

NAACP[®]

Racial Economic Equity in Cancelling \$50K in Student Loan Debt

National Association *for the* Advancement of Colored People

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*President and
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Equity should guide the policy on extending student debt relief and must include a focus on Black Americans. Education is one of the highest priorities for Black Americans, but the racial wealth gap has demonstrated that education loan debt is a barrier to economic success. Even when education raises salaries and standards of living, education debt remains a barrier to home ownership, business creation, and economic stability.

Predatory lending practices, high rates of interest, and interest capitalization increase the debt burden faced by Black Americans focused on education as a ladder to economic success. Gaining an education can only serve its intended purpose if accompanied by student debt relief, the elimination of interest, and the corrosive effect of interest capitalization.

The NAACP advocates closing the racial wealth gap through policies focused on racial equity. Policies that appear objective, equal, and neutral at face value, may have a regressive effect when applied without a lens on the student debt relief needed by Black Americans at every income level.

The two criteria by which debt cancellation might be limited—by income and by total amount—risk undoing the practical and political benefits cancellation is aimed to achieve.

- . Limiting cancellation by income does not target the neediest borrowers, and in fact will leave a large number of borrowers with unaffordable debt.
- . Limiting cancellation by income will be administratively impractical, as demonstrated by the current Income Driven Repayment programs, and will likely miss the borrowers in the greatest need.
- . Limiting cancellation by dollar amount, particularly the low amounts currently being considered by the Biden Administration, **will not only miss huge numbers of borrowers in dire need, but it will also leave millions of borrowers with the exact same monthly payment they had before, thus negating the purpose of cancellation. The chart “Distribution of Student-Debt-to-Income Ratio” below, reflects that \$10K cancellation penalizes poor people who have worse debt-to-income ratios.**

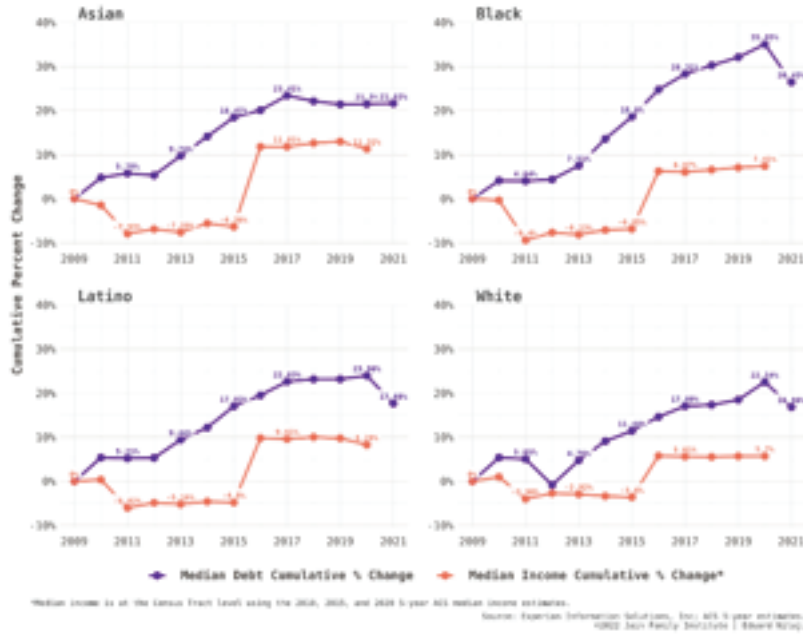
Please see charts on changes in student debt by race and income, debt-to-income ratios over time, and by income level.

Additionally:

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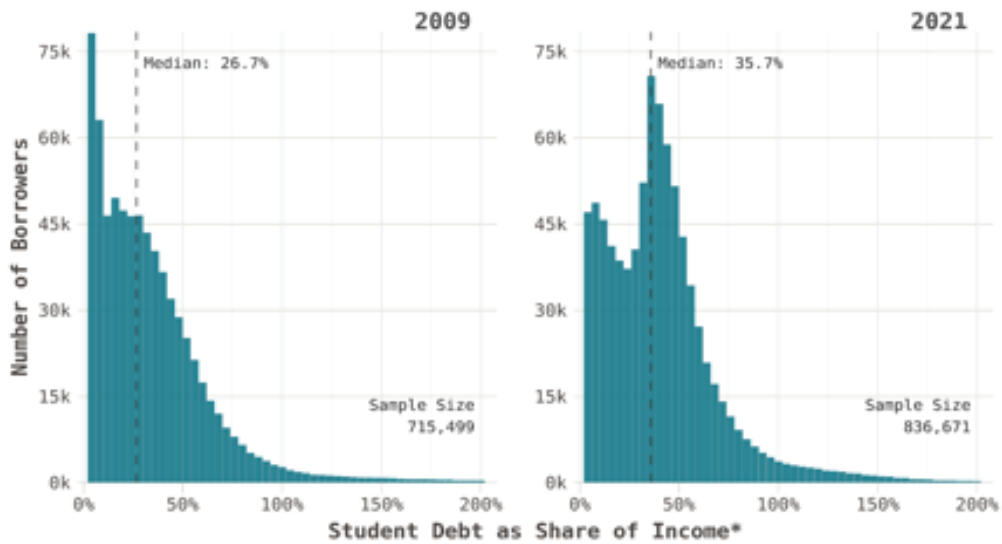
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CHANGES IN STUDENT DEBT AND INCOME BY CENSUS TRACT RACE DEMOGRAPHICS, 2009-2021



