Restoring Economic Mobility: Tackling the Student Debt Crisis

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Nearly 45 million Americans owe $1.6 trillion in student loan debt, which is more than the total amount of credit card or auto loan debt. The exploding level of student loan debt has become a national crisis that fuels inequality, threatens future economic growth and erodes an entire generation's financial security.

New graduates — who owe an average of $30,000 — too often find themselves on a financial treadmill, making payments only to see the amount they owe remain the same or even increase because their interest accumulates faster than their ability to pay it down. Every year close to a million Americans default on their student loans, which can push those already struggling into further financial distress. They can lose their professional licenses that allow them to work, their wages can be garnished, and their credit scores destroyed. It is impossible to unload student debt in bankruptcy, unlike with other forms of consumer debt such as mortgages and auto loans.

Pursuing a college degree should be a pathway to economic opportunity and mobility — not a dead end to financial distress and despair. The crushing burden of student debt affects decisions big and small — from daily life choices, such as which groceries to buy, to major life decisions such as career choice, marriage and starting a family. Some feel so desperate that they have reported contemplating suicide.

The tragedy of our current student loan debt crisis is that those who are most financially distressed and at risk of default also hold the least amount of debt amongst borrowers. Typically the earnings of this group hover around the poverty line, and as a result they are unable to pay off relatively low levels of debt. Borrowers in default owe an average of just under $10,000, an amount that should be manageable with a decent paying job.

Although younger Americans are most impacted, the student debt crisis also reaches older Americans, many of whom are still saddled with debt from their own education, in addition to debt from helping their children or grandchildren pay for college. In fact, most student loan debt owed by borrowers over the age of 50 tracks back to their own education, revealing a new and troubling reality that some borrowers are taking their debt into retirement.

The student loan debt crisis is also exacerbating income and racial inequality. Student debt disproportionately impacts people of color, first-generation students, and low-income communities. Nearly 85% of African American graduates in 2016 had to borrow to finance their undergraduate degree — a significantly higher proportion than other groups. These graduates are also at a higher risk of defaulting. Almost half of all African American borrowers who entered college in 2003-2004 had defaulted on their loans by 2016.

We are facing a student debt crisis in part because the government has not invested sufficiently in higher education to keep it affordable — and because corporate interests have prevented adequate regulations on the private lending space and predatory for-profit colleges such as Trump University. Some private lenders and student loan servicers are preying on millions of Americans — driving borrowers into delinquency and default by failing to disclose all repayment options and delaying processing payments, while Secretary of Education Betsy DeVos looks the other way. More than 90 percent of federal loans are managed by just three companies, whose profits have soared at the expense of student borrowers. Many student loan companies face lawsuits for abusive practices and misleading borrowers. The student loan industry has spent millions lobbying the federal government to protect their profits instead of fixing one of our country's most pressing problems.

Tom will never sell out our students to boost corporate profits. He is committed to breaking the corporate stranglehold on our government so that it serves the interests of the American people and their dreams of a better life through education. He recognizes that student loan debt not only takes a significant toll on the lives of individuals, but it also threatens our country's economic growth and well-being.

To tackle the student debt crisis and restore economic mobility, Tom will:

Cancel $10,000 of student loan debt for all borrowers. Tom will provide financial relief to all current student loan borrowers — undergraduate, graduate and parents included — by canceling $10,000 of their debt. Tom's plan would **completely eliminate student debt for 40% of current borrowers**, who are the most financially distressed. For most other borrowers, this level of debt forgiveness would make their remaining balance more manageable. The average borrower would see the amount they owe cut in half.

The debt forgiveness would provide peace of mind to millions of borrowers across the country, along with the financial freedom to make decisions that are best for them. This could mean finally saving to start a business, get married or make a downpayment on a house.

A number of groups — including the NAACP, Unidos, and the National Urban League — support $10,000 in debt forgiveness as a fiscally prudent and equitable way of tackling the student debt crisis. Although the debt forgiveness applies to all borrowers, Tom's plan provides the greatest relief to the low-income populations most at risk of default who tend to owe under $10,000.

This amount of debt forgiveness also roughly matches the increase in student loan debt for the typical undergraduate borrower since 2000 as public investment in higher education fell, college prices rose and private lenders went largely unregulated. Our government has failed these students, and it is time to provide relief to borrowers to make up for these failings. Going forward, Tom will make sure college is affordable so that our country never faces a student debt crisis again.

Implement a "Student Borrower Bill of Rights." A Steyer administration would break the private lending companies' stranglehold on our government by creating a Student Borrower Bill of Rights to crack down on predatory student loan servicers and guarantee basic consumer protections for all student loan borrowers. The Student Borrower Bill of Rights would:

- Require student loan companies to act in the best interest of borrowers. This means promoting all available repayment options and helping students identify plans that serve their needs, not the plan most profitable to the company.
- Mandate that loan servicers process student loan payments without delay and cap late fees.
- Give borrowers the right to sue student loan servicers if they provide misleading information and fail to abide by these new rules.
- Make it easier for borrowers to discharge their debt in bankruptcy, as is already the case with credit card debt.

To enforce the Student Borrower Bill of Rights, Tom will work with Congress to expand the oversight authority of the Consumer Financial Protection Bureau's current Private Education Loan Ombudsman to include the entire student loan industry, and would appoint a fierce advocate for student borrowers to the role — not a student loan industry insider like under Trump's administration.

Lower student loan interest rates to 1%. High interest rates have led many borrowers into a debt spiral, where they cannot keep up with interest payments and the overall debt grows faster than their ability to pay it down. Tom supports reducing federal student loan interest rates to 1% so that borrowers can more quickly pay down their balance. His administration will allow borrowers to refinance their federal loans at this reduced rate.

Improve repayment options. Tom supports automatic enrollment in an income-based plan, in which monthly payments are proportional to a borrower's current income. Anyone can opt out and choose another repayment plan on an accelerated time schedule, but for the majority of borrowers, an income-based plan is the best and least burdensome option.

Crack down on for-profit colleges. For-profit colleges are putting their own bottom-line above the needs of their students and the quality of education and the degrees they award often reflects this. Graduates are racking up debt for often worthless degrees. Over half of borrowers who entered a for-profit institution in 2003-2004 have now defaulted on their loans. A Steyer administration will hold for-profit schools accountable by reinstating the Gainful Employment rule and calling for stricter standards that ensure student financial aid from the federal government is primarily going toward instruction and student services. Tom also would return to Obama-era rules protecting borrowers from having to repay loans when an institution defrauded them.

Make college affordable. The problem of skyrocketing student loan debt is primarily a failure of public policy to keep college affordable. Tom believes that a quality college education should not be a privilege that only the rich can afford. He supports free tuition for two-year community colleges and vocational training, and investing in Historically Black Colleges and Universities (HBCUs). His administration also will invest in outreach programs to help low and middle-income high school students plan and prepare for college, including help with filling out the FAFSA to access financial aid.

Under Tom's plan, more individuals also could access loan forgiveness through public service — either by participating in Tom's National Public Service Plan or the existing Public Service Loan Forgiveness program.

Forgive loans after 10 years of public service. Tom will ensure that the federal government lives up to its promise of debt forgiveness for public servants who worked for 10 years. The Trump administration has disqualified 99% of applications for the Public Service Loan Forgiveness Program, knowing that the eligibility rules were overly complicated and many loan servicers provided bad information about the process.

Tom would immediately cancel all student loan debt for teachers, firefighters and other public servants who fulfilled the main requirements of the loan forgiveness program. A Steyer administration will simplify eligibility rules and crack down on any loan servicer that fails to promote the program or provides false information about eligibility rules.