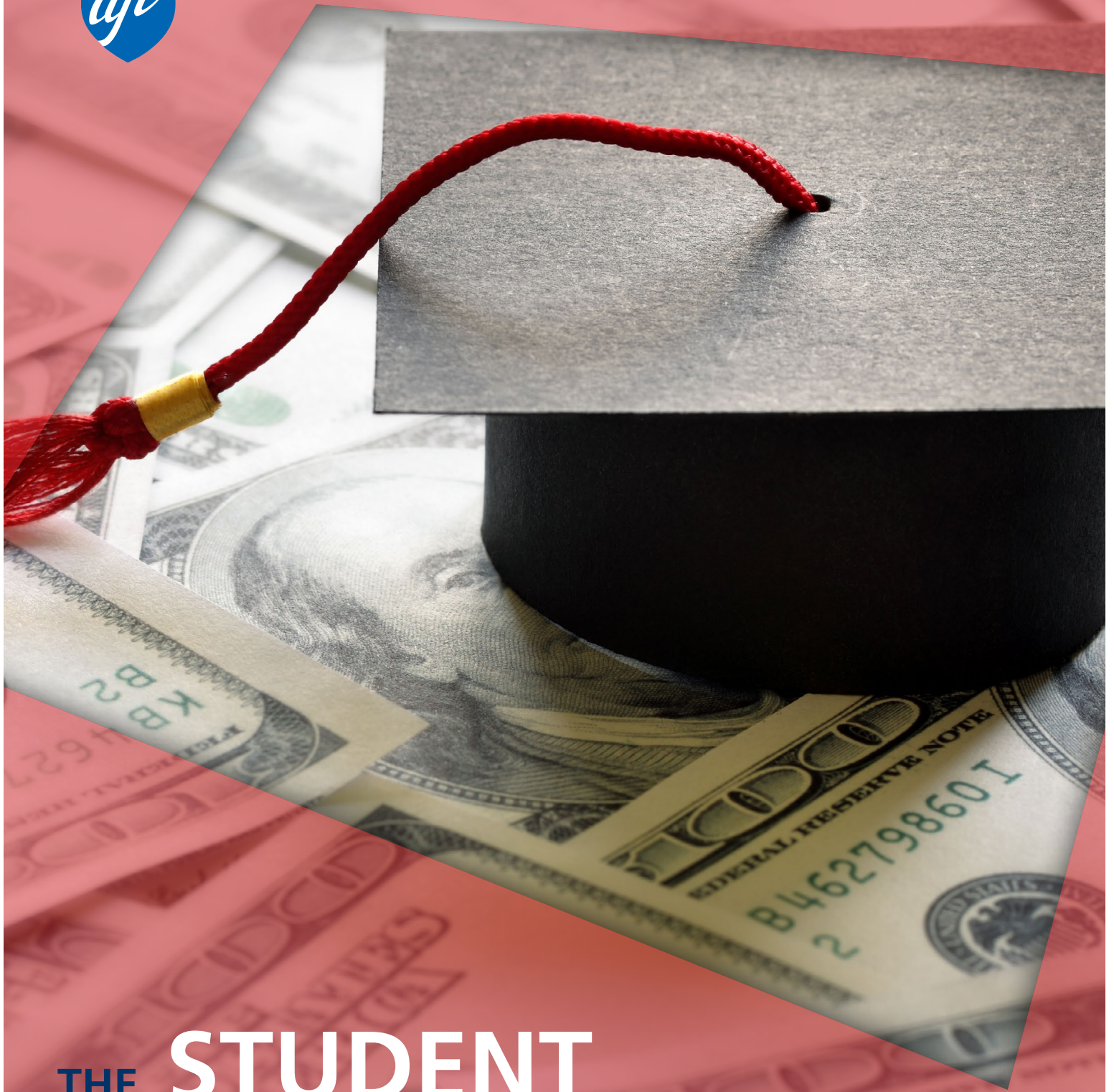
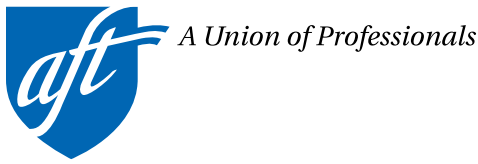




A Union of Professionals



THE STUDENT DEBT CRISIS



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Our Mission

The **American Federation of Teachers** is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities. We are committed to advancing these principles through community engagement, organizing, collective bargaining and political activism, and especially through the work our members do.

