

## Episode 237: Who's Really in a Student Debt Crisis?

**Lisa:** Hi, I'm Lisa Hernandez

**Lizzy:** And I'm Lizzy Ghedi-Ehrlich.

**Lisa:** And we are your hosts for Scholar Strategy Network's No Jargon. Each month, we will discuss an American policy problem with one of the nation's top researchers without jargon. And this month we are looking at the student debt crisis in our nation.

**Lizzy:** Well, we both work at a policy non-profit so, you know, we have some student debt.

**Lisa:** Oh, absolutely. And, you know, I have been having a lot of fun, not being forced to pay for the last two years. So this hits close to home, um, and close to my own pockets, unfortunately. But

**Lizzy:** Fair enough.

**Lisa:** Yes, so it was really, it was a really engaging conversation that I had with our guests And honestly it really validates a lot of the concerns of just growing wealth after student debt and all of that, all the issues that comes with carrying such a great amount of debt that so many Americans are carrying. So that was really interesting and startling and also, oh my goodness, we cannot ignore this issue or keep pushing it off.

You know, it's, it's something that needs to be addressed as soon as possible.

**Lizzy:** I mean, as a person who has my own student debt, um, and as a person who recently paid off my husband's, uh, student debt, because he did not have federal loans, private loans, not paused. So also understand that there's people with debt out there that haven't even felt the effects of the pandemic student loan pause policies, but.

You know, it's interesting to me because for folks like us who have friends, like we have like the, the people that we know all have this debt and it feels so ubiquitous and it feels like a crisis. And then there's a lot of people out there who don't or who say like, no, no, like you, you all are some small specific segment of, uh, you know, people in America don't treat this like it's everyone's problem.

And then we have scholars like who you're going to talk to you today who say, well, we want to take the problem for what it is, and actually examine the people who are in it. And we, even though there's a bunch of us with student loans, we do not all feel the repercussions of that debt equally. And that matters too.

So there's like a lot of different ways you can kind of think about this particular person.

**Lisa:** Right. I mean, it, everyone knows someone who is carrying some form of student debt. I feel at least in the U S most people do. and it's something that. It's affecting families overall. but I mean, I guess we'll see what happens every month. It's kind of like a we'll see what happens type of game that we're playing of maybe next month, we'll know if 10 K will be taken off or 50 or whatever numbers they're being thrown out.

**Lizzy:** We never do this on No Jargon or the scholars we speak to typically don't, even though we sometimes try to invite them to, but I'm going to make a prediction. This is me as a follower of politics. Um, so as of today, we're getting into the last week of may. There has still been no definitive action. Um, student loans keep being paused, but all this talk about potentially, um, you know, wiping all or some portion of debt that still has not happened.

But every day we inch closer to some form of resolution. I think they're going to do it. And I think they're going to do it up to a cap like that 10 grand that they said. and that's just, that's my prediction. We'll have to meet back here and see what happens.

**Lisa:** Well, let's place a lot of bets here because my bet is we're going to keep pushing it off. So we'll see what happens.

Especially after this episode airs, maybe we'll have a clearer idea of what's going to happen, Lizzy. Um, so for this week's episode, I spoke to Fenaba Addo, who is associate professor of public policy at the University of North Carolina, Chapel Hill. Her recent work examines debt and wealth inequality with a focus on family and relationships and higher education.

Here's our conversation.

**Lisa:** Hi, Professor Addo. Thanks for coming on No Jargon.

**Fenaba:** Hello, Lisa, it's a pleasure to be here this afternoon.

**Lisa:** Fantastic. Um, so we are talking today about student debt, which has of course been a major topic of discussion, especially the last two years. And, um, as people who live in the US we are pretty familiar with debt. But we hear the specific phrase of student debt crisis, a lot. So let's start a conversation by having you really break down the crisis aspect of it.

Can you explain why we are in crisis mode and what makes this a crisis?

**Fenaba:** Sure. So, yes. And I'll say like the term crisis is actually quite controversial amongst, uh, amongst scholars and, uh, policy folks. So not everybody likes to use the term, to describe what is going on. Right. What's been going on with student debt, the number of people who are

having to take on loans in order to finance our higher education. That number has grown just like pure like population wide numbers of people that are going to higher education and having to pay, for their education.

Um, and then, the price of higher education has increased over time. And so we see more and more graduates and people who unfortunately do not complete their degrees leaving school with, uh, significant amounts of debt.. Um, but the crisis, that I think most people are more familiar with what happens after, which is struggling to repay those loans.

So the amount of debt that they are carrying, as they move further and further away from higher education. and, I think it's really important and we'll hopefully, you know, we'll get into this a bit more when we're talking about this, of who exactly are we talking. who was in crisis, uh, with regard to the student debt crisis.

