



Fifteen Things to Know About Student Loan Debt— and What Congress Can Do to Fix It

Completing additional education after high school has nearly become a prerequisite for a stable career and middle-class income. Eighty percent of good paying jobs require postsecondary education, and 56 percent require a bachelor's degree or higher.¹ In fact, all but one of the fastest-growing jobs that pay more than \$50,000 per year require postsecondary education.² Meanwhile, the total cost of higher education continues to climb, increasing 31 percent at public institutions and 24 percent at private nonprofit institutions in ten years.³ Consequently, student loans will remain a reality for most students unless, and until, postsecondary education becomes universally accessible and affordable. The facts about the student loan debt crisis paint a stark picture, especially for historically underserved students and those who do not complete a degree.

Student Loan Debt Is Massive

1. Currently, U.S. borrowers have \$1.5 trillion in outstanding student loan debt.⁴
2. The nation's student loan debt is *nearly twice* the size of its credit card debt.⁵
3. An estimated 20 percent of the reduction in home purchases by young adults can be attributed to the rise in student loan debt.⁶

Most People Attending College Take Out Student Loans

4. Approximately half (46 percent) of undergraduates who enrolled full-time in college for the first time in School Year (SY) 2015–16 took out student loans.⁷
5. More than two-thirds (67.4 percent) of bachelor's degree recipients from the Class of 2016 took out student loans.⁸

6. On average, students who completed a bachelor's degree in the Class of 2016 left college with \$30,500 in debt.⁹

Student Loan Debt Disproportionately Affects Historically Underserved Students¹⁰

7. In the Class of 2016, nearly 86 percent of Black students who completed a four-year degree graduated with debt, compared to 67 percent of White students. The average debt of Black graduates also was higher—\$37,500 compared to \$30,500.
8. Among Pell Grant recipients, 83.9 percent borrowed additional funds to complete their four-year degree. On average, they borrowed more (\$32,300) than the 50.5 percent of non-Pell Grant recipients who graduated with debt (\$27,400).
9. Among four-year college graduates whose parents did not attend college, 71.5 percent borrowed to complete their bachelor's degree. On average, these graduates finished school with \$33,000 in student loan debt. By contrast, both the rate of borrowing (65.9 percent) and average loan debt (\$28,900) were lower among four-year college graduates with a parent who also had earned a four-year degree.
10. Black students who earn a bachelor's degree are five times more likely than White students who earn a bachelor's degree to default on their student loans (21 percent versus 4 percent). In addition, Black bachelor's degree recipients are more likely to default than White college dropouts (21 percent versus 18 percent).¹¹

Many Students Have Debt but No Degree

11. In 2009, 36 percent of postsecondary students who first enrolled in college in SY 2003–04 had not completed a degree or certificate within six years and no longer were enrolled in college.¹²
12. The percentage of these college noncompleters with *federal* student loan debt ranged from 25 percent at public two-year colleges to 86 percent at private for-profit colleges.¹³
13. Noncompleters took out relatively small amounts of *federal* student loans during the course of their postsecondary education, ranging from a total of \$5,700 at public two-year colleges to a total of \$10,400 at private, nonprofit four-year institutions.¹⁴
14. Individuals who start but do not complete college are less likely to be employed than college completers. When these noncompleters are employed, they earn less than completers, which makes it challenging to repay their student loans.¹⁵ In 2009, the median debt-to-income ratio of college noncompleters was 35 percent.¹⁶
15. Two-thirds of borrowers who default on their student loans did not finish college or earned only a certificate.¹⁷

How Can Congress Reduce Student Loan Debt?

There is no shortage of policy options to lessen the burden of student loan debt—from proposals to expand loan forgiveness and increase student aid to plans for improving financial literacy and transparency for students. As Congress works to reauthorize the Higher Education Act, both the Senate and House of Representatives should consider such policy solutions as well as the following *strategies to reduce the need for loans in the first place*:

- **PREPARE Act (S. 1516)**: About 70 percent of beginning students at public two-year colleges require remediation in college to master academic content they should have learned in high school, including nearly 80 percent of Black college students, 75 percent of Latino college students, and 64 percent of White college students.¹⁸ Students who take remedial course work in college are 74 percent more likely to drop out of college than nonremedial students.¹⁹ These students are at risk of accumulating debt with no degree.

The PREPARE Act would reduce the need for remediation by aligning high school graduation requirements with entrance requirements for credit-bearing course work in postsecondary education. It also would provide grants to states to establish partnerships between school districts and institutions of higher education to (1) identify and support students who are likely to need remediation and (2) strengthen the quality of postsecondary remedial education. Without a need for remediation, students will be far less likely to carry debt without a degree.

- **Fast Track To and Through College Act**: Approximately one-fourth of high school students are ready for college by the end of *junior year*, according to data from ACT®. Two-thirds of these students come from low-income and middle-class families.²⁰

The Fast Track To and Through College Act would provide competitive grants to states to allow these students to choose to graduate early from high school with a scholarship for college. Alternatively, they could enroll full-time during their senior year in college-level courses offered through dual-enrollment, Advanced Placement, or International Baccalaureate course work—with guaranteed credit transfer policies that enable them to complete the equivalent of freshman year of college during high school. These students then could complete a four-year college degree in only three more years or a two-year degree in one more year. By saving time, students and families would save money and need to rely less on student loans to pay for college.

- **Go to High School, Go to College Act (H.R. 3268/S. 1888)**: Students enrolled in early college high schools are five to seven times more likely to earn a postsecondary degree than their peers.²¹ However, Black and Latino students (27 percent and 30 percent respectively) are far less likely than White students (38 percent) to access opportunities to earn college credit while in high school.²²

The Go to High School, Go to College Act would authorize a pilot program to allow students from low-income families to use Pell Grants to pay for dual-enrollment courses offered through 250 institutions of higher education. This would reduce the student loan burden for low-income families by allowing high school students to earn transferable college credits for free.