THE STUDENT DEBT CRISIS

Millions of Americans from all walks of life are suffering under the burden of student debt. Being tens of thousands of dollars in debt forces people to delay or forgo purchasing a home, starting a family, relocating for a job, or even seeing a doctor or dentist. This massive amount of debt is a result of catastrophic political decisions made to defund our system of higher education, taking what used to be viewed as a social good that benefited all Americans and shifting the burden of financing it onto individuals. This has to stop.

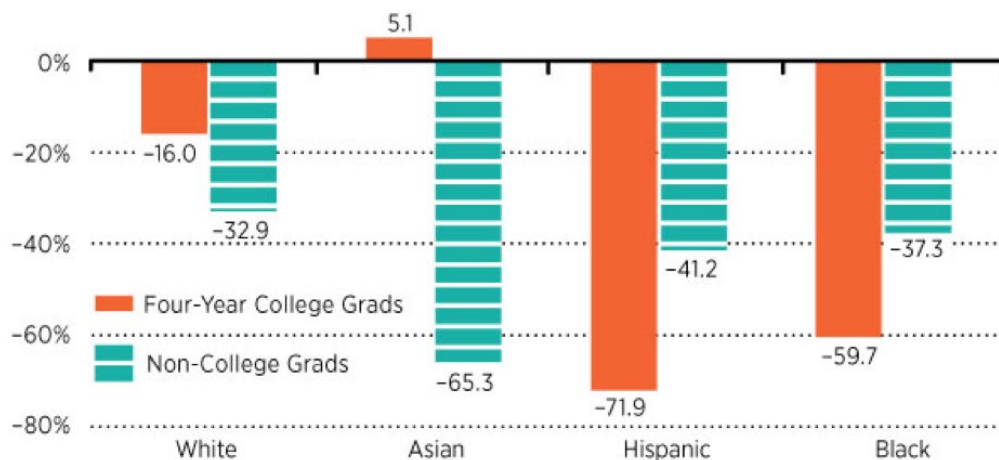
While student debt affects Americans from a variety of backgrounds, this burden of debt adds to and exacerbates existing social inequality in the United States. Simply put, the burden of student debt weighs heavier on some individuals than others. As a diverse union—whose members vary across race, age and socioeconomic status—we know how crucial it is to highlight the impact student debt has on all of our members if we are going to fashion solutions that work for all Americans. It is clear that we cannot rely on the U.S. Department of Education to recognize or address these intersectional burdens. The impetus for change must come from us.

DISPROPORTIONATELY HURTING PEOPLE OF COLOR

It's become increasingly clear over the past several years that black student loan borrowers take on more debt than their white counterparts and struggle to repay it, and that student debt is exacerbating the ongoing persistence of the racial wealth gap.

- ▶ White and Asian families headed by someone with a college degree generally fare much better than their less-educated counterparts. **Typical Hispanic and black families headed by college graduates, on the other hand, lost much more wealth than their less-educated counterparts who didn't hold student debt.**
- ▶ Black borrowers remain more than three times as likely to default within four years as white borrowers (7.6 percent versus 2.4 percent). Hispanic borrowers, despite having about the same level of debt as white graduates, are **more than twice as likely to default.**
- ▶ Four years after earning a bachelor's degree, black graduates in the 2008 cohort held \$24,720 more student loan debt than white graduates (\$52,726 versus \$28,006), on average.

Change in Median Real Net Worth between 2007 and 2013



SOURCE: Survey of Consumer Finances.

■ FEDERAL RESERVE BANK OF ST. LOUIS

WOMEN BEAR THE BRUNT OF DEBT

As a union whose membership is roughly 75 percent women, we hear all too often about the struggles women face in repaying student debt. That's because of the \$1.5 trillion in student debt, women hold roughly two-thirds of it.

