

National Survey Finds Strong Support Among Black Borrowers for Cancellation, Increasing Pell Grant Amount, More Funding for HBCUs, and More

November 2021

The \$1.7 trillion student debt crisis impacts over 44 million families nationwide, and the burden of student loans falls particularly heavily on Black students because of historical and ongoing systemic racism.¹ While Black families themselves typically have less wealth to draw upon to pay for college due to the racial wealth gap, Historically Black Colleges and Universities (HBCUs) have also been underfunded throughout their histories, compounding the difficulties for HBCU students who face financial challenges at both the familial and institutional levels.² These challenges often result in higher student debt burdens for students who attend HBCUs and relative difficulty in repayment for graduates. But federal investment can intervene and help Black students and borrowers succeed and thrive.

This memo presents five policy recommendations that will help Black students and borrowers build wealth through education. These policies are all supported by over four in five Black students—including both Black students affiliated with HBCUs and those affiliated with predominately white institutions (PWIs).³ Recommendations include across-the-board student debt cancellation; increasing federal funding for HBCUs; increasing the amount of the Pell Grant; improving the income-driven repayment programs; and reducing interest, ending interest capitalization, and eliminating origination fees on federal student loans.

¹ Center for Responsible Lending, UnidosUS, the National Association for the Advancement of Colored People, the National Urban League, and the Leadership Conference Education Fund. September 2019. *Quicksand: Borrowers of Color and the Student Debt Crisis*. Available at <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crlquicksand-student-debt-crisis-jul2019.pdf>.

² Harris, A. 2021. *The State Must Provide: Why America's Colleges Have Always Been Unequal—and How to Set Them Right*. New York: Ecco Press.

³ This memo is part of a project that includes a survey and focus groups that compare the financial experiences of current and former Black students at Historically Black Colleges and Universities (HBCUs) with their Black peers at predominately white institutions (PWIs) as well as with their white peers. The survey was completed by the African American Research Collaborative for UNCF, the Center for Responsible Lending, and the Center for Community Capital at the University of North Carolina at Chapel Hill. Key takeaways are detailed in a topline memo, and include information related to food insecurity (many current student borrowers report skipping meals because there wasn't enough money for food), family resource sharing (many Black borrowers typically both receive and provide financial support from and to their families), differences based on the sex of the student borrower (Black women typically receive less from family, take on more student loan debt, and have more difficulty in repayment than their male peers), and strong support for policy solutions such as student debt cancellation.

1. Administrative, Across-the-Board Student Debt Cancellation of \$50,000

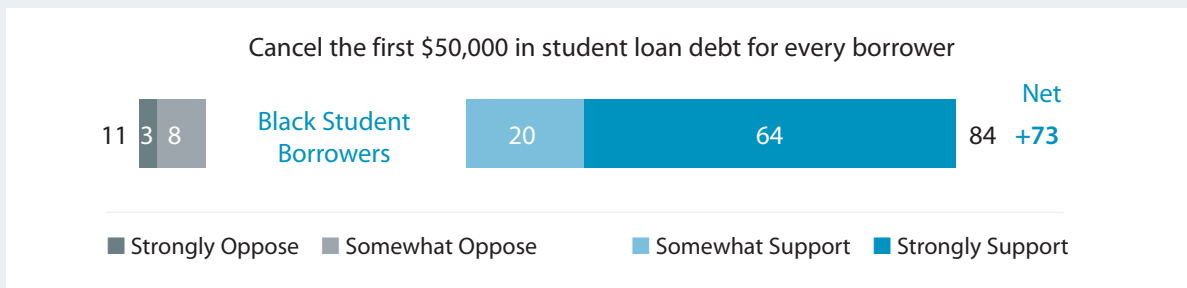
Student debt cancellation has the potential to increase the net wealth of Black households and could even help reduce the racial wealth gap.⁴ Research shows that student debt cancellation catalyzes drastic, positive changes for borrowers, particularly for those not current on their loans. When a borrower's student debt is cancelled, their ability to pay down other debts increases; their geographic mobility and ability to stay in rural communities improve, as do their opportunities to pursue better jobs. Cancelling student debt would jumpstart small business formation at a time when tens of thousands of small businesses have closed.⁵ Student debt cancellation would boost GDP, create jobs, and reduce unemployment.⁶



More than four in five (84%) of Black borrowers support across-the-board cancellation of \$50,000 in student loan debt.

