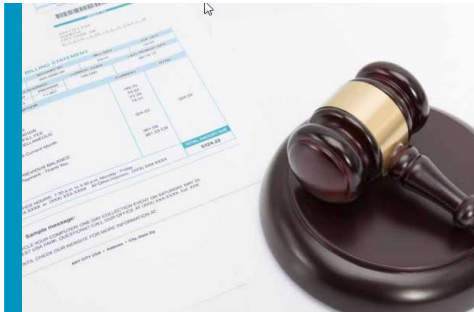




Dimensions of a Crisis:

North Carolina's Student Loan Debt



Across the country:

Dimensions of the student debt crisis

This information was prepared as part of an in-person presentation and, as such, may not include information that was discussed. Please contact the author with any questions.



Facts about the national student loan crisis

\$1.7 Trillion

In outstanding student loan debt; a 2.3x increase since 2008

44+M borrowers

Roughly one out of every five households

50% of loan debt

Held by young people under 35 years old

\$37,000 in debt

Average balance of debt held by recent graduates

Source: New York Fed Consumer Credit Panel/Equifax



Signs of distress among borrowers

40% of recent borrowers

Are projected to eventually default within 20 years of first enrollment

Little progress

For those that haven't defaulted in the first 5 years of repayment, less than half of all borrowers have paid down any principal, reflecting a large mismatch between debt levels and earnings.

Delinquency and default

Delinquency and default are exacerbated by a largely unregulated student loan servicing industry.

Source: New York Fed Consumer Credit Panel/Equifax



Disproportionate impact of student loans

1.4X as many young Black households have student debt as young white households.

About half of all Black borrowers with a BA owe more than they borrowed 4 years after graduation, compared to 23% of Latinos and 17% of whites.

2.5X as many Black borrowers default as white borrowers (12 years after enrollment); the comparable statistic for Latinos is 1.7X.

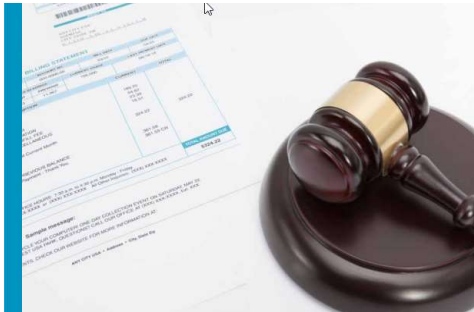


Disproportionate impact of student loans

2/3rds of outstanding student loan debt is held by women.

Borrowers over 60 experienced the sharpest increase in student loan debt between 2008 and 2018.

30% more rural borrowers are severely delinquent on their student loans than peers who relocate to metro areas.



North Carolina:

Dimensions of the student debt crisis

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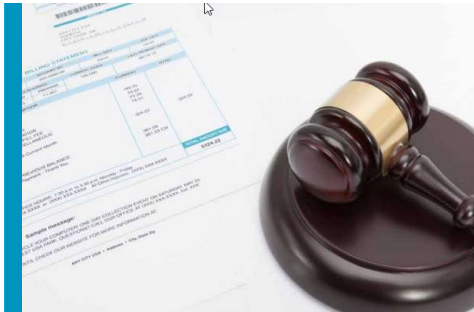
Student loan debt in North Carolina

1.2 million North Carolinians owe **\$44 billion** in student debt.

Since 2008 there has been a **286%** increase in the amount of student debt owed by North Carolinians.

Since 2005, the number of North Carolinians with student loan debt has **nearly doubled**

15.4% of North Carolina adults have student loan debt.