To view the endnotes for this document, visit all4ed.org/wp-content/uploads/2019/09/Student-Loan-Endnotes.pdf.



@All4Ed



facebook.com/All4ed

The **Alliance for Excellent Education** (All4Ed) is a Washington, DC–based national policy, practice, and advocacy organization dedicated to ensuring that all students, particularly those underperforming and those historically underserved, graduate from high school ready for success in college, work, and citizenship. all4ed.org

Photo by Allison Shelley/The Verbatim Agency for **American Education: Images of Teachers and Students in Action**



Endnotes: Fifteen Things to Know About Student Loan Debt— and What Congress Can Do to Fix It

Endnotes

- 1 A. P. Carnevale et al., *Three Educational Pathways to Good Jobs: High School, Middle Skills, and Bachelor's Degree* (Washington, DC: Georgetown University Center on Education and the Workforce, 2018).
- 2 Unpublished analysis conducted by the Alliance for Excellent Education of data from the U.S. Bureau of Labor Statistics Employment Projections program, <https://www.bls.gov/emp/ind-occ-matrix/occupation.xlsx>.
- 3 U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics, 2017* (NCES 2018-070) (Washington, DC: Government Printing Office, 2019), <https://nces.ed.gov/fastfacts/display.asp?id=76>.
- 4 Center for Microeconomic Data, *Quarterly Report on Household Debt and Credit: 2019:Q2* (New York, NY: Federal Reserve Bank of New York, Research and Statistics Group, 2019), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2019Q2.pdf.
- 5 Ibid.
- 6 Board of Governors of the Federal Reserve System, "Consumer and Community Context, Vol. 1 No. 1" (Washington DC: Author, 2019), <https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf>.
- 7 This percentage includes borrowers who took out federal, state, or private student loans and/or loans offered by their institution of higher education. U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 2019* (NCES 2019-144) (Washington DC: Government Printing Office, 2019), https://nces.ed.gov/programs/coe/pdf/coe_cub.pdf.
- 8 E. D. Velez et al., *Baccalaureate and Beyond (B&B:16/17): A First Look at the Employment and Educational Experiences of College Graduates, 1 Year Later* (NCES 2019-241) (Washington DC: U.S. Department of Education, National Center for Education Statistics, 2019), <https://nces.ed.gov/pubs2019/2019241.pdf>.
- 9 Ibid.
- 10 Ibid.
- 11 J. Scott-Clayton, "The Looming Student Loan Default Crisis Is Worse Than We Thought," *Education Speaks Reports 2*, no. 34 Brookings Institution (2018), <https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf>.
- 12 P. Skomsvold, A. W. Radford, and L. Berkner, *Web Tables—Six-Year Completion, Persistence, Transfer, Retention, and Withdrawal Rates of Students Who Began Postsecondary Education in 2003–04* (NCES 2011-152) (Washington, DC: U.S. Department of Education, National Center for Education Statistics, 2011).
- 13 C. C. Wei and L. Horn, *Stats in Brief* (NCES 2013-155) (Washington, DC: U.S. Department of Education, National Center for Education Statistics, 2013), <https://nces.ed.gov/pubs2013/2013155.pdf>.
- 14 Ibid.
- 15 Ibid.
- 16 Ibid.
- 17 Data on the percentage of borrowers who default on their student loans and who did not finish college or who earned only a certificate, obtained from the U.S. Department of Education, National Center for Education Statistics DATALAB website https://nces.ed.gov/datalab/index.aspx?ps_x=cdmbhmd9 (accessed September 12, 2019).
- 18 X. Chen, *Remedial Coursetaking at U.S. Public 2- and 4-Year Institutions: Scope, Experiences, and Outcomes* (NCES 2016-405) (Washington, DC: U.S. Department of Education, National Center for Education Statistics, 2016), <https://nces.ed.gov/pubs2016/2016405.pdf>.
- 19 M. N. Barry and M. Dannenberg, *Out of Pocket: The High Cost of Inadequate High Schools and High School Student Achievement on College Affordability* (Washington, DC: Education Reform Now, 2016), <https://edreformnow.org/wp-content/uploads/2016/04/EdReformNow-O-O-P-Embargoed-Final.pdf>.
- 20 M. Dannenberg and A. Hyslop, *Building a Fast Track to College* (Washington, DC: Education Reform Now and Alliance for Excellent Education, 2019), <https://all4ed.org/wp-content/uploads/2019/02/ERN-AEE-Fast-Track-FINAL.pdf>.
- 21 Johns Hopkins Institute for Education Policy, *Now's the Time: Early College and Dual-Enrollment Programs in the Higher Education Act* (Washington, DC: Alliance for Excellent Education, 2018), <https://all4ed.org/wp-content/uploads/2018/04/early-college-high-schools-dual-enrollment-Pell-Grants-HEA.pdf>.
- 22 A. Shivji and S. Wilson, "Dual Enrollment: Participation and Characteristics," (NCES 2019-176) (Washington, DC: U.S. Department of Education, National Center for Education Statistics, 2019), <https://nces.ed.gov/pubs2019/2019176.pdf>.



@All4Ed



facebook.com/All4ed

The **Alliance for Excellent Education** (All4Ed) is a Washington, DC–based national policy, practice, and advocacy organization dedicated to ensuring that all students, particularly those underperforming and those historically underserved, graduate from high school ready for success in college, work, and citizenship. all4ed.org

Photo by Allison Shelley/The Verbatim Agency for **American Education: Images of Teachers and Students in Action**