



The Student Debt Crisis

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What is this issue?

- Graduate and undergraduate workers unable to pay off loans
- Amassed to more than \$1.6 trillion by the end of 2022
- Social problem: created inequities
- Lack of generational wealth impacts Black families > have to borrow and take out more loans > this emphasizes racial wealth gap
- Black and Latino students are more likely to accumulate greater amounts of debt
- Factors include: rising tuition fees, housing costs, easier access to education loans (FAFSA), state funding has been declining for colleges, and college degrees are losing value > doesn't guarantee jobs anymore



Impacts

- Can lead to other areas of debt such as medical
- Prohibits retirement savings, emergency savings, accumulating overall wealth
- Impacts the economy: reduces business growth and suppresses consumer spending
- If impacted by student debt it is much harder to even obtain an education, invest, move or buy a home, start a business, and save money



Policy action: The Public Service Loan Forgiveness Program

- A program to assist full time workers with their past student debt
- President Biden has been addressing this program and if it moves forward will grant up to \$20,000 in debt relief
- It eliminates remaining balance on direct loans but only when you made 120 qualifying monthly payments under a payment plan
- To be able to use this program you must be an employee of a full time job employed by U.S. federal, state, local, governments or non-profit organizations
- You must work full time and have direct loans
- Make 120 qualifying payments under a payment plan



Pros and Cons

Pros

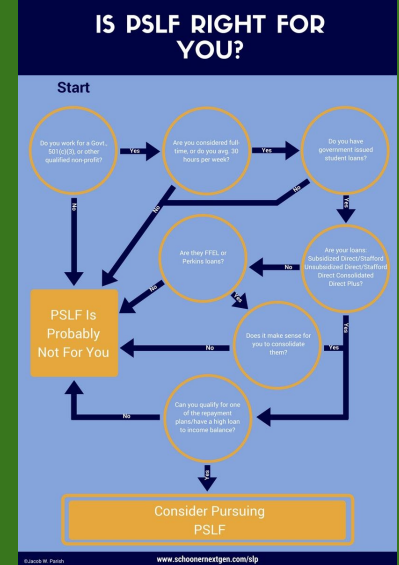
- Could grant qualifiers with \$10,000 of relief
- After 10 years of payments all of your remaining balance gets relieved
- Creates opportunities to focus on other financial needs or desires (savings, vacations, housing, luxuries)
- No tax implications to the remaining balance
- Could add up to 1.5 million new jobs
- It could increase consumer spending to up to 3.3% > due to being able to spend money on other interests such as homes, businesses, and more



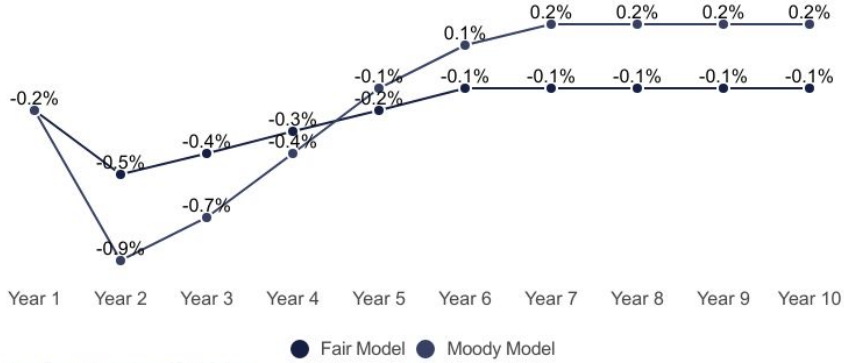
Pros and Cons

Cons

- Hasn't helped relief any workers yet due to legal cases
- It could possibly worsen inflation
 - this is a debated issue if it will or not
 - increase in consumer spending will increase inflation
- Controversial because some see it as unfair to those who have already worked to pay off their debts
- It could raise tuition prices but this is debated
- A very specific criteria to apply for this program including qualified employment history over a 10-year period
- It is a 10 year commitments due to having to meet the amount of qualifying payments



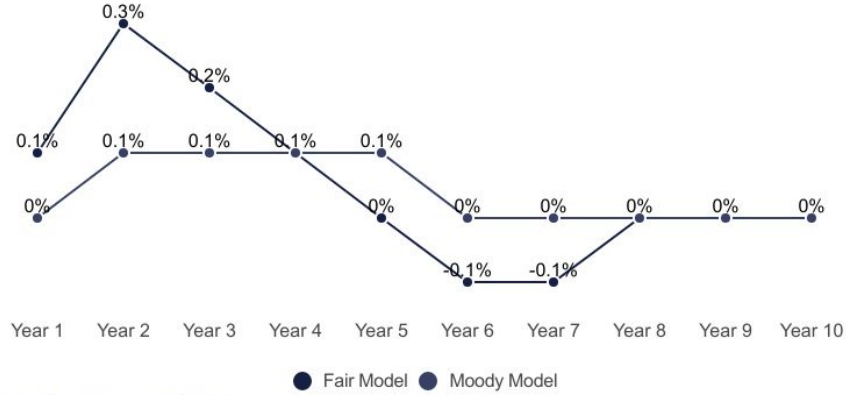
Student Debt Cancellation Effect: Reduction in Unemployment



Source: Levy Economics Institute of Bard College

Pros

Student Debt Cancellation Effect: Inflation Rate



Source: Levy Economics Institute of Bard College

Cons

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