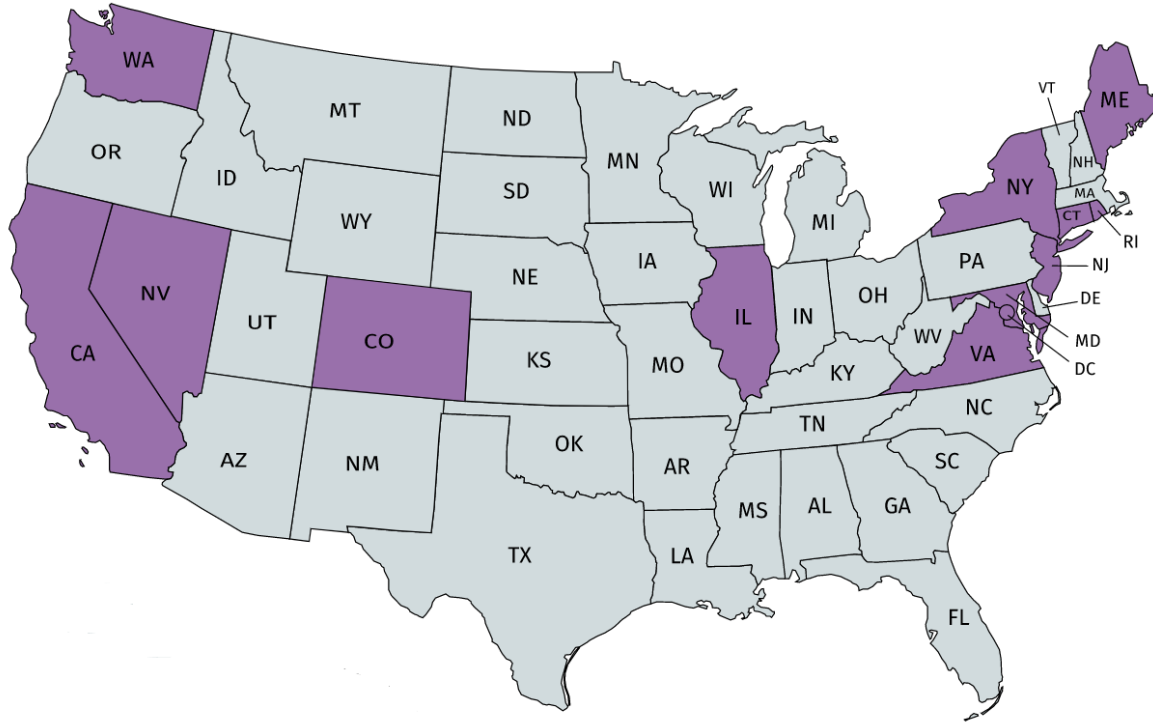
Jack Porter, Policy Analyst, National Governors Association



Recently Enacted Federal Policy Change

- Changes to the Pell Grant
 - Maximum award increase
 - Eligibility formula adjustments
 - 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

Refinancing Programs

State	Eligible Loans	Funding	Servicer	Interest Rate	Debt : Income Credit Score	Income Requirement
Connecticut	\$5,000 - \$100,000	Program Funds	Outsourced	Fixed: 4.75 - 5.0% Variable: N/A	43% / 675	None
Maine	\$10,000 - \$240,000	Private*	Outsourced	Fixed: 4.5 - 9.0% Variable: 4.25 - 8.50%	40% / 680	\$24,000/year minimum
Minnesota	\$10,000 - \$70,000	Program Funds	Outsourced	Fixed: 4.25 - 6.75% Variable: 4.0 - 5.35%	45% without co-sign 40% with co-sign 700	None: 60-day continuous employment
Iowa	\$5,000 - \$200,000	Tax-exempt & taxable bonds	Iowa Student Loan	Fixed: 3.50 - 7.50% Variable: N/A	None 690	None
New Hampshire	\$1,000 - \$200,000	Taxable bonds	NH Higher Ed. Loan Authority	Fixed: 4.29 - 7.49% Variable: 4.34-7.14%	43% 700	\$30,000/yr. min. \$50,000 for loans over \$100,000
New Jersey	\$5,000 minimum	Tax-exempt bonds	NJ Higher Ed. Student Assistance Authority	Fixed: 4.90 - 6.90% Variable: N/A	40% 670	\$40,000/year minimum

https://www.wsipp.wa.gov/ReportFile/1691/Wsipp_Student-Loan-Bill-of-Rights-Student-Loan-Refinancing_Report.pdf

Maryland's Tax Benefits

2017: Tax Code Amended

- Offers tax credits to borrowers who:
 - Incurred at least \$20,000
 - Have at least a \$5,000 balance
- Priority:
 - Higher debt to income ratios;
 - In-state students;
 - Did not receive tax credit in prior year

2018: Implementation

- Executive order cites workforce shortages in state agencies & declares priority for those fields
 - Personnel management
 - Transportation services
- \$9 million awarded to 9,494 residents
 - \$1,000 for in-state
 - \$883 for out-of-state

2019: Legislative Proposal

- Proposed interest deduction for full amount paid in a fiscal year
- Income cap:
 - \$91,000 income cap for full write-off
 - Sliding scale for income between \$91K-\$100K

Connecticut's Employer Tax Credit

Interest

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.

Legislation

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.

Employer Example

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*

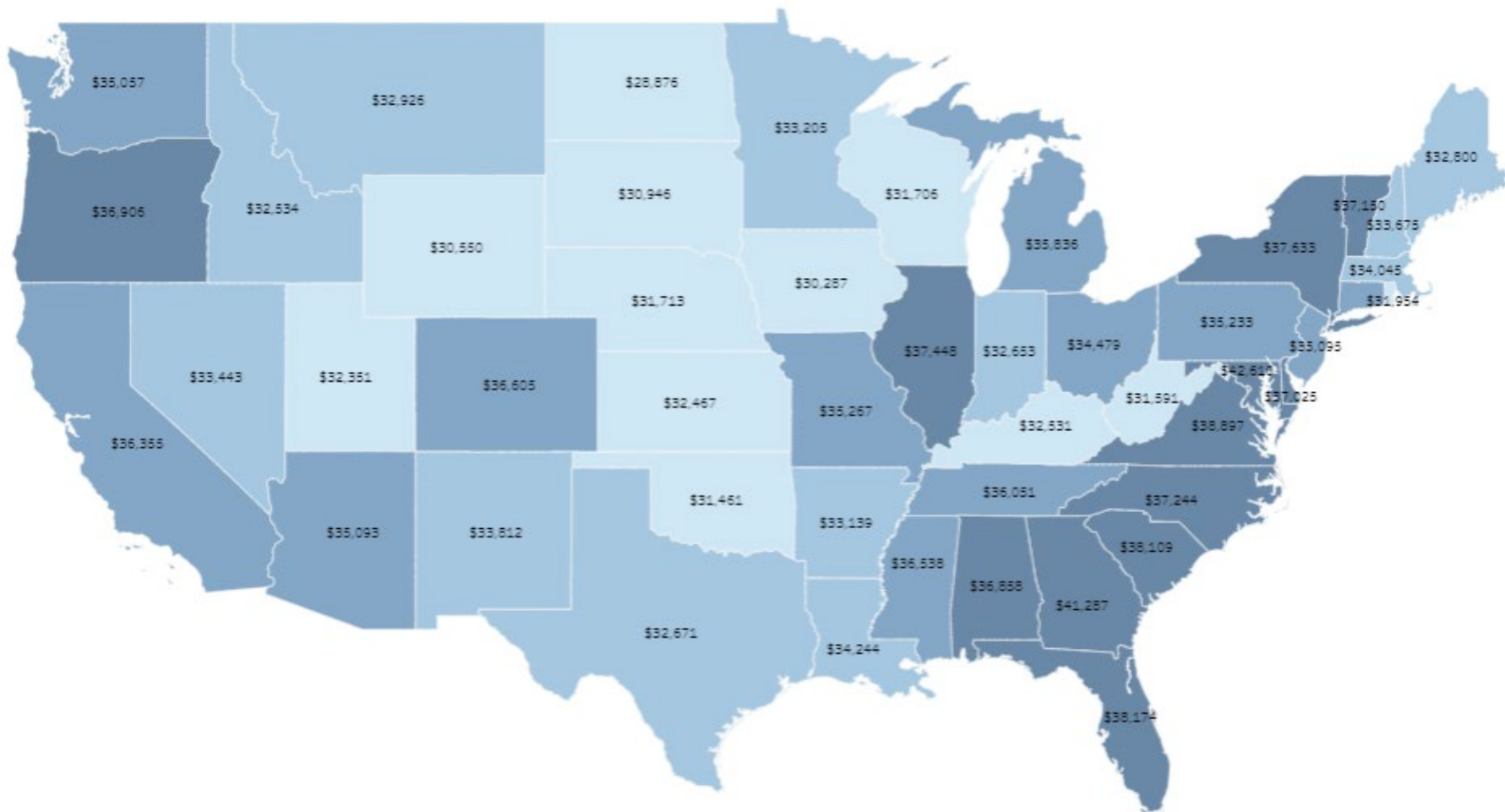
Director, *Student Success Through Applied Research Lab*

February 9, 2021

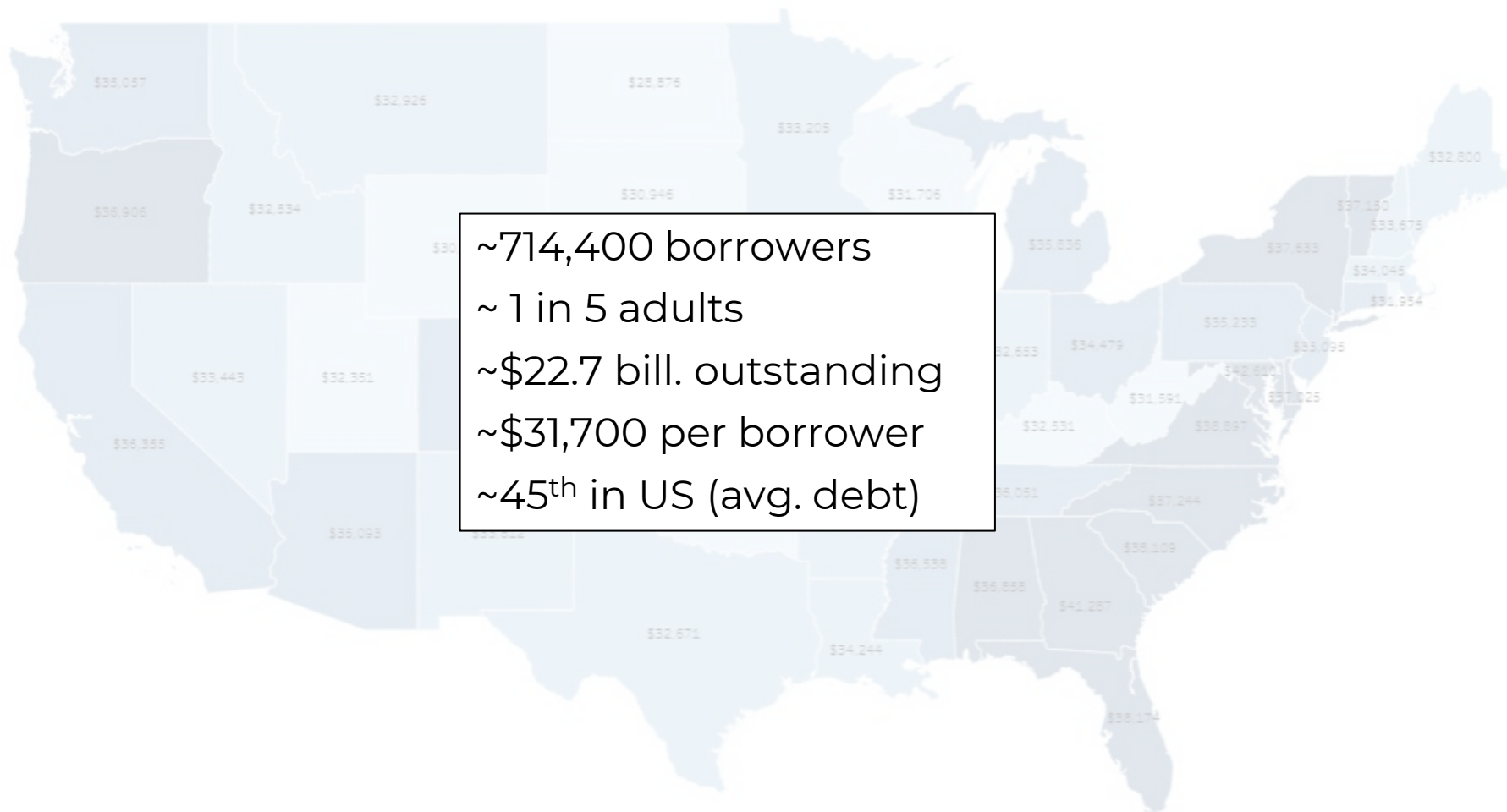
Why do students borrow?

