CALVIN COOLIDGE PRESIDENTIAL FOUNDATION

Debate Brief · Student Loan Forgiveness

Resolved: The federal government should cancel up to $20,000 in student loan debt for people with the greatest financial need.

"Our student loan plan lowers costs for Americans as they recover from the pandemic to give everybody a little more breathing room. I want to be clear who's going to benefit most: working people, middle-class folks that earn under 125 grand — you get up to $10,000 knocked off the debt. And if you earn under 125 grand and you receive a Pell Grant, you get 20,000 bucks knocked off.
—President Joe Biden, Remarks at Delaware State University, October 21, 2022

"While it is easy to waste money on education, it is the one thing which we cannot afford to curtail. …The best thing the millions of our youth can do to assure their future success is to work faithfully at their studies. That opportunity for improvement and discipline will never return."
—Calvin Coolidge, Newspaper column, September 1, 1930

ABOUT THE COOLIDGE FOUNDATION

The Calvin Coolidge Presidential Foundation is the official foundation dedicated to preserving and promoting the legacy of America's 30th president, Calvin Coolidge, who served in office from August 1923 to March 1929. These values include civility, bipartisanship, and restraint in government, including wise budgeting. The Foundation was formed in 1960 by a group of Coolidge enthusiasts, including John Coolidge, the president's son. It maintains offices at the president's birthplace in Plymouth Notch, Vermont, and in Washington, D.C. The Foundation seeks to increase Americans' understanding of President Coolidge and the values he promoted.

BACKGROUND

With more and more people attending college at a time when the price of college continues to rise, it is not surprising that the issue of student loan debt has risen to the top of household economic issues facing Americans. Approximately 70 percent of high school students enroll in college in the fall immediately after graduation. Not all of these students, however, finish and obtain the degree they were hoping for. The four-year graduation rate for students attending public colleges and universities is only 33 percent (the six-year rate is 58 percent).[1] At private schools the four-year graduation rate is 53 percent (the six-year rate is 65 percent).

The average cost of a four-year college education ranges from $9,410 per year for in-state students attending state schools, to $23,890 per year for out-of-state students attending state schools, to $32,410 per year for private schools. Some of the most expensive universities cost nearly $60,000 per year to attend. Harvey Mudd College in California, Amherst College in Massachusetts, and Kenyon College in Ohio all cost over $58,000 per year.[2] These tuition amounts do not even include things like housing, food, books, and transportation.

Few people can pay for college out of their savings, which means that millions of students each year take out loans to pay for their education. Some students take on extreme levels of debt—$100,000 or more—during this time. Collectively, about 45 million Americans owe more than $1.56 trillion in student loans, more than 2.5 times as much as they did ten years ago.[3]

For these young people, student loan debt can be crushing. Just as they enter the workforce, rather than being able to save or invest the money they make, they must instead start paying back their loans. The average monthly payment for these young adults is $393, but for many it can be twice or three times that amount.[4] Debt is delaying the attainment of financial security and major life milestones for these people. Some never climb out of their financial hole.

Because the majority of student loan debt is held by the federal government, some people have called for the federal government to offer student loan debt forgiveness. In 2019, Senator Elizabeth Warren and Representative James Clyburn introduced legislation to cancel $50,000 in student loan debt for every person with household income under $100,000. That bill failed, but in August 2022 the Biden-Harris Administration reenergized the issue by asking the U.S. Department of Education to provide up to $20,000 in targeted student debt relief to borrowers with loans held by the Department of Education.[5]

For this debate tournament, we invite you to think about both sides of this issue. Should the Federal Government provide Americans with student loan debt relief?

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[1] O'Shaughnessy, Lynn. "Federal Government Publishes More Complete Graduation Rate Data" Cappex. 2019.
[2] Kerr, Emma. "10 Most, Least Expensive Private Colleges" U.S. News and World Report. September 9, 2019.
[3] Federal Reserve Bank of St. Louis. Student loans Owned and Securitized, Outstanding. April 14, 2019.
[4] Federal Reserve Bank. Report on the Economic Well-Being of U.S. Households in 2016 - May 2017. June 14 2017.
[5] "President Biden Announces Student Loan Relief…" The White House. August 24, 2022.

COOLIDGE CONNECTION

From September 1891 to June 1895, Calvin Coolidge attended Amherst College in western Massachusetts. The experiences and education he received there were influential in his intellectual, personal, and career development.[6] Later in life, reflecting on the purpose of education, he said, "Education is to teach men not what to think but how to think."[7]

When Coolidge was a student, the annual costs for tuition and fees, room, board, and other living expenses totaled around $300—the equivalent of about $8,000 today. Coolidge and his father discussed the possibility of Calvin attending law school after Amherst, but the family ultimately decided Calvin would work as a clerk in the office of Hammond & Field in Northampton, MA, avoiding the cost and potential debt associated with further education.

Coolidge was careful about how he spent his money. For Coolidge, going to college was worth the cost, but going to law school was not. Later in his life, philosophizing on money, he wrote:

> *"It is difficult to conceive a person finding himself in a situation which calls on him to maintain a position he cannot pay for. Any other course for me would have been cut short by the barnyard philosophy of my father, who would have contemptuously referred to such action as the senseless imitation of a fowl which was attempting to light higher than it could roost. There is no dignity quite so impressive, and an independence quite so important, as living within your means."*[8]

Coolidge was a proponent of formal education. In the National Education Week Proclamation of 1923, he said:

> *"We have observed the evidences of a broadening vision of the whole educational system. …To insure the permanence and continuing improvement of such an educational policy, there must be the fullest public realization of its absolute necessity. Every American citizen is entitled to a liberal education. Without this, there is no guarantee for the permanence of free institutions, no hope of perpetuating self-government. Despotism finds its chief support in ignorance. Knowledge and freedom go hand in hand."*[9]

Clearly President Coolidge was in favor of people seeking out education of various sorts—primary, secondary, and other forms, yet he was also a proponent of living within one's means. The question of what to do about student loan debt had not yet become a major cultural issue. In Coolidge's time, students did not take out exceedingly large loans for their education. Often students could earn enough to pay for their tuition and living costs by working during or in between semesters. How do you think Coolidge would approach today's problem?