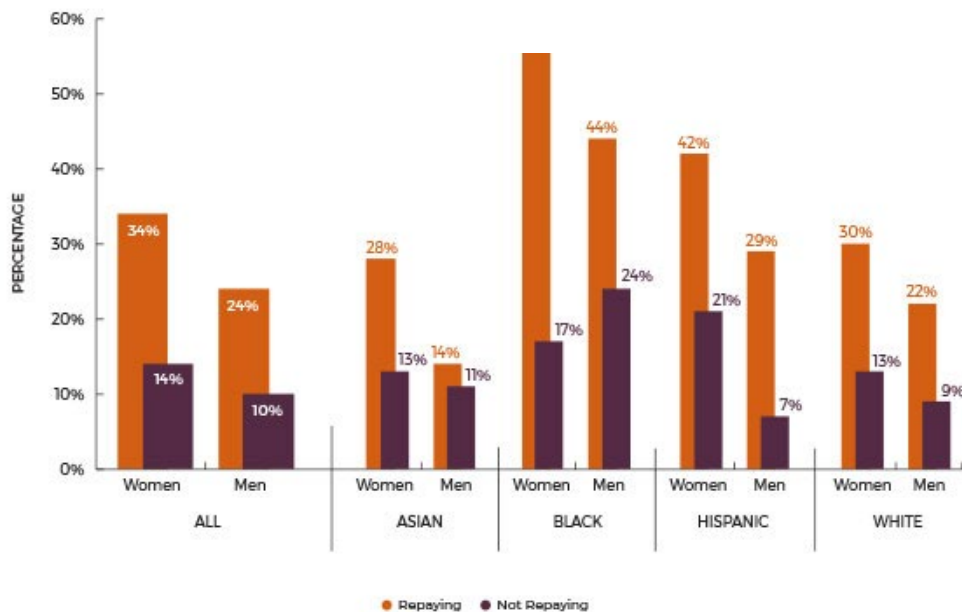
- ▶ Following graduation, women repay their loans more slowly than men do, in part because of the gender pay gap. Women working full time with college degrees make 26 percent less than their male counterparts, and the gap gets worse the longer women are in the workforce. Lower pay means less income to devote to debt repayment. In

- ▶ Women with student debt—especially women of color—are most likely to experience difficulties: 34 percent of all women and 57 percent of black women who were repaying student loans reported that they had been unable to meet essential expenses within the past year. Difficulty repaying student loans is also reflected in default rates, which are higher for women than for men.

DEBT KEEPS YOUNG PEOPLE FROM PUBLIC SERVICE

Young Americans—those just coming out of college and starting their careers—are starting further behind than any generation before them. This is keeping young

Percent of College Graduates Experiencing Financial Difficulties by Gender, and Loan Repayment Status

