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PUBLIC FORUM DEBATE

NOVEMBER/DECEMBER 2023 ADVANCED EVIDENCE BRIEF

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This analysis serves as an introduction to the topic and offers guidance for areas students can explore further with independent research. It does not attempt to provide limitations on debater's interpretations of the topic.

Topic Evolution

As 2023 continues on and we get closer to the winter break, our final two-month topic of the season continues to present interesting and complex arguments for teams to delve into. Given that many college applications are due in November, and most of the rest are due right after the break, college costs are sure to be at the forefront of many debaters' minds! With some of the biggest bid tournaments of the year approaching, it's important that teams understand how the argumentation has evolved.

One of the most important components of the debate over student loan debt forgiveness is the disproportionate impact of debt on minoritized communities and whether total forgiveness will help or hurt these communities. There is a great deal of information about how Black borrowers are disproportionately affected by student loan debt, and this information is readily available on many of the preliminary articles that teams will encounter in their research. Aff teams have also chosen to focus on women and LGBTQ+ borrowers as well as borrowers from other racial and ethnic groups. However, it is not a foregone conclusion that forgiving all federal student loan debt will resolve these issues; as President Biden believes, debt forgiveness may stand to benefit those in the top income brackets more than those in lower brackets. Many neg teams have adopted this line of argumentation in response, claiming that an aff ballot would only worsen inequality. The Bennett Effect, or the theory that increasing the availability of student loan debt relief would simply push institutions to increase tuition, has been heavily researched by many neg teams.

Teams have also, of course, gone back and forth on the cost of such a plan. Neg teams argue it would cost too much money to try to forgive all federal student loans, and that it would slow down the economy considerably. Aff teams, though, argue that we can't afford *not* to, noting the economic drain we experience because people don't have the economic freedom to start businesses or make purchasing decisions that they might make if they had more financial freedom. The overall effect of such a plan on the GDP, inflation, and the global market - due to the size of the shock this may generate - would be fascinating to see.

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Con - Bennett Effect

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Pro Evidence

Families are delaying major financial decisions because of student loans, and forgiveness would solve, boosting the economy

Arnold, Chris. "Forgiving Student Debt Would Boost Economy, Economists Say." NPR. 25 Nov. 2019. www.npr.org/2019/11/25/782070151/forgiving-student-debt-would-boost-economy.

"Children, it's not about if you want them," says Laura Greenwood in Montpelier, Vt. "It's about can you afford them?" Greenwood works for the state education agency. She's 30 years old and makes $63,000 a year. "I make probably a better salary than a lot of my peers." But after paying for college and grad school, Greenwood owes $96,000 in student loans. And she says that's got her and her partner feeling frozen. "Yeah. It's always, we're interested in having kids, but just cost of living and all our other bills and then the student loans, it's just like the final straw." She says **it makes starting a family feel impossible. So if people** like Greenwood **suddenly had this millstone of debt lifted from their necks, it stands to reason that would unleash pent-up desires and spending that would be good for the economy. A lot more people would have kids, or start businesses, or buy houses. "In the short term, it would be very positive for the housing market," says Lawrence Yun, the National Association of Realtors chief economist. He says his group's surveys show that student debt has people delaying homeownership by five to seven years.** He's not endorsing any particular plan, but **he estimates that broad loan forgiveness would push up the number of home sales quite a bit. "Home sales could be, say, 300,000 higher annually if people were not saddled with large student debt."** Yun says that would be "a boost to the housing sector as well as the economy." The effects would go beyond the housing market. William Foster is a vice president with Moody's, which just did a report on student debt forgiveness. **"There've been some estimates that U.S. real GDP could be boosted on average by $86 billion to $108 billion per year,"** which is "quite a bit," he says. "That's **if you had total loan forgiveness."** Foster says it wouldn't have to be total forgiveness to see significant results. And he says **it could also help address rising income inequality.** "Student loans are now contributing to what's perceived as lower economic prospects for younger Americans," Foster says. After all — millions of people are delaying homeownership. And that's the most powerful way for most working and middle class people to build wealth.

Students at HBCUs take on more debt than students at other schools

Akhtar, Allana, and Hillary Hoffower. "How America's Student-Debt Crisis Impacts Black Borrowers." Business Insider. 10 Jun. 2020. www.businessinsider.com/how-americas-student-debt-crisis-impacts-black-students-2019-7.

A Wall Street Journal analysis of Education Department data found that **not only do alumni at HBCUs take on 32% more debt than graduates at other public or nonprofit four-year schools, the majority of graduates haven't paid any debt in the first few years out of school. While HBCUs make up just 5% of four-year American colleges, they make up "50% of the 100 schools with the lowest three-year student-loan repayment rates,"** the Journal found. The discrepancy could be because black families already have less wealth compared to other racial groups. **HBCUs are typically more affordable than other institutions,** according to Student Loan Hero. **Spelman College, the most expensive HBCU as of January 2019, costs $28,181 in tuition, several thousand dollars less than the national average of $32,410 for private four-year colleges.**

Biden's remarks about student loan forgiveness are inaccurate; most people who would benefit do not attend Ivy League schools

Nadworny, Elissa. "FACT CHECK: Biden's Comments on Loan Forgiveness and Elite Colleges." NPR. 20 Feb. 2021. www.npr.org/2021/02/20/969639380/fact-check-biden-s-comments-on-loan-forgiveness-and-elite-colleges.

