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NATIONAL
RACIAL EQUITY INITIATIVE
FOR **SOCIAL JUSTICE**

CENTER FOR POLICY ANALYSIS AND RESEARCH

Economic Opportunity

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Appeal for Administrative Action:

Canceling Student Loan Debt for Historically Black College and University Alumni¹

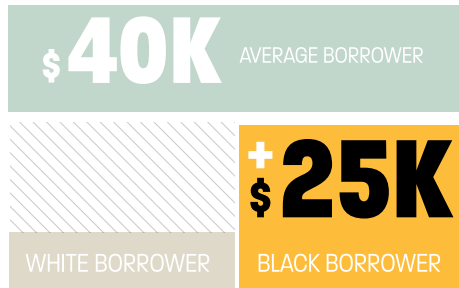
Introduction

During the 2020 election, then candidate Joe Biden promised to forgive \$10,000 of student loan debt. When outlining his plan to “save the economy,” his 2020 campaign website stated that he would “Forgive a minimum of \$10,000 per person of federal student loans, as proposed by Senator Warren and colleagues. Young people and other student debt holders bore the brunt of the last crisis. It shouldn’t happen again.”² President Biden continued to echo his platform statement, referencing the heightened economic crisis during the COVID-19 pandemic. After winning the election President Biden added “It’s holding people up. They’re in real trouble. They’re having to make choices between paying their student loan and paying the rent— those kinds of decisions. It should be done immediately.”³ Student loan holders who want to see this promise actualized agree that student debt is an urgent issue and instead request that forgiveness be increased to \$50,000. The Biden Administration has yet to fulfill this commitment.

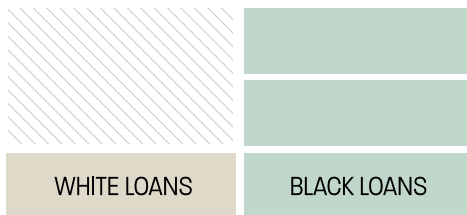
Student loan debt has emerged as the second largest component of United States household debt following home mortgages.⁴ Today, recent graduates are paying back lofty student debt hindering their ability to purchase homes, accept lower paying public sector and nonprofit jobs or save towards financial success. Policymakers must prioritize student debt cancellation, particularly for Historically Black College and University (HBCU) borrowers, to alleviate the impact of high intergenerational financial costs.



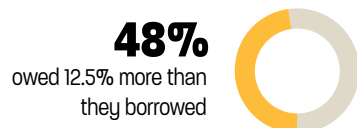
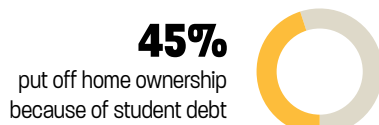
Why Student Loan Debt Cancellation Matters



The Black-white disparity in loans triple after graduation.



Among Black borrowers



Black alumni endure the most negative impacts of student loan debt. While the average borrower owes almost \$40,000 in debt, Black borrowers owe an average of \$25,000 more than white borrowers.⁵ The median Black household earns \$45,000 compared to \$76,000 for white households;⁶ therefore, many Black borrowers would owe more than they earn in a year. This income disparity results in Black borrowers paying a greater percentage of their income to student loans. A 2016 Brookings Institution study found that the Black-white disparity in loans triple after graduation starting at \$7,400 more for Black students.⁷

The short-term income disparity leads to long-term financial gaps between Black and white borrowers. Among Black borrowers, 45% reported putting off homeownership because of student debt, 29% paid more than \$350 per month in loan payments and 48% owed 12.5% more than they borrowed.⁸ These factors significantly contribute to the racial wealth gap, especially with homeownership as a leading driver of wealth and Black families almost half as likely to own a home as whites.⁹ A 2020 Roosevelt Institute study found that canceling up to \$50,000 in student loan debt would result in a 40% increase in Black wealth.¹⁰ High debt causes more Black families to divert funds to monthly repayments instead of wealth generating investments.