North Carolina:

Polling Results

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CENTER FOR RESPONSIBLE LENDING

North Carolina Student Loan Borrowers

SEPTEMBER 2020

 METHODOLOGY AND AUDIENCE DEFINITIONS

Methodology: *This poll was conducted between August 18-September 2, 2020 among a national sample of 500 NC Adults with Student Loans. The interviews were conducted online. Results from the full survey have a margin of error of plus or minus 4 percentage points.*



Borrowers: *Borrowers were excluded from the sample if they indicated that they were currently students. All other borrowers were included and, thus, the sample includes borrowers with \$0 payments, borrowers who were behind on their payments or in default, and borrowers who were making regular monthly payments.*

 KEY POINTS

- 1 NC student loan borrowers report that they struggle to make their payments (51%) and have reduced the amount they save for retirement (41%) and put off major purchases like a car (34%) or a home (27%) due to their student loan burdens.
- 2 Seventy-three percent of NC student loan borrowers report that their student loans cause them stress. Additionally, well over half of borrowers (59%) report they would have trouble paying for an unexpected expense or are already falling behind in their finances.
- 3 Almost one in four (24%) NC student loan borrowers is unaware of the current pause in payments. Further, more than two in five (41%) have had problems with their servicers that have resulted in lower credit and one in three borrowers (32%) report that their servicer did not tell them about income-drive repayment options.
- 4 Forty-five percent of NC student loan borrowers report a decrease in their household income since the onset of COVID-19, with the most severe impact hitting borrowers who earn less than \$50,000 per year (55% reporting a decrease).
- 5 Nearly 4 out of 5 (78%) NC student loan borrowers support requiring loan servicers to automatically adjust monthly student loan payments amounts based on income.
- 6 Two-thirds of NC borrowers, across the political spectrum, strongly support eliminating student loan interest on all federal loans (67%), extending monthly repayment relief (67%), and reducing student loan debt by \$20,000 for all borrowers (64%).

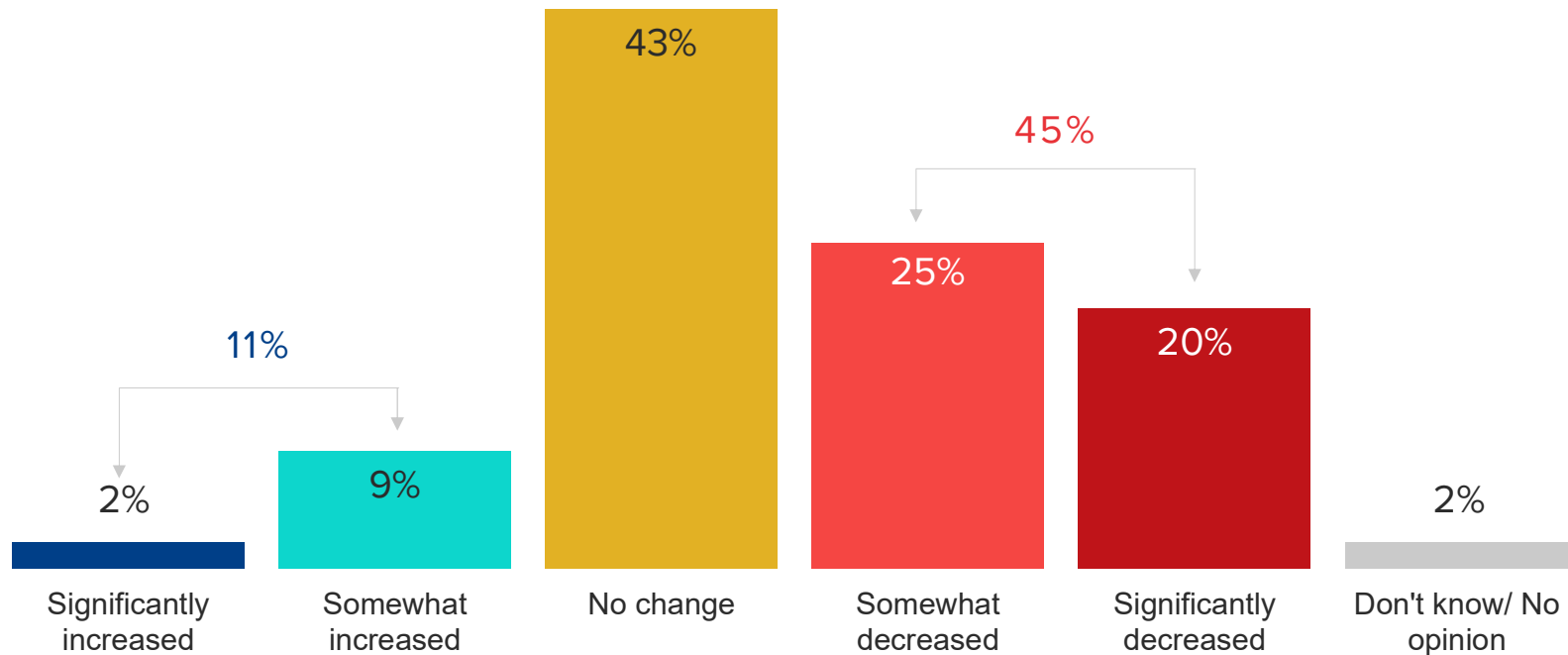
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COVID-19: IMPACT