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[6] Wallace, Jerry. "Recalling Calvin Coolidge: A Man of Noble Character" Calvin Coolidge Presidential Foundation.
[7] Ibid.
[8] Coolidge, Calvin. The Autobiography of Calvin Coolidge. Cosmopolitan book corp., 1929. p159.
[9] Coolidge, Calvin. The 1923 National Education Week Proclamation. (1923)

KEY TERMS

Student Loan Debt or **Student Debt** – Money owed on a loan that was taken out to pay for educational expenses (most commonly for college).

Scholarship – An amount of money that is paid for the support of a student's education, usually awarded on the basis of academic achievement or some other skill or aptitude (e.g., for athletic, musical, or artistic ability). Scholarship recipients do not have to pay back this amount. It is a gift, not a loan.

Grant – Similar to a scholarship, it is an amount of money that is paid for the support of a student's education, usually by a foundation or the government. Grant money is a gift, not a loan, and thus does not have to be paid back.

Financial Aid – Financial Aid is a broad term used to refer to any grant, scholarship, or loan that is intended to help a student meet his or her college expenses. Grants and scholarships are gifts that do not need to be paid back. Loans, on the other hand, do need to be paid back.

Deferment – A deferment is a postponement of the date when you are required to start paying back your loans. For instance, if you decide to go to graduate school, you may be able to get a deferment on the loans that you took out for your undergraduate education so that you do not need to start paying back your loans until you are done with graduate school. A deferment can also temporarily reduce your monthly student loan payment.

Compound Interest – Compound interest is interest calculated on the principal amount *and* the accumulated interest of previous periods. It can thus be regarded as "interest on interest." The "Rule of 72" is a useful thing to know. This "rule" is a rough way of estimating how long it takes for invested money to double in value. The formula is NUMBER OF YEARS x RATE = 72 (about). Example: at a 9% interest rate, it takes about eight years for an investment to double in value.

Income-Driven Repayment – An approach to debt repayment that assists individuals in paying back their loans by making the payments vary from person to person based on how much each person earns in income. The idea is to help borrowers keep their loan payments affordable relative to their incomes. Plans include: Income-Based Repayment (IBR), Pay As You Earn (PAYE), Revised Pay As You Earn (REPAYE), and Income Contingent Repayment (ICR).

Bankruptcy – A legal process through which people who cannot repay their debts can seek relief from some or all their debts. People who declare bankruptcy typically must liquidate (sell) most of their assets to pay off creditors but are protected against having to liquidate *all* of their assets. Student loan debt typically cannot be discharged through bankruptcy.

Moral hazard – The idea that a person who is insulated (i.e., protected) from the full consequences of his or her own actions might deliberately choose to act less responsibly.

AFFIRMATIVE ARGUMENTS

1. Cancelling student loan debt will relieve millions of Americans of a major financial burden.

Student loan debt is a serious problem that affects over 42 million Americans, or about one in seven people. Currently, student loan debt now totals more than $1.6 trillion, which is greater than the total amount in auto loan debt ($1.13 trillion) and credit card debt ($1.04 trillion) held by Americans.[10]

> "The enormous student debt burden weighing down our economy isn't the result of laziness or irresponsibility. It's the result of a government that has consistently put the interests of the wealthy and well-connected over the interests of working families."
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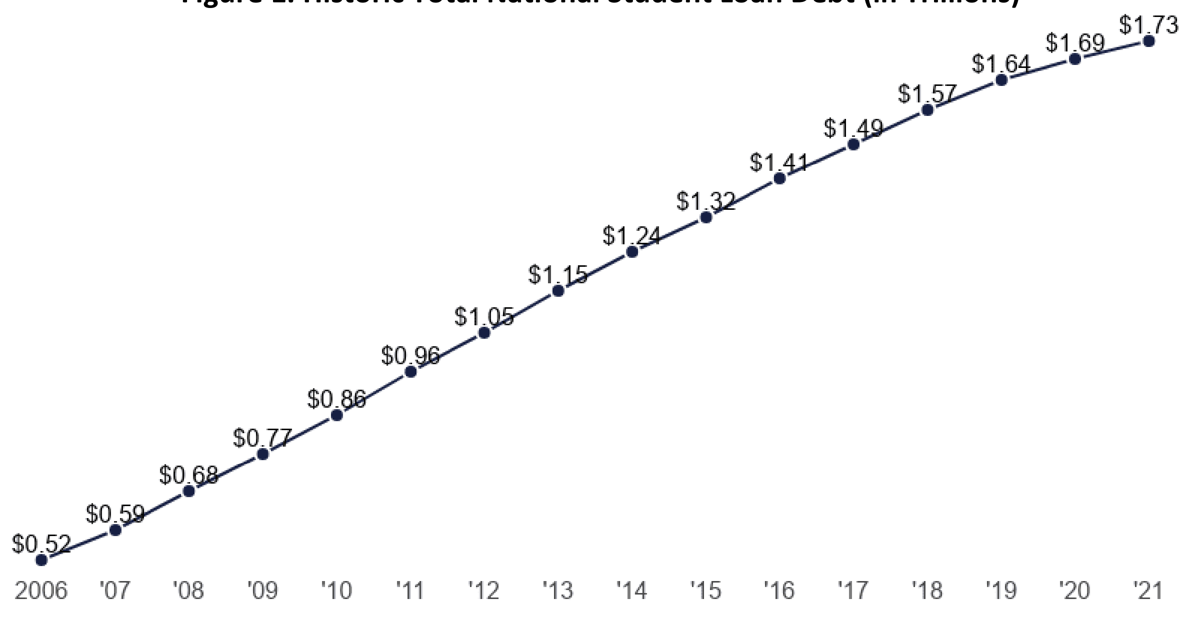
> Source: Warren, Elizabeth. "I'm calling for something truly transformational…" *Medium*. April 22, 2019