At a CNN town hall on Tuesday night, **President Biden** was asked if he supported the idea of forgiving up to $50,000 of student loan debt for individuals. His answer: No. He **supports cancelling $10,000 in debt**, he explained. **But he said he is wary of erasing big chunks of loans for people who went to Ivy League schools**: "The idea that ... I'm going to forgive the debt, the billions of dollars in debt, for people who have gone to Harvard and Yale and Penn ..." Instead, he explained, he'd rather use that money for other priorities, like early childhood education or making community college free. But here's the problem: **Regardless of the broader question about whether loan forgiveness is a good idea, Biden's comments do not reflect the true picture of the $1.6 trillion owed by federal student borrowers, or of the borrowers who would benefit most from forgiveness. Most student loan borrowers did not go to highly selective colleges, because most students do not go to those schools. People who go to Ivy League schools represent less than 0.5% of the nearly 15 million undergraduate college students in the U.S., and a lot of them don't have to take out student loans to do it.** "Misperceptions that higher education graduates are all from elite institutions are pervasive, and do not help educate the public about the value of postsecondary education," says Fenaba Addo, an associate professor who studies student loan debt at the University of North Carolina, Chapel Hill. Think about it: **Students who do go to the most selective schools tend to come from wealthy families, and many pay full tuition. Last year, 54% of undergraduates at the University of Pennsylvania, for example, didn't even qualify for financial aid, according to data from the school. At Harvard, the number was 45%. These highly selective colleges have long struggled to enroll students who aren't from the top tier of wealth in this country. A new report shows that, even today, low-income students who qualify for federal Pell grants make up less than 16% of enrollment at many of these schools. And for students at these institutions who do need financial aid? Many offer financial aid packages aimed at keeping students free from federal student loans. At Harvard, only 2% of the undergrad population receives any federal student loans**, according to the College Scorecard. Instead of focusing, as Biden did, on who shouldn't get the benefit, we should be focusing on who would really benefit from loan forgiveness, argues Jalil Mustaffa Bishop, a researcher at the University of Pennsylvania. He says using the Ivy Leagues to argue for a much smaller amount of debt reduction, or none at all, is misleading: **"The idea that small-level, or no debt cancellation is the best way forward because a trivial amount of rich people may benefit is a talking point to**

<u>distract,"</u> he says. **<u>Households with student debt tend to have the least amount of wealth, federal data shows. The people who struggle to repay their student loans tend to be those that didn't graduate and have small debt amounts.</u>**

The negative effects of student loan debt hit Black borrowers the hardest

Hamilton, Darrick and Zewde, Naomi. "Promote Economic and Racial Justice: Eliminate Student Loan Debt and Establish a Right to Higher Education across the United States." Washington Center for Equitable Growth. 18 Feb. 2020. equitablegrowth.org/promote-economic-and-racial-justice-eliminate-student-loan-debt-and-establish-a-right-to-higher-education-across-the-united-states/.

Higher education is, for many, a necessary step to earning a living wage, but **black students face a particularly cumbersome burden to finance a degree.** This essay explicates the disproportionately high burden of student debt carried by blacks in the United States, though all racially marginalized groups in the United States face particular financial burdens when pursuing higher education and repaying the necessary debts. Due in part to their families' financial position, **black students generally take on more debt than white students and, even at higher levels of socioeconomic status, are less protected by parental wealth. Then, after entering the labor market, young black adults face a harder time paying off their student loans in a labor market characterized by racial discrimination, as demonstrated by the experiences of prior cohorts of graduates. Upon exiting college, young adults are shaped by their indebtedness**, including the need to secure paid employment with urgency in an endeavor not necessarily aligned with their career aspirations. New graduates with debt burdens enter the labor market more quickly and are more likely to work in unrelated fields after graduation. These borrowers have lower job satisfaction and overall life satisfaction, and lower psychological well-being well into adulthood. **Student loan borrowers are less likely to get married, purchase a home, or start a business.** While these negative economic and psychological consequences of student debt are distorting employment choices and depressing opportunities to pursue creativity across all borrowers, **black students are hit the hardest. Evidence suggests that student debt impedes family formation specifically among the most vulnerable borrowers: black borrowers and those who have not completed their degree. Student loan debt is associated with poorer mental health and is even significantly associated with poorer sleep patterns among black borrowers, in particular compared to white borrowers.**

Existing student loan forgiveness programs are too complicated to benefit most borrowers

Hamilton, Darrick and Zewde, Naomi. "Promote Economic and Racial Justice: Eliminate Student Loan Debt and Establish a Right to Higher Education across the United States." Washington Center for Equitable Growth. 18 Feb. 2020. equitablegrowth.org/promote-economic-and-racial-justice-eliminate-student-loan-debt-and-establish-a-right-to-higher-education-across-the-united-states/.

The concept of loan cancellation is not new. The George W. Bush administration brought us **the public service loan forgiveness program** in 2007. This program **was intended to erase student debt for teachers, other public servants, and anyone working in a not-for-profit organization** after working in their chosen field for 10 years while paying down their debt. Additionally, these borrowers must consolidate their loans and enroll in a particular type of repayment plan. These **stipulations were complicated enough that the program failed to provide relief to the vast majority of these select borrowers, even those verifiably working for nonprofit organizations or the government. Over the program's cumulative history, more than 132,000 borrowers submitted employer-verified applications but only 641 have gotten relief, or approximately 0.5 percent. The other 99.5 percent were rejected primarily on technical grounds.** President Barack Obama introduced a similar program, but expanded it beyond employees of public and nonprofit institutions. Under **the Obama administration's program**, borrowers pay between 10 percent and 20 percent of discretionary income, as defined by the U.S. Department of Education, for 20–25 years, and then have the remaining balance canceled. Upon program completion, any canceled debts are taxed as income (though surely none of it has "come in," from the perspective of struggling borrowers). Because the program **has not yet been in place long enough for borrowers to complete 20 years of payments, the rate of award is uncertain. Yet, as of 2018, approximately one-quarter of borrowers are enrolled, with many disenrolled by the annual re-certification requirements.** And policymakers are paying attention: Following efforts to gut the program by the Trump administration beginning in 2017, 23 senators in October 2019 called upon the federal Consumer Finance Protection Bureau to investigate the loan service company employed by the federal government due to its exceedingly high rates of refusals to forgive loans. **Clearly these types of programs can be administrative minefields for borrowers, and it is unclear if they will or can provide any real relief to borrowers.**