Forty-five percent of NC student loan borrowers report a decrease in their household income since the onset of COVID-19.

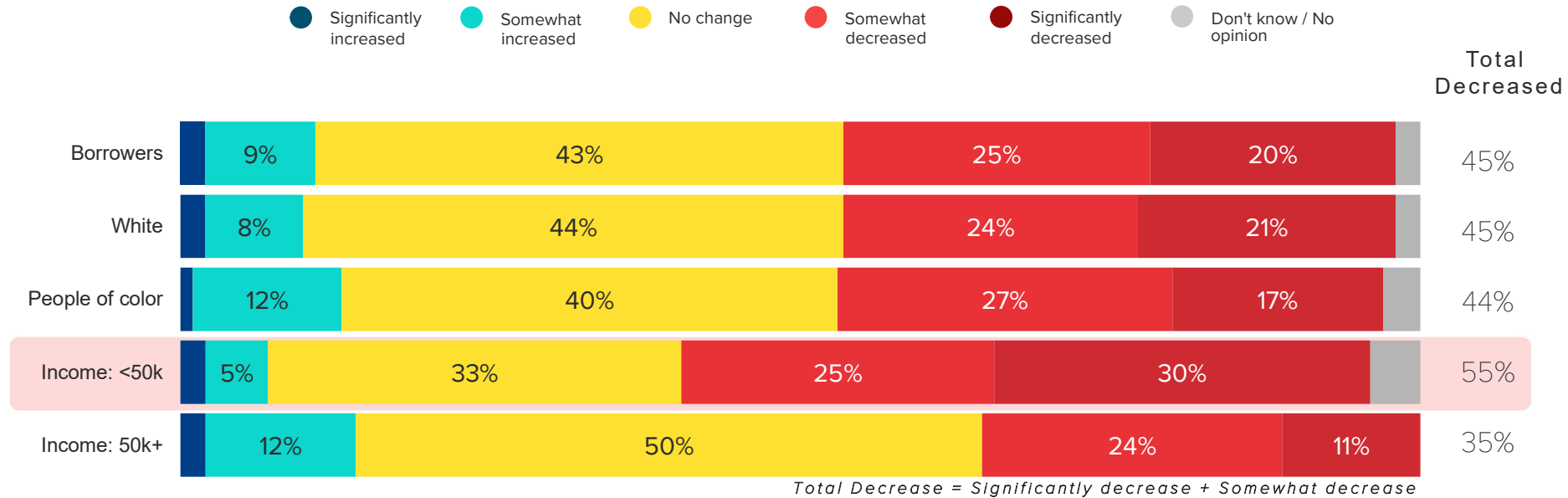
Thinking about the monthly income of your household, including everyone in your home, how much has your household income changed since the onset of the coronavirus (COVID-19) pandemic?



COVID-19: IMPACT

Lower-income borrowers report the highest level of decrease (55%) in income amidst COVID-19.