Among college students in 2019, 69 percent of students borrowed money to pay for college. Students getting degrees in 2019 graduated with an average debt of $37,787 in debt.[11] (In addition to this, about 14 percent of their parents took out an average of $37,200 in federal loans designed specifically to be used by parents.)[12] Some students—particularly those enrolled in graduate programs in social work, fine arts, and veterinary science—finish with debt in excess of $100,000 and no clear career path afterward.[13]

Figure 1. Historic Total National Student Loan Debt (in Trillions)



Source: *Education Data Initiative*. U.S. Federal Reserve

[10] Hanson, Melanie. "Student Loan Debt Statistics" EducationData.org. October 26, 2022
[11] Ibid.
[12] Federal Reserve Bank of St. Louis. "Student loans Owned and Securitized, Outstanding." Accessed April 14, 2019.
[13] Carey, Kevin. "Biggest Offender in Outsize Debt: Graduate Schools" *New York Times*. June 3, 2019.

Some of these loans are private loans, and others are federal loans through the government. Most federal student loan programs require students to begin making payments six months after graduating, and many are a 10-year repayment schedule. Many people have difficulty paying back their loans after graduation. The jobs they get after graduation often do not pay as much as they expected, and the cost of housing, food, transportation, and other essentials eat up a large portion of workers' paychecks.

The longer people take to pay back their loans, the more they must pay back. This is due to the power of compounding interest. The money lender charges an interest rate on the money owed to them, meaning that the total amount a student will end up paying back to the lender is far greater than the initial balance. The average college graduate with student debt will end up paying much more than their initial balance by the time they finally pay off the loan.

According to the Brookings Institute, up to 40 percent of student loan borrowers could default on their loans by 2023.[14] Remember that in the eyes of the law, student loan debt is not treated the same way as other debts. If you lose a lot of money in business, for example, it is possible to declare bankruptcy and "start over." That is, by and large, not an option with student loan debt, which cannot be wiped away by declaring bankruptcy. Although it is possible to discharge student loan debt using the bankruptcy process, it is rare that anyone can do it because the "undue hardship" standard that applies is difficult to meet and only intended for the direst of cases. Most people cannot prove this in a court, so bankruptcy is not an option. Cancelling debt, therefore, is the most direct way to relieve young people of the pressures of debt that are causing them anguish.

To address this problem, in the fall of 2022, President Biden spoke about his administration's plan to offer targeted student loan debt forgiveness:

> *"Our student loan plan lowers costs for Americans as they recover from the pandemic to give everybody a little more breathing room. I want to be clear who's going to benefit most: working people, middle-class folks that earn under 125 grand—you get up to $10,000 knocked off the debt. And if you earn under 125 grand and you receive a Pell Grant, you get 20,000 bucks knocked off."*[15]

While $10,000 to $20,000 is less than what many borrowers owe, it could be enough to help give millions of Americans enough relief to find their financial footing.

[14] Scott-Clayton, Judith. "The looming student loan default crisis is worse than we thought" The Brookings Institute. January 11, 2018.
[15] Biden, Joseph. "Remarks by President Biden on Student Loan Forgiveness" The White House. October 21, 2022.

2. Cancelling student loan debt will boost the economy.

Many young people who find themselves having to make large payments on their student loan debt find that they do not have the money to things that previous generations have been able to do. Many young people are delaying traditional life milestones such as buying a house, saving for retirement, and having children. In one survey, 38 percent of millennials who have student loan debt said they have put off saving for emergencies, 31 percent have delayed buying a home, and 17 percent have delayed getting married.[16] According to the Center for Responsible Lending (CRL), "Student debt is a significant drag on the entire economy as it depresses the purchasing power of millions, preventing people from starting families, investing in their own businesses, going back to school, and buying homes."[17]

> Just 43% of public two-year college students, and 34% of for-profit college students who entered repayment on their loans in 2011 had managed to pay at least one dollar toward the principle on their loan after five years.
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> Source: "Federal student loan repayment rates over time and by completion status" College Board (2019)

This trend has negative consequences for the economy, but it could be improved with a policy that partially cancels some student loan debt. Researchers at the Levy Economics Institute of Bard College studied what the effect would be if the government (as a one-time action) canceled all federal loans and paid off all privately owned loans. They found that that canceling student debt would have a "meaningful stimulus effect" and would lead to a boost in GDP of somewhere between $86 billion and $108 billion annually over the next 10 years. These researchers also found that it would reduce the unemployment rate by about 0.3 percent.[18] Therefore, the return on providing a $1.4 trillion payoff would be substantial. The economists also noted that the policy would only have modestly negative effects on the budget deficit, interest rates, and inflation over the next 10 years.[19]

3. Cancelling student loan debt pushes back against the unfair practices and actions of schools and predatory lenders.

Some people accumulated large student loans by way of unfair practices on the part of either their school or their lender, not necessarily because they were personally acting irresponsibly. As loan forgiveness proponent Elizabeth Warren wrote:[20]

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[16] Smith, Kelly Anne. "Survey: Student loan debt delays major financial milestones for millions" Bankrate. February 27, 2019.
[17] "Quicksand: Borrowers of Color & the Student Debt Crisis." Center for Responsible Lending. September 2019.
[18] "The Macroeconomic Effects of Student Debt Cancellation" Levy Economics Institute. February 2018.
[19] Ibid.
[20] Warren, Elizabeth. "My plan to cancel student loan debt on day one of my presidency" ElizabethWarren.com. Accessed April 2, 2020.