So there is, like I said, some controversy around the word, the word, because, on paper or, you know, a lot of stats will show that, many, many people who took on loans to go to college, and are repayment are fine. They're not struggling. Especially if you're able to secure a job that pays a decent, you know, and a livable salary, we'll pay those debts off, over time.

But then there is a growing contingent of people who have struggled and are continuing to struggle and are, not seeing those balances, those debt balances decrease over time. And that's really who we're talking about when we think about the crisis.

**Lisa:** So we can talk a little bit more about the who here. So who is mostly affected by this crisis? For lack of a better term right now, whether it's controversial or not, who are the people that are mostly affected by student debt?

**Fenaba:** Okay. So. The people who are most affected, I would say, or that would have received, probably the bulk of the attention are people who are in default or delinquency. And these actually tend to be borrowers who have relatively lower balances. So like less than 20 K in outstanding debt. but they also tend to be.

Concentrated among people who like who have not completed their degrees or the non completers. Um, a lot of people who have some college, you know, a couple of college credits, and then have not been able to complete, you know, finish or get their four year degree. However, the work that I've done and with many of my colleagues have also revealed along with work from other scholars such as Scott Clayton.

For example, that black borrowers in particular fall into this category. Borrowers who are also in crisis independent of whether or not they completed their degree independent of where they attended, like the types of institutions that they've intended attended. And so black borrowers are overwhelmingly, represented, in the crisis category, meaning that they have accumulated

large amounts of debt, and they're struggling with repayment and are more likely to have high rates of default and delinquency.

**Lisa:** So let's talk about default specifically. Could you tell us a little bit about what defaulting on debt is? Um, especially like education debt and how it can affect a person's life.

**Fenaba:** Yeah, defaulting means that that the borrower has been unable to pay any money towards their outstanding, loan balance. and, uh, it's usually gauged at around 270 days. So for at least 270 days, they have not been able to make a payment of at least \$1, on their loan, outstanding loan amount.

And so, you know, this usually, uh, it's flagged by the credit agencies goes on your credit report and you know, the short term can have real consequences for the ability to borrow, and may, and if you have the ability to borrow or, you know, if you're trying to purchase a vehicle or even, you know, maybe a larger purchase, like a house and are able to secure alone, you're probably paying much more on that.

It's going to be much more expensive to borrow, right? Because you're going to be pushed into a population of people who are home. It's going to be, you know, higher interest rates and so on and so forth. So in the long run, you're going to be paying more for that default on your record.

There's also, you know, other unfortunate consequences, such as wage garnishment, we hear about employees, employers, excuse me. Using. credit reports for hiring purposes, right? So if you have some indication, uh, on your, on your credit report that you are, you know, in default or you, you know, you have some negative, uh, signal on your credit report, you can really, uh, you know, influence your career trajectories as well, or your ability to earn it in.

**Lisa:** Absolutely it can. And I want to mention, because I sort of referenced a report of yours, but I haven't really mentioned the full title here. So you talk about all of this in your report that was published in May of last year called Ensuring a More Equitable Future: Exploring and Measuring the Relationship between Family Wealth, Education Debt and Wealth Accumulation.

In that report, you focus a lot on how wealth has a lot to do with how much someone's life will be affected by student debt. Right. And it sounds like your research has uncovered that family wealth plays a particularly big role. Um, how is family wealth measured when gathering this sort of data on its impact?

**Fenaba:** Yeah, so family wealth, you know, basic definition of wealth that we use, is a shortened form or the term net worth, which is the difference between the total values of one's financial and non-financial assets minus their liabilities or their debts. So we talk about wealth. That's what we're thinking about.

It's like the stock of money that individuals have, on their household balance sheets that they can tap into and use, for, obviously to purchase things, but also as a private safety net, that confers, lots of things that, -- I want to be clear about this -- lots of, as a mechanism for providing access, to, essentially what, you know, what we like to think of as power, and choice.

And decision-making that those who lack wealth, are not necessarily, getting access to, um, and you end therefore fall into categories, which expose you to a lot more risk and, um, in particular financial risk. So when we're thinking about, like, in this case, family wealth, a significant amount of, American families have

their wealth and their homes. Um, and in particular, you know, during the nineties and two thousands, we saw a lot of increases in home equity. So people, you know, became wealthier, on their homes, for example, and it was also, you know, disproportionate in our society of who was able to, you know, who are homeowners and who are more likely to, we're able to gain from that, economic boom, and how they're able to use that money in order to

secure access to power and capital, you know, all those, all those things, but also, help their family and their children out. And so a lot of -- there's some, a lot of great research I cite in the, in the article, the report that you are referencing around, um, evidence that children, whose parents experienced like growth in their home equity, um, were able to go to college.