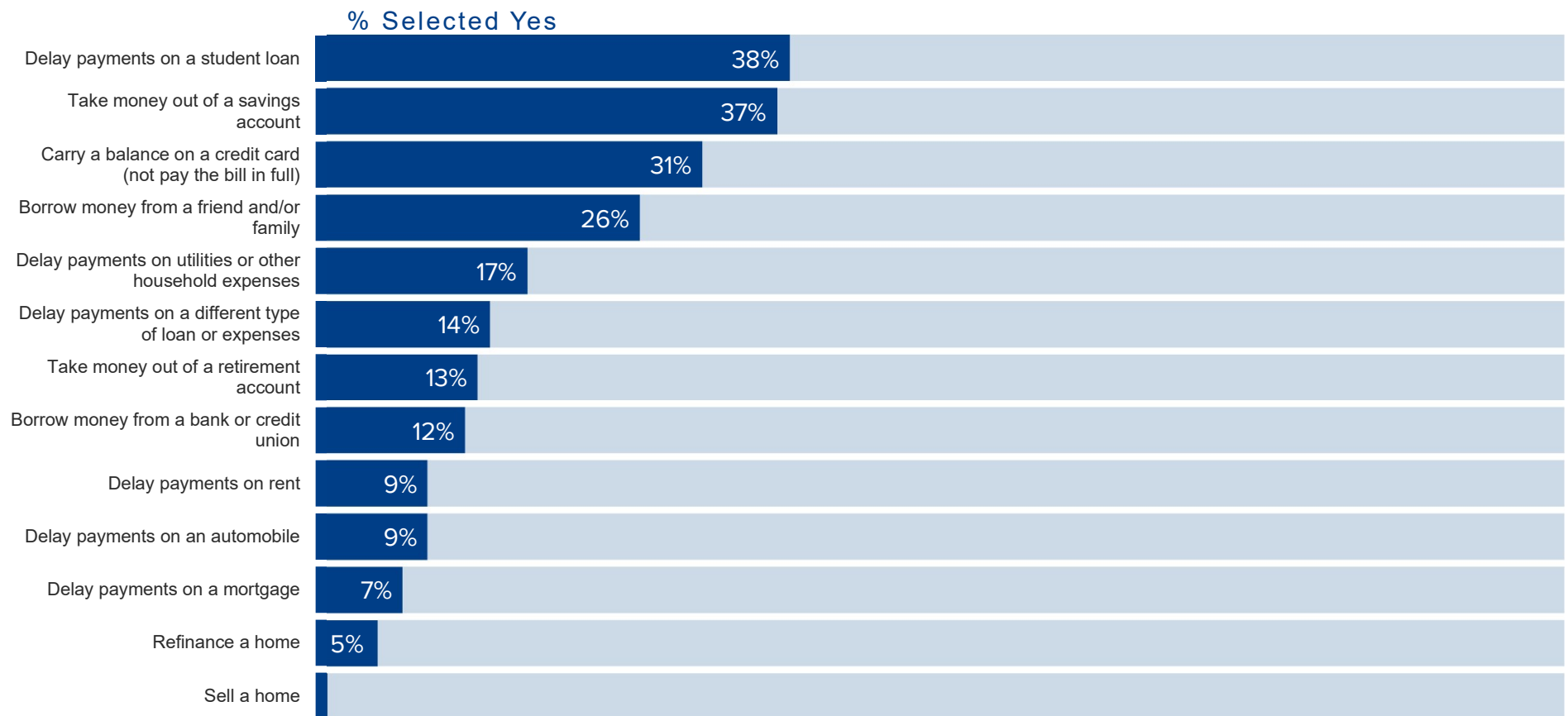
Thinking about the monthly income of your household, including everyone in your home, how much has your household income changed since the onset of the coronavirus (COVID-19) pandemic?



COVID-19: IMPACT

Common courses of action to manage expenses during COVID-19 include delaying student loan payments (38%), taking money out a savings account (37%) and carrying a balance on a credit card (31%).