- 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

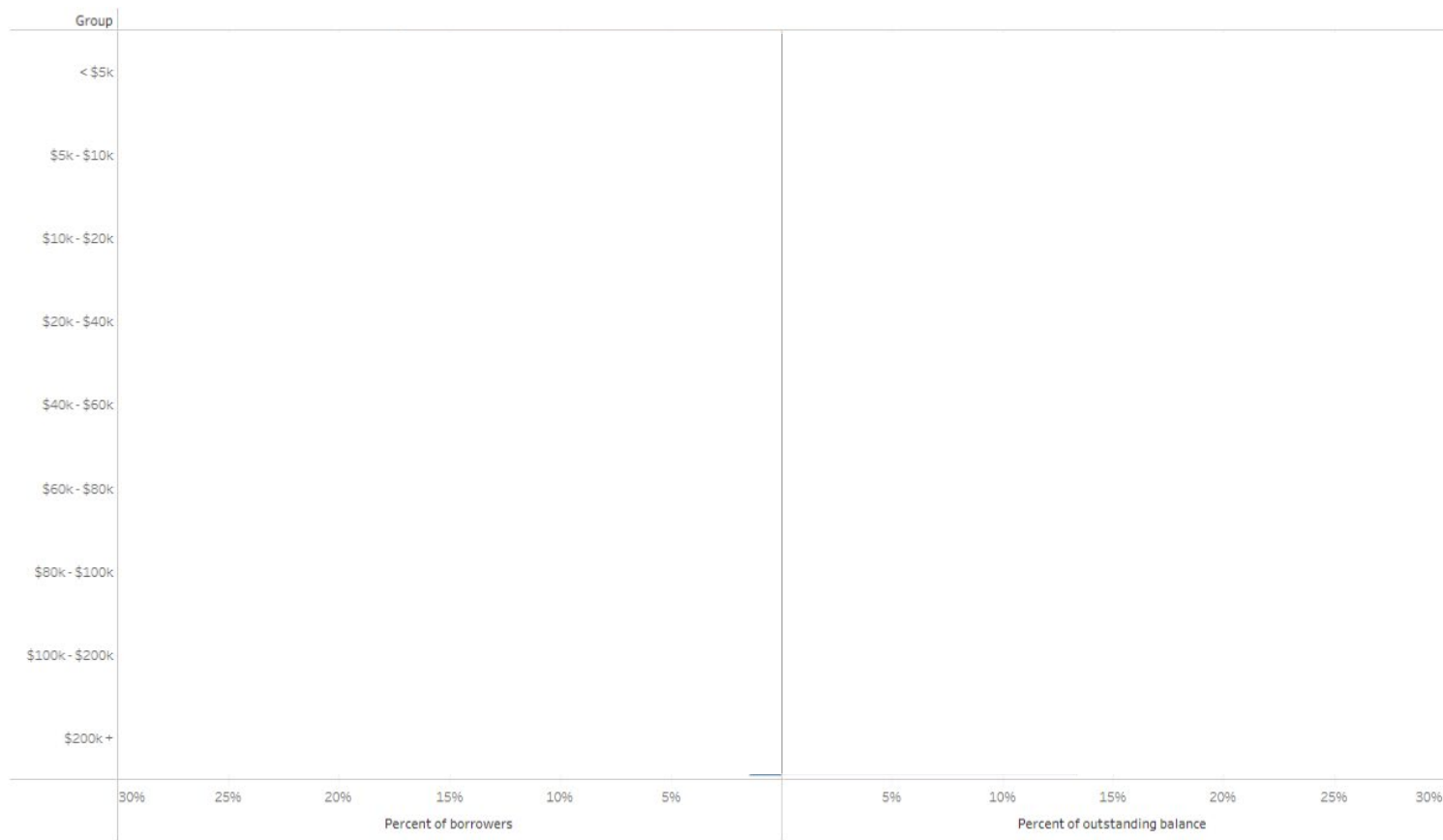
Average federal loan debt



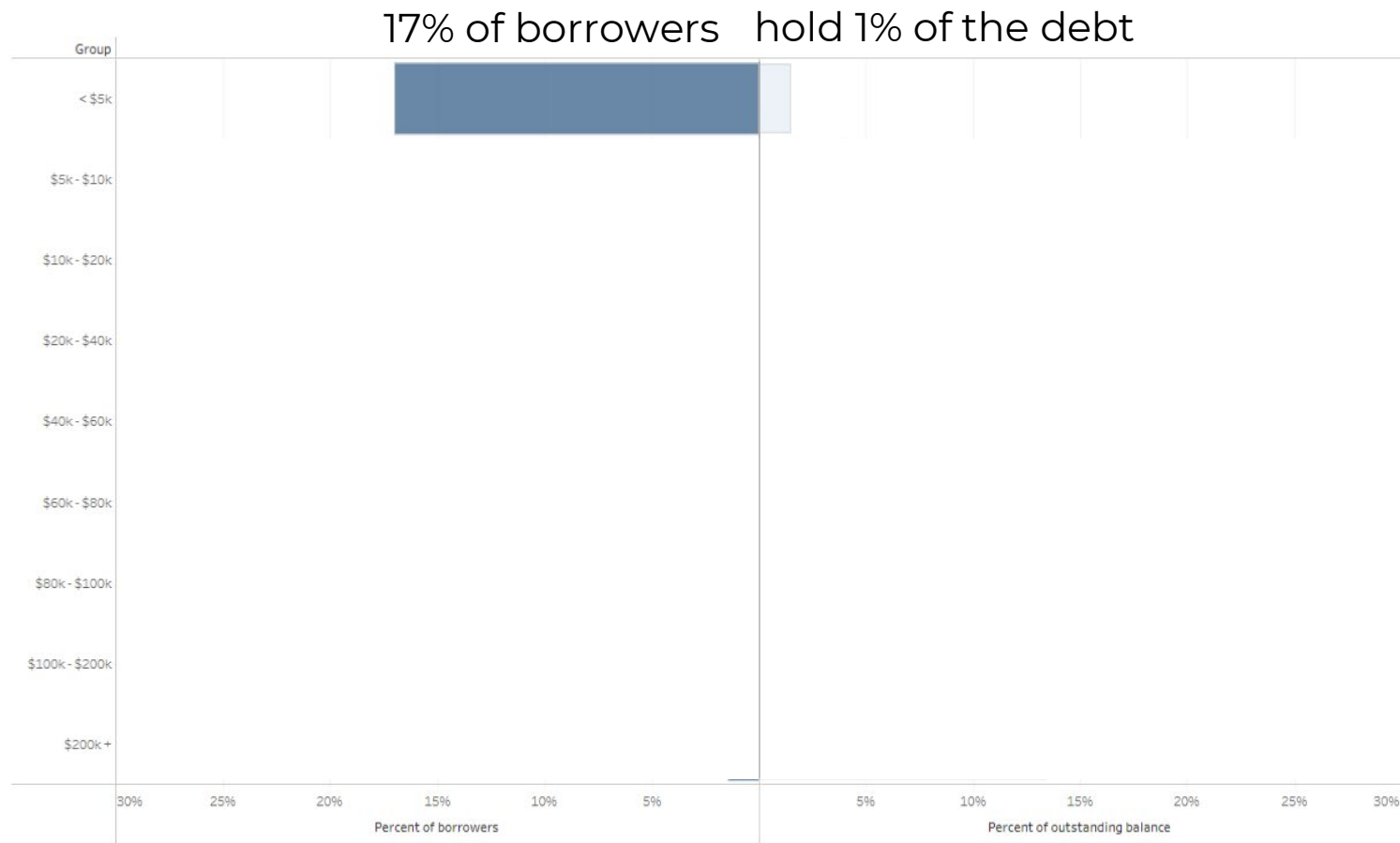
Average federal loan debt



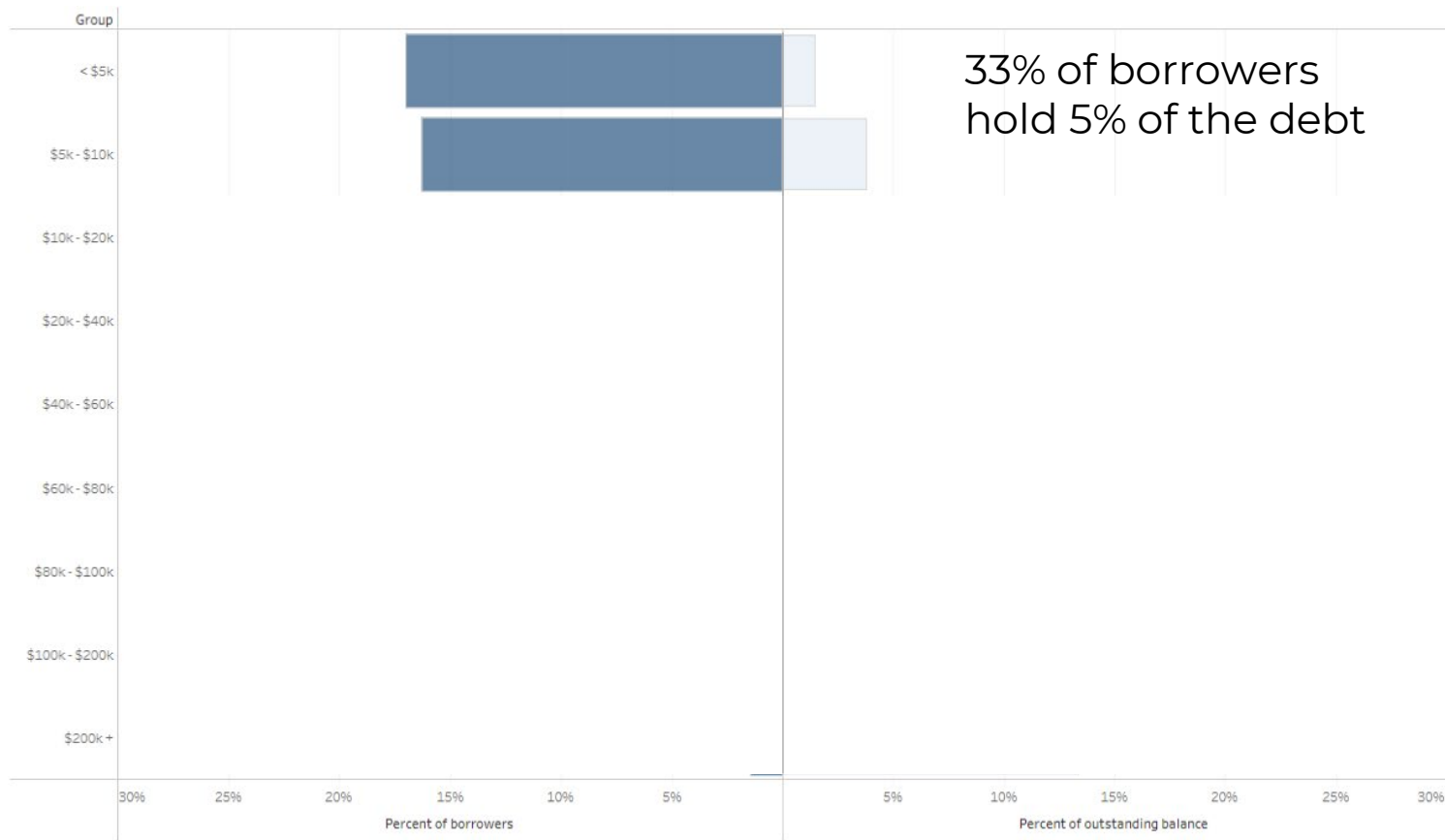
Distribution of debt by size



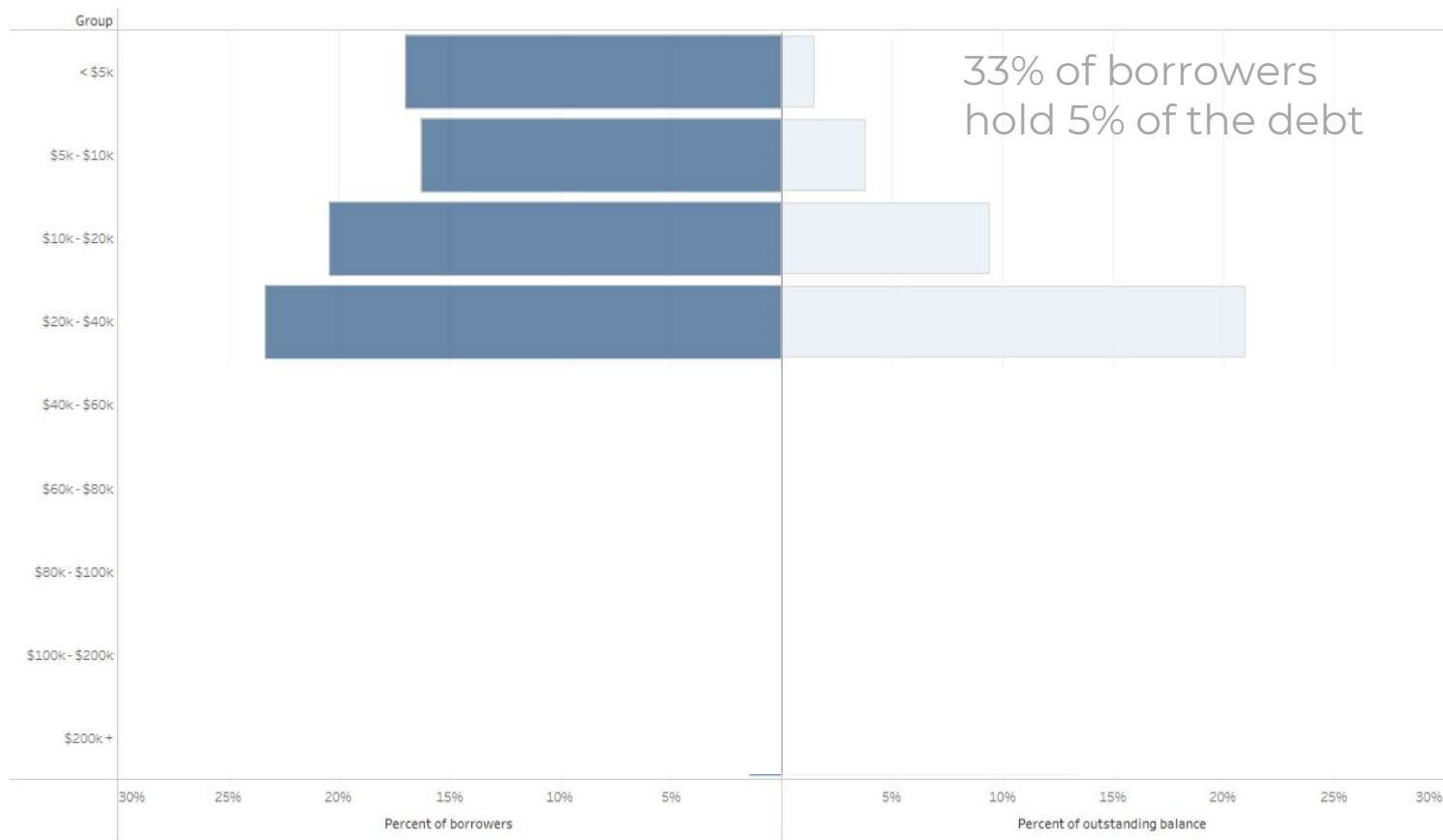
Distribution of debt by size



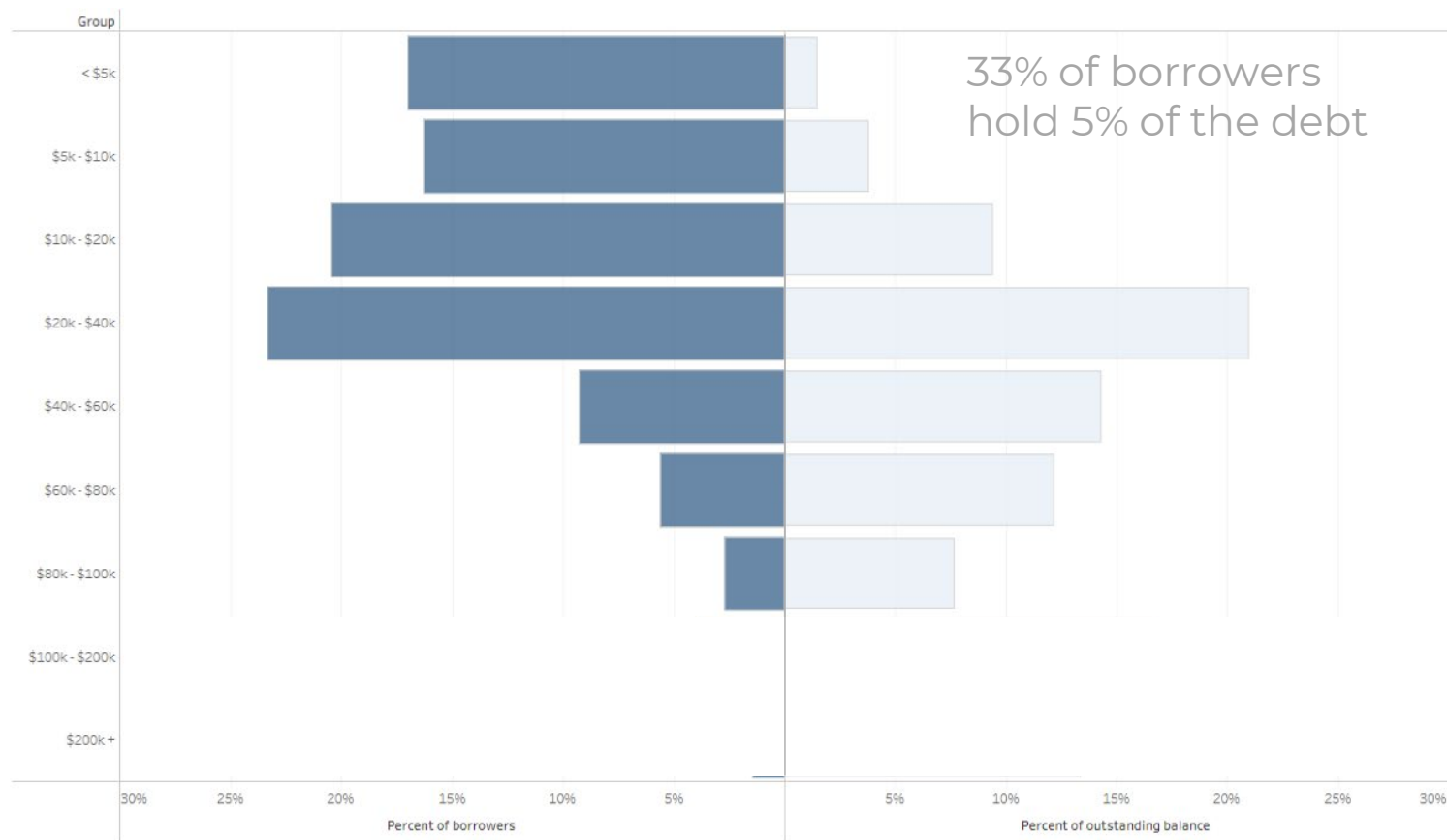
Distribution of debt by size



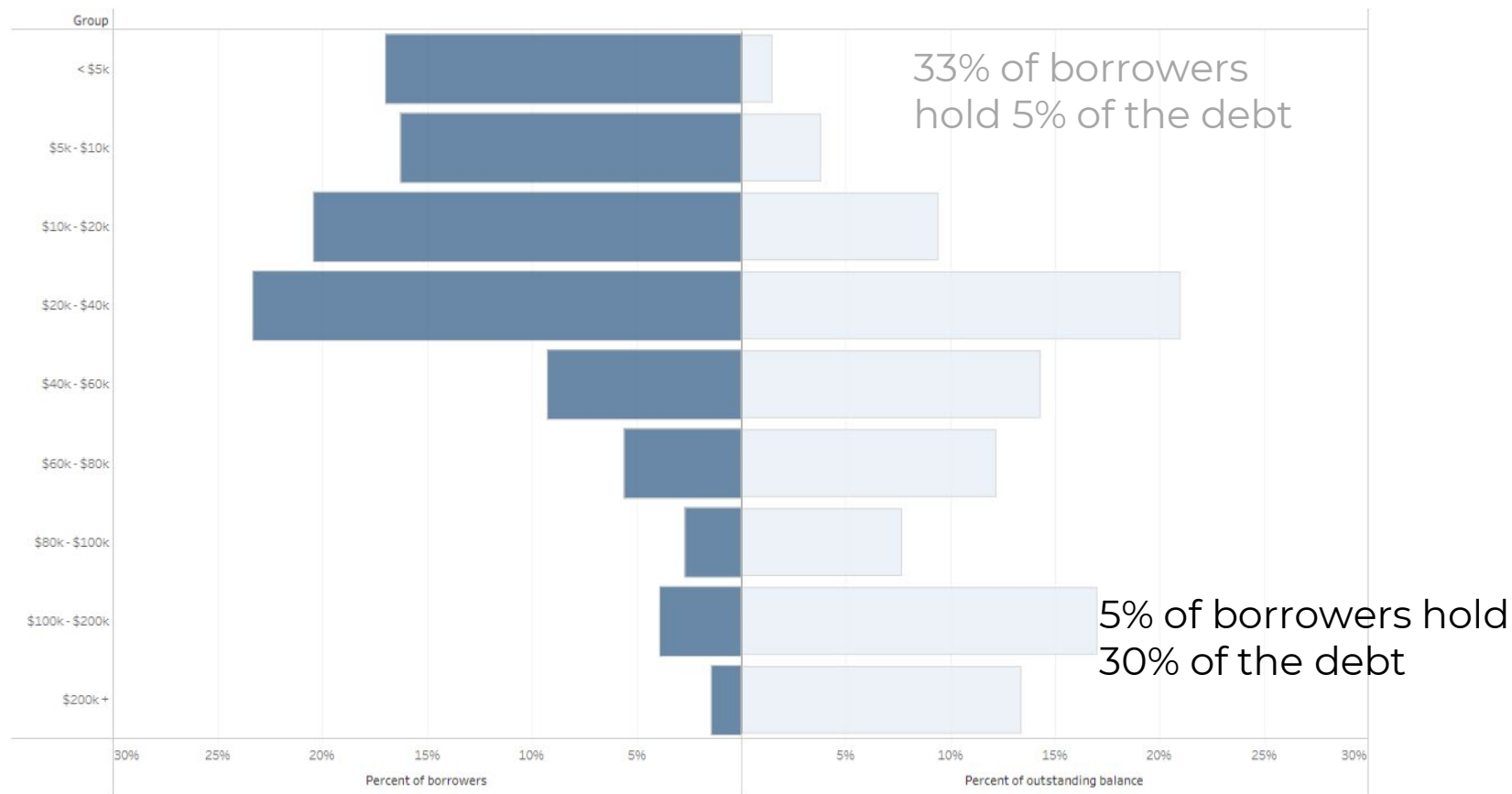
Distribution of debt by size



Distribution of debt by size



Distribution of debt by size



Median debt varies across WI

