Center for Responsible Lending

March 23, 2023

Hon. Burgess Owens, Chairman
Subcommittee on Higher Education and Workforce Development
House Committee on Education and the Workforce
2176 Rayburn House Office Building
Washington, DC 20515

Hon. Frederica S. Wilson, Ranking Member
Subcommittee on Higher Education and Workforce Development
House Committee on Education and the Workforce
2176 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Owens and Ranking Member Wilson,

On behalf of the Center for Responsible Lending (CRL), thank you for the opportunity to submit this letter for the record on the Subcommittee on Higher Education and Workforce Development hearing entitled, "Breaking the System: Examining the Implications of Biden's Student Loan Policies for Students and Taxpayers."

CRL is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is also an affiliate of the Center for Community Self-Help, a community development lender headquartered in North Carolina that operates Self-Help Credit Union and Self-Help Federal Credit Union. Our collective work gave us a first-hand opportunity to gauge the detrimental impact that excessive student loan debt is having on American consumers. The results of our analysis are clear: *our country's system for financing college education is broken for students, parents, and taxpayers*.

The current Administration's policies go a long way toward fixing a student loan system that was already broken. Therefore, we urge the members of this Committee to not only support the Administration's efforts, but also encourage the Department of Education to do more to address the federal student debt crisis.

The dramatic reduction in federal and state funding for higher education over the past several decades has led to colleges and universities raising tuition costs at an alarming rate. Over the last 50 years, the cost of attending a four-year college in the U.S. has ballooned from $11,820 to $29,033 a year —a 146 % increase.[1] Average tuition and fees increased by about 10% at public 4-year institutions and

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[1] U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 1986-87; Higher Education General Information Survey (HEGIS), "Institutional Characteristics of Colleges and Universities" surveys, 1969-70 through 1985-86; "Fall Enrollment in Institutions of Higher Education" surveys, 1963 through 1985; Integrated Postsecondary Education Data System (IPEDS), "Fall Enrollment Survey" (IPEDS-EF:86-99) and "Institutional Characteristics Survey" (IPEDS-IC:86-99); IPEDS Spring 2001 through Spring 2021, Fall Enrollment component; and IPEDS Fall 2000 through Fall 2020, Institutional Characteristics component. (This table was prepared in January 2022.)

nearly 19% at private nonprofit 4-year institutions in the last decade alone.[2]

These tuition increases have outpaced incomes, forcing low- and-middle income families to increasingly depend on student loans to help foot the bill. The average student loan debt balance has increased at more than twice the rate of the median household income. Between 2009 and 2022, median household income grew from $63,011 to $70,784, or about 12 %. Comparatively, the average student loan debt grew nearly 32 %, from $27,874 to $36,096, during that period.[3]

Student debt poses a significant threat to our economy. To date, Americans have racked up $1.7 trillion in student loan debt. This debt prevents more than 44 million borrowers from fully participating in the American economy. It delays or denies borrowers the opportunity to buy a home, start a business, or invest in retirement, thereby widening the wealth gap for those who come from families with modest means. Education was sold to working-class families as the great equalizer, giving unlimited opportunity to those who would seize it. Yet, according to the Federal Reserve, every $1,000 increase in student loan debt lowers the national homeownership rate by about 1.8 percentage points for public 4-year college students.[4]

The negative impact of student loan debt is even more dramatic for communities of color. CRL's prior research found that it would take a typical Black household carrying student debt over 14 years longer to save for a 5% down payment for a median-priced home than a Black household with no student debt.[5] Simply said, the most effective way to narrow the wealth gap for communities of color, rural America, and working-class households is to provide significant student debt relief to borrowers and reform our educational system to ensure it is equitable for future students. Therefore, the Department of Education's loan forgiveness proposal is essential. We credit the Administration for listening to stakeholders, civil rights organizations, and consumer advocates on our suggestions to reform the federal student aid system. For millions of borrowers, many of whom live paycheck to paycheck, this one-time relief will allow them to erase their student debt entirely.

Forgiving up to $20,000 in federal student loan debt in response to the national emergency declared for the COVID-19 pandemic falls squarely under the *Higher Education Relief Opportunities for Students*, or *HEROES Act*. This law granted the Administration authority to "waive or modify any statutory or regulatory provisions applicable to" student financial assistance programs to ensure that recipients are not "placed in a worse position financially in relation to that financial assistance" during a national emergency. Every borrower's obligation to repay a federal student loan is directly created by federal statute and reinforced by the U.S. Department of Education's implementing regulations. Therefore, no

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[2] National Center for Education Statistics. (2022). Price of Attending an Undergraduate Institution. *Condition of Education.* U.S. Department of Education, Institute of Education Sciences. Retrieved July 20, 2022, from https://nces.ed.gov/programs/coe/indicator/cua.
[3] Ibid.
[4] Mezza, A., Ringo, D., Sherlund, S., & Sommer, K. (2020). Student loans and homeownership. Journal of Labor Economics, 38(1), 215–260. https://doi.org/10.1086/704609
[5] The median income for cash renters in 2019 was $34,100 for Black households, $44,000 for Latino households, and $52,132 for White households.

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reasonable dispute exists on whether the Administration’s loan forgiveness program is legally authorized by the *HEROES Act*.

Moreover, federal courts have routinely interpreted Congress' use of the phrase "waive or modify" to give government officials the power to reduce the federal obligation to comply with statutes and regulations and the ability to exempt an individual from the legal duty to comply with the obligation.

Mr. Chairman, we hope this subcommittee will support the Administration's loan forgiveness proposal and encourage it to make higher education affordable for future generations of working-class Americans. Congress should support programs like Borrower Defense to Repayment, Income-Driven Repayment, and Public Service Loan Forgiveness. Our nation’s future economic prosperity will be closely tied to how much we invest in preparing that workforce. The greatest investment we can make as a nation is in education and preparing our students to succeed.

Thank you again for the opportunity to present these thoughts for the hearing record.

Sincerely,

Center for Responsible Lending

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