The Importance of Focusing on HBCU Students

Though Black alumni experience significant disadvantages from student loans, a specific sector of Black alumni experience even more severe consequences—HBCU alumni. The United Negro College Fund found that HBCUs enroll more students from economically disadvantaged homes with populations that are 84% Black, 71% Pell Grant recipients, and 41% first-generation college students. Therefore, these students often borrow more to cover cost and attendance. Eighty percent of HBCU students borrow from the federal government compared to 55% of students from non HBCU's.¹¹

Prioritizing HBCU alumni student loan forgiveness not only focuses on a demographic with high need but serves as an investment in closing the racial wealth gap with a Black population ripe for socioeconomic mobility. HBCU graduates are equipped for skilled work to increase long-term wealth; 20% of all Black graduates and 25% of all Black stem graduates come from HBCUs even though there are only 106 (3% of all colleges and universities) in the country.¹² HBCU alumni also report high preparedness for work which contributes to income attainment. According to a 2015 Gallup poll, HBCU students are 10% more likely to have an internship and twice as likely as non-HBCU students to report their professors caring about them and having a mentor.¹³



A Promise Deferred

In efforts to move closer to the campaign promise of student loan forgiveness, the Biden Administration forgave \$11 billion in debt for borrowers from specific demographics including students from now defunct schools,¹⁴ people with total and permanent disability¹⁵ and certain public service workers.¹⁶ The Administration chose these groups due to predatory lending practices at their institutions and a focus on groups who may have been eligible for forgiveness if not for administrative barriers such as cumbersome paperwork or confusing guidelines. Substantial barriers also exist for Black students, especially from HBCUs; therefore, President Biden should use that same power to forgive student loan debt for students from HBCUs.

Under Section 432 A (6) the Biden Administration has the executive power to cancel student loan debt. The Act provides the Secretary of Education to “enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption.”¹⁷ Executive Action is an appropriate and needed solution as congressional action has stalled. Of the 35 student loan relief bills introduced in the 117th Congress, none have seen legislative movement.¹⁸ States have also intervened with the introduction of ¹⁹ student loan debt forgiveness bills. Still, with Congress’ inaction and states’ lack of federal power, the duty lies with the executive branch.

Policy Recommendations

Lawmakers should institute a medley of the following policy recommendations to facilitate forgiveness:

- President Biden must forgive \$50,000 in student loans via executive order, prioritizing HBCU alumni.
- Congress must pass legislation to create solutions for college affordability.

The data exposes a demonstrated need to eliminate student loan debt for the economic prosperity of the Black community—especially HBCU alumni. Student loan debt continues to prevent long-term wealth attainment and furthers the racial wealth gap; President Biden should commit to his campaign promise, so that HBCU students may aspire toward a more financially prosperous future.

ENDNOTES

- 1 Alumni refers to students who have matriculated from an institution. Students do not have to be graduates to be considered alumni. Source: "What Does Alumni Mean?" (2019, May 6). *University of Oxford*. [https://uni-of-oxford.custhelp.com/app/answers/detail/a_id/1171/~what-does-alumni-mean%3F#:~:text=An%20alumnus%20\(masculine%2C%20plural%20alumni,the%20educational%20institution%20in%20question](https://uni-of-oxford.custhelp.com/app/answers/detail/a_id/1171/~what-does-alumni-mean%3F#:~:text=An%20alumnus%20(masculine%2C%20plural%20alumni,the%20educational%20institution%20in%20question)
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- 3 Turner, C. (2021, December 7). "Biden Pledged to Forgive \$10,000 in Student Loan Debt. Here's What He's Done So Far." *Georgia Public Broadcasting*. <https://www.gpb.org/news/2021/12/07/biden-pledged-forgive-10000-in-student-loan-debt-heres-what-hes-done-so-far>
- 4 Federal Reserve Bank of New York. (2021, November). Household Debt and Credit Report-Q3 2021. *Federal Reserve Bank of New York*. <https://www.newyorkfed.org/microeconomics/hhdc.html>
- 5 Hanson, M. (2021, December 12). Student Loan Debt by Race. *Education Data Initiative*. <https://educationdata.org/student-loan-debt-by-race>
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- 9 United State Census Bureau. (2021, March 9). Quarterly Home ownership Rates by Race and Ethnicity of Householder for the United States 1994-2020. *United States Census Bureau*. <https://www.census.gov/housing/hvs/data/charts/fig08.pdf>
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- 12 Lomax, M. (2015, December 14). Six Reasons HBCUs Are More Important Than Ever. *United Negro College Fund*. <https://uncf.org/the-latest/6-reasons-hbcus-are-more-important-than-ever>
- 13 Minority College Graduates Report (2015). *Gallup*. https://hbcufirst.com/Portals/20/Research/USA_Funds_Minority_Report_GALLUP.pdf
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- 19 Student Loan Bill Tracking Database. (2022). *National Conference of State Legislatures*. Retrieved January 13, 2022 through <https://app.powerbi.com/view?r=eyJrjoiMzcwY2RlMDgtOTUwNi00ZjU3LWl5YtAtNDU5N2NlYWQ5YTc1liwidCI6IjM4MmZiOGIwLTRkYzZtNDUwNjU0MGJkLTU0OTVlMjZlMmZhZSIsimMiOiJZ9>

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