Choose more expensive colleges, and you know, more likely to complete college, for example. And we look at the big gap, the wealth gap. Um, a lot of the work that I do actually centers on racial wealth inequality and how differences in like the typical holdings of black households versus white whole households, actually the kind of constraints, the ability to make these choices and to make the, you know, these transitions, especially among young adults and the focus has been on, the role that it's paid in, in, in interacting with higher education.

And the ability to pay for college.

**Lisa:** You mentioned those who don't get a degree. So what happens to the debt of those who borrow money in order to get a degree, but don't necessarily complete it. Since their debt is likely less than their counterparts. Is it easier to pay off? Is it more risky to pay off in the long-term?

**Fenaba:** I would say, you know, that the evidence suggests that they are struggling to pay. You know, if you don't complete your studies, if you don't complete your degree, you can have a higher risk of struggling in the labor market. You know, finding jobs that are a little bit more stable, you know, have come with.

Job security and with benefits. and, just maybe don't pay enough for you to, even if the debt balance is small, it may be that your debt burden is very high, meaning your debt burden, which

is the debt to income. Or sometimes people look at debt to assets, ratios, and so you may not have, you know, at the end of the month after paying for all your necessities, including housing utilities and so on enough to pay off debt, to pay down that debt, or even make a minimum payment on that debt.

**Lisa:** So we have established that student debt has serious consequences on many people's lives, especially black folks and people of color. So I want to talk a little bit about solutions. There's been a lot of talk about solutions to remedy the crises. And, um, lately the U S department of education talked about their, um, public service loan forgiveness program, and a plan to retroactively help millions of federal student loan borrowers who are in large debt from their repayment plan.

So. Can you talk about based on your research, what your suggestions for the U S department of education or just policy makers who want to take action on the student loan debt crises?

**Fenaba:** Sure. I think what we've been seeing, um, especially, by the Biden Administration and the department of education is attempts to fix kind of, issues with the repayment systems in place. Um, so one of the, probably most public programs that you've, and that, what did you referenced in your question is the public service loan forgiveness program.

Which kind of guarantees, some debt forgiveness after working for an employer that qualifies under this program, for, a given amount of time, usually about 10 years. And one example that has been a little bit problematic as it is that people weren't.

So it hasn't been clear and I'll attribute this to something that we kind of call it, administrative burden around, what types of loans qualified for people, to be eligible for. PSLF and so there's been a lot of focus because I think, I mean, you know, from early reports on people who should have been able to get their debt, either canceled after the 10 years of service, finding out that the types of loans that they had, weren't actually part of the program.

And so attempts by the department of ed to kind of fix that. And then, And allow, or kind of like grandfather in, some, some loans that were nested, not necessarily put it in the program. And then, and so that these people who, um, thought that they were eligible could become eligible for the program.

So that being said, that was just kind of like a quick brief of, kind of, what's been going on about a lot of confusion, and, miscommunication amongst servicers and borrowers around how Using work, these programs in a way to help them the jobs themselves from this debt.

And so, getting back to like efforts to kind of fix these kind of issues within the program have focused on, clarifying. and in increasing, I would say the chances that more people would

qualify and sign up for these types of programs. Now this particular program I say is, specific, like I said, it's dependent on your employer.

Um, and the types of work that the employer does, doesn't, it's not going to capture, you know, the universe of all borrowers, because not everyone goes to work for employers that qualify for this. So, what does that mean? A lot of people are paying on their debts, you know, and working for other, uh, you know, other employers or, you know, other different circumstances and are still, also struggling to repay.

And how are they going to be, you know, reached or how are they going to be, helped if they're a struggling with repayment, So I think we really need to see some, efforts beyond just the, the programs that are created by, you know, the government to help with repayment and our sides of public service, uh, to address the other populations of, of borrowers without sending debt, um, to who are really struggling.

There are several, I think you're like five or six repayment, different types of income repayment plans, that a lot of people have been focusing on. Not only figure out why people are struggling within these, particular payment clients to repay if they're supposed to be assisting them.

but also kind of streamlining, the. The number of plans that are out there and reducing the burden on the borrower to actually, you know, to navigate these systems. I think what we've seen a lot of the efforts of the Administration have focused on. But then there's also the broader conversation of the larger student debt cancellation question as well.

So are we going to also see efforts by this administration and department of education to address, the broader, desire and, call from many to just remove the debt? Based on your research, what do you propose? That our government should do in order to fully, assist those who are experiencing these burdens. Um, do you propose canceling student debt overall? Um, is this something that the Biden administration should consider taking seriously?