Filters

Debt Metric
Median student loan debt (\$)

Borrower Category
All Borrowers

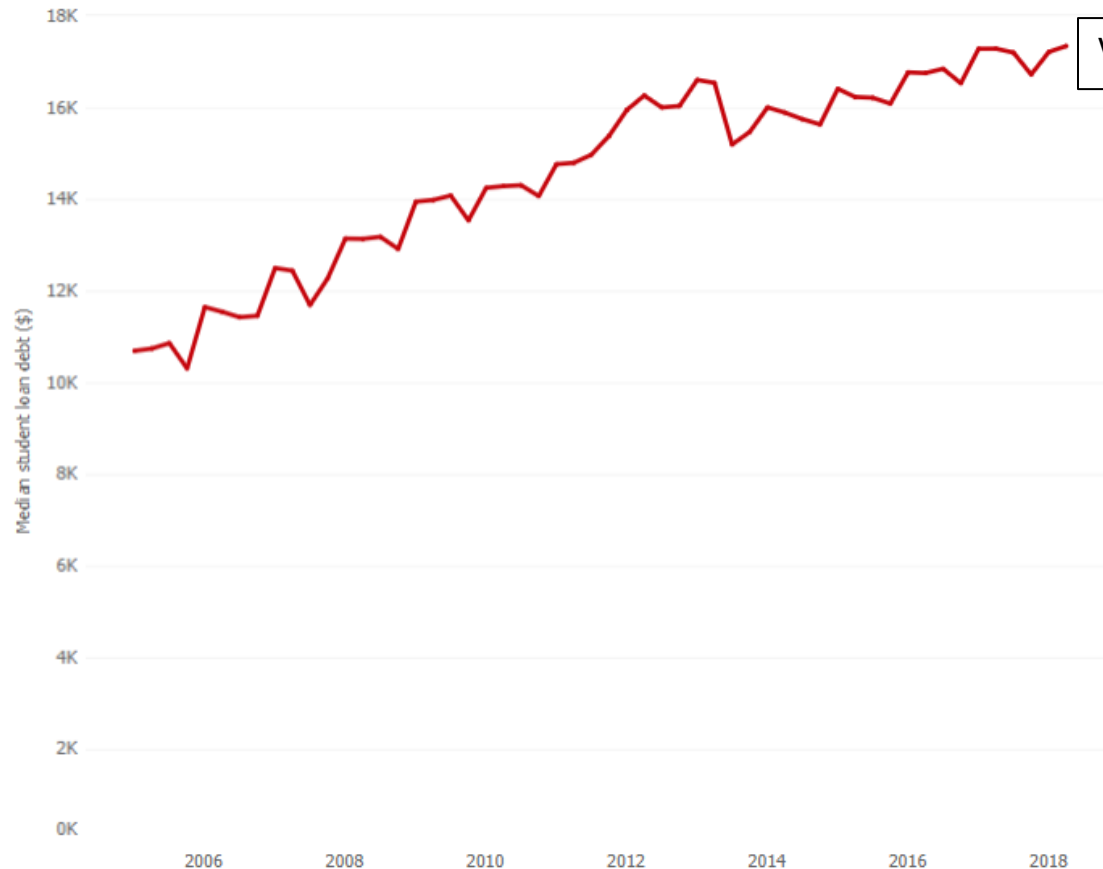
Region

- Appleton metro region
- Eau Claire metro region
- Fond du Lac metro region
- Green Bay metro rebion
- Janesville-Beloit metro
- LaCrosse-Onalaska metro region
- Madison metro region
- Milwaukee-Waukesha-West Alli...
- Non-metro WI
- Oshkosh-Neenah metro region
- Racine metro region
- Sheboygan metro region
- Wausau metro region
- Wisconsin

Key

■ Wisconsin, All borrowers

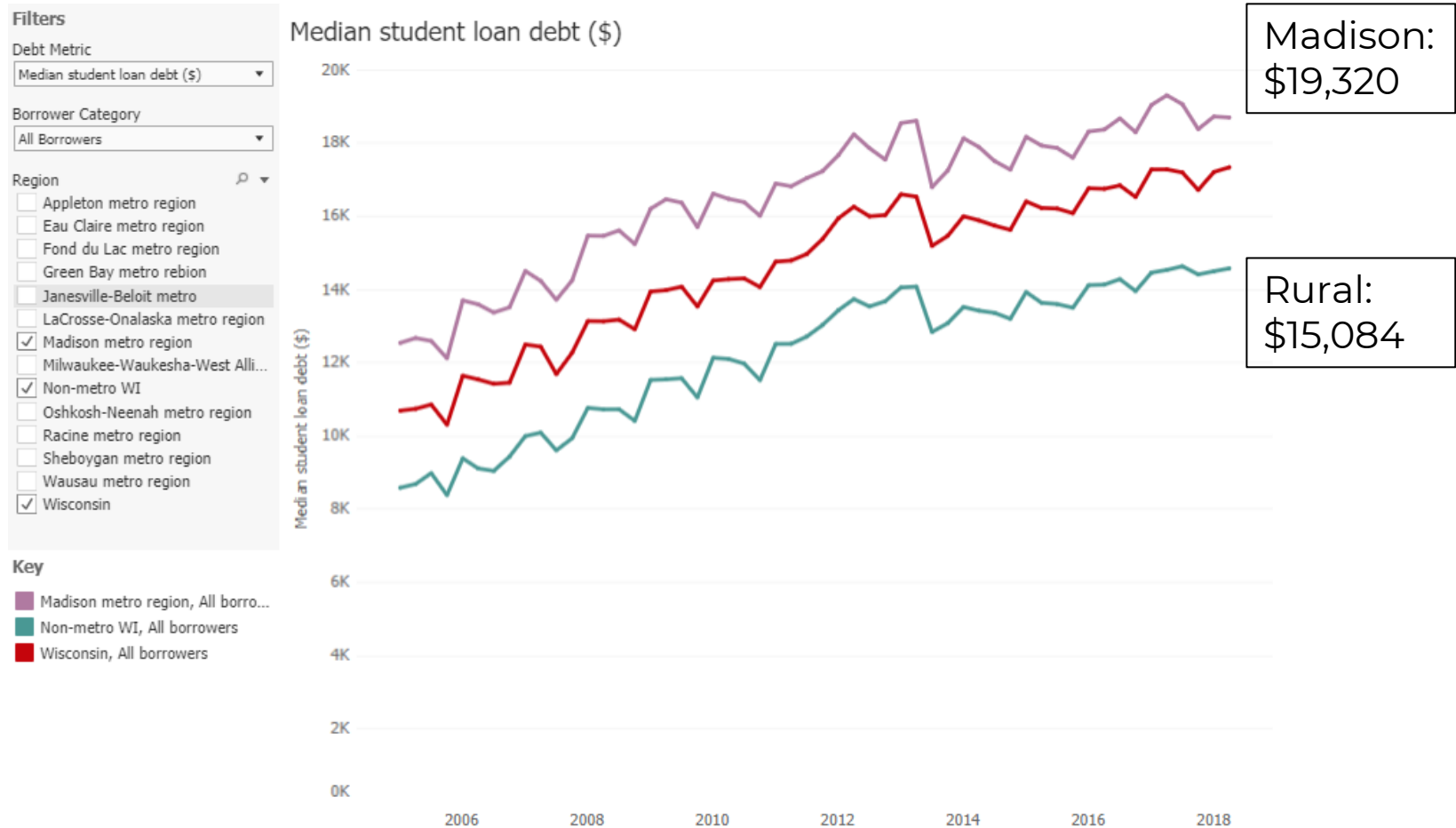
Median student loan debt (\$)