"I spent my career studying why so many hard-working middle-class families were going broke. I discovered that they weren't reckless or irresponsible—they were being squeezed by an economy that forced them to take on more debt to cling to their place in America's middle class. Student debt is no different: for decades, students have worked hard and played by the rules. They took on loans on the promise that a college education would justify their debt and provide a ticket to the middle class. But our country's experiment with debt-financed education went terribly wrong: instead of getting ahead, millions of student loan borrowers are barely treading water."

Some institutions downplay how expensive their programs are in their marketing materials, and then encourage students to take out large loans using easily accessible federal student aid. Some schools deliver a subpar education, which does not help their students find well-paying jobs after graduation. For-profit institutions can be problematic for a separate reason: these institutions occasionally go out of business, abandoning students midway through their programs with credits that cannot be readily transferred to other schools.

Attorneys general in the states of Illinois and Washington have brought lawsuits against some of the largest lenders, including an organization called SLM Corporation, commonly known as Sallie Mae. Those suits allege that Sallie Mae engaged in predatory lending, extending billions of dollars in private loans to students (for instance, in expensive programs in fine arts and photography) who should never have been lent to in the first place because the lender should have known that it was going to be nearly impossible for those individuals to repay their loans.

Under normal lending circumstances, such as with a mortgage for a home, banks are reluctant to lend money to someone who might not be able to pay the loan back because if the person goes bankrupt, the bank loses some of its money. With student loans, however, because individuals cannot discharge their loans through bankruptcy, lenders lend have no incentive to be careful and help potential borrowers make financially reasonable decisions. Lenders, therefore, are taking advantage of students by taking advantage of the protection against losses that the law gives them through the way bankruptcy laws work.

4. Cancelling student loan debt would help to address social inequities.

President Biden's debt forgiveness plan is targeted to those who need it the most. In a speech he gave in October 2022, he said:

"[I]n total, more than 40 million Americans stand to benefit from this relief. For borrowers out of school, nearly 90 percent—nearly 90 percent of the relief are going to go to people making under $75,000 a year. Let me be clear: Not a dime—not a dime will go to the top 5 percent of incomes, period. It goes to people who really need it."[21]

[21] Biden, Joseph. "Remarks by President Biden on Student Loan Forgiveness" The White House. October 21, 2022.

Biden's plan to cancel student loan debt is good for addressing social inequities. Higher education is not something that is uniformly accessible to all students. Some students have large advantages that translate to varying levels of success in college. For instance, where a person went to high school can predict how likely he or she is to finish college. Roughly half of students from relatively affluent high schools finish college in six years, compared to less than a third of students who went to relatively poor high schools.[22] Broken down by urban, suburban, and rural high school, there are discrepancies, too. About 36 percent of students who went to an urban high school finish college within six years of graduating, compared to 47 percent and 41 percent for suburban and rural, respectively.[23]

Black students are more likely to have to borrow money in order to go to college. They are 20 percent more likely to need to take out student loans. They also borrow more and default at a higher rate (twice) than white students.[24] See Table 1.

Table 1. Percentage of students who took out federal loans for their undergraduate education at a public-four-year institution

Student Race	Percentage
White	60%
Black or African American	87%
Hispanic or Latino	65%
All Students	*62%*

Source: Miller, Ben. "New Federal Data Show a Student Loan Crisis for African American Borrowers" Center for American Progress (2017).

The current arrangement with student loans perpetuates unfairness in terms of wealth the wealth gap. Data show that 20 years after starting college, the average white student owes only approximately $1,000 in student loan debt, while the average black student still owes approximately $18,500 in student loan debt.[25] By race and gender, 12 years after entering college, white men have paid off an average of 44 percent of their student loan balance, while black men on average see their balances *increase* 11 percent. Likewise, white women have paid off an average of 28 percent of their student loan balance, while black women on average see their balances increase 13 percent.[26] These disparities are unjust and therefore should be fixed by way of student debt cancellation.

[22] "High School Benchmarks 2019" National Student Clearinghouse Research Center. (2019).
[23] Ibid.
[24] Miller, Ben. "New Federal Data Show a Student Loan Crisis for African American Borrowers" Center for American Progress (2017).
[25] Sullivan, et al. "Stalling Dreams" The Institute on Assets and Social Policy (Brandeis). September 2019.
[26] Berman, Jillian. "One argument for canceling student debt: Student-loan borrowers may be far poorer than most economists believe" MarketWatch. July 27, 2019.

NEGATIVE ARGUMENTS

1. It is the responsibility of the person who took out the loan to pay it back, not the taxpayer.

Choosing to go to college is a big decision—especially if one must borrow money to pay for the experience. It is also a very personal decision that represents an investment in oneself with the hope of later gain. It is the height of irresponsibility to consume all the benefits of a college education oneself in a very concentrated way, and then expect to be able to socialize the cost of that education across others who did not take part in it. Like any large purchase—a new car, a new home—the person who gets the benefit is the one who should pay the bill. While it is true that the student financing component of the college experience can be perplexing, with many confusing forms to fill out and many pages of unclear legal jargon to agree to. Nonetheless, everyone knows that college is expensive, and thus everyone should be prepared to pay back the loans he or she takes out.