Please indicate which of the following actions your household might take to manage expenses during the coronavirus outbreak?



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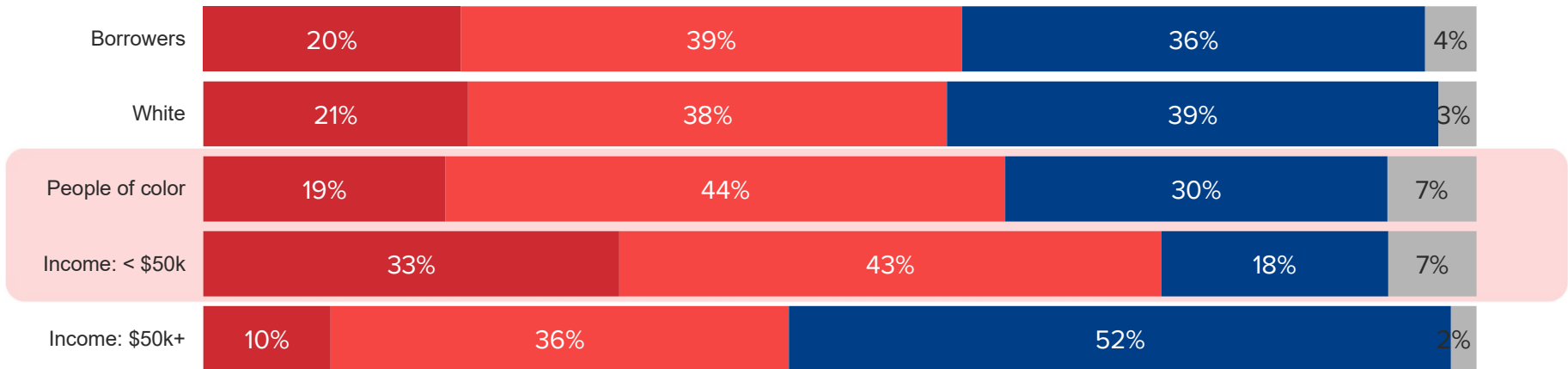
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BORROWERS ARE STRUGGLING TO KEEP UP

Borrowers of color and those making below \$50k are more likely than white borrowers and those earning more than \$50k to report they would have trouble with an unanticipated expense or are already falling behind in their finances.

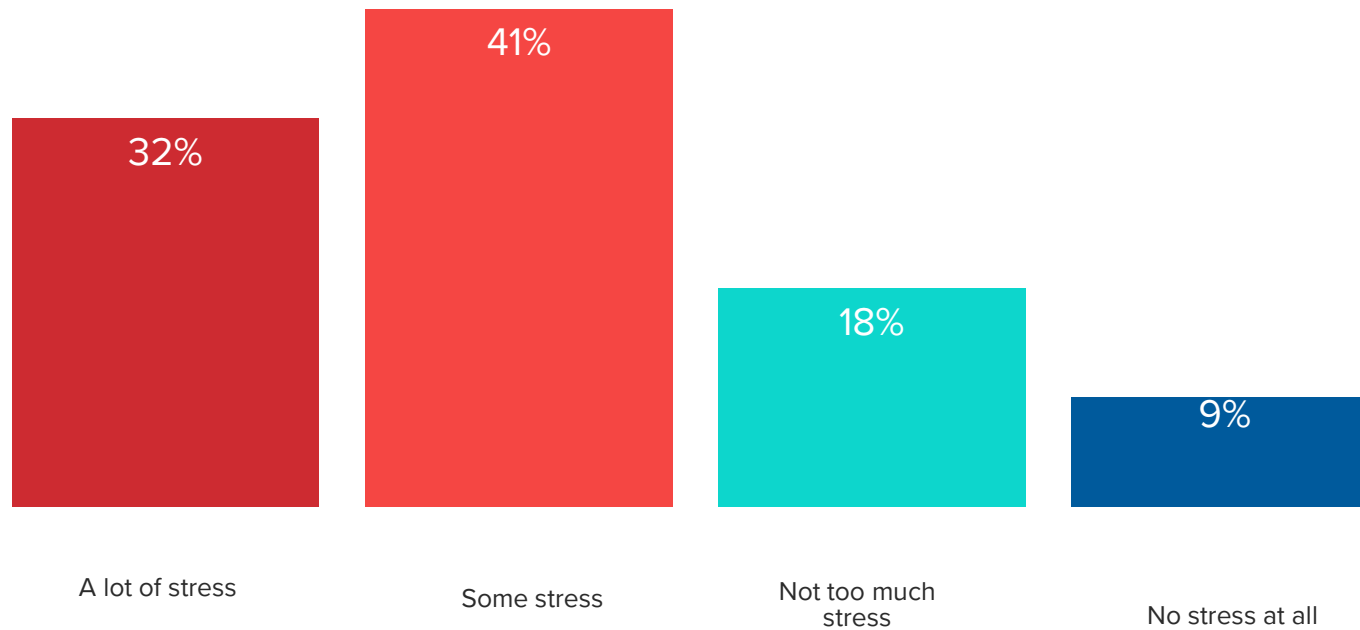
Which best describes how you feel about your finances?