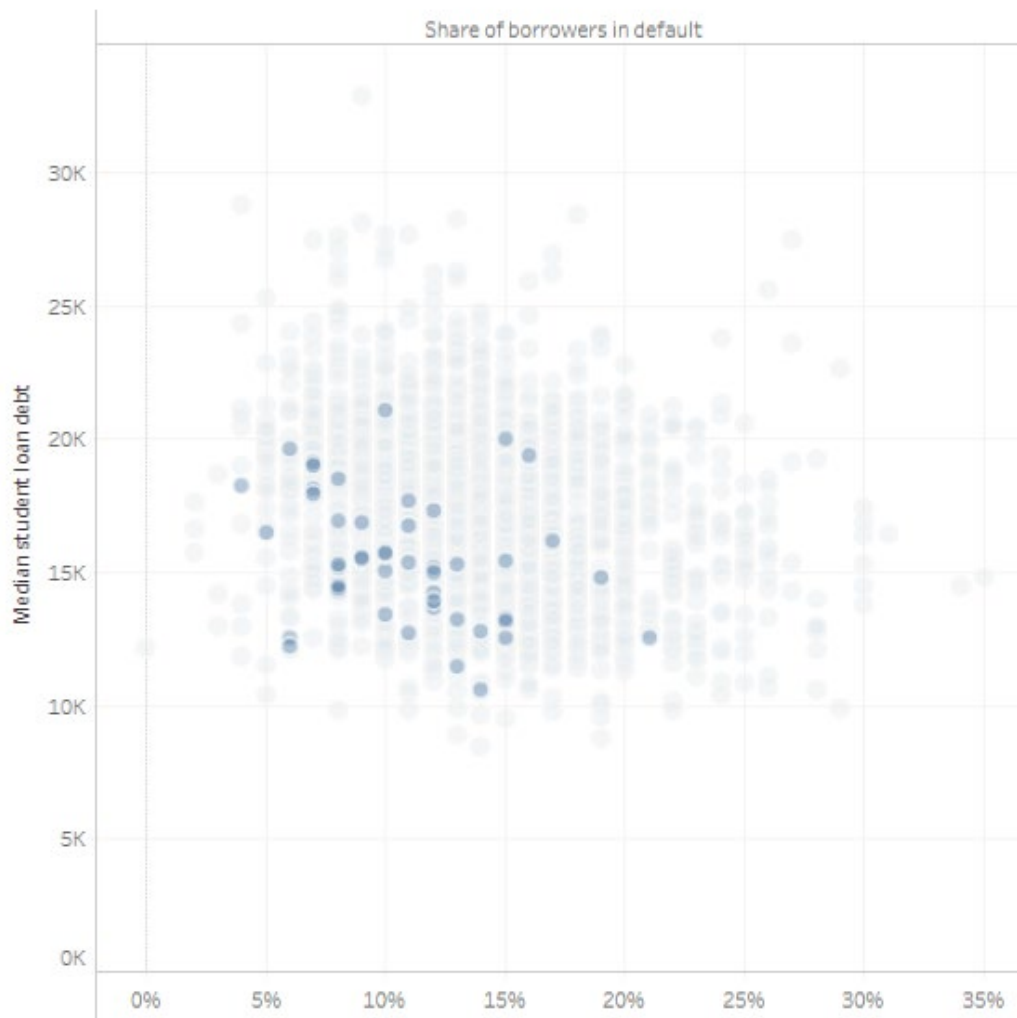
US: \$19,219

WI: \$17,829

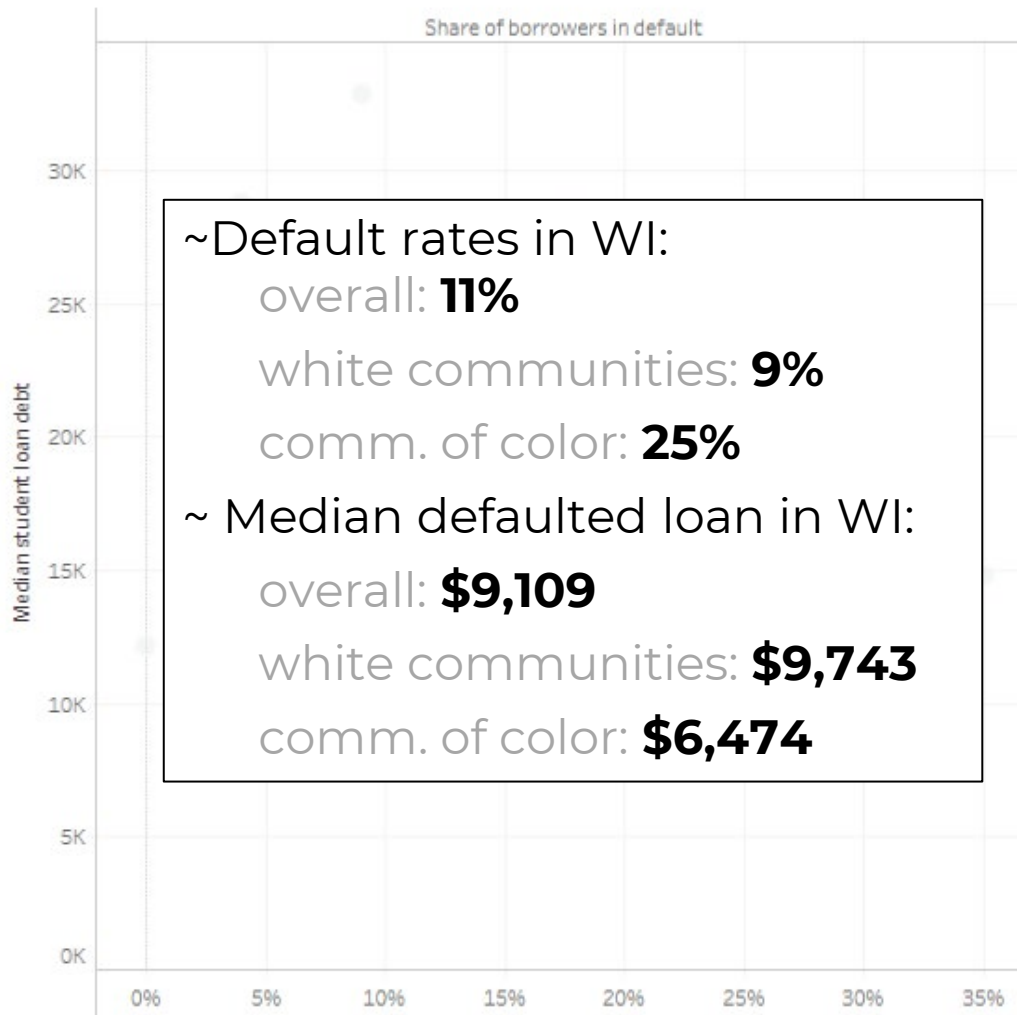
Median debt varies across WI



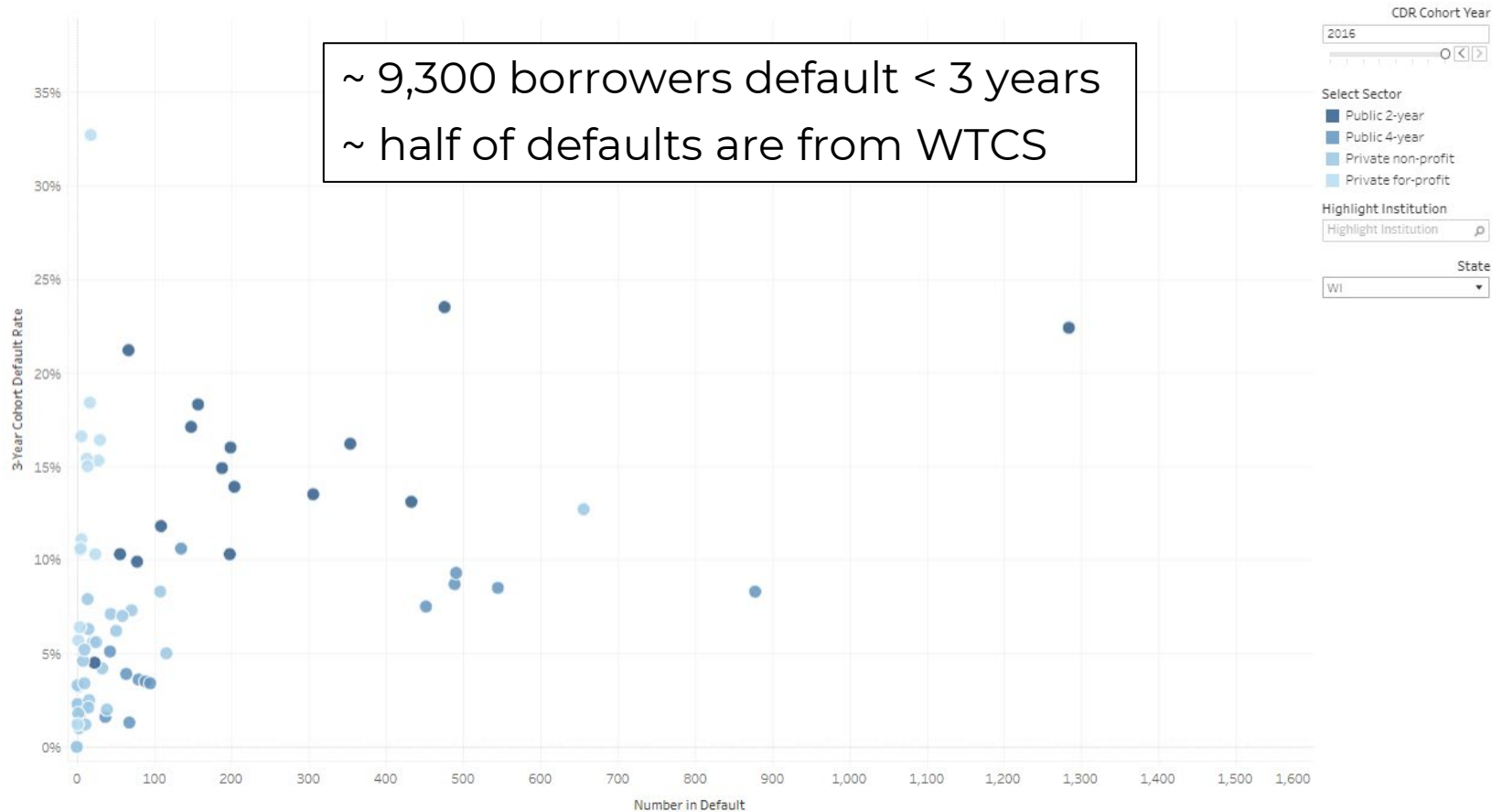
Default rates vary across WI



Default rates vary across WI

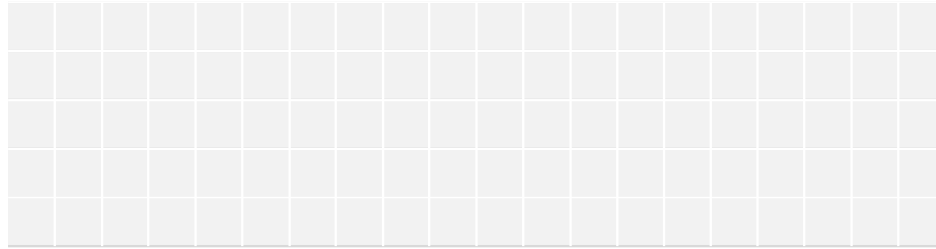


Default rates vary across WI colleges

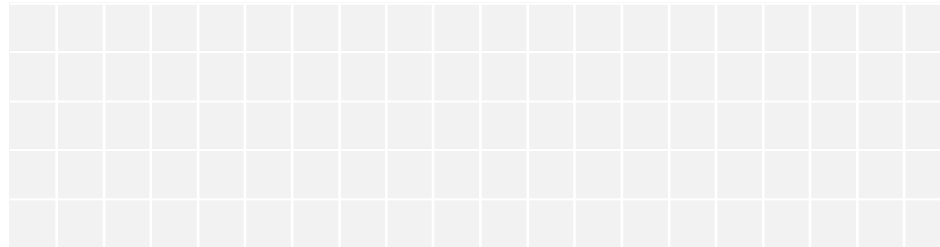


Income-Driven Repayment

Share of borrowers by repayment plan

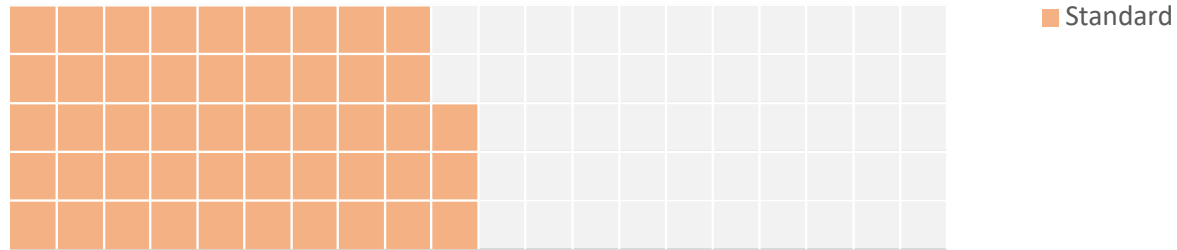


Share of loan volume by repayment plan

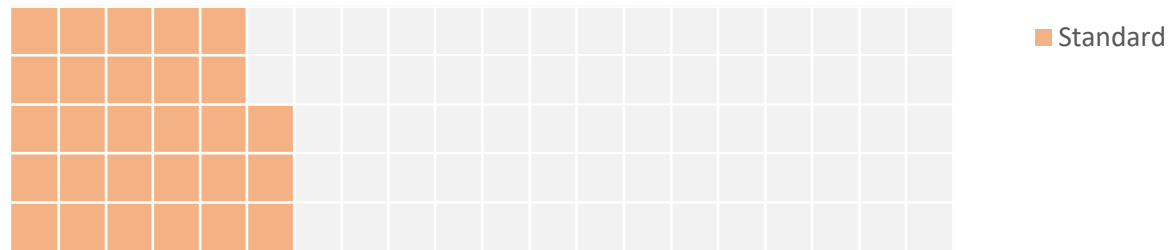