Full cancellation would be much more successful at addressing inequality and would be more beneficial for everyone

Hamilton, Darrick and Zewde, Naomi. "Promote Economic and Racial Justice: Eliminate Student Loan Debt and Establish a Right to Higher Education across the United States." Washington Center for Equitable Growth. 18 Feb. 2020. equitablegrowth.org/promote-economic-and-racial-justice-eliminate-student-loan-debt-and-establish-a-right-to-higher-education-across-the-united-states/.

The merits of full or partial student debt cancellation at first glance largely rest on the degree to which the cancellation helps borrowers in need of debt relief. Those plans that call for partial student debt cancellation focus to different degrees on whether some higher-income borrowers or those who have borrowed to attend graduate school would benefit inordinantly from having their debt cancelled, compared to those who borrowed in pursuit of an undergraduate or technical degree or those who are otherwise clearly burdened by their student loan repayments. Cost estimates based on the plans' assessment of these borrowers' needs run the gamut, from an estimated $1.5 trillion for a full cancellation to between approximately $2 billion and $200 billion for a partial cancellation, between $5,000 and $60,000 per borrower. In our estimation, however, **the merits of full cancellation far outweigh those presented in plans for partial cancellation. Full cancellation not only would address the array of financial inequities in current student borrowing programs—inequities that are particularly egregious for black borrowers—but also eliminate the many and complex rules and regulations borrowers are now required to meet for debt cancellation. Full cancellation would require a larger budgetary allocation, but doing so would directly address the rise of economic inequality in the United States, particularly for black Americans, while laying the groundwork for more sustainable and broad-based economic growth.**

Student debt is overwhelmingly held by Black borrowers, but the solution to this inequity is simple: Cancel all federal student debt

Sullivan, Timmy. "Should the Federal Government Cancel All Student Loan Debt?" The Boston Globe. 14 Jan. 2021. www.bostonglobe.com/2021/01/14/metro/should-federal-government-cancel-all-student-loan-debt/.

Student loan debt is a $1.6 trillion crisis that demands immediate remedy. Since 2003, the number of Americans with student debt has more than doubled to about 44 million borrowers plagued with financial burden. This presents an enormous drain on our economy that prevents other forms of borrowing, funnels money out of local economies, and traps entire generations in a financial bind. Further, the deleterious impact of student debt is unequally felt, landing along the existing fault lines of social inequalities. Student loan debt disproportionately impacts low-income and Black borrowers. For example, **of the student population at public institutions who are eligible for the Federal Pell Grant – those coming from the lowest-income households – 84 percent graduate with student debt, compared with only 46 percent of non-Pell recipients**, according to a study by the public policy organization Demos. Additionally, **owing to historic structural racism and the resulting racial wealth gap, Black families are more likely to rely on debt-based financing for higher education. Accounting for interest rates, this means Black borrowers may end up paying more for their education. Close to two-thirds of Black borrowers owe more than they initially borrowed when they entered college 12 years before, compared with less than one-third of white borrowers**, Demos reported. **Therefore, student debt cancellation is as much a racial justice policy as it is a bottom-up economic stimulus.** And, at a time when the COVID-19 pandemic has brought high unemployment and economic recession, it has never been more important to put money back in the hands of people. Fortunately, **canceling student debt is extraordinarily simple. About 92 percent of all student debt is federally held. This means, under existing executive authority, the Biden-Harris administration can cancel nearly all student debt by a single executive order.** The remaining 8 percent of privately held loans can be canceled via federal spending, as some lawmakers have already proposed.

The student loan debt crisis has reached a level of severity we have never seen before

Sullivan, Laura et al. "Stalling Dreams: How Student Debt Is Disrupting Life Chances and Widening the Racial Wealth Gap." Institute on Assets and Social Policy. Sep 2019. heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf

Higher education has never been more important for economic security, and yet, higher education has never been so costly, burdening millions for decades. **Today, postsecondary credentials return historically high economic and social premiums and are virtually required for entry into the middle class**, with lifetime earnings for a college graduate about a million dollars greater than for a high school diploma holder. Rising numbers of students of color are obtaining college degrees on the promise of middle-class security and are enlarging and diversifying the skilled workforce in the U.S. This expansion of college education helps to fuel the economy and promises greater financial stability for those with a college degree, but it comes at a high price. **In the early 1960s university tuition averaged about $4,300; today it's closer to $15,500.** At public institutions, tuition was even more affordable, averaging under $2,000 per year. **At that time, a student could work a minimum wage summer job for 12 weeks and pay the average tuition bill. Today, in sharp contrast, a student would need to work full time for over 53 weeks at the federal minimum wage to pay for the average tuition. Then, tuition amounted to 9% of a typical family's income; today it takes 25%.** Much has changed. Rising tuition. Stalled Pell Grants. New, upgraded, and enhanced facilities and amenities competing for U.S. and global students. And, crucially, the way higher education is financed has changed from public support and investment in our nation's future to an individualized and private financing regime, spawning a student loan industry and resulting in huge and growing student debt burdens.