The Distribution of Student-Debt-to- Income Ratio chart reflects that \$10K cancellation penalizes poor people who have worse debt-to-income ratios.

DISTRIBUTION OF STUDENT-DEBT-TO-INCOME RATIO, 2009 & 2021

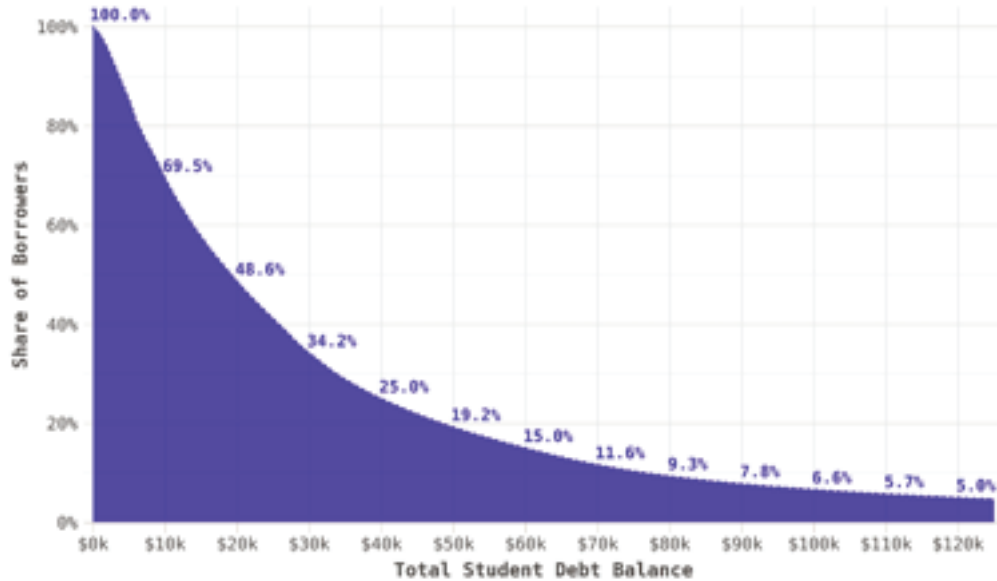


*Individual income is estimated using the given aggregate debt balances and debt-to-income ratios.
 Source: Experian Information Solutions, Inc.
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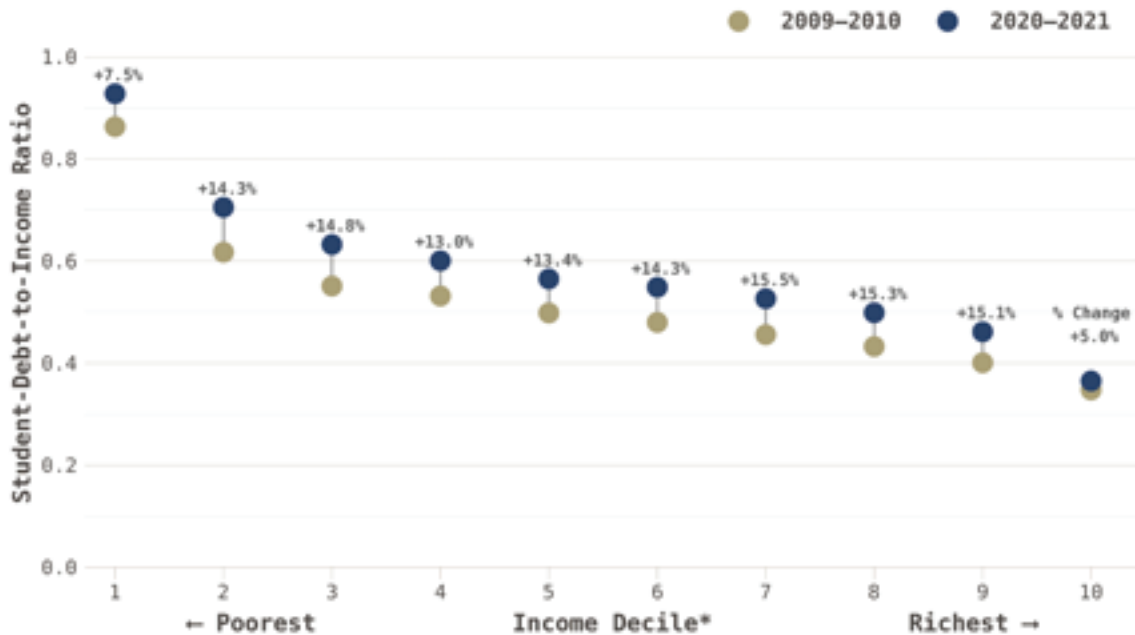
SHARE OF STUDENT DEBT HOLDERS WITH BALANCES EXCEEDING CERTAIN AMOUNT, 2021