Income-Driven Repayment

Share of borrowers by repayment plan

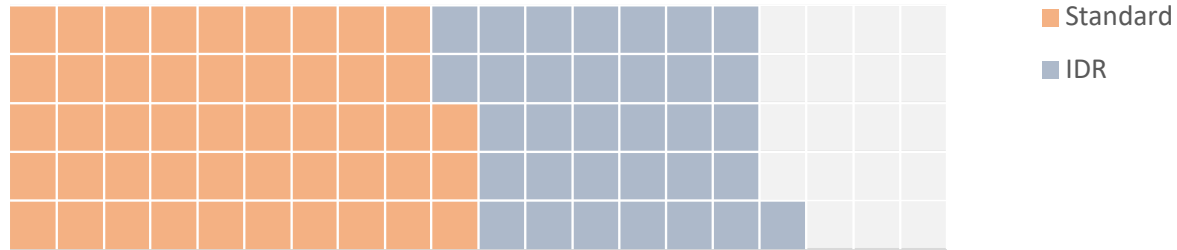


Share of loan volume by repayment plan

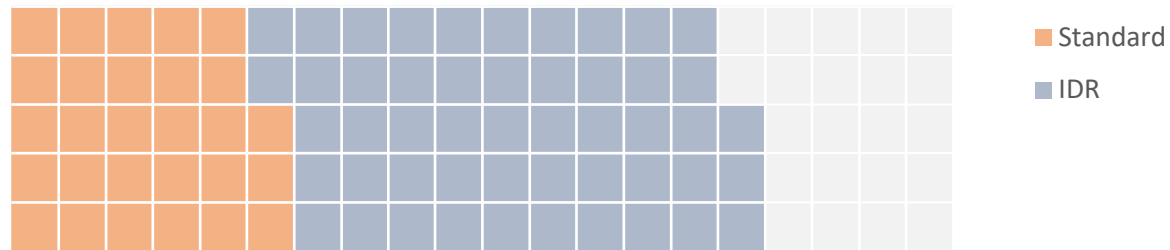


Income-Driven Repayment

Share of borrowers by repayment plan

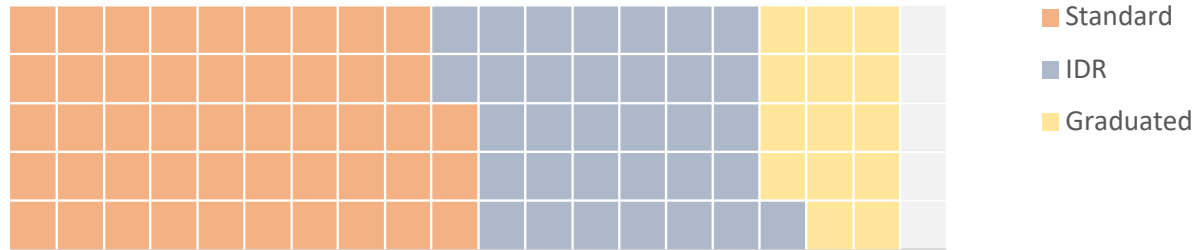


Share of loan volume by repayment plan

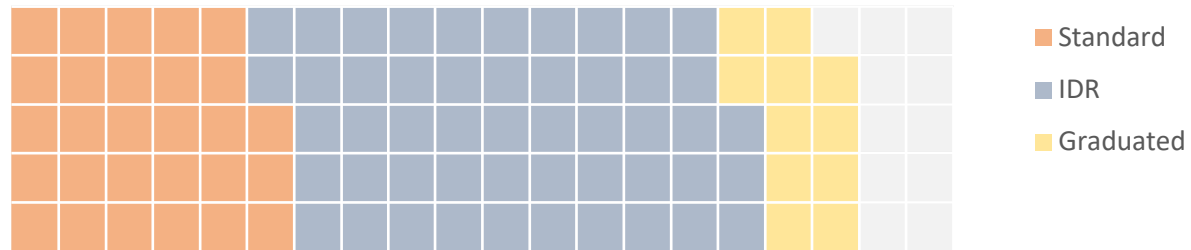


Income-Driven Repayment

Share of borrowers by repayment plan

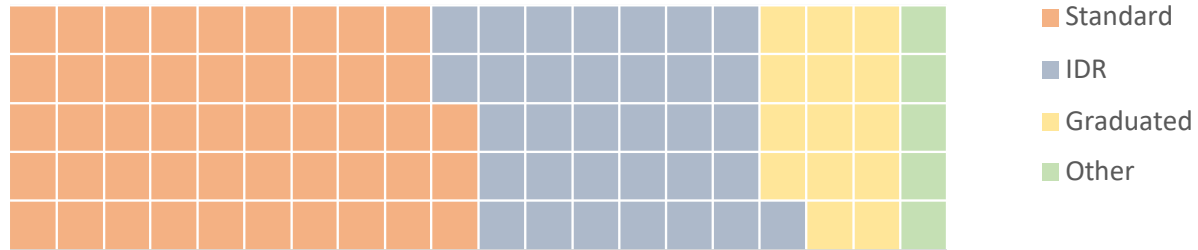


Share of loan volume by repayment plan

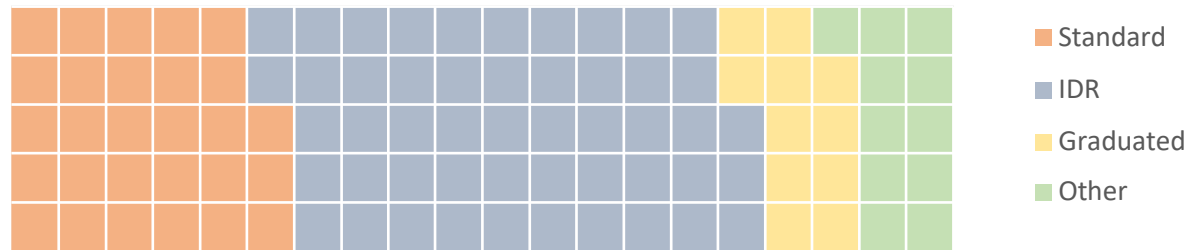


Income-Driven Repayment