Black borrowers disproportionately struggle in paying off their loans as well, meaning they will feel the burden for much longer than their White peers

Sullivan, Laura et al. "Stalling Dreams: How Student Debt Is Disrupting Life Chances and Widening the Racial Wealth Gap." Institute on Assets and Social Policy. Sep 2019. heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf

Two decades after beginning their degrees, the median Black student borrower has $18,500 in loans remaining, while the median White borrower holds just $1,000 in loans. In other words, in 20 years, the median debt of White borrowing students has been reduced by 94 percent— with almost half holding no student debt—whereas Black borrowers at the median still owe 95 percent of their cumulative borrowing total. This difference dramatically captures the racialized impact of this higher education financing regime. While student loans once aimed to improve economic trajectories of young people by expanding opportunity, for many, particularly Black students, **small debt burdens have been replaced by large debt loads that anchor students in a position of economic jeopardy. Rather than serving as a springboard, the loans serve as an anchor keeping young Black adults in an uncertain economic precarity.** Just as there are racial inequities in access to family wealth and resources in paying for college, so too are these **structural racial inequities built into the experiences of paying off student loans. Black college students have fewer family resources to turn to for loan payments, are more likely to support older relatives, and face greater discrimination in the labor market making loan payments a greater barrier to financial security than for White students. These factors mean that rather than getting continuing financial help after college from their parents—as many of their White peers do— Black borrowers are more likely to be facing student loan payments while also helping out family members.** Beyond that, for-profit schools heavily recruited students of color in recent years, and **a disproportionate number of students at for-profit schools are Black and Latino. Many of these students, misled by aggressive marketing tactics, leave without a degree and take on high levels of loans for programs that cost considerably more than in public schools. Thus, student loans, rather than opening doors, frequently block upward mobility for economically vulnerable students of color for years, leading to ongoing financial constraints and frequently default.** The following section shows that default is widespread among student borrowers, especially Black students.

The US is lacking in new businesses because student loan debt forces people to delay entrepreneurship

Busteed, Brandon. "Student Loan Debt: Major Barrier to Entrepreneurship." Gallup. 14 Oct. 2015. news.gallup.com/businessjournal/186179/student-loan-debt-major-barrier-entrepreneurship.aspx.

The majority of all new jobs in the U.S. are created by startups and small and medium-sized businesses -- and that entrepreneurial engine has slowed down considerably. The U.S. Census Bureau reports that the lines for the total number of business startups and business closures per year -- the birth and death rates of American companies with one or more employees -- crossed for the first time in 2008. In the nearly 30 years before that, the U.S. consistently averaged a surplus of almost 120,000 more business births than deaths each year. But **from 2008 to 2011, an average of 420,000 businesses were born annually nationwide, while an average of 450,000 per year were dying. The deaths of businesses during this time outnumbered the births of businesses.** There is good news: The most recent data for 2012 and 2013 show that we are now back to a positive scenario, with more business births than deaths. But this is still a far cry from the average of 120,000 new businesses created each year from 1977 to 2007. To make matters worse, **the country can't look to people coming out of college to reverse this trend because too many of them are strapped by student loan debt.** Results of the 2015 Gallup-Purdue Index -- a study of more than 30,000 college graduates in the U.S. -- provide a worrisome picture of the relationship between student loan debt and the likelihood of graduates starting their own businesses. **Among those who graduated between 2006 and 2015, 63% left college with some amount of student loan debt. Of those, 19% say they have delayed starting a business because of their loan debt. That percentage rises to 25% for graduates who left with more than $25,000 in student loan debt. According to the National Center for Education Statistics, nearly 16.9 million bachelor's degrees were conferred in the U.S. over the past 10 years** -- a time frame that mirrors Gallup-Purdue Index analysis of recent graduates between 2006 and 2015. **This translates to more than 2 million graduates saying they have delayed starting a business because of their student loan debt. If even a quarter of them had done so, we would quickly recoup our average surplus of 120,000 new businesses annually.** As colleges and universities ramp up entrepreneurship programs and as the U.S. economy struggles to achieve higher growth rates, these data provide renewed motivation to do everything possible to make college more affordable.

LGBTQ+ borrowers are more likely to encounter hardship in the loan acquisition process and are likely to hold more debt

McNeil, Oliver. "The Burden of LGBTQ Student Loan Debt." LGBTQ Economics. 19 Nov. 2020. lgbtq-economics.org/2020/11/19/the-burden-of-lgbtq-student-loan-debt/.

This school year, and every year, LGBTQ college students have to adapt to financial challenges that may not be a concern for straight peers. LGBTQ students are being hit hard by a combination of discriminatory obstacles that leave them saddled with significant student loan debt which weighs down their financial futures. **LGBTQ students face barriers in paying for their education at every level of the process, at times even before they enroll. Homophobic families may not financially support their students, leading LGBTQ students to turn to loans and greater self-reliance to finance their schooling.** A 2019 survey conducted by Student Loan Hero found that **LGBTQ borrowers had a higher debt burden on average, with $16,000 more than their cis/het peers. But even once enrolled, LGBTQ students also face harassment in the process of getting loans, during their studies on campus, and entering into the job market after graduation.** Such hardships can make earning a degree more difficult and more costly while in school, and more difficult to repay after leaving. Student Loan Hero found that **nearly 30% of LGBTQ student loan borrowers found their debt "unmanageable." One reason LGBTQ students have more loans is that their families may be unwilling to fund their children's higher education. LGBTQ youth are more likely to be homeless, live in poverty, and not have access to key financial support systems.** One key factor driving lack of support is a lack of an accepting family. A 2018 Human Rights Campaign report found that **78% of LGBTQ youth weren't out to their family for fear of retaliation. Part of this retaliation includes financial manipulation, parents refusing to pay for college unless children renounce their LGBTQ identity or withholding financial aid altogether. It is this type of home life that forces LGBTQ students to be more dependent on borrowing money for higher education.** According to Student Loan Hero, **LGBTQ students that reported feeling unwelcome at home were 12% more likely to say their debt was unmanageable.** But when LGBTQ students are turned away from their home as a source of financial support, they are met with a financial system that may not welcome them with open arms. **About 40% of LGBTQ students encountered discrimination during the loan acquisition process, up from 32% in 2018.** David Rae, founder of a Los Angeles-based wealth management firm, put in bluntly: "Reaching out for financial help is hard enough. Throw in discrimination and homophobia, and it can be downright miserable."