**Lisa:** I know they have been kind of going back and forth on how much should student debt should be canceled. Should it be all of it? How, and should it just be public loans or private loans? And there's so many questions, but do you propose that, canceling student debt fully canceling it is the best way to go about handling this crisis?

**Fenaba:** So the million dollar question, um, I am in support of debt cancellation, and I'll tell you why. From the lens, you know, that I have studied this topic. it has been one of both, economic inequality and racial justice. And The research that I've done has focused primarily on the struggle of particular black students and their families, who have had to take on this debt and then carry and struggle and repayment with this debt.



So I really, um, have examined and explored along with my co-authors. How the systems and structures within the higher ed financing space have. Not necessarily served to, provide the, supports these, borrowers and their families have needed, in order to, get rid of this debt. Right. Um, and, and a lot of it is due to policies in place.

Not, not necessarily, individual decision-making on the part of people and, and so I think, a solution, a policy-based solution is what is what is needed, and would be the right solution to this, particular problem to address, you know, it through that lens. And so that is where I call on this question.

And so yes, I am in support. Now, the getting into the, the amount, the number, the level. I do think it's, you know, if again, if we're going to look at it through this, you know, kind of racial justice, inequality, economic inequality lens, uh, black borrowers take on a lot more debt, you know, just due to like, you know, existing wealth inequalities And that means that they have a lot more debt to absolve. So is if you just cancel a little bit, you know, And provide a little bit early, but if you really want to try to make a transformative or, difference in the lives of these, of these, of these households, then you're going to have to go a little bit higher than 10.

**Lisa:** So what would you say to critics of canceling student loan debt to make clear why student cancellation is the best way to move forward?

**Fenaba:** I would say that I think it would be a strong signal and a strong indication by our, policy and policymakers that – an acknowledgement that, the, uh, system has not been working uh, in a way to, help students and families, uh, financially. And I think that, what we, and, and I think that it's, it would also be an indication that, the government is listening to the constituents and their, um, their arguments around, how the debt and debt accumulation has, um, it has really impacted and influenced their lives. you know, I think, we've said, you know, over the past few years, this has just become. Uh, public issue. And it's reflective of how many people are touched by student debt and, you know, not necessarily just the students who are enrolled, but their families as well.

And doing nothing is not a policy solution at this point anymore. I think, we, we really want to kind of address economic inequality within our society. This is an important, policy, uh, topic that, should be continuing to be centered within these, these discussions, especially since we know, that higher education tends to be one or remains one of the predictors of long term financial stability and security, like the ability to secure a well-paying job within our society. So if we're going to still kind of support the role of higher education within the broader society and community, then we need to be finding ways to signal to individuals that if you go down that path, we will be supportive of those efforts and not try to, create additional barriers to to realizing those goals.



So far, especially with the most recent generations of young adults and their families, these financial risks that they've had to take on has been a real barrier to kind of realizing those, those long-term goals of higher education.

**Lisa:** Absolutely. I think, um, you really encapsulated, well, how just this one policy change, this one, um, like focusing on this one debt issue could really affect, so many families and could really affect, wealth disparities overall. So thank you for sharing those thoughts with me. And I want to ask you for any final thoughts that you have that you think our listeners should take back with them as they're having their own discussions about student loan debt crisis.

**Fenaba:** Yeah. I mean, I think that, you know, this is an effort if, especially if you are in support of that cancellation, in which. it will be really important to continue to put pressure on, our policymakers, our, you know, our representatives, or our elected representatives. and, if, if we really want to see, changes happening, I think we've gotten this word due to the pressure.

Um, so, you know, and, not allowing people to kind of sidetrack or sideline this issue. and I think, um, it will only continue to be prioritized, by, um, movements of, Younger generations, social movement groups to kind of make this happen. So I've been thoroughly and amazingly impressed by you know, the reach of people who are working in this space, um, beyond just academics and, and policymakers.

And I think that that is needed, in order to continue to drive home how important this topic is and how important, And, um, necessary, real substantive changes needed, for, you know, to achieve the outcomes that we, we all want and would like to see.

**Lisa:** And I appreciate you being a part of that community of folks of just using your power, your voice, and trying to, voice why student loan debt affects so many people and how it does. So, so thank you for coming on No jargon. It was a pleasure to speak with you today.

**Fenaba:** Thanks. It was a pleasure to speak with you as well.

**Lisa:** And thanks for listening. For more on Professor Addo's work, check out our show notes at [scholars.org/nojargon](https://scholars.org/nojargon). No jargon is the podcast of the Scholars Strategy Network, a nationwide organization that connects journalists, policy makers, and civic leaders with America's top researchers to improve policy and strengthen democracy.

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