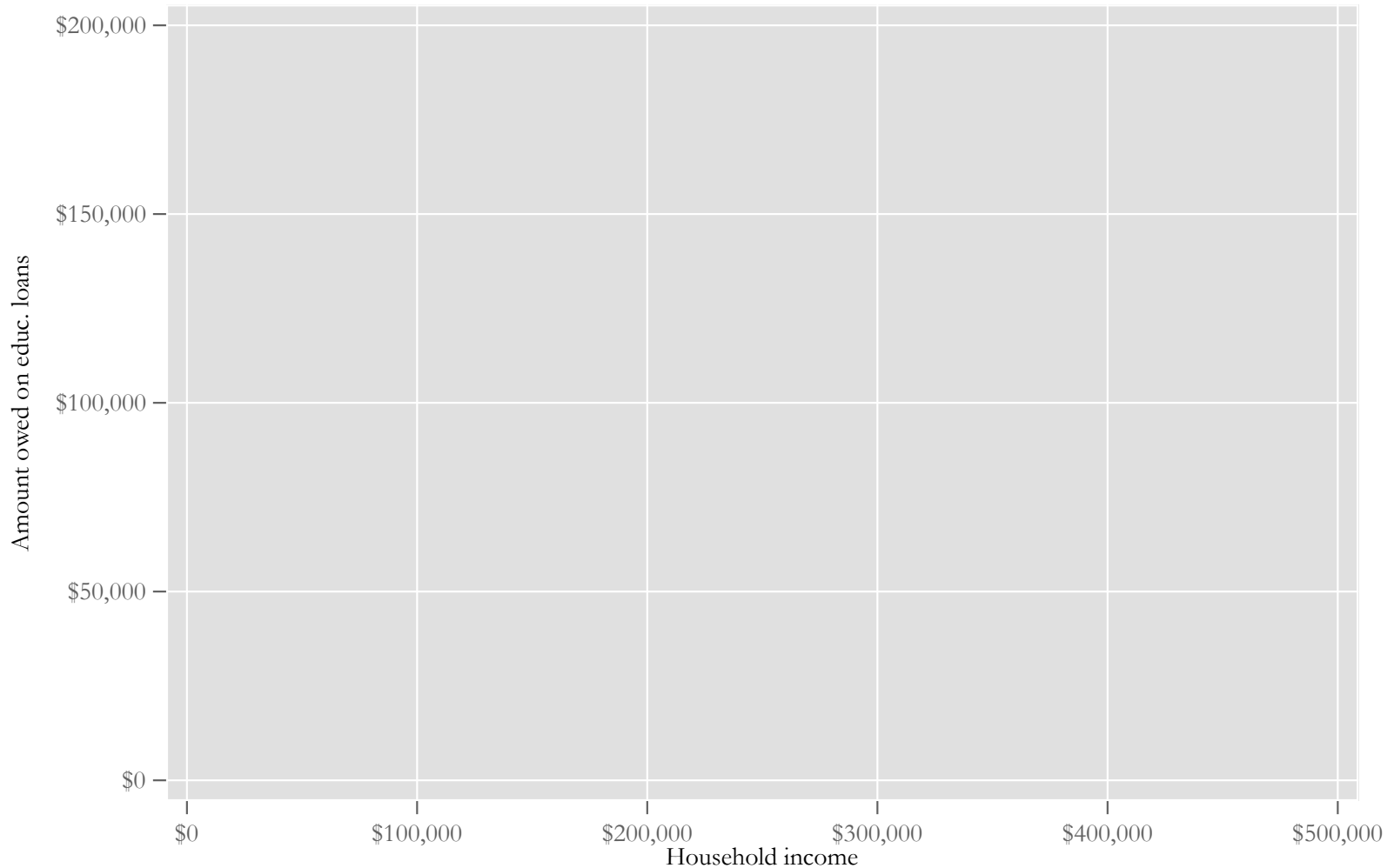
Share of borrowers by repayment plan



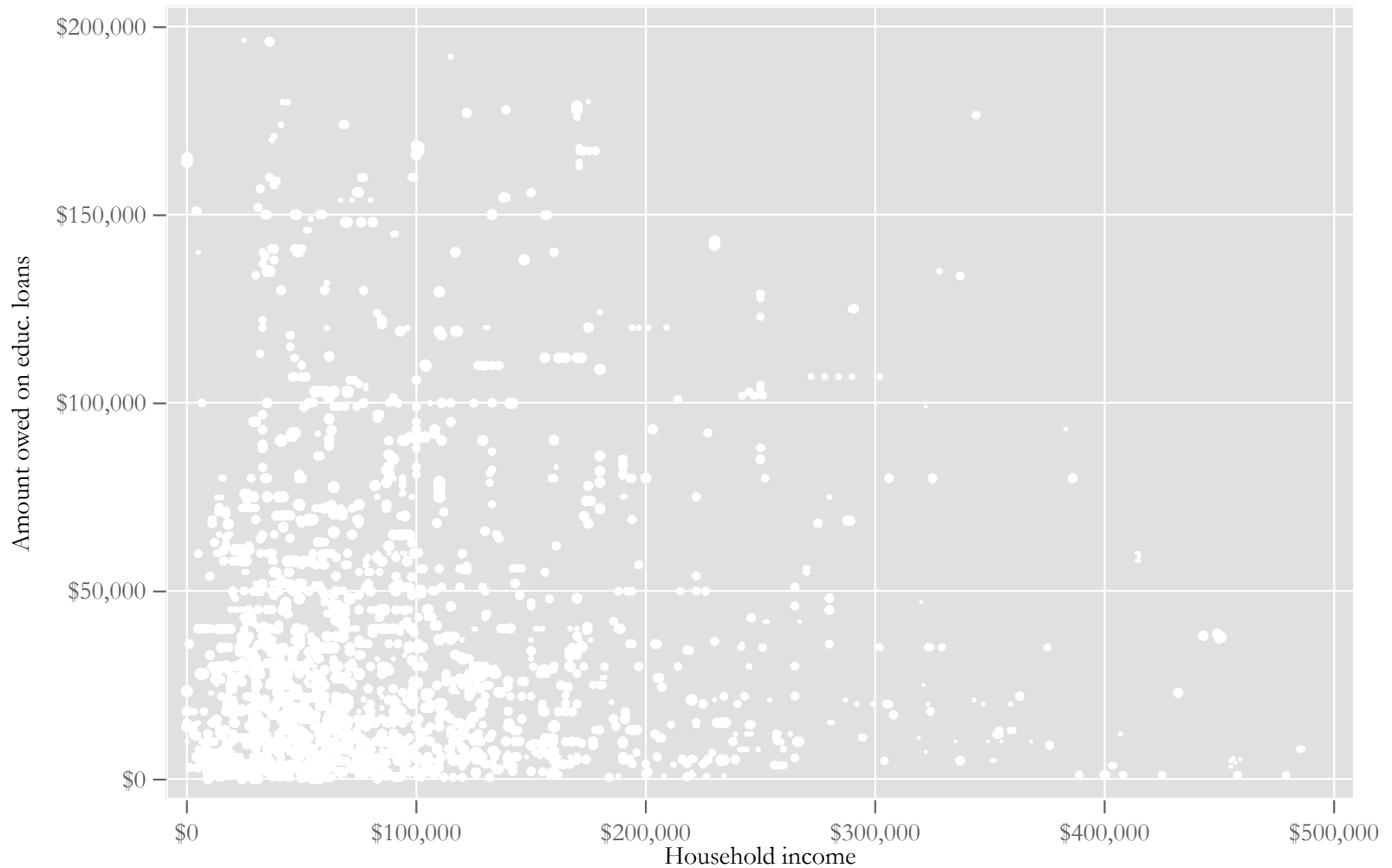
Share of loan volume by repayment plan



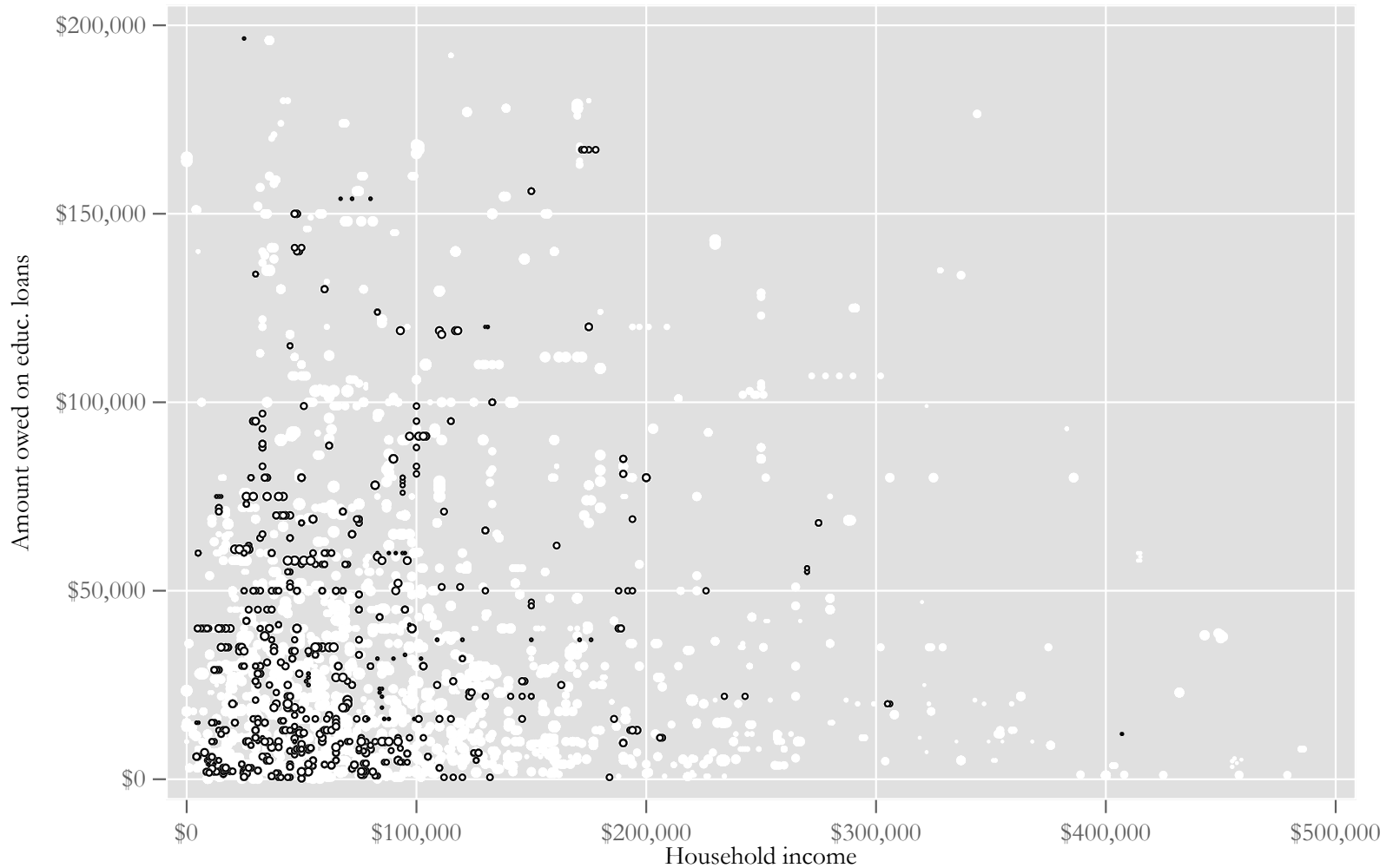
Race, Income, and Student Debt



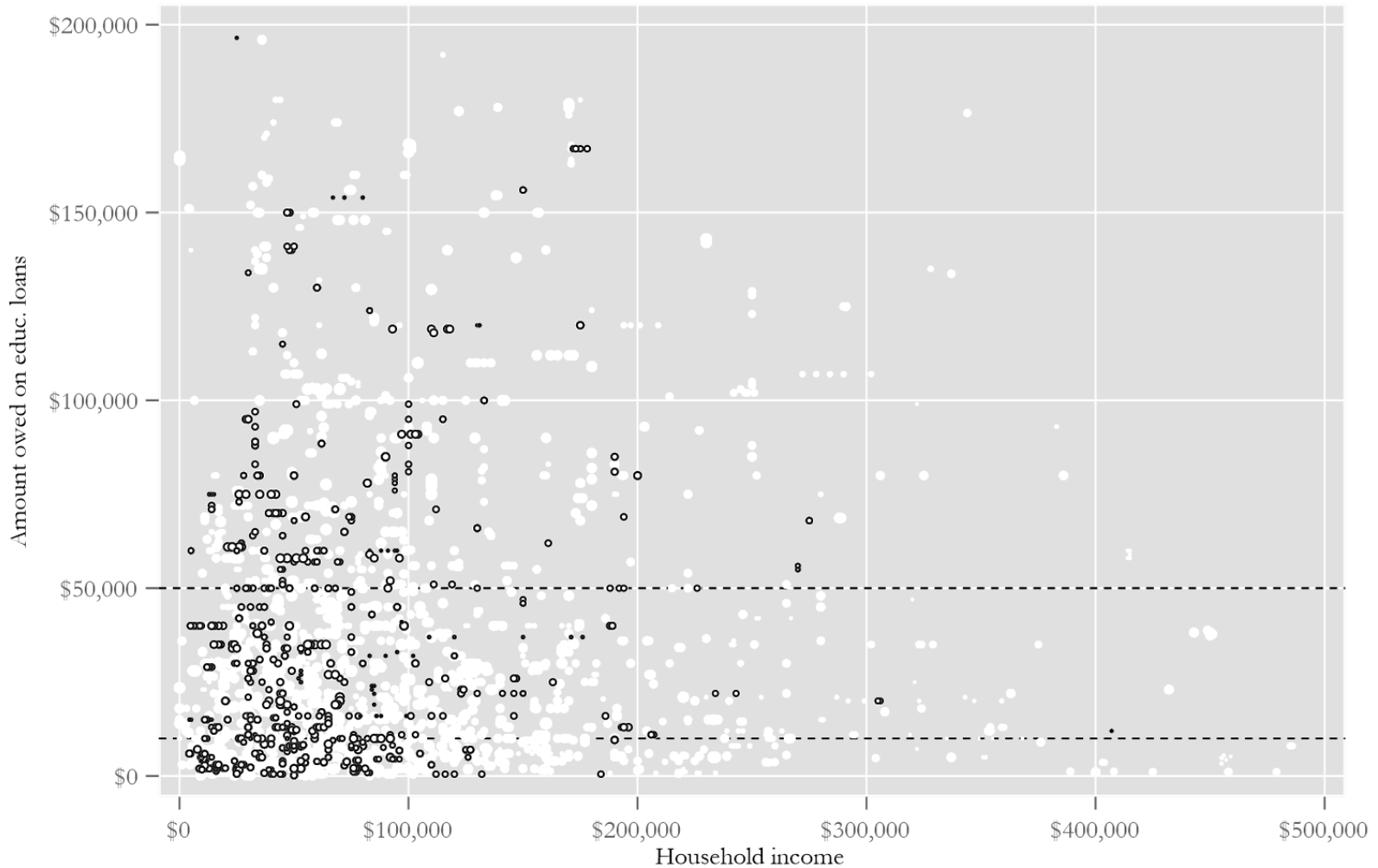
Race, Income, and Student Debt



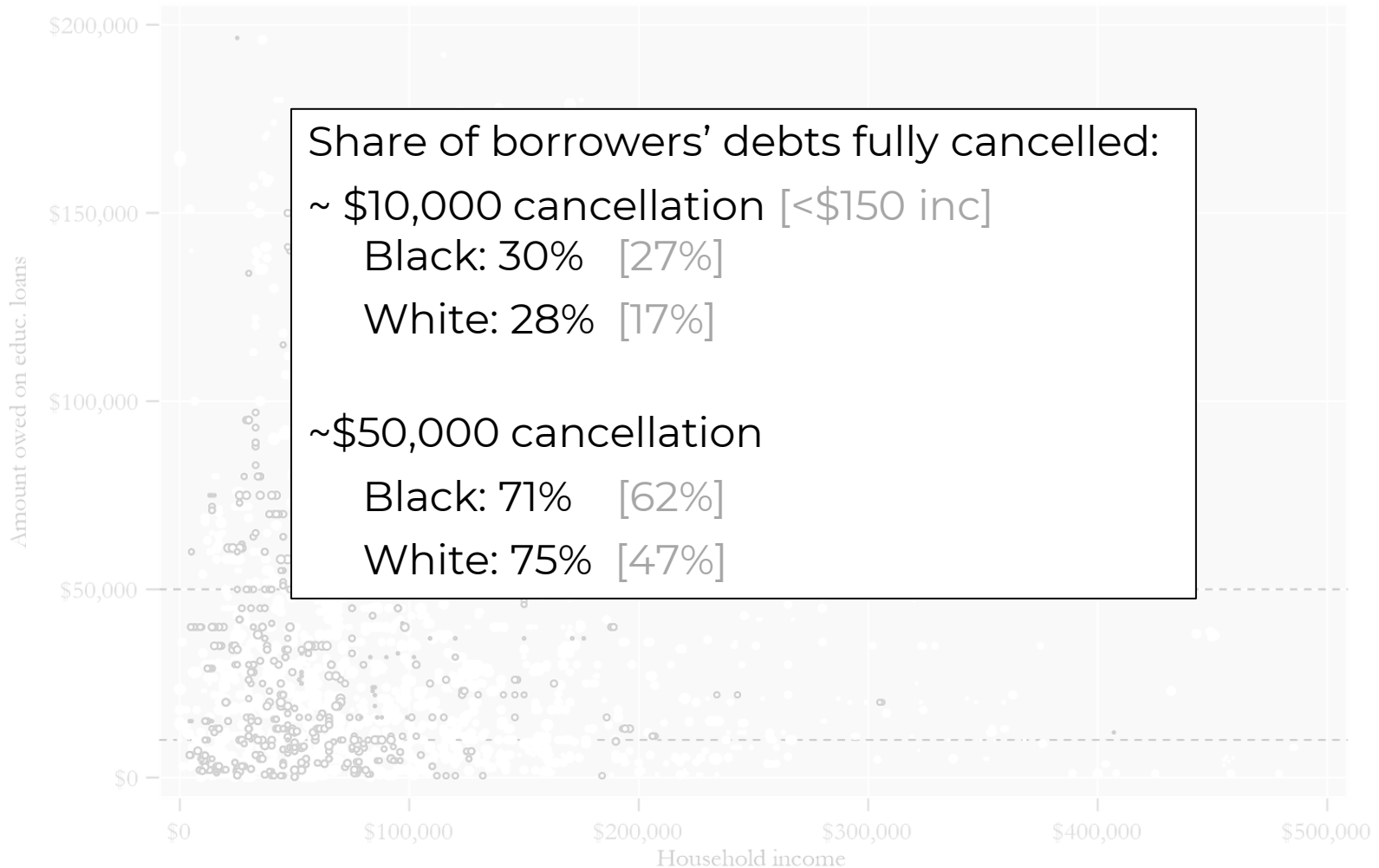
Race, Income, and Student Debt



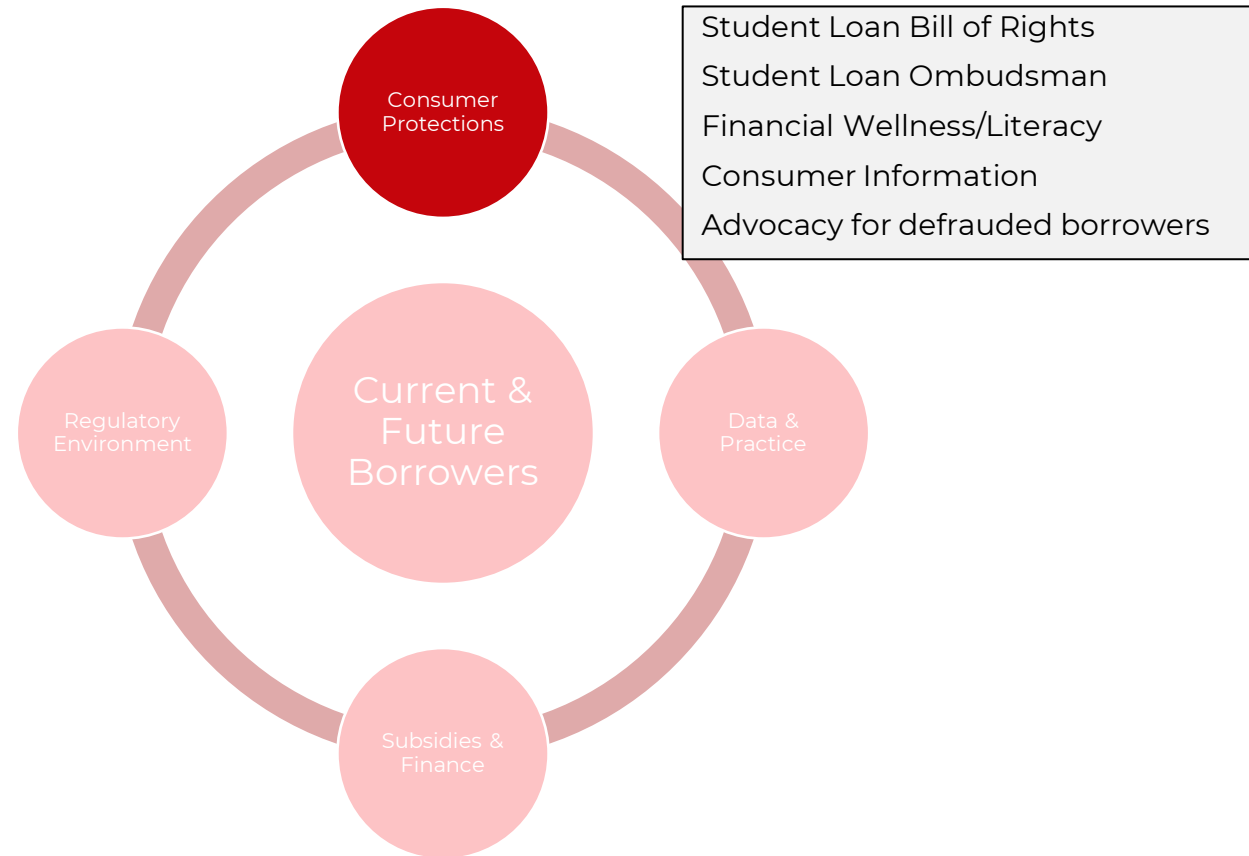
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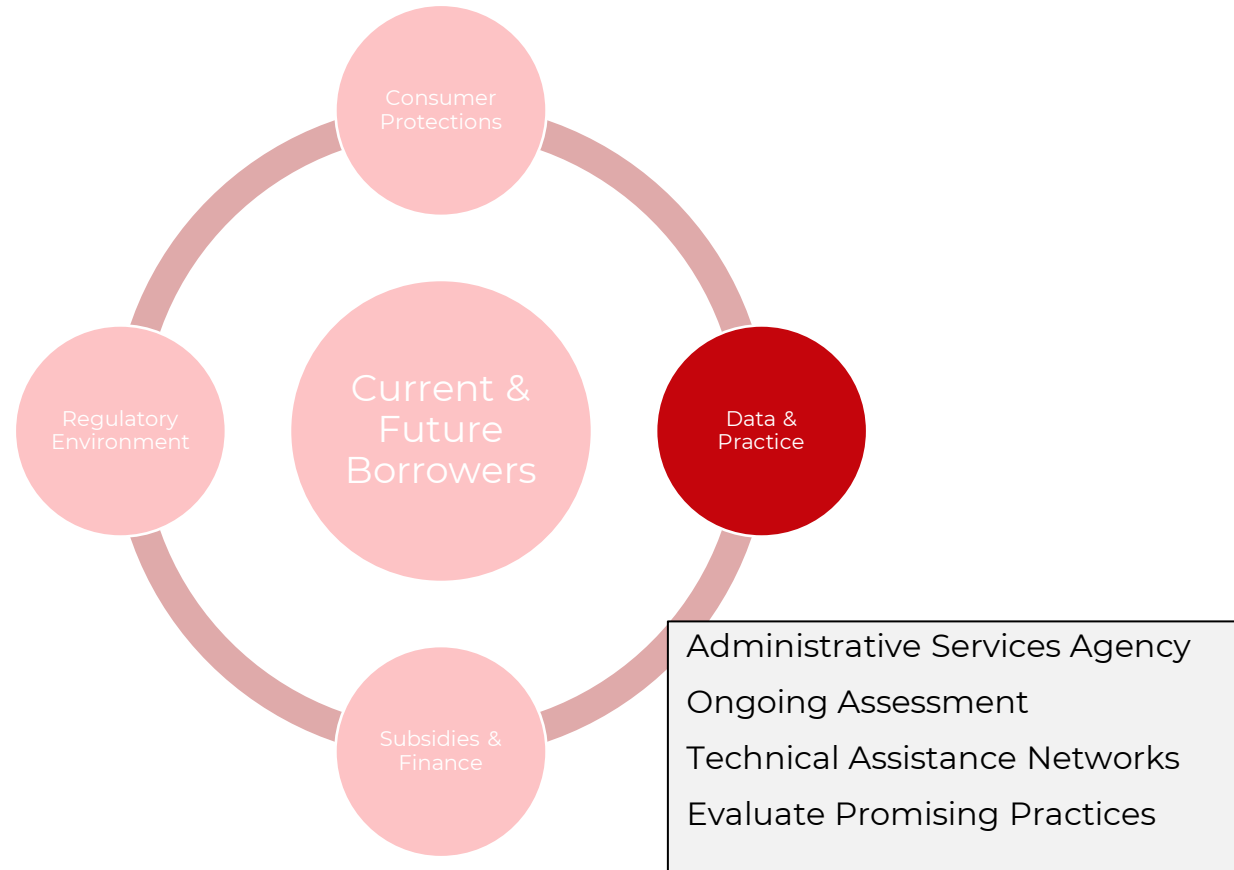
Race, Income, and Student Debt