Women are more likely to hold student loan debt than men, and take longer to pay it off due to the wage gap

Miller, Kevin et al. "Deeper in Debt: Women and Student Loans." AAUW. 2017. aauw.org/app/uploads/2020/03/DeeperinDebt-nsa.pdf.

By comparing overall enrollment by degree level (U.S. Department of Education, 2016d) and gender (Okahana et al., 2016) and the typical annual debt by degree level and gender (see figures 4 and 8), AAUW estimates that **women enrolled in postsecondary education borrow about 14 percent more than do men** (see chapter 2). **As a result, about 60 percent of initial loans made directly to students are made to women. However, there is another factor to consider in this calculation: Men also pay back their loans more quickly than do women, a result in part of the gender pay gap. Women with college degrees earn 26 percent less than men in comparable jobs** (among all full-time year-round workers; AAUW, 2017). On the basis of data regarding actual student loan repayment (U.S. Department of Education, 2015), AAUW estimates that **it takes the typical female college graduate about 21 percent longer** (or 1.9 years longer) **to pay back her student loans than it takes the typical male college graduate** (see chapter 3). As a result, women retain their debt longer than do men. **Given women's higher enrollment, their larger initial loans, and their slower rate of repayment, we estimate that 64 percent of student loan debt is held by women.** When gauged against the total $1.31 trillion in outstanding student debt estimated by the New York Federal Reserve as of the end of 2016, we estimate that **women hold $833 billion in student debt while men hold $477 billion. This 64 percent estimate may be slightly conservative, however, because it may not completely account for the greater accrual of interest by women during longer-duration repayment. It also does not account for the fact that female students who leave college before completing a degree take on more debt before doing so than do men although men are more likely to drop out** (see chapter 2 regarding students who do not complete degrees). The estimate also does not consider the gender balance in PLUS loans taken out by parents for which no data are available; however, 56 percent of parents living with children in the United States are women, so more women may take on PLUS loans than men (U.S. Census Bureau, 2016c).

Student loan debt has led to a decrease in homeownership rates

Mezza, Alvaro et al. "Can Student Loan Debt Explain Low Homeownership Rates for Young Adults?" The Federal Reserve. Jan. 2019. www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf?mod=article_inline.

The relationship between student loan debt and homeownership is complex. On the one hand, **student loan payments may reduce an individual's ability to save for a down payment or qualify for a mortgage.** On the other hand, investments in higher education also, on average, result in higher earnings and lower rates of unemployment. As a result, it is not immediately clear whether, on balance, the impact of student loan debt on homeownership would be positive or negative. Since we are interested in isolating the negative effect of increased student loan burdens on homeownership from the potential positive effect of additional education, our analysis aims to estimate the effect of debt on homeownership holding all other factors constant. In other words, if we were to compare two individuals who are otherwise identical in all aspects but the amount of accumulated student loan debt, how would we expect their homeownership outcomes to differ? To estimate the effect of the increased student loan debt on homeownership, we tracked student loan and mortgage borrowing for individuals who were between 24 and 32 years old in 2005. Using these data, we constructed a model to estimate the impact of increased student loan borrowing on the likelihood of students becoming homeowners during this period of their lives. We found that **a $1,000 increase in student loan debt** (accumulated during the prime college-going years and measured in 2014 dollars) **causes a 1 to 2 percentage point drop in the homeownership rate for student loan borrowers during their late 20s and early 30s. Our estimates suggest that student loan debt can be a meaningful barrier preventing young adults from owning a home.** Next, we apply these estimates to another interesting question: How much of the 9 percentage point drop in the homeownership rate of 24 to 32 year olds between 2005 and 2014 can be attributed to rising student loan debt?

Con Evidence

Most student loan debt is owed by the top percentile of earners in the US

Looney, Adam. "Who Owes the Most Student Debt?" Brookings. 28 Jun. 2019. www.brookings.edu/articles/who-owes-the-most-student-debt/.

