

# THE NATIONAL STUDENT DEBT CRISIS

## TALKING POINTS & MESSAGING GUIDE

### MESSAGE #1:

Over the past decade, student loan debt has spiraled out of control—reinforcing deeply embedded inequities in our country that were exacerbated during the pandemic. Cancellation will help families get back on track from the economic devastation caused by COVID-19 and help build a just economy that works for all workers and families.

- One-in-five Americans now hold student loan debt, and the average federal debt load is over \$37,000.
- Student debt is now the second largest form of consumer debt in America, behind only mortgage debt, and has increased by more than a trillion dollars in just over a decade.
- Overall student debt continues to be a drag on household finances and life choices, from the decision to own a home, save for retirement, start a small business, get married, or simply spend money.
- Prior to the student loan payment pause, 7.5 million borrowers, nearly one-in-five of those with payments due, had defaulted on a student loan, with catastrophic financial consequences lasting decades. The default crisis was so severe, a borrower fell into default every 26 seconds.
- Families are still feeling the economic impact of the pandemic, and data from prior emergencies confirm that millions will fall behind, including nearly 8 million vulnerable borrowers if payments were to resume without any action to cancel debt.
- Cancellation will help protect borrowers from the harms of the broken student loan system, help borrowers pay down other debts, and jumpstart small business formation at a time when our local communities are working to bounce back from the pandemic.

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### MESSAGE #2:

The burden of the student debt crisis has fallen heaviest on our most marginalized—particularly Black and brown— communities and reinforces the racial wealth gap. The same communities that have been suffering under the weight of the pandemic have been disproportionately impacted by the pandemic. Student debt cancellation is crucial to racial and economic justice and ensuring an equitable long-term recovery from the pandemic.

- The economic fallout of the pandemic has caused significant hardship as tens of millions of people—particularly Black and brown, low-wage workers—lost their jobs. Student debt cancellation will help alleviate the economic hurt that has afflicted Black and brown families over the pandemic and address the systemic inequities that have forced communities of color to take on higher debt for the chance at a college degree.
- Due to our country's unjust debt-financed system of higher education, about 90% of Black students have to borrow to finance an undergraduate degree, compared to 68% of white students. Among all households, only 17% of white adults have any student debt at all, compared to 27% of Black adults.
- Black women carry the highest student loan debt burdens and finish their postsecondary education with \$15,000 more student debt, on average, than white women.
- Black borrowers are far more likely to have runaway balances on their federal student loans—loans that feel like a life sentence. Nearly two-thirds of black borrowers owe more than they borrowed 12 years after starting school. Three-quarters of student loans in majority-minority communities have a higher balance than the original loan.
- Student debt is eating up far more income for workers of color. Since 2009, median student debt among Black households has grown at a rate nearly ten times that of median income. Median student loan debt among Latino/a households has increased by over 22%, with incomes rising just 4%.
- Student debt also contributes to the racial wealth gap: The typical white household where the highest level of education is a high school degree has tens of thousands of dollars more in wealth than the typical Black household with a bachelor's degree.
- President Biden's debt cancellation plan will fully eliminate student loan debt for 20 million of our most vulnerable borrowers. One-in-four Black borrowers will see their debt fully eliminated and nearly half of all Latino/a borrowers will be entirely debt free.

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### MESSAGE #3:

Student loan cancellation will help protect borrowers from falling back into economic distress, help families pay their bills, and cover rising costs.

- Prior to the pandemic, the student loan default crisis was so severe, a borrower fell into default every 26 seconds—ruining their credit, their ability to secure affordable housing, employment, and more.
- For Americans over 65—the fastest growing group of student debtors—the consequences of default have thrown tens of thousands of seniors with student debt into poverty by garnishing their Social Security payments.
- Student debt has also been shown to affect borrowers' mental health and has even been linked to poorer health outcomes as borrowers are forced to delay medical care to stay on top of their debt—including student loans. Nearly two-thirds of Black borrowers report that student debt has had a negative impact on their mental health.
- Without cancellation, many of our most vulnerable borrowers risk falling behind once payments resume. Nearly 90% of the relief from President Biden's cancellation plan would go to those earning less than \$75,000 a year, and additional relief is targeted to those who received Pell Grants, nearly all of whom come from low-income households. Providing relief to our most vulnerable borrowers will help stem the wave of defaults and borrower distress that could result once payments resume.