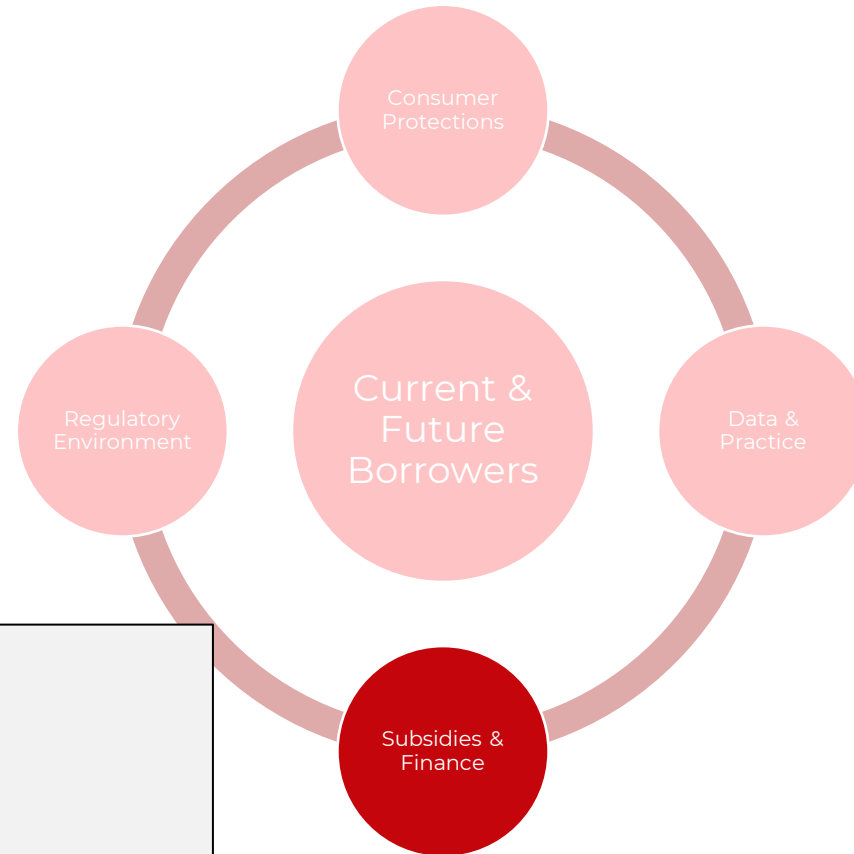
Policy Responses



Policy Responses



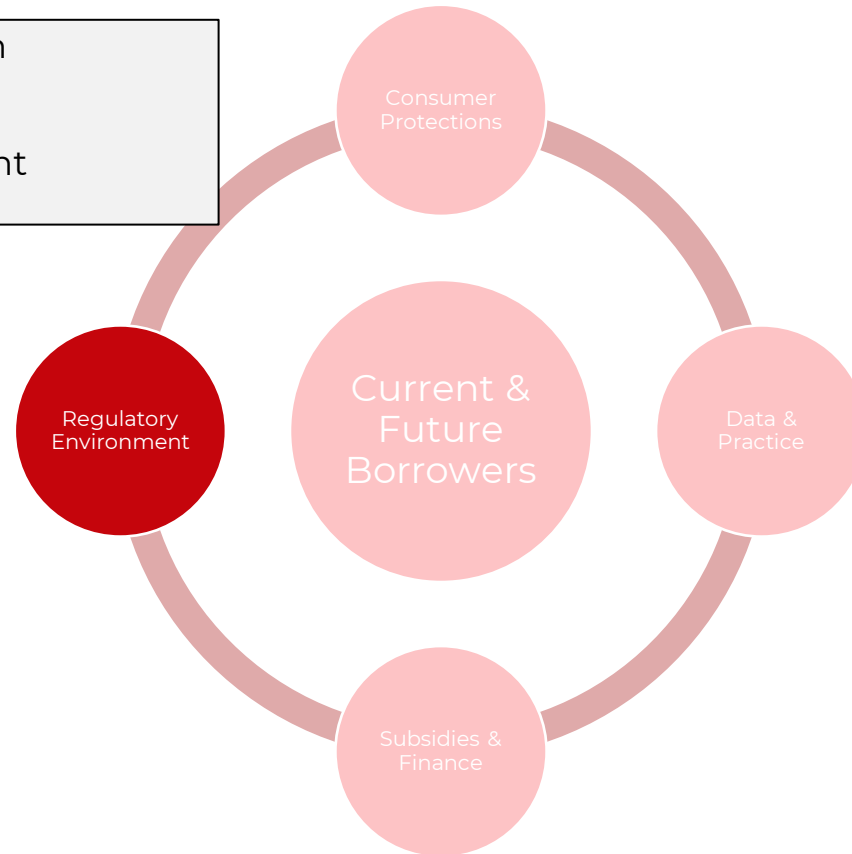
Policy Responses



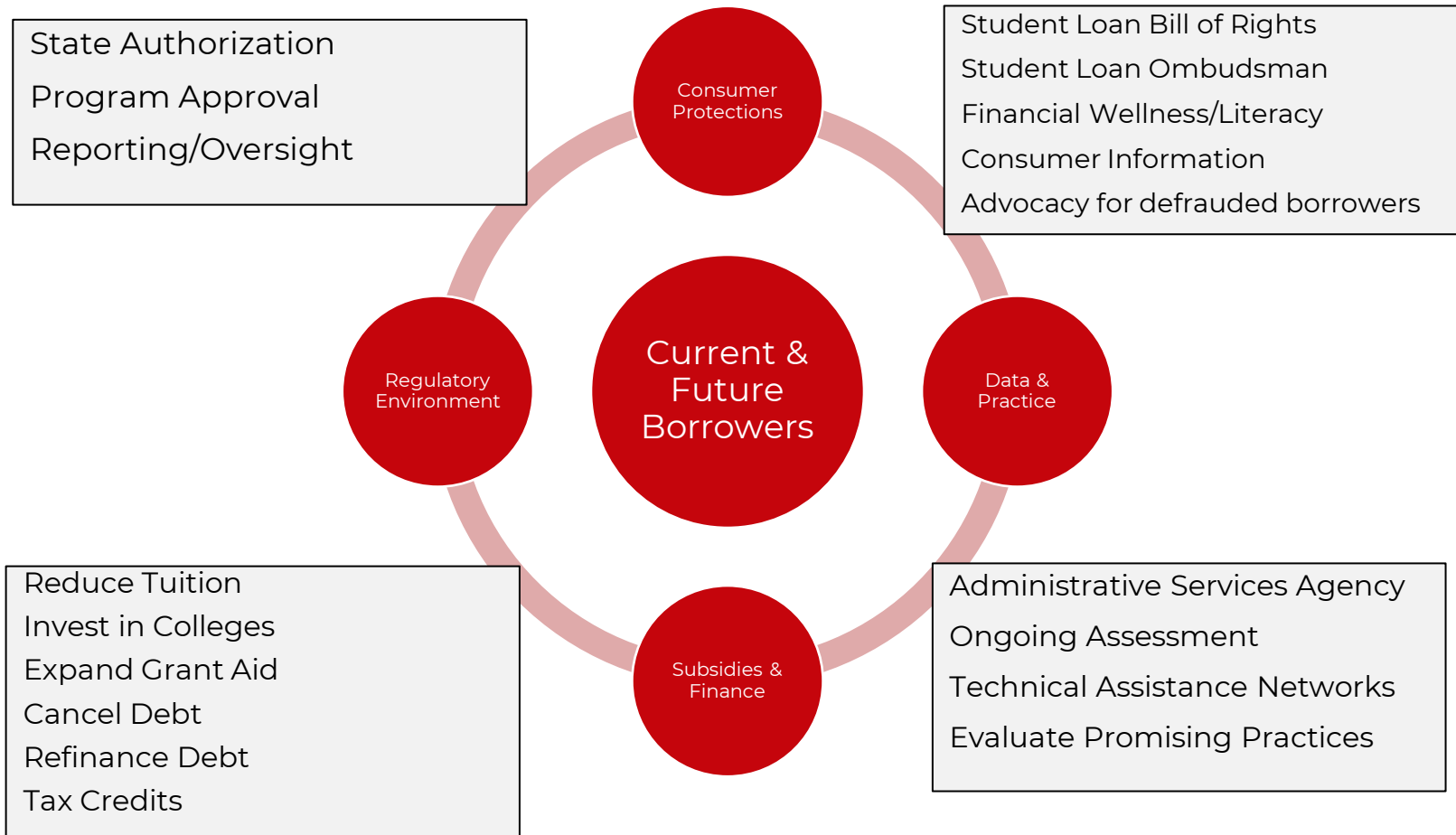
Reduce Tuition
Invest in Colleges
Expand Grant Aid
Cancel Debt
Refinance Debt
Tax Credits

Policy Responses

State Authorization
Program Approval
Reporting/Oversight



Policy Responses



Thank you

Nick Hillman

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SSTAR Lab

www.sstar.wisc.edu



STUDENT BORROWER
PROTECTION CENTER

PROTECT
BORROWERS

Student Loan Debt Relief: What Do We Know?

Kat Welbeck, Civil Rights Counsel, Student Borrower Protection Center

February 9, 2021

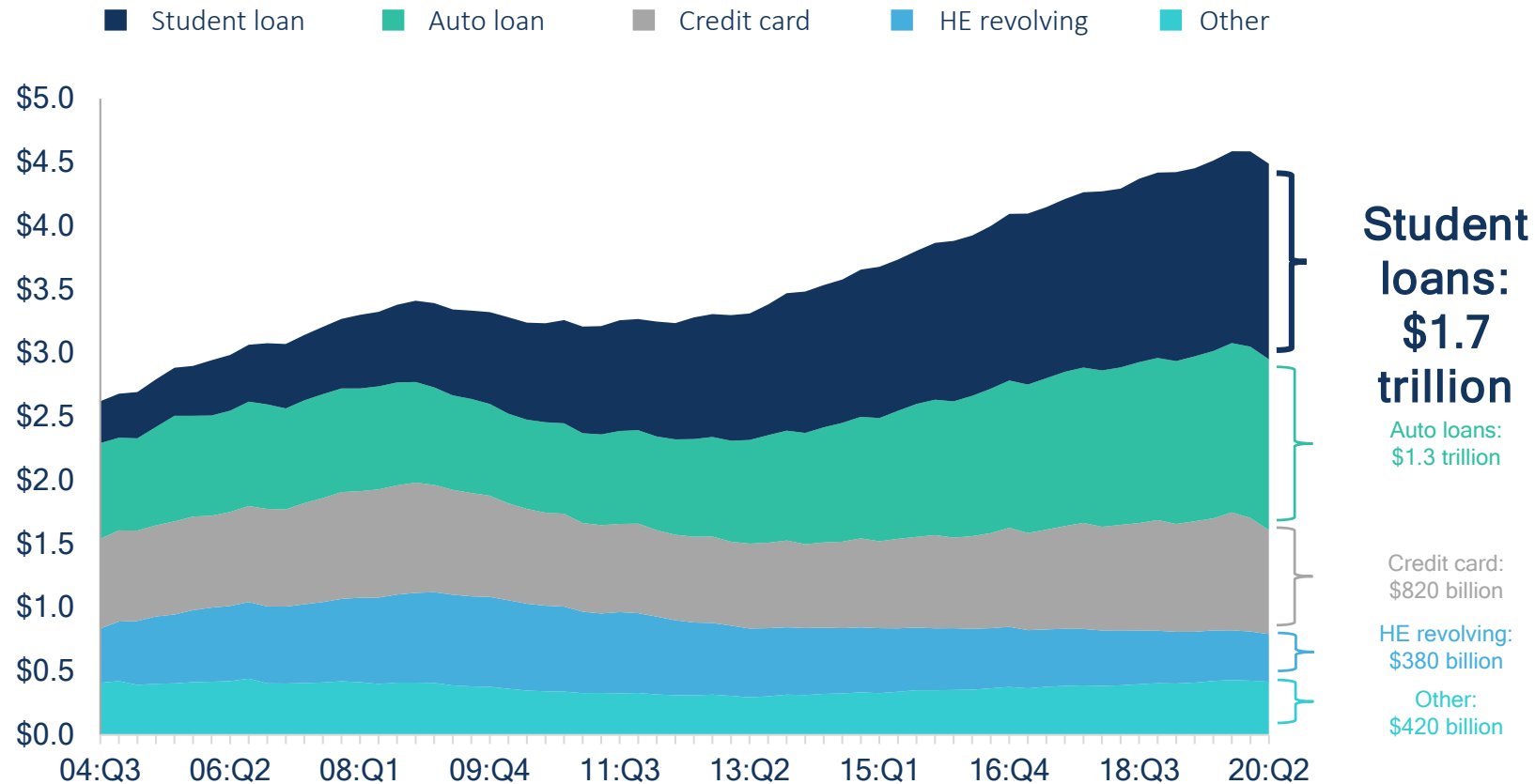


The Student Borrower Protection Center is a nonprofit organization focused on alleviating the burden of student debt for millions of Americans. The SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance economic opportunity for 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 borrowers pay a “secret price” for other forms of credit

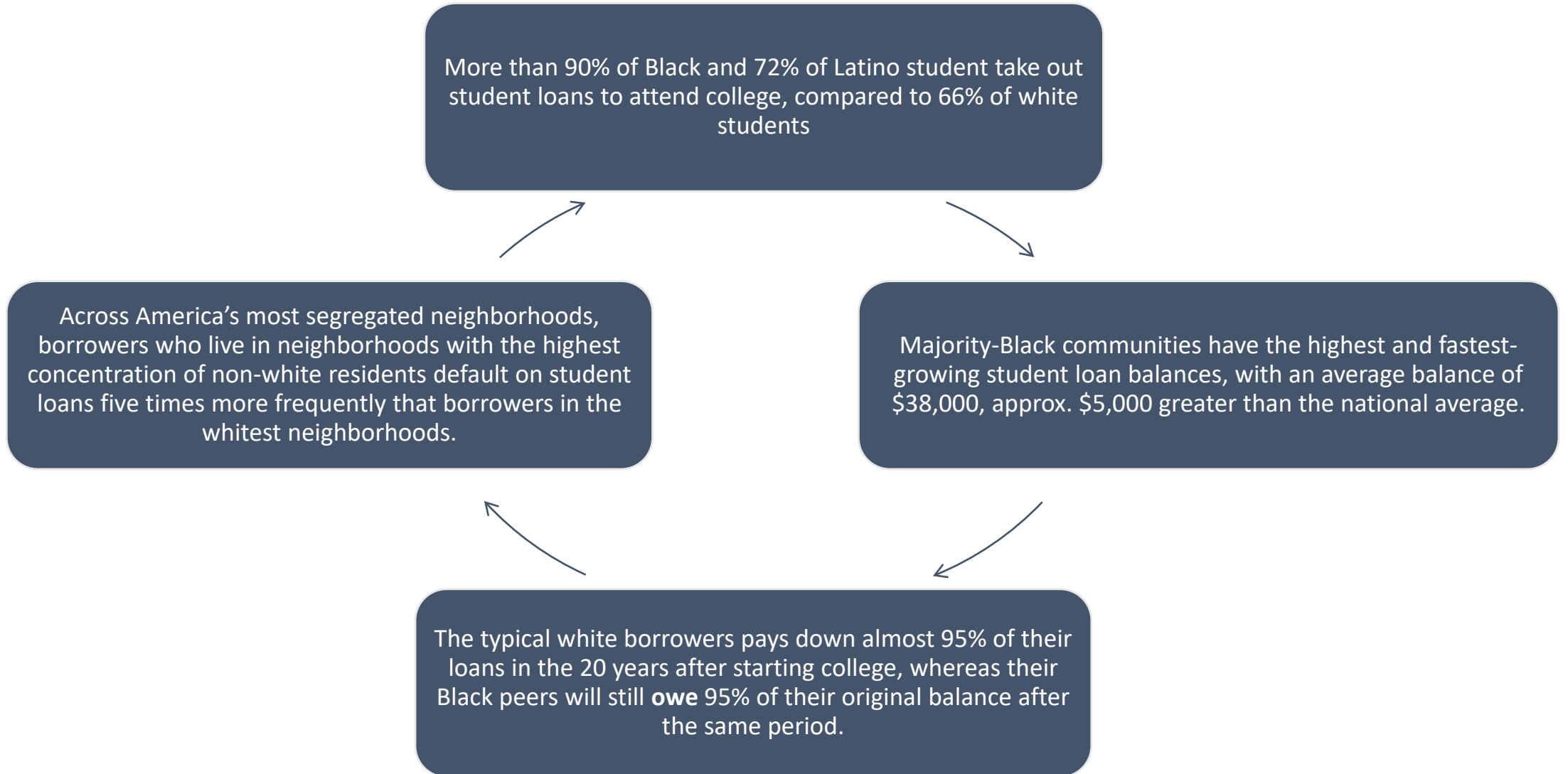
Student loan borrowers face higher rates on auto loans, mortgages, and credit cards

Typical Borrower Bundle		
<small>Auto loan: \$32,797 balance, 70 month term Mortgage: \$354,000 balance, 360 month term Credit card: \$6,194 balance, 60 month term</small>		
Baseline level of student debt stress	Moderate level of student debt stress	High level of student debt stress
\$39,625	\$40,927	\$42,915
Total auto loan cost	Total auto loan cost	Total auto loan cost
\$651,189	\$661,119	\$676,538
Total mortgage cost	Total mortgage cost	Total mortgage cost
\$8,672	\$8,914	\$9,101
Total credit card cost	Total credit card cost	Total credit card cost
\$699,487	\$710,959	\$728,553
Total combined cost	Total combined cost	Total combined cost
The secret price tag of student debt: +\$29,066		

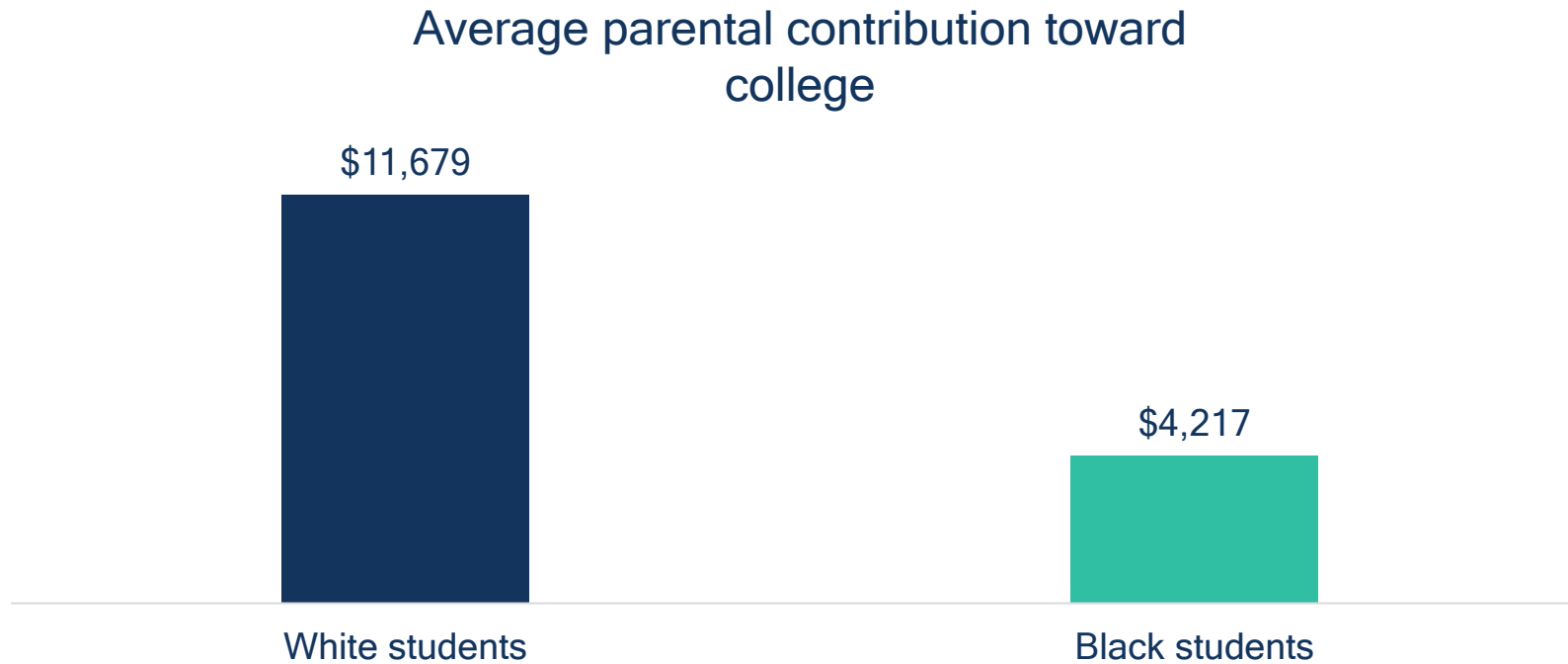
Affecting individuals, households, and communities

- **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”