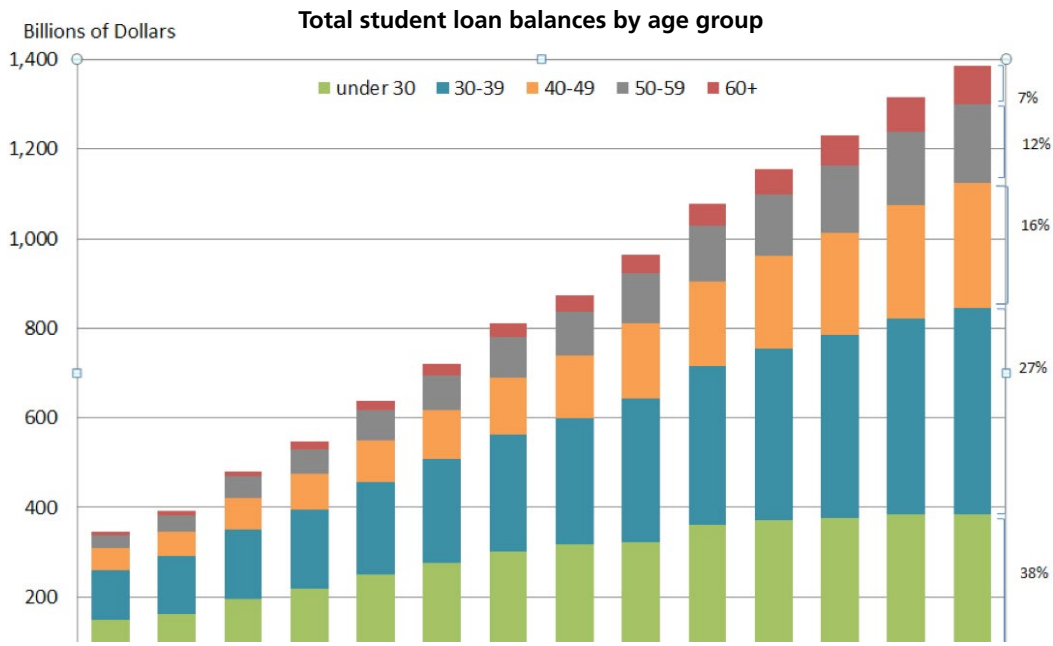


source: AAUW analysis of U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, *Baccalaureate and Beyond Longitudinal Study 2006/12* data.
 Note: "Not repaying" includes students who never had loans or had completed paying them off. "Repaying" includes only those students who were making payments, not those in default or default.
 Note: "Financial difficulty" means that at some time in the past year, the respondent was unable to meet all essential expenses.

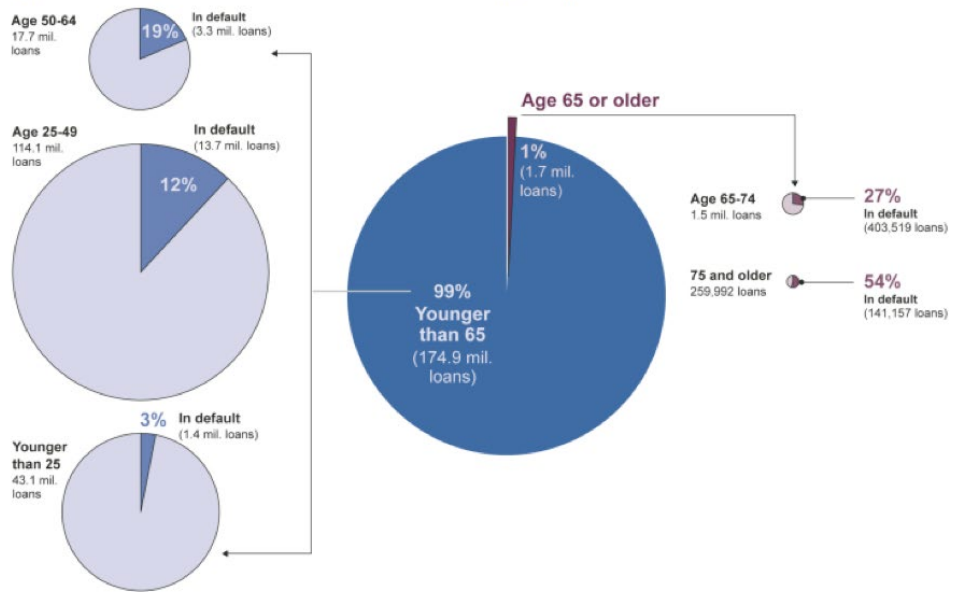


the time period between one and four years after graduation, men paid off an average of 38 percent of their outstanding debt, while women paid off 31 percent. The pace of repayment was particularly slow for black and Hispanic women, as well as for men in those groups.

people from going into public service careers in fields such as education, healthcare and civil service, and instead they are entering the private sector in hopes of paying off their debt more quickly.



Percentage of Federal Student Loans in Default within Age Groups. Fiscal Year 2013



Source: GAO analysis of data from the National Student Loan Data System, Department of Education. | GAO-14-866T
 Note: Data is for loans in repayment status as well as loans not in repayment status for reasons such as deferment, forbearance, or a grace period.

- ▶ In 2007, people 30 and younger collectively held \$220 billion in unpaid student loans. A decade later, that amount has increased nearly 75 percent, with those 30 and younger owing \$383 billion.
- ▶ Coming out of college in 2018, the average borrower about to start a career owed more than \$32,000 in federal student debt. This is a 62 percent increase over the average amount owed a decade earlier, with borrowers from the 2008 college graduating class owing \$23,200 on average.

THE SENIOR SAFETY NET IS AT RISK

On the flip side, older Americans are struggling more than anyone when it comes to student debt, a punishment often imposed by the federal government itself. Nearly 114,000 student loan borrowers over 50 years old are losing out on a portion of their Social Security benefits because of unpaid student debt, and the number of borrowers over age 65 facing this predicament has increased 540 percent over the last decade.