The Higher Education Act gives the president authority to compromise or modify student loans, and both Presidents Trump and Biden have already used this authority to waive interest during the COVID-19 student loan payment pause.⁷ Any targeting based on income ignores a long history of the racial wealth gap, which persists at all income levels.⁸ Thus, broad universal debt cancellation should be provided for all federal student loan borrowers (including PLUS borrowers), with a guaranteed minimum of \$50,000 to ensure that the benefits of cancellation reach the lowest income and most vulnerable borrowers.

Figure 1: More than four in five (84%) Black student loan borrowers support cancellation of \$50,000 in student loan debt for every borrower



Source: African American Research Collaborative (AARC) 2021 survey, with the United Negro College Fund, the Center for Responsible Lending, and the University of North Carolina's Center for Community Capital. Numbers may not sum to 100% due to rounding, and 4% of respondents to this question answered "Not sure."

⁴ Charron-Chenier, R.; Shapiro, T.; Seamster, L.; & Sullivan, L. 2019, April 18. *Letter to Senator Warren on Debt Cancellation and the Racial Wealth Gap*. Available at <https://www.warren.senate.gov/imo/media/doc/Experts-Letter-to-Senator-Warren-.pdf>.

⁵ COVID business closures.

⁶ Center for Responsible Lending et al., September 2019.

⁷ Connor, E.; Loonin, D.; & Merrill, T. 2020, January 13. "Letter to Senator Elizabeth Warren on Administrative Debt Cancellation." *Legal Services Center of Harvard Law School*. Available at https://assets.ctfassets.net/4ubxbgy9463z/2uD5wivUoQ0z2do0dtxMP4/26e1c137389de86cbce575e68c6f908b/Ltr_to_Warren_re_admin_debt_cancellation.pdf.

⁸ Darity, W.; Hamilton, D.; Paul, M.; Aja, A.; Price, A.; Moore, A.; & Chiopris, C. April 2018. "What We Get Wrong About Closing the Racial Wealth Gap." *Samuel DuBois Cook Center on Social Equity*. Available at <https://socialequity.duke.edu/wp-content/uploads/2020/01/what-we-get-wrong.pdf>.

2. Increase Funding for Public & Private HBCUs

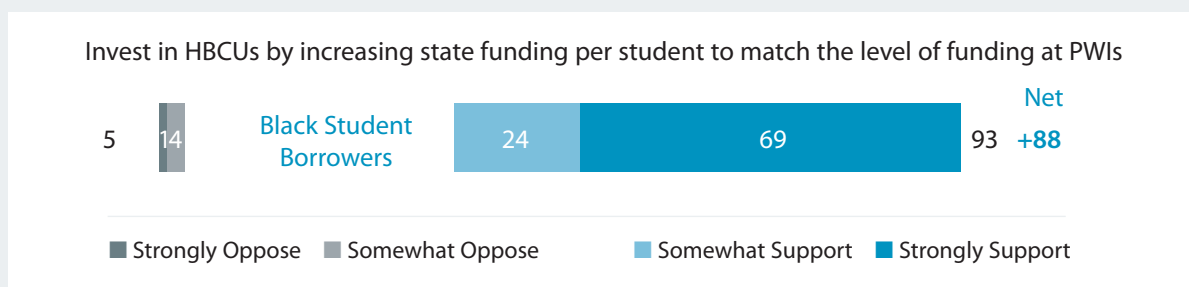
The racial wealth gap persists at the institutional level, and HBCUs have been underfunded throughout their histories. As Adam Harris writes in his 2021 book, *The State Must Provide: Why America's Colleges Have Always Been Unequal—And How to Set Them Right*: “America’s colleges and universities have a dirty open secret: they have never given Black people an equal chance to succeed.”⁹ Given these systemic challenges and the small average size of HBCUs, these institutions have an impact that is significantly greater than one would expect; they perform a critical function for Black students.¹⁰ Nationally, HBCUs annually generate more than 130,000 jobs and almost \$15 billion in total economic impact for their local and regional economies.¹¹ Even more, despite representing only 3% of the nation’s colleges and universities, HBCUs enroll almost 10% of all Black undergraduate students and award 17% of all bachelor’s degrees received by Black students in the science, technology, engineering, and mathematics (STEM) fields.¹²



Financial support for capital improvements and other overdue infrastructure needs at HBCUs must be prioritized at every opportunity.