According to the Cato 2022 Student Debt Cancellation National Survey, "Nearly two-thirds of Americans oppose cancellation if forgiving $10,000 per borrower raises their taxes (64%) or if it primarily benefits higher income people (68%). Even more Americans oppose if cancellation incentivizes colleges and universities to further raise prices, as research has shown it may.

"About three-fourths of Americans would oppose student debt cancellation if it caused universities to raise their tuition and fees (76%) or if it caused more employers to require college degrees even if not needed to do the job (71%), also known as 'credential inflation.'"

Source: Ekins, Emily. "New Poll: 76% of Americans Oppose Student Debt Cancellation if It Drives up the Price of College, 64% Oppose if It Raises Taxes" Cato Institute. September 1, 2022.

Any federal plan for cancelling student debt for millions of individuals would be paid for one way or another by taxpayers. But why should some taxpayers pay for the experiences of others? They did not walk the campuses, attend the classes, or enjoy the fancy facilities and amenities. Asking others to pay unfairly punishes a class of people who already pay a high tax rate on their earnings. Forgiving student loans rewards fiscal irresponsibility on the parts of the individuals who took out these large loans.

2. It is unfair for different types and amounts of debt to be forgiven, with some people receiving much more assistance than others.

There is nothing special or inherently different about student loan debt, compared to other types of debt, that can justify it being treated differently. Cancelling student loan debt could cause other borrowers to protest that perhaps their loans should be forgiven or cancelled as well. After all, if a student can have $10,000 to $20,000 of his college bill forgiven, why shouldn't a homeowner have the same amount of his mortgage forgiven, or the purchaser of a luxury sports car have the same amount of his car loan forgiven? Many arguments that are put forth in favor of cancelling student loan debt—such as the idea that it will "stimulate" the economy—apply equally to these other types of debt, yet we do not seriously consider cancelling debt in those cases.

Beyond the mortgage and sports car examples, even among just the individuals who have student loan debt, it is unfair for some people to receive far more assistance than others. Consider the frugal, financially responsible individual who attended a lower-tier college that he could afford and who graduated with a mere $10,000 in loans (which most people would agree is a fairly manageable amount to repay), compared to a more extravagant individual who attends a fancier college and graduates with $20,000 in loans. Under a plan that forgives $20,000 of loans, both students will be free of debt after the policy is enacted, but the humbler first student receives a benefit worth just $10,000 while the profligate second student receives twice as big a benefit. As an analyst for the Heritage Foundation argues:

> *Many students decided to take a frugal path through higher education, which should be encouraged. Perhaps they decided to go to a less expensive school and took on a part time job. If loan forgiveness becomes universal, students who made those smart financial decisions, ensuring they make their loan payments on time, will be given the same benefit as students who went to the most expensive university and have defaulted on their loan payments every month. Why would any student going forward decide to go the responsible route? And why work, knowing taxpayers will pick up the tab?*[27]

It would be unfair for the government to give some people enormous cash gifts while giving other people nothing at all. Cancelling student loans does exactly that.

3. Many people who attended college tend to have higher incomes than people who did not attend college, and therefore do not need this type of assistance.

One of the main reasons that people are willing to take on large amounts of debt for a college education is because they expect that by doing so, they will be able to enter the workforce with better prospects for higher compensation over the course of their career.

The median college graduate earns $1.2 million over their lifetime, which is $600,000 more than someone with only a high school degree.[28] The lifetime earnings differential between high school graduates and college graduates is large, and for many people it

> "[A]bout 1 in 10 Americans are currently repaying their student loans. Nearly double that, 23% of Americans said they had already repaid their student loans. Nearly two-thirds (63%) of Americans have not taken out student loans."
>
> Source: Ekins, Emily. "New Poll: 76% of Americans Oppose Student Debt Cancellation if It Drives up the Price of College, 64% Oppose if It Raises Taxes" Cato Institute. September 1, 2022.

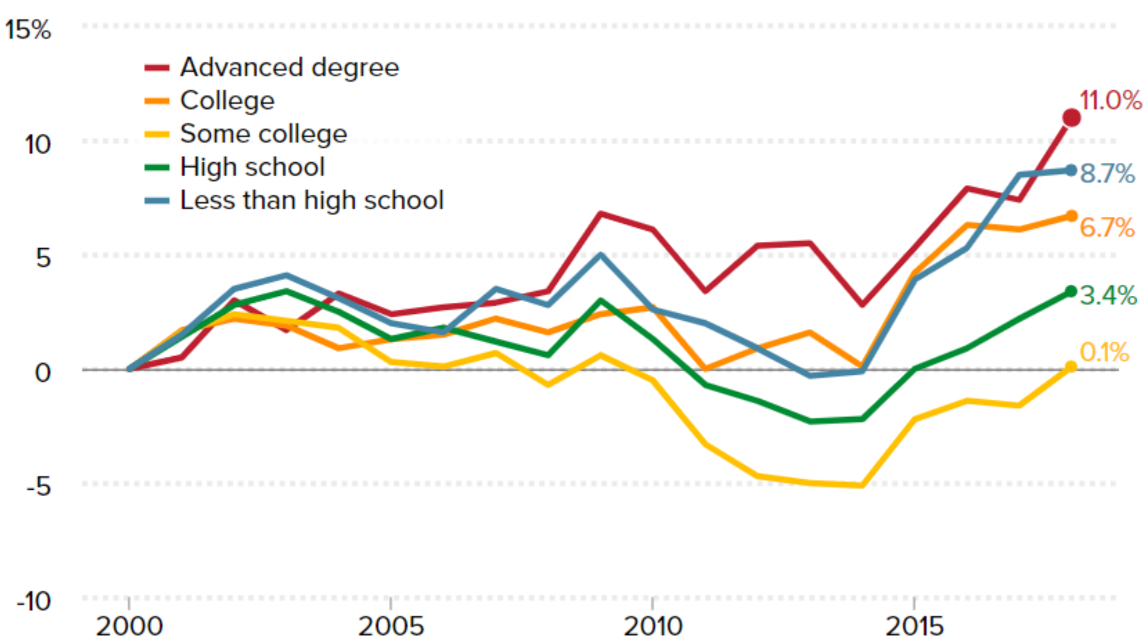
[27] Amselem, Mary Clare. "No, Your Student Loans Should Not Be Forgiven" Heritage Foundation. July 1, 2019.
[28] The Hamilton Project, "Lifetime Earnings by Degree Type" April 26, 2017.