BORROWERS ARE STRUGGLING TO KEEP UP

Three-quarters (73%) of borrowers report their student loans cause them stress.

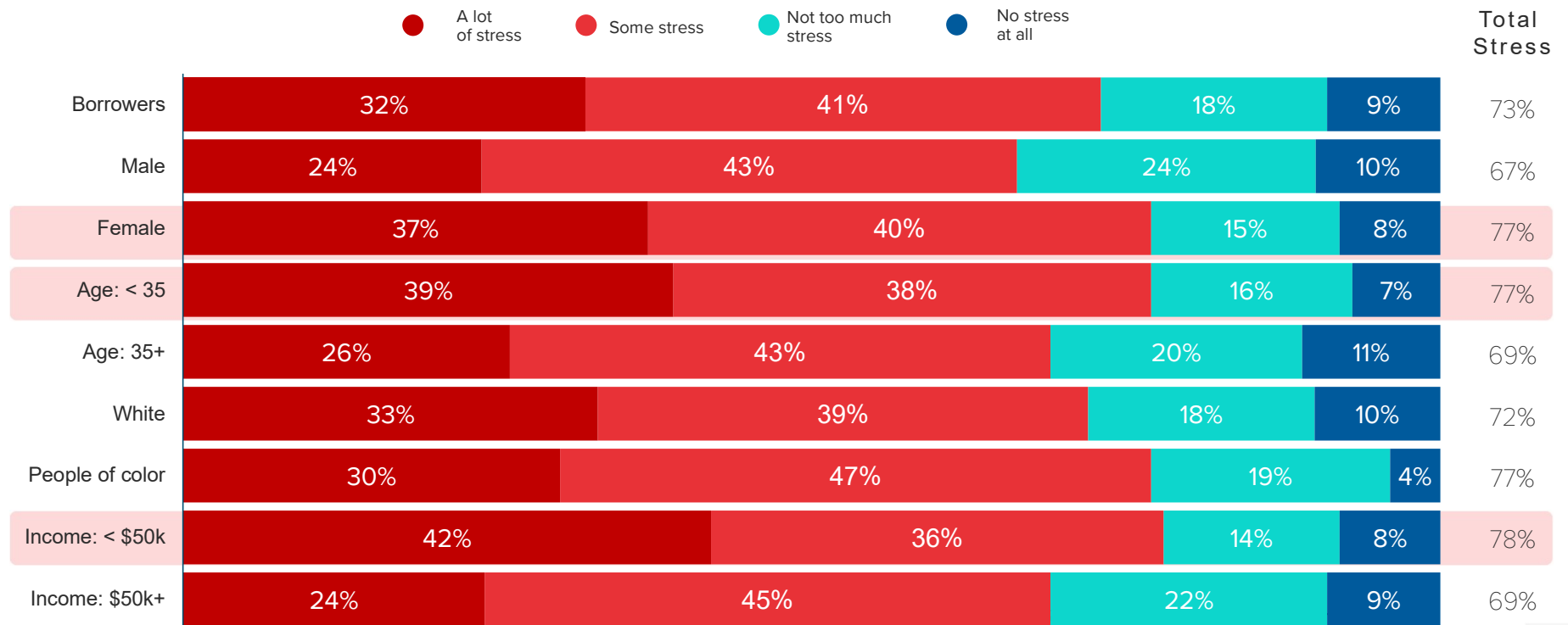
How much stress does the student debt you have cause you?