The government must invest in public and private HBCUs on both the state and federal levels. At the state level, legislatures must, at the very least, invest in HBCUs by increasing state funding per student to match the level of funding at PWIs. At the federal level, financial support for capital improvements and other overdue infrastructure needs must be prioritized at every opportunity. Furthermore, budget allocations must be increased to support research and student services at both public and private HBCUs.

Figure 2: More than nine in ten (93%) Black student loan borrowers support increasing the level of state funding for HBCUs to match funding for predominately white institutions (PWIs)



Source: African American Research Collaborative (AARC) 2021 survey, with the United Negro College Fund, the Center for Responsible Lending, and the University of North Carolina’s Center for Community Capital. Numbers may not sum to 100% due to rounding, and 2% of respondents to this question answered “Not sure.”

⁹ Harris, A. 2021. *The State Must Provide: Why America’s Colleges Have Always Been Unequal—And How to Set Them Right*. New York: HarperCollins Publishers.

¹⁰ Saunders, K.M, & Nagle, B.T. 2018. “HBCUs Punching Above Their Weight: A State-Level Analysis of Historically Black College and University Enrollment and Graduation.” *UNCF Frederick D. Patterson Research Institute*. Available at https://cdn.uncf.org/wp-content/uploads/PATW_Report_FINAL0919.pdf?_ga=2.34149985.1335804545.1624899151-1816928044.1624399217

¹¹ Ibid.

¹² Ibid.

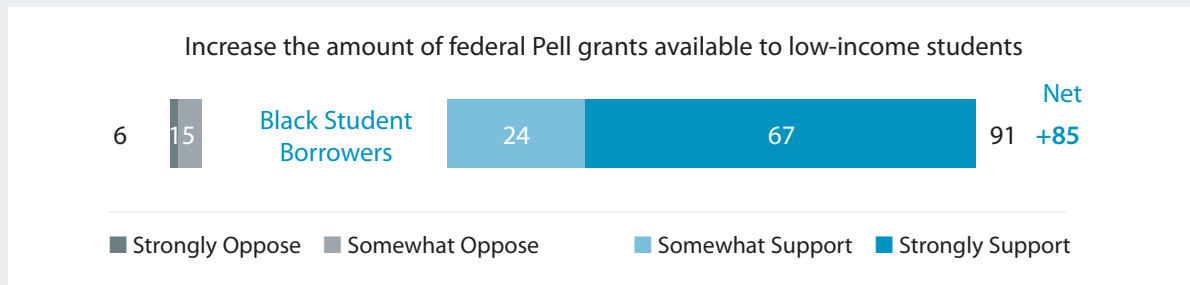
3. Double the Pell Grant

Historically, students have benefited from public investment in higher education through the Pell Grant, but over the past several decades, funding has dramatically declined at both the state and federal levels, resulting in higher tuition and smaller budgets for student services.¹³ During this time, the purchasing power of the Pell Grant has not kept up with the rising cost of college and steady inflation. Thus, the Pell Grant no longer covers the cost of college for students from low-income families, and students who benefit from the Pell Grant take on student debt more often than their peers from higher-income backgrounds.



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Figure 3: More than nine in ten (91%) Black student loan borrowers support increasing the amount of the federal Pell Grant



Source: African American Research Collaborative (AARC) 2021 survey, with the United Negro College Fund, the Center for Responsible Lending, and the University of North Carolina's Center for Community Capital. Numbers may not sum to 100% due to rounding, and 2% of respondents to this question answered "Not sure."

¹³ Center for Responsible Lending et al., September 2019.