Specifically, we reweighted the CPS data to reflect the age and gender of borrowers following Dinardo, Fortin, and Lemieux (Econometrica 1996). In practical terms, this meant reducing the sample weights on older CPS households who are unlikely to have student debt and increasing the weights on younger borrowers. Intuitively, this analysis asks "if we rank all individuals with the same income and age distribution as student loan borrowers, where do student loan borrowers rank relative to their peers?" Using this measure of income, **13 percent of student debt is owed by the bottom 20 percent and 36 by the top 20 percent.** A straight-forward comparison between the administrative data to the SCF suggests that **the true distribution of debt shows a larger share owed by lower-income individuals but also a higher share owed by the highest-income taxpayers. Specifically, the SCF reports that 9 percent of total student loan debt is owed by the bottom 20 percent and 27 percent by the top 20 percent.** The difference is largely that, in the SCF a larger share of the debt appears to be owed by middle-income borrowers (those between the 20th and 60th percentiles). However, ranking tax units and individuals by income might not reflect economic wellbeing as well as ranking by the aggregate income of resource-sharing households, which makes the interpretation of differences between the SCF, tax units, and complicated. Two cohabiting adults sharing resources and splitting the rent are probably better off than if they live alone, and the student-loan borrower living in their parent's home is probably better off than indicated by just the income on their own 1040. Some of the lowest-income individuals as ranked by tax income should probably be ranked higher in the income distribution. Likewise, some of the highest-income taxpayers are probably two-earner, joint filers; an adjustment for family size would likely rank some of them lower. Such adjustments would move the estimates from the administrative data closer to those from the SCF. Nevertheless, **the broader observation that most student debt is owed by higher-income households remains. Across the three sources and methods, student loan borrowers in the top 40 percent of SCF households owe 53 percent of all student debt; borrowers in the highest 40 percent of the earnings distribution owe 58 percent of student debt, and borrowers in the top 40 percent of the distribution of tax payers owe 59 percent.**

Students in the highest-earning families take out loans at the same rate as the lowest-income students, but take out larger loans

Ayers, Emma. "I Sold Bibles to Keep My Student Debt Low. Turns Out, I Didn't Even Need That Degree." USA TODAY. 3 Dec. 2020. www.usatoday.com/story/opinion/voices/2020/12/03/student-loan-debt-forgiveness-joe-biden-column/3793204001/.

As his inauguration nears, President-elect Joe Biden says he will start a program that forgives $10,000 worth of undergraduate or graduate student loan debt in exchange for every year of community service, capped at five years. Others push for even more. Some senators are urging Biden to cancel $50,000 of student loan debt per person through executive action. However, **it's not just the poor taking out loans. Students from families earning more than $114,000 a year borrow at the same rate as the lowest-income students — and they take out loans nearly twice as large. Students with advanced degrees — lawyers, doctors and others — account for 40% of all student debt. And the top 25% of income-earning households hold almost half of student loan debt,** according to the Urban Institute. Student forgiveness would largely be a hand up to the better off.

Forgiving student loan debt would only incentivize schools to increase tuition

Hall, Abigail. "Don't Forgive Us Our Debts: The Case against Student Loan Forgiveness." InsideSources. 14 Apr. 2015. insidesources.com/dont-forgive-us-debts-case-student-loan-forgiveness/.

For one thing, "prime the pump" economics is fallacious. The economy isn't a machine the government can manipulate to achieve particular outcomes. Rather, it's a complex system of interactions between many buyers and sellers. The only way to expand the economy is to increase productivity through savings and innovation. Throwing dollars at consumers does exactly nothing for economic growth. **Some suggest that eliminating student debt would yield other benefits, such as allowing more people to go to college. But loan forgiveness would affect only those who already have a college education; it would be of no assistance to those who haven't yet gone to school – unless the government guarantees that future loans will be forgiven as well. That guarantee, however, would have many bad consequences. For example, it would likely increase college tuitions. In fact, this is precisely what we've observed with current education subsidies. As these subsidies increased demand for education, they pushed the price upward. In essence, loan forgiveness would be one giant subsidy, creating perverse incentives for both schools and students. If schools knew the government would forgive the cost of their students' education, they'd face no incentive to cut costs to keep tuitions down. If students knew their loans would disappear, why wouldn't they attend more expensive private schools rather than cheaper state schools? By forgiving loans, the government would encourage students to undertake education that may be a poor investment because they would not face the consequences of their choices. Who would pay for all this? The taxpayers.** Advocates of loan forgiveness claim that banks take advantage of student borrowers, who are "forced" to pay those high costs of debt repayment. But they are not forced; the loans are absolutely voluntary. Moreover, student borrowers are painfully well-informed. Every semester I had to pass an online quiz testing my knowledge of the loan process. Students know how much they're borrowing, how much they'll pay back, and how much of that amount is pure interest. Some may argue that 18-year-old students can't comprehend what they are agreeing to, but this argument, if consistently followed, would deny thousands of young Americans the opportunity to attend college. Education is an investment. I tell my students they're likely to earn substantially more than their colleagues who lack a college education. Student loans allow people without resources to undertake this investment. **Were the government to decree that student loans no longer required repayment, many students would be unable to attend college at all because banks, knowing they may never recoup their money, would become less likely to lend to students. Lower-income students would especially suffer as a result.**

Past changes to student loans have increased tuition considerably

Gordon, Grey, and Hedlund, Aaron. "Accounting for the Rise in College Tuition." National Bureau of Economic Research. 1 Feb. 2016. www.nber.org/papers/w21967.

We develop a quantitative model of higher education to test explanations for the steep rise in college tuition between 1987 and 2010. The framework extends the quality-maximizing college paradigm of Epple, Romano, Sarpca, and Sieg (2013) and embeds it in an incomplete markets, life-cycle environment. **We measure how much** changes in underlying costs, **reforms to the Federal Student Loan Program (FSLP)**, and changes in the college earnings premium **have caused tuition to increase.** All these changes combined generate a 106% rise in net tuition between 1987 and 2010, which more than accounts for the 78% increase seen in the data. **Changes in the FSLP alone generate a 102% tuition increase,** and changes in the college premium generate a 24% increase. Our findings cast doubt on Baumol's cost disease as a driver of higher tuition.