is more than enough to make up for the debt they incur early on. College graduates also fare much better during economic recessions and downturns, and so are in less need of assistance.

The College Board estimates that individuals with a bachelor's degree earn 65 percent more over their lifetimes than individuals with only a high school degree.[29] The Federal Reserve Bank of San Francisco has estimated that workers who receive a bachelor's degree earn on average $830,800 more over their lifetimes compared to those with only a high school degree.[30]

College graduates are rewarded with higher earnings once they enter the workforce. On an hourly basis, people with a traditional four-year-degree make almost twice as much as people with only a high school degree. In 2017, workers with high school diplomas made on average $17.85 an hour, while those with a bachelor's degree earned an average of $32.49 an hour and those with advanced degrees earned an average of $41.36 an hour. Figure 2 shows the cumulative percent change in real average hourly wages, by education, 2000–2018.

Figure 2. The College Wage Premium



Source: Gould, Elise. "State of Working America Wages 2018" Economic Policy Institute (2018).

[29] Baum, Sandy, Jennifer Ma, and Kathleen Payea. *Education Pays: 2013* The College Board. 2013.
[30] Daly, Mary C., and Leila Bengali. *Is It Still Worth Going to College?* Federal Reserve Bank of San Francisco. 2014.

Much of the current student loan debt is not for undergraduate programs but are for fancy graduate programs that confer advanced degrees. According to the Department of Education, 40 percent of loans are taken out to attend graduate or professional schools such as law school, business school, and medical school.[31] People who attend expensive graduate programs go on to make even more in the workforce and are therefore in even less need of debt forgiveness.

4. Cancelling student loan debt as a one-time measure does not fix the underlying problem.

Attending college has become expensive, and it is reasonable to want to find ways to make that experience more affordable for more people. However, cancelling existing student debt as a one-time measure only serves to bail out the individuals who have already taken part in the scheme. It would not do anything for students in the future. To get the same effect for future students, this "deal" would have to be renewed each year, which would be tantamount to a massive subsidization—something that it is far outside the intended scope of the bill.

If we agree that college is expensive, we ought to look at alternative ways to reduce costs. For instance, some analysts have proposed *reducing* the availability of Federal grants might actually lower college costs by signaling to colleges that students will have fewer places to turn to for student loans. Schools might make an effort to lower tuition costs instead of choosing to increase costs.

> If the current collection of student loan debt is cancelled, then as soon as a new class of students goes to college, the debt problem starts again. New York Times reporter Kevin Carey asks,
>
> "Will those later debts be forgiven, too? If not, the plan would create a generation of student loan lottery winners, with losers on either side. People who had already paid back their loans would get nothing. People with future loans would get nothing. People with debt on the day the legislation was enacted would be rewarded."
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> Source: Carey, Kevin. "Canceling Student Loan Debt Doesn't Make Problems Disappear" *New York Times*. June 25, 2019.

Another proposal is to change the rules of lending to incentivize schools to be more responsible for the number of students that default on their student loans. The idea behind this reform idea is that schools would be less likely to encourage students to take out loans that they are unlikely to be able to pay back, because the school would be responsible for some portion of the amount if the student ended up defaulting on the loan. A form of this idea called the "Skin in the Game Act" has been proposed by U.S. Senator Josh Hawley (R-MO).[32] It would require universities and colleges to pay off half of the student loans for students who default, and it would prohibit schools from raising tuition as a response tactic.

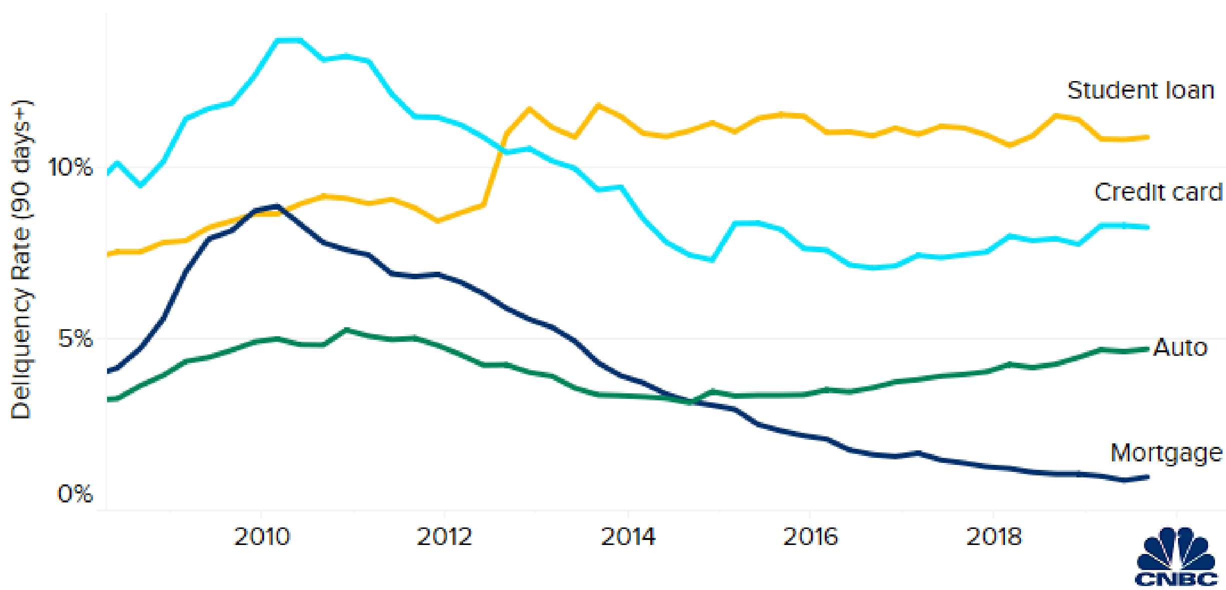
[31] "Federal Student Loan Portfolio" Office of Federal Student Aid. Accessed April 13, 2020.