4. Improve, Simplify, and Automate Income-Driven Repayment (IDR)

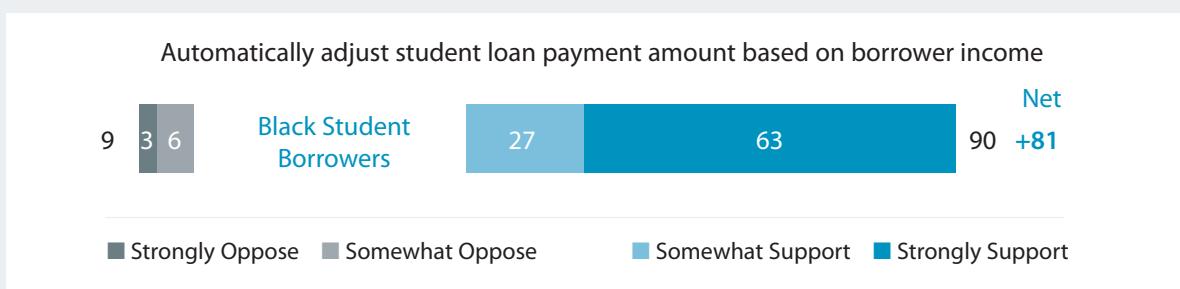
Income-driven repayment (IDR) plans must be improved, simplified, and automated. IDR is meant to help borrowers successfully navigate repayment by keeping payments affordable. However, the burdensome processes to get and stay enrolled in IDR, servicer error, and the sheer complexity of the system often make repayment anything but easy. Furthermore, certain types of loans, such as Parent PLUS loans, are not eligible for most IDR plans.¹⁴ Currently, there are a variety of IDR plans with different structures and eligibility requirements. Monthly payments can be capped anywhere between 10% to 20% of discretionary income depending on the plan.¹⁵ Unneeded complexity makes these programs notoriously difficult to navigate for borrowers, and the application process requires borrowers (and servicers) to understand and evaluate the many IDR options, submit documentation, and re-enroll on an annual basis.¹⁶ On top of all that, there is also ample documentation indicating that servicers have consistently engaged in a variety of abusive practices and that servicers make many errors that have long-term negative consequences for borrowers.¹⁷



The burdensome processes to get and stay enrolled in IDR, servicer error, and the sheer complexity of the system often make repayment anything but easy.

The Department of Education (ED) must simplify the income-driven repayment program and automatically adjust borrower payments according to income. Moving forward, all existing IDR plans should be replaced with one simplified plan, and all federal student loans (including Parent PLUS loans) should be eligible for IDR participation.¹⁸ Importantly, moving borrowers into a new and improved repayment plan should not restart the clock for Public Service Loan Forgiveness (PSLF) or other forgiveness programs that rely on borrowers having made a certain number of qualifying payments.

Figure 4: Nine in ten (90%) Black student loan borrowers support automatically adjusting student loan payment amounts based on borrower income



Source: African American Research Collaborative (AARC) 2021 survey, with the United Negro College Fund, the Center for Responsible Lending, and the University of North Carolina's Center for Community Capital. Numbers may not sum to 100% due to rounding, and 3% of respondents to this question answered "Not sure."

¹⁴ Parent PLUS borrowers can consolidate their loans into Direct Consolidation Loans to access the income-contingent repayment (ICR) plan, but many borrowers do not know about this option or have been prevented from accessing this option due to servicer error.

¹⁵ United States Office of Federal Student Aid. October 2020. *Repayment Plans*. Available at <https://studentaid.gov/manageloans/repayment/plans>.

¹⁶ National Consumer Law Center. September 2019. *Testimony of Persis SiChing Yu Before the United States House Committee on Financial Services: A \$1.5 Trillion Crisis: Protecting Student Borrowers and Holding Student Loan Servicers Accountable*. Available at <https://financialservices.house.gov/uploadedfiles/hrg-116-ba00-wstate-yup-20190910.pdf>.

¹⁷ Consumer Financial Protection Bureau. 2017, April 25. *CFPB Monthly Snapshot Spotlights Student Loan Complaints*. Available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-monthly-snapshot-spotlights-student-loan-complaints/>.

¹⁸ Center for Responsible Lending & the Student Loan Borrower Assistance Project of the National Consumer Law Center. November 2020. *Road to Relief: Supporting Federal Student Loan Borrowers During the COVID-19 Crisis and Beyond*. Available at <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/nclc-crl-road-to-relief-23nov2020.pdf>.