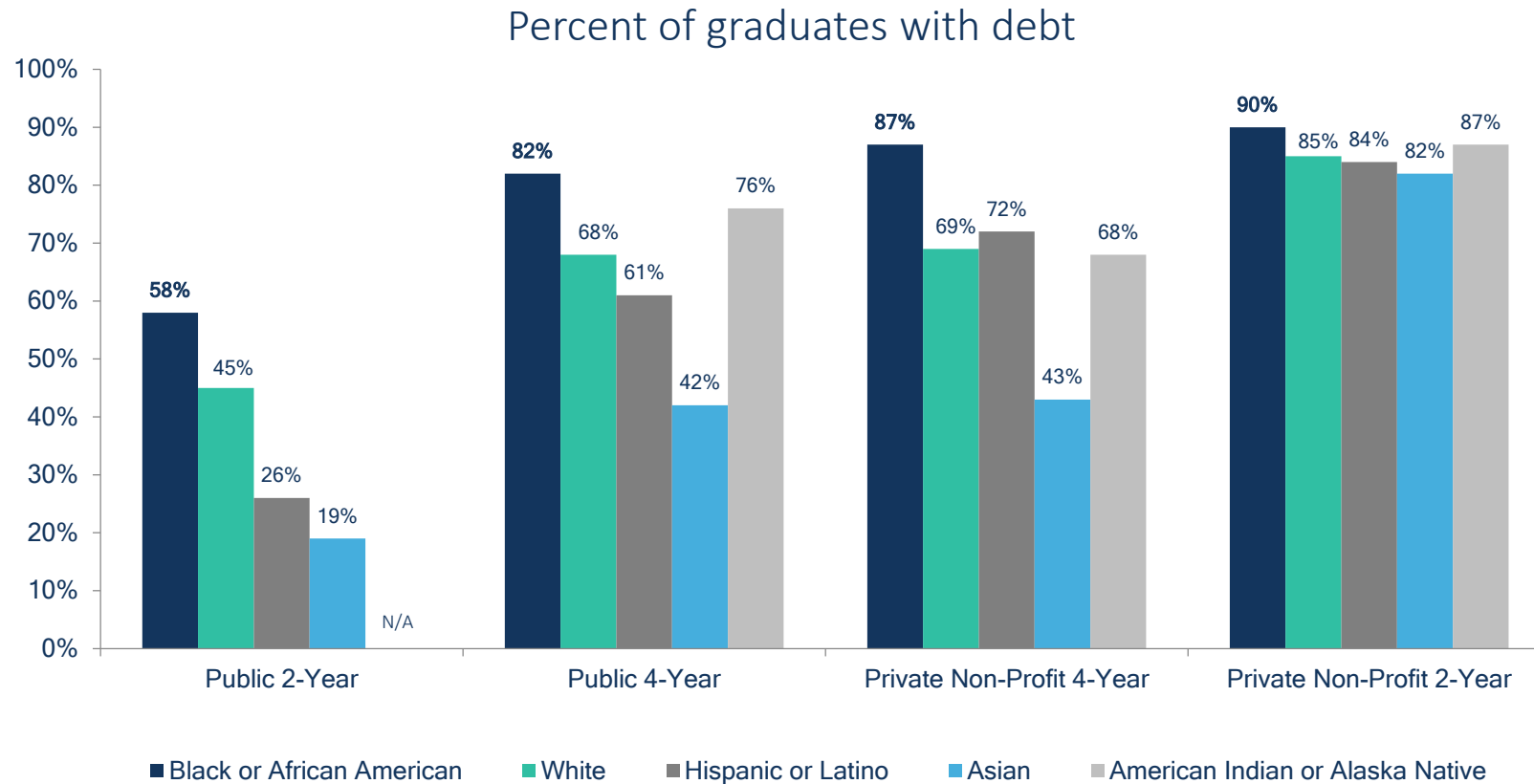
The racial wealth gap fuels the student debt crisis for borrowers of color



“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

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

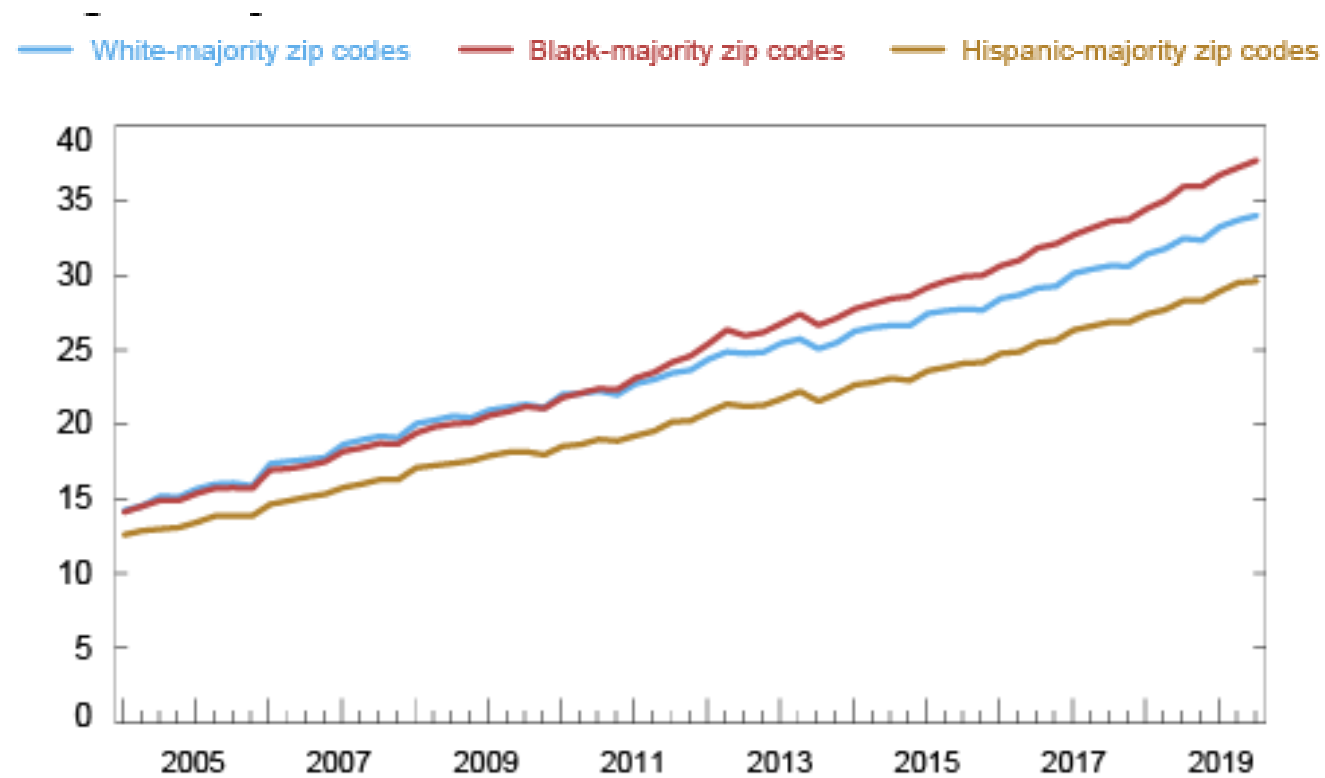


Source: Demos (2019)

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

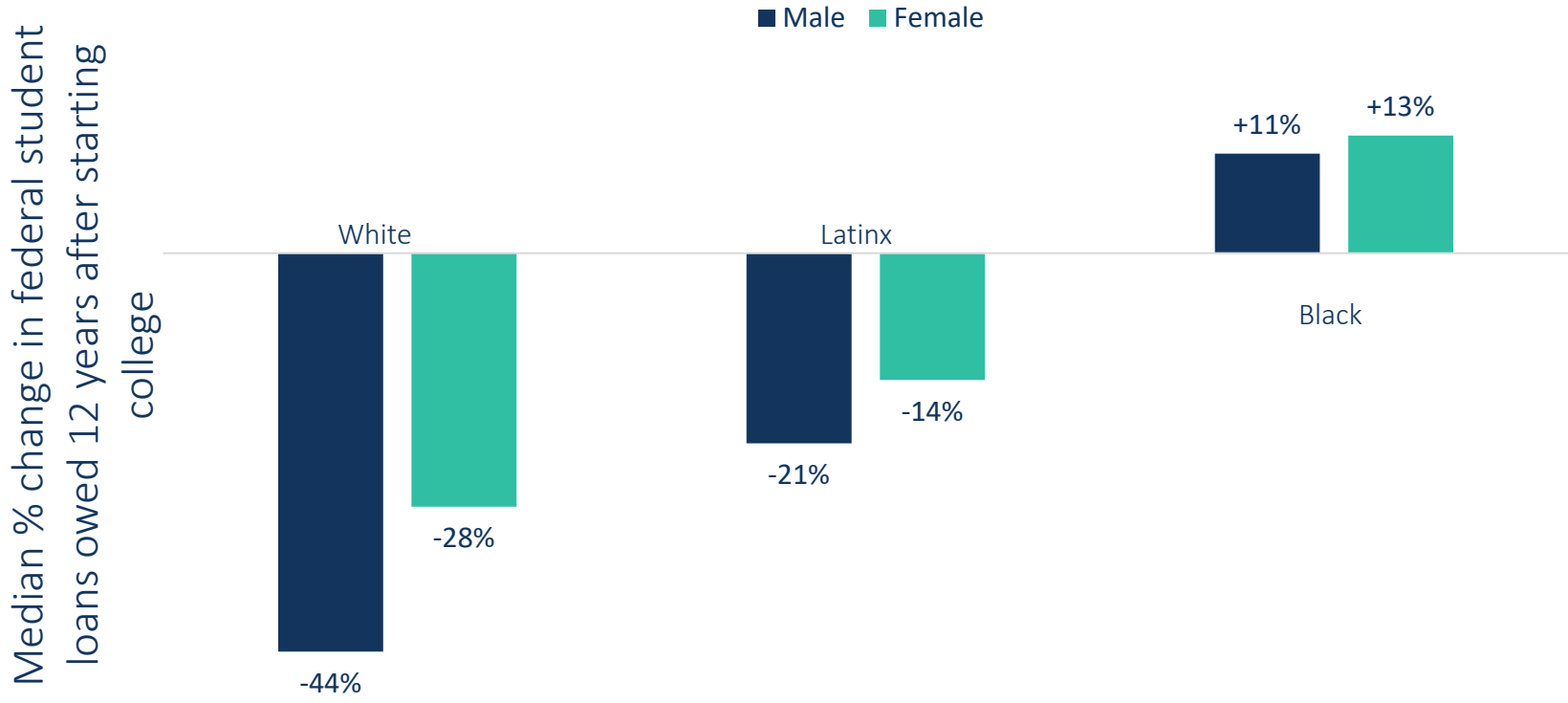
Average balance per borrower (\$000)



Source: Federal Reserve Bank of New York (2019)

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

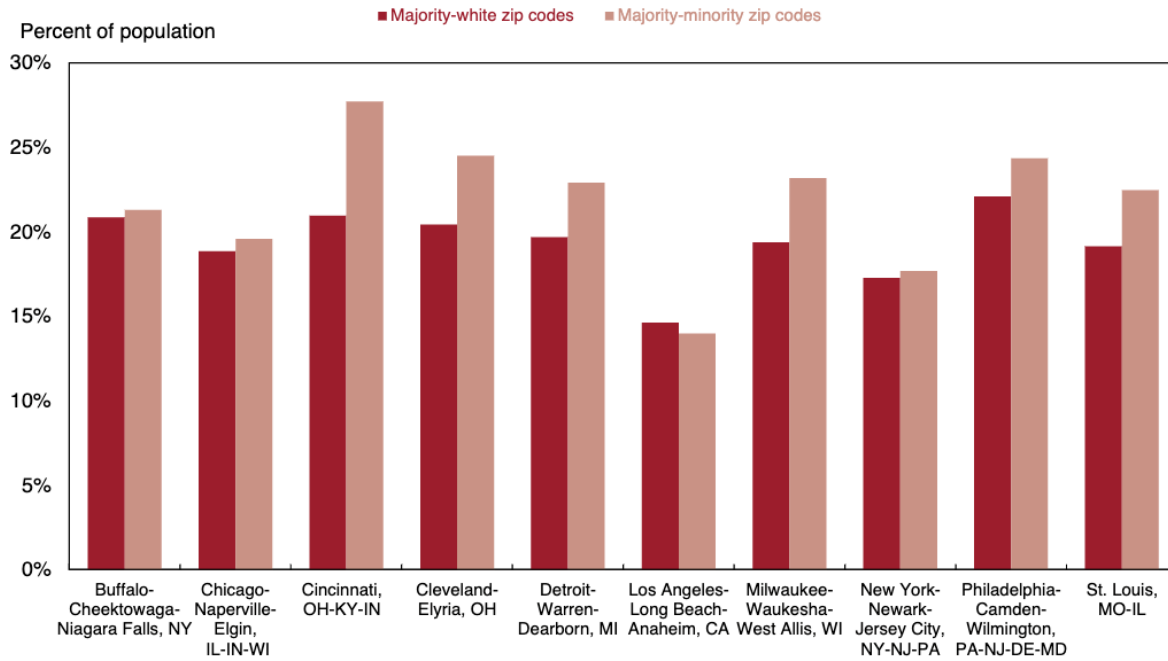
12 years after starting college, the median black male borrower's balance has *increased* 11%, and the median black female borrower's balance has *increased* 13%



Source: U.S Department of Education (2009)

Disparities in debt burdens and defaults

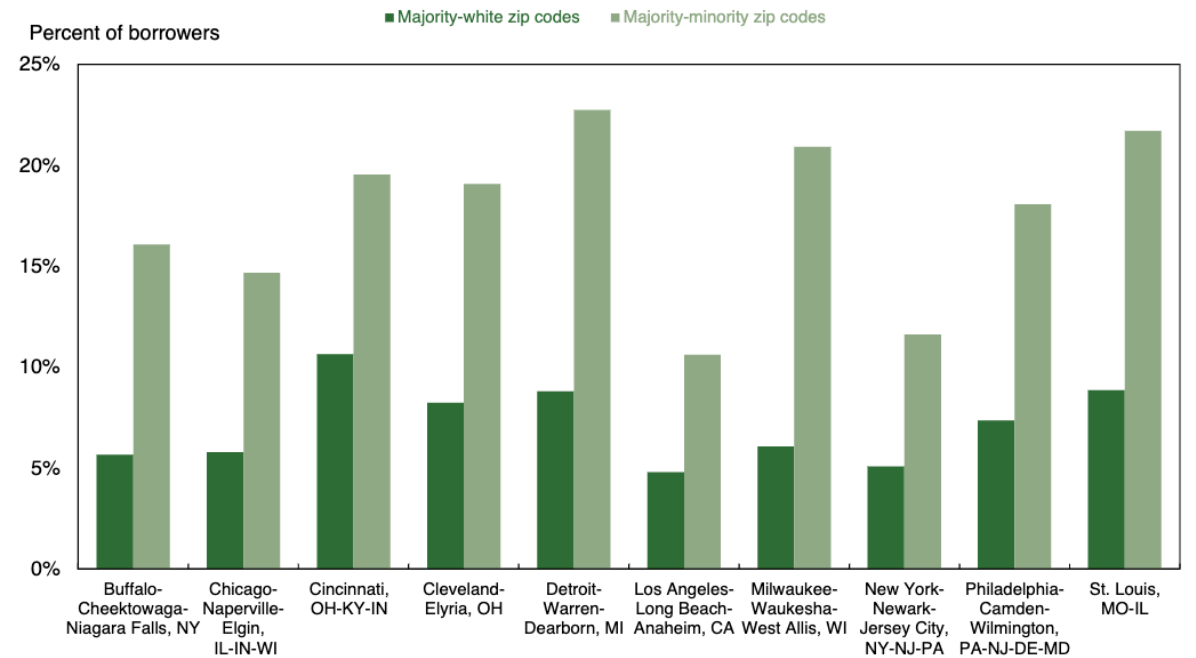
Figure 1: Percent of population with a student loan



Source: New York Fed Consumer Credit Panel/Equifax (2019Q2), ACS 2012-2016

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



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:

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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