For every $1 increase in subsidized student loans, tuition increased by 60 cents

Lucca, David O., et al. "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs." Review of Financial Studies. June 2018. doi.org/10.1093/rfs/hhy069.

We studied the effects of a student credit expansion on tuition costs using a difference-in-differences approach around **changes in federal loan program maximums to undergraduate students** in the academic years 2007–2008 and 2008–2009. **Institutions that were most exposed to these program maximums ahead of the policy changes experienced disproportionate tuition increases. We estimate tuition effects of changes in institution-specific program maximums of about 60 cents on the dollar for subsidized loans and 20 cents on the dollar for unsubsidized loans. These results suggest that, consistent with the paper's theoretical framework, credit expansions can impact tuition to a broad set of students including those who were not recipients of federal loans.** Such pricing demand externalities are often conjectured in the context of the subprime credit expansion on housing prices leading up to the financial crisis, and in this respect this study provides complementary evidence for the student loan market. Documenting a link between a credit expansion and tuition in a comprehensive sample of institutions also contributes to the literature studying the Bennett hypothesis that has mostly focused on substitution effects between federal and institution grants. It is important to note that while tuition increased steadily over our full sample period starting in 2002 and ending in 2012, the policy changes we exploit for identification were concentrated over 2 years in the latter part of the sample. As a result, a back-of-the-envelope calculation using our estimated coefficients and the aggregate change in student loan caps cannot explain much of the total increase in tuition. But this does not rule out a role of student credit in the observed tuition trends more broadly. While changes in policy caps help us identify tuition sensitivity to a credit expansion, **the existence of the loan programs boost students' ability to pay increasingly higher tuition amounts over time.** Consistent with this argument, Cellini and Goldin (2014) use a sample of comparable aid-eligible and noneligible for-profit vocational institutions to show that greater aid availability is associated with higher tuition levels. Further research extending these results for other sectors remains an important line of academic and policy research.

The Bennett effect, or the idea that increasing loans will increase tuition, has been observed consistently since it was first hypothesized

Robinson, Jenna A. "The Bennett Hypothesis Turns 30." The James G. Martin Center for Academic Renewal. 27 Dec. 2017. www.jamesgmartin.center/2017/12/the-bennett-hypothesis-turns-30/.

Of the 25 studies surveyed, seven found no Bennett effect whatsoever. Three of the seven were among the earliest studies in the sample, and thus relied on the smallest sample sizes in terms of number of years analyzed. Another of the seven found no effect between increases in the maximum Pell grant awarded and increases in tuition. But this is to be expected since the maximum Pell grant award is already considerably lower than tuition at most public and private four-year institutions. The most recent study to find no Bennett effect (Kelchen 2017) analyzed the relationship between increases in federal student loan limits and law school tuition. The author suggests that the lack of correlation could be because students shifted from private loans to PLUS loans and thus already had access for loans up to the full cost of attendance. **Fourteen studies, a clear majority, found some positive effect of federal subsidies on the price of higher education in at least one segment of the higher education market. Many of these found support for the Bennett Hypothesis across all segments of the market—public, private, and for-profit.** The effects range considerably in size and explanatory power. For example, Frederick et al (2012) find "at most very limited evidence in support of an expanded Bennett hypothesis" in community colleges while Cellini and Goldin (2012) find that differences in tuition prices at for-profit institutions map very closely to the average amount of federal grant aid received by students at the institutions. In The Student Aid Game (1998), **McPherson and Schapiro show that public colleges and universities increase tuition by $50 for every $100 in aid. Lucca et al (2015) say it's more.** They find "a passthrough effect on tuition of changes in subsidized loan maximums of about 60 cents on the dollar." One of the studies that found a positive effect, Curs and Dar (2010), also found a negative effect: between merit-based state financial aid and listed tuition prices at public and private institutions. They posited that this finding was a result of institutions competing to attract high performers and academic superstars—an effect that is not generalizable to other types of aid.

Federal student loan forgiveness would disproportionately benefit people at the top

McCluskey, Neal. "Top Five Reasons Federal Student Debt Cancellation Is a Bad Idea." CATO Institute. 23 Aug. 2022. www.cato.org/blog/top-five-reasons-federal-student-debt-cancellation-bad-idea.

People who have attended, and especially graduated from, college are typically set for a huge increase in their lifetime earnings. As seen below, **the average person with a bachelor's degree will earn an estimated $1.2 million more over their lifetime than someone topping out at a high school diploma. For someone with a graduate degree – and student debt is disproportionately taken on for graduate study – that earnings premium rises to between $1.6 and $3.1 million.** In addition to huge earnings increases, people who attended college have much greater job security than those who did not, and this benefit was especially stark during COVID-19 lockdowns. In April 2020, the unemployment rate only hit 8.4 percent for college graduates, versus 17.6 percent for Americans topping out at a high school diploma and 21.1 percent for workers with less than that. **There is no reason that people in such a good financial position should not repay taxpayers, roughly two-thirds of whom do not have bachelor's degrees.**

Canceling student loan debt would mean other important programs would need to be cut

Smith, Kelly Anne. "Canceling Student Debt Isn't Free. Here's Who Pays for It." Forbes, 11 Aug. 2023. www.forbes.com/advisor/personal-finance/who-pays-for-student-loan-forgiveness/.