5. Reduce Interest Rates, End Interest Capitalization, & Eliminate Origination Fees

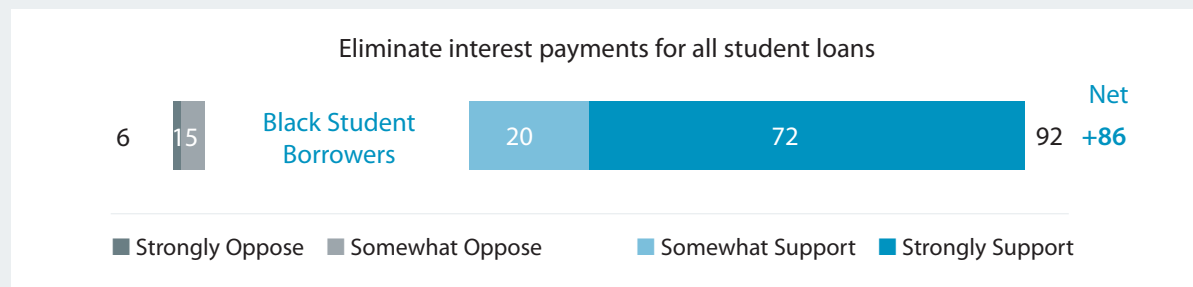
Due to a long history of structural racism and discrimination resulting in the racial wealth gap, the typical Black borrower still owes 95% of the original cumulative balance after 20 years in repayment.¹⁹ Balances can grow or stagnate for several reasons, including periods of economic hardship for the borrower, or due to interest accrual, capitalization, fees, negative amortization, and servicing errors.²⁰ Federal student loans have relatively high interest rates compared to other widespread consumer loan products such as mortgages. Interest capitalization occurs at many moments during the repayment process, including events such as switching repayment plans, failure to recertify enrollment in an IDR plan, exiting forbearance, defaulting, and even entering repayment for the first time. Recent data show that almost two out of three (63%) of borrowers enrolled in IDR plans with a particular loan servicer (Navient) who made payments during the COVID-19 pandemic were “underwater” on their loans, meaning they owe more than they originally borrowed. This research indicates that many borrowers struggle to make any progress paying down their student loans despite making payments.²¹



Due to a long history of structural racism and discrimination resulting in the racial wealth gap, the typical Black borrower still owes 95% of the original cumulative balance after 20 years in repayment.

To stop balances from snowballing, policymakers can eliminate origination fees and reduce interest rates for all loan types. Further, eliminating interest capitalization would limit balance growth for borrowers who experience periods of financial hardship.

Figure 5: More than nine in ten (92%) Black student loan borrowers support eliminating interest payments on federal student loans



Source: African American Research Collaborative (AARC) 2021 survey, with the United Negro College Fund, the Center for Responsible Lending, and the University of North Carolina’s Center for Community Capital. Numbers may not sum to 100% due to rounding, and 2% of respondents to this question answered “Not sure.”

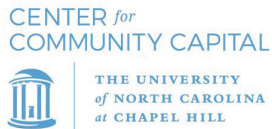
¹⁹ Sullivan, L., Meschede, T., Shapiro, T., & Escobar, F. September 2019. “Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap.” *Institute on Assets and Social Policy at Brandeis University*. Available at <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disruptinglifechances.pdf>.

²⁰ Interest capitalization is the addition of unpaid interest to the principal amount of the loan, thus increasing the amount of future interest that accrues; origination fees are upfront charges that are added to the amount borrowed; and negative amortization is a process by which a loan balance grows despite regular payments because the payments are too small to cover the interest that is accruing on the loans.

²¹ Center for Responsible Lending & the Student Loan Borrower Assistance Project of the National Consumer Law Center. August 2021. *Data Point: Almost Two in Three Navient Borrowers Making Payments During COVID-19 Federal Student Loan Payment Pause Are Underwater*. Available at <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nclc-datapoint-navient-aug2021.pdf>.



The **United Negro College Fund** mission is to build a robust and nationally-recognized pipeline of African American students who, because of UNCF support, become highly-qualified college graduates and to ensure that our network of 37 HBCUs is a respected model of best practice in moving students to and through college. UNCF served as the project lead.



The **Center for Community Capital** provides rigorous, multidisciplinary research on financial, social, and human capital that can advance knowledge, improve policy, inform practice, and create more equitable social and economic systems. CCC is part of the University of North Carolina at Chapel Hill's College of Arts and Sciences and an affiliate of the Center for Urban and Regional Studies.



The **Center for Responsible Lending** is committed to eliminating barriers to economic opportunity so that all Americans, regardless of race, ethnicity or economic circumstances, have a fair chance to build family wealth and secure economic stability for themselves and their communities in a fair and open financial services marketplace.



African American Research Collaborative (AARC) completes quantitative and qualitative research with a commitment to bringing an accurate understanding of African American civic engagement to the public discourse. This organization completed the survey portion of the project.



Hart Research Associates is one of the premiere research firms in the United States and has been at the cutting edge of change in public opinion since its founding in 1971. During that time, Hart Research has conducted well over 8,000 focus groups and has administered and analyzed interviews among nearly five million individuals. This organization was engaged to complete the Qualboard portion of the project.