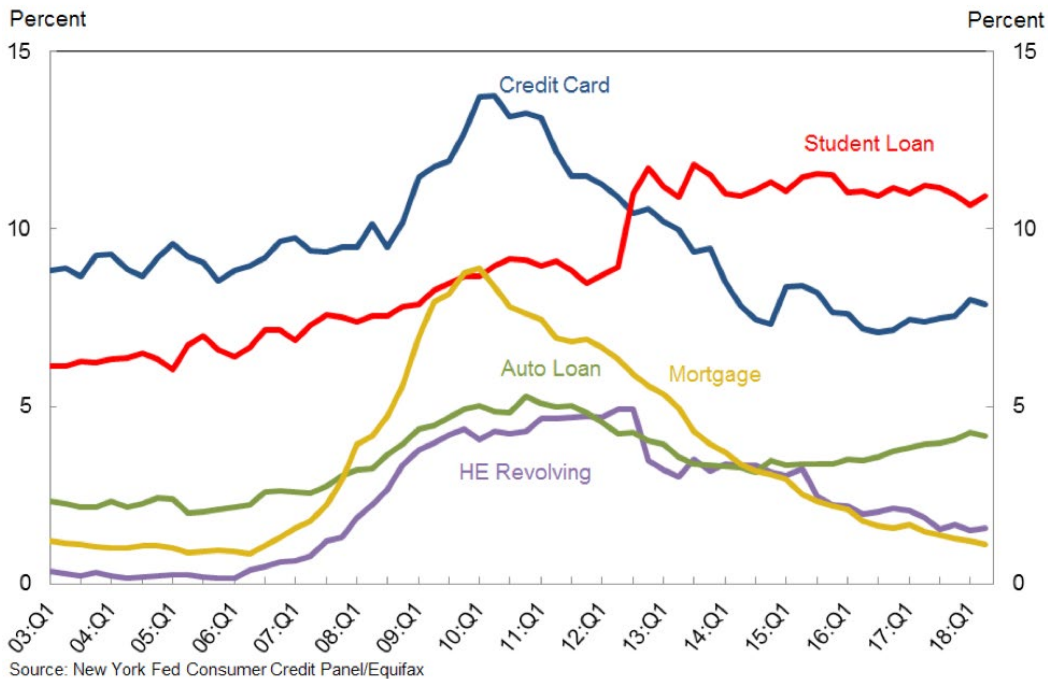
- ▶ In 2016, the poverty threshold for a single adult was \$990. About 67,300 older borrowers have had their benefits garnished below the poverty line due to unpaid student debt, compared with 8,300 in 2004.
- ▶ While older Americans make up a tiny slice of the student debt portfolio, they are struggling more than any other borrowers. In 2013, 3 percent of borrowers 25 or younger were in default. For those 75 or older, 54 percent were in default.

3,000 BORROWERS DEFAULT DAILY

For struggling borrowers, there seems to be no hope in sight. Unlike other consumer debtors, who have experienced lower levels of delinquency and default following the Great Recession, student loan borrowers remain in distress—despite the availability of a range of borrower protections designed to mitigate delinquency and default.

- ▶ Every day, more than 3,000 borrowers are defaulting on their federal student loans. More

Percent of Balance 90+ Days Delinquent by Loan Type



than 1 in 4 borrowers currently aren't repaying their federal student loans, with more than 1 million people defaulting every year.

- ▶ **More than \$159 billion is currently in default.** Defaulting on a federal student loan comes with severe consequences. Borrowers can face seizure of their tax refunds, garnishment of their wages, and an inability to pass employment verification checks.

The federal government and student loan servicers have failed borrowers outright, and the situation is worsening every year. Our members are asking: *Why has nothing been done to prevent millions of Americans from falling under the crushing weight of student debt?*

Many believe it's because student debt is enormously profitable for the U.S. government. In 2014, the Congressional Budget Office projected that the Department of Education would bring in more than \$135 billion in profits over the next decade. This is largely because the federal government can borrow at a very low interest rate—slightly over 2 percent—and is currently issuing loans with interest rates as high as 7.6 percent. As long as student debt continues to be a revenue driver for the government, the government will continue to fail to address these issues.

IT'S TIME TO CLEAN THE SLATE

Congress, states and elected officials need to stop toying around the edges and admit that the policy of shifting higher education costs to students and families has failed Americans. If we could eliminate \$1.5 trillion in taxes for the wealthiest among us, we can forgive that amount for those who are suffering under the crushing burden of student loan debt, too.



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