[32] S.2124 "Skin in the Game Act" Congress.gov. Accessed April 13, 2020.

APPENDIX A. Student Loan Debts Going Unpaid

For many people, student loans result in a large monthly bill that they have difficulty paying. Approximately 30% of borrowers are delinquent (i.e., have missed three or more consecutive monthly payments) or in default on at least one or more type of consumer loan. Of the four major consumer loan types, student loans have the highest rate of delinquency.

Share of Consumer Loans More Than 90 Days Overdue

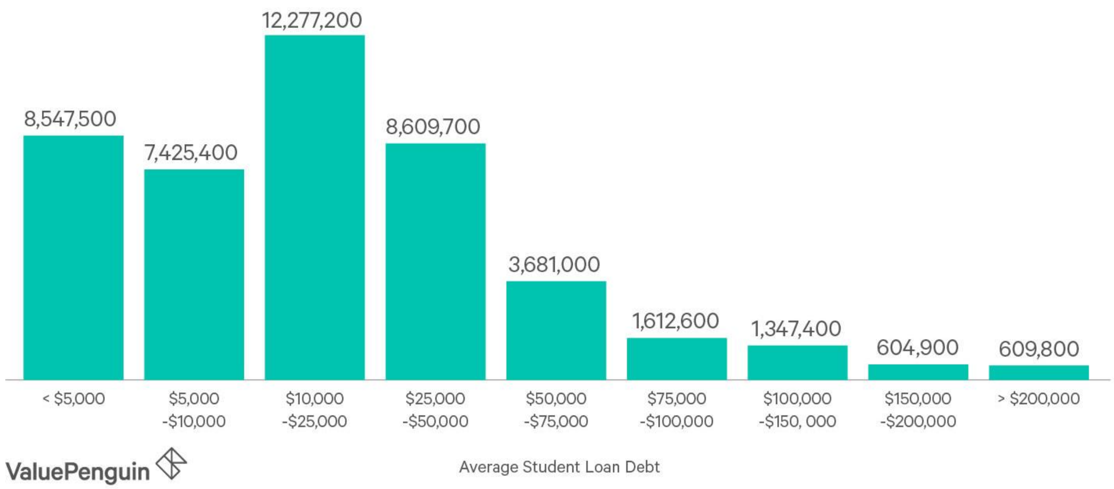


Source: New York Federal Reserve and CNBC Network, 2019.

APPENDIX B. Distribution of Student Loan Balances

Some people owe relatively little in student loans (e.g., less than $10,000), while others owe much larger amounts (e.g., more than $100,000). If you add up the outstanding balances across different thresholds, you can see that student loan debt balances are concentrated in the range of $10,000 to $25,000. In the figure below, the Y axis is dollars. Beware that the categories along the X-axis are not of even size.