BORROWERS ARE STRUGGLING TO KEEP UP

Younger, lower-income, and female borrowers report the most intense level of stress.

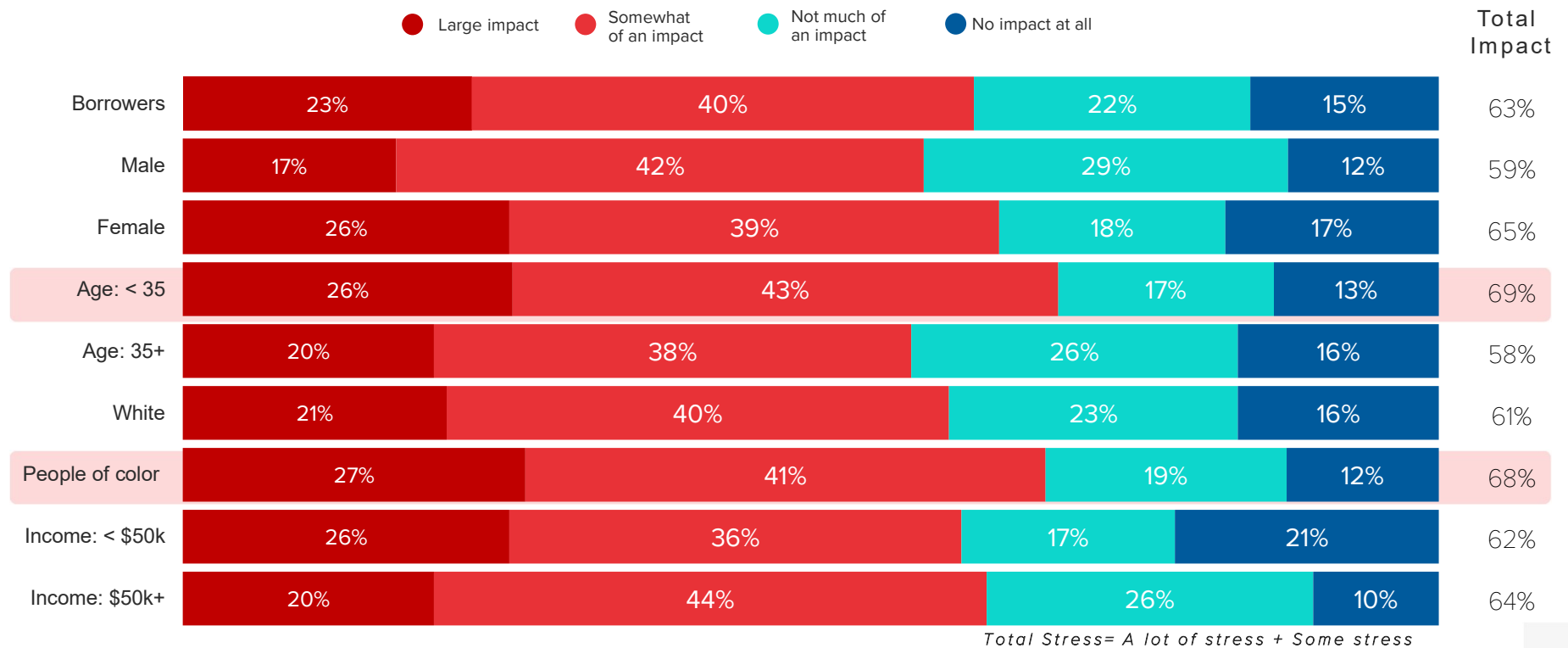
How much stress does the student debt you have cause you?