Note: Sample of 888,616 young borrowers with outstanding student loan debt in 2021.

Source: Experian Information Solutions, Inc.
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RATIO OF MEDIAN STUDENT DEBT TO CENSUS TRACT INCOME BY INCOME DECILE



*Income is at the Census Tract level using the 2010 and 2020 5-year ACS median income estimates.

Source: Experian Information Solutions, Inc.; ACS 5-year estimates.
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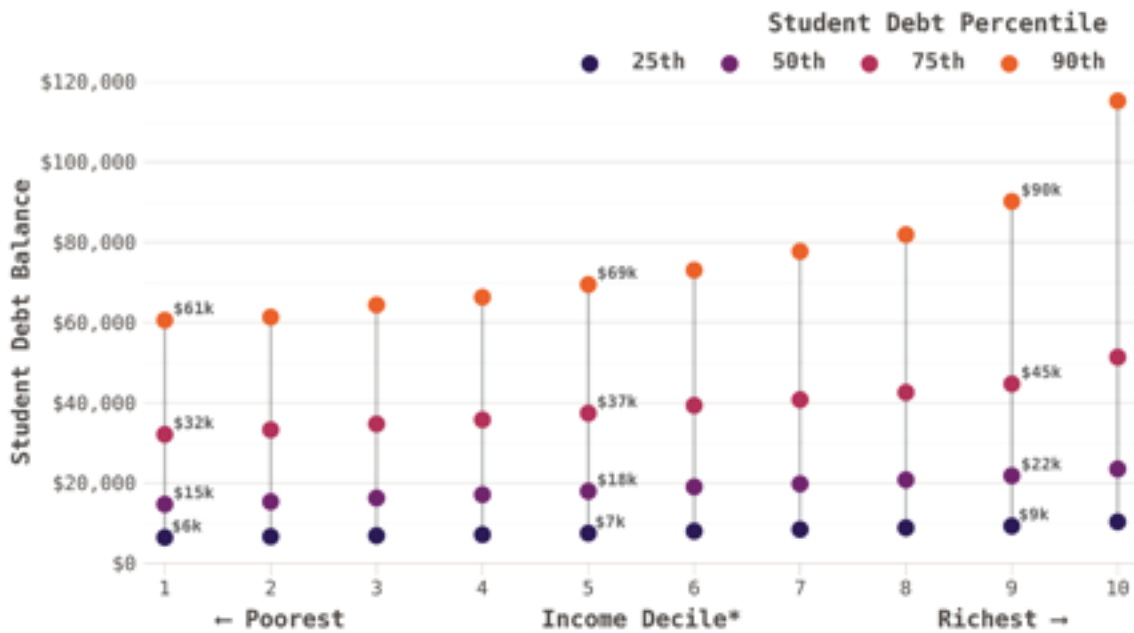
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CHANGES IN STUDENT DEBT AND CENSUS TRACT INCOME, 2009–2021



*Median Income is at the Census Tract level using the 2010, 2015, and 2020 5-year ACS median income estimates.
 Source: Experian Information Solutions, Inc.; ACS 5-year estimates: 2010, 2015, 2020.
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DISTRIBUTION OF STUDENT DEBT BY CENSUS TRACT INCOME DECILES, 2021



*Income is at the Census Tract level using the 2020 5-year ACS median income estimates.
 Source: Experian Information Solutions, Inc.; ACS 5-year estimates.
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