Aggregate Student Loan Debt By Balance

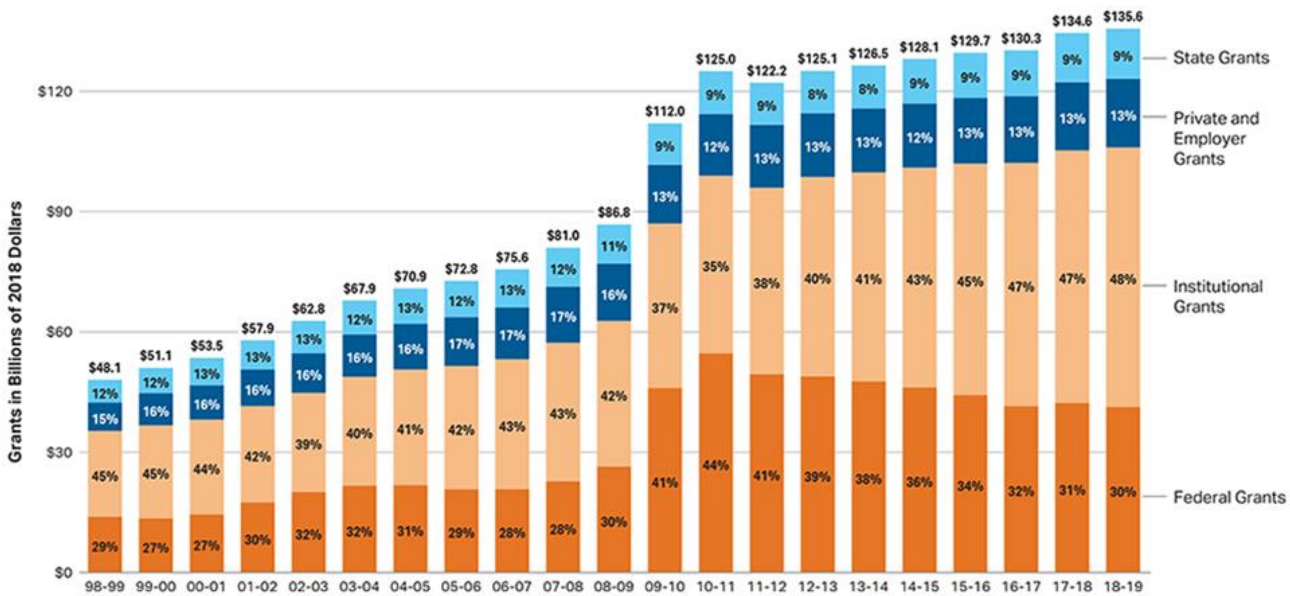


Source: Song, Justin. "Average Student Loan Debt in America: 2019 Facts & Figures" ValuePenguin. 2019.

APPENDIX C. Increasing Grant-Based Financial Aid for College

Grants are money that do not need to be paid back. Thus, they are different than loans. Grants are rising over time since the late 1990s, although in recent years they have been relatively flat. The amounts below are converted to 2018 dollars for more accurate comparison.

Total Grant Aid by Source of Grant

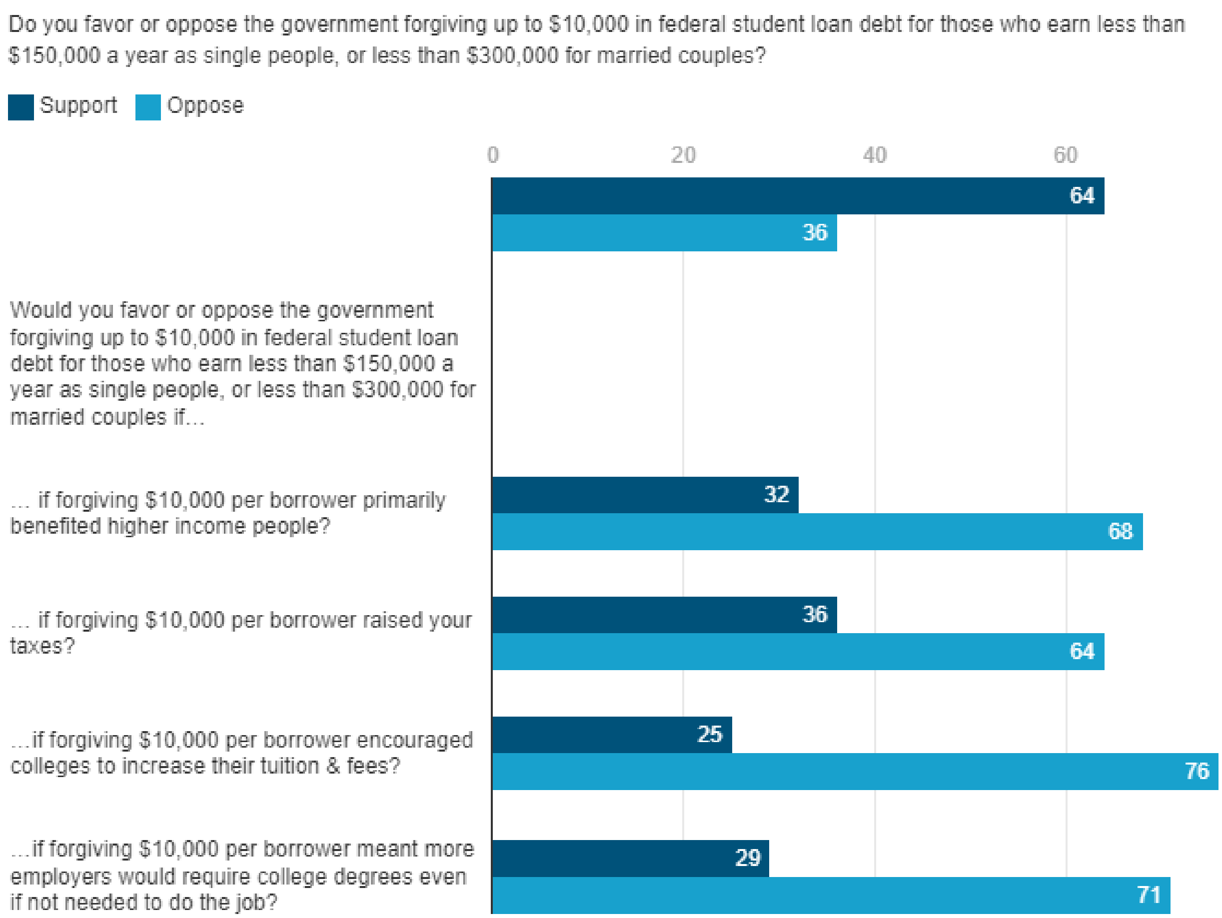


Source: "[Total grant aid by source over time](#)" College Board, 2019.

APPENDIX D. Do Americans Support Cancelling Student Loan Debt?

When Americans are asked whether they support the idea of the federal government forgiving up to $10,000 in federal student loans *in the abstract*, a substantial proportion of them (64 percent) say that they do support the idea. However, when they are reminded of the costs and drawbacks of such a policy, support for the idea falls dramatically. The sample size for the poll below published by the Cato Institute was 2,000 Americans.

How Support for Federal Student Debt Cancellation Changes After Considering Costs



Source: [Cato 2022 Student Debt Cancellation National Survey](). Cato Institute. September 1, 2022.