Some express concerns about the negative effects that large amounts of national debt can have on the economy, including making it vulnerable to rising interest rates and increased inflation. But others claim that our government has run on a deficit every year since 2001 without many adverse effects, and we wouldn't see much of an impact from canceling student loans. The federal government had a $2.8 trillion deficit in fiscal year 2021, mostly comprised of Covid-19 relief spending, including stimulus checks and emergency rental assistance. **The deficit amounted to approximately 13% of GDP and accounted for the second largest deficit since the end of World War II. To put that in perspective, deficits over the last five decades have averaged just 3% of GDP. The higher that percentage is, the less likely the country will be able to pay back its debt and is at a high risk of default—and default could cause mass panic in the global financial system. A May report by the U.S. Government Accountability Office (GAO) warns that current federal spending is at an unsustainable level and puts the country's financial health at risk.** The government has two options to reduce the deficit: Decrease spending or raise taxes. That, according to some policy analysts, is how the cost will eventually make its way to the general public. **"There are trade-offs and it's quite likely that if we spend this money on forgiving student loan debt we won't spend it on other things we want to see the government do,"** says Sandy Baum, nonresident senior fellow at the Urban Institute. **Spending cuts could potentially slash some of the most important social programs in the country.** In 2020, the Congressional Budget Office (CBO) released a report of **various strategies the federal government could use to lower its deficit.** These **include**d **cutting down on vital programs, including eliminating free and reduced school lunches or raising the full retirement age for Social Security.** That means some of Biden's social initiatives, like universal Pre-K or guaranteed parental leave, could have a tough time becoming law in the future.

Other student loan debt forgiveness programs are more targeted and thus more effective

Ritz, Ben. "Six Reasons Biden Should Not Cancel Student Debt." The Hill. 23 Aug. 2022. thehill.com/opinion/education/3611277-six-reasons-biden-should-not-cancel-student-debt/.

President Biden has already wiped out more student debt than any other president in history, both through the moratorium on interest accrual (which has effectively canceled roughly $6,000 per borrower to date) and additional forgiveness his administration has given to certain borrowers. Biden can continue providing carefully targeted relief and work to **expand and reform income-driven repayment programs that directly tie debt cancelation to a borrower's ability to pay.** But the more debt that is rightfully canceled through these mechanisms, the clearer it becomes that there is little justification for canceling the remaining balance.

Student loan debt cancellation might benefit people, but it wouldn't solve the root problem

Weinstein Jr., Paul. "Hold Colleges Accountable for America's Student Loan Crisis." Forbes. 17 Jun. 2022. www.forbes.com/sites/paulweinstein/2022/06/15/hold-colleges-accountable-for-americas-student-loan-crisis/?sh=3e069b347071.

Most school administrators act as though college loans are a minimal inconvenience for students and their families, as a former university dean once told me, **no more burdensome than the cost of a loan for an inexpensive car. And when pressed on why tuition has risen so much so fast, most direct blame to less government support for America's colleges and universities. In reality, national investment in higher education in America is much greater today** (in inflation-adjusted dollars) than in the 1960s. For example, the defense budget is about 1.8 times higher today than it was in 1960, while federal appropriations to higher education are more than 10 times higher. **Looking at the astronomical rise in the cost of earning a bachelors since the 1970s, it's clear most college and university presidents see nothing wrong with raising tuition every year.** In fact, some colleges have hiked tuition to improve their reputation as elite institutions. As Stephen Trachtenberg (former President of George Washington University) acknowledged in 2012, "people equate price with the value of their education." **Unfortunately, while student debt relief would benefit millions of current and former students, it would only exacerbate the underlying problem—that colleges and universities have no incentive to rein in costs or modernize their degree requirements. In order to avoid another student loan bailout down the road, President Biden should aim at lowering the price of a college degree, by pursuing policies that lead to lower tuition bills for all students.** For example, colleges should be challenged to accept at least one semester of Advanced Placement (AP) credit for students who get a 3 or more on their AP exam. In addition, Congress should prohibit using Pell Grants, guaranteed student loans, and other federal assistance at post-secondary institutions that raise tuition faster than inflation or some other metric. Finally, schools should be required to offer "no frills" degrees where students can opt-out of costly services like job placement programs, access to athletic and social facilities, and requirements to live on campus. **Providing targeted student loan relief—such as expanding and reforming income-driven repayment programs that directly tie debt cancellation to a borrower's ability to pay—could provide an economic lifeline to those in need. But broad debt cancellation, especially without holding schools accountable for their irresponsible financial management, would simply kick the broken higher education financing problem down the road.**

Canceling student loan debt would increase the federal deficit immediately and increase the national debt in the long term

Baum, Sandy & Marron, Donald. "What Would Forgiving Student Debt Mean for the Federal Budget?" Urban Institute. 22 Dec. 2020. www.urban.org/urban-wire/what-would-forgiving-student-debt-mean-federal-budget.

Cancelling student debts will immediately increase the federal deficit; how much depends on the value of the forgiven loans. Suppose the government made a $100 student loan in January and estimated it would bring in a net surplus of $3 over its life. If nothing had changed since January, cancelling that debt would increase the deficit by $103. The government would lose the $100 face value of the loan plus the $3 surplus it expected. **(There may also be an effect on tax revenues. That depends on whether the government treats loan forgiveness as taxable income.)** Many things have changed this year, however. The ongoing economic crisis increases the potential for defaults or loan forgiveness through existing income-based repayment programs—both of which lower the value of existing student loans. Plummeting interest rates, on the other hand, have increased the value of existing loans because their interest rates are fixed, and the interest rates at which the government borrows are not. The current value of the $100 loan might be more or less than $103, depending on how the government weighs those changes. Whatever it is, that new value would be recorded as the deficit increase from loan forgiveness. **Cancelling student debt has no immediate impact on the national debt. The money that funded the loans is already out the door. But the debt will eventually be higher because the debts don't get paid back. That increase shows up over time when expected future loan payments do not get made.**