BORROWERS ARE STRUGGLING TO KEEP UP

Younger borrowers and borrowers of color report student loans have had the highest level of impact on their overall budgets.

How much of an impact, if at all, does your monthly student loan payments have on your overall budget?



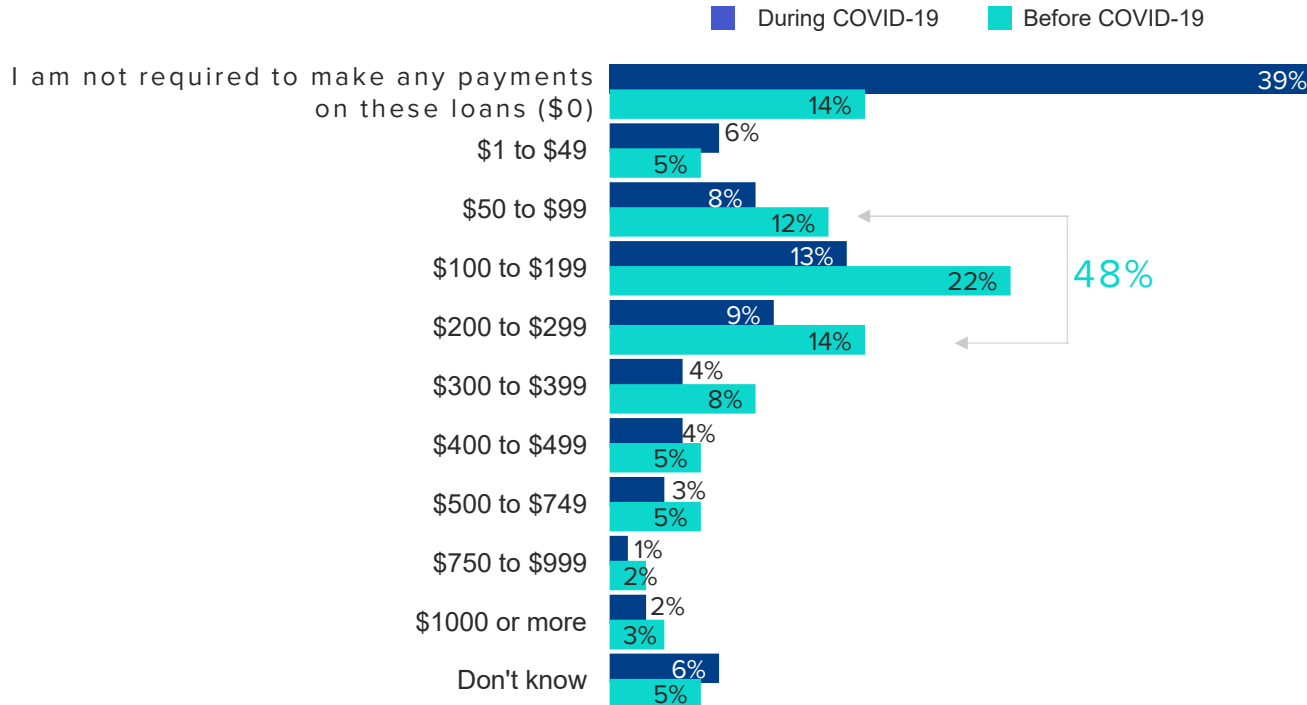
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SERVICERS NOT PROVIDING CRUCIAL INFORMATION

Thirty-nine percent of borrowers actively report they are not required to make payments on their student loans right now. However, in a pre-COVID environment, half of borrowers report paying somewhere between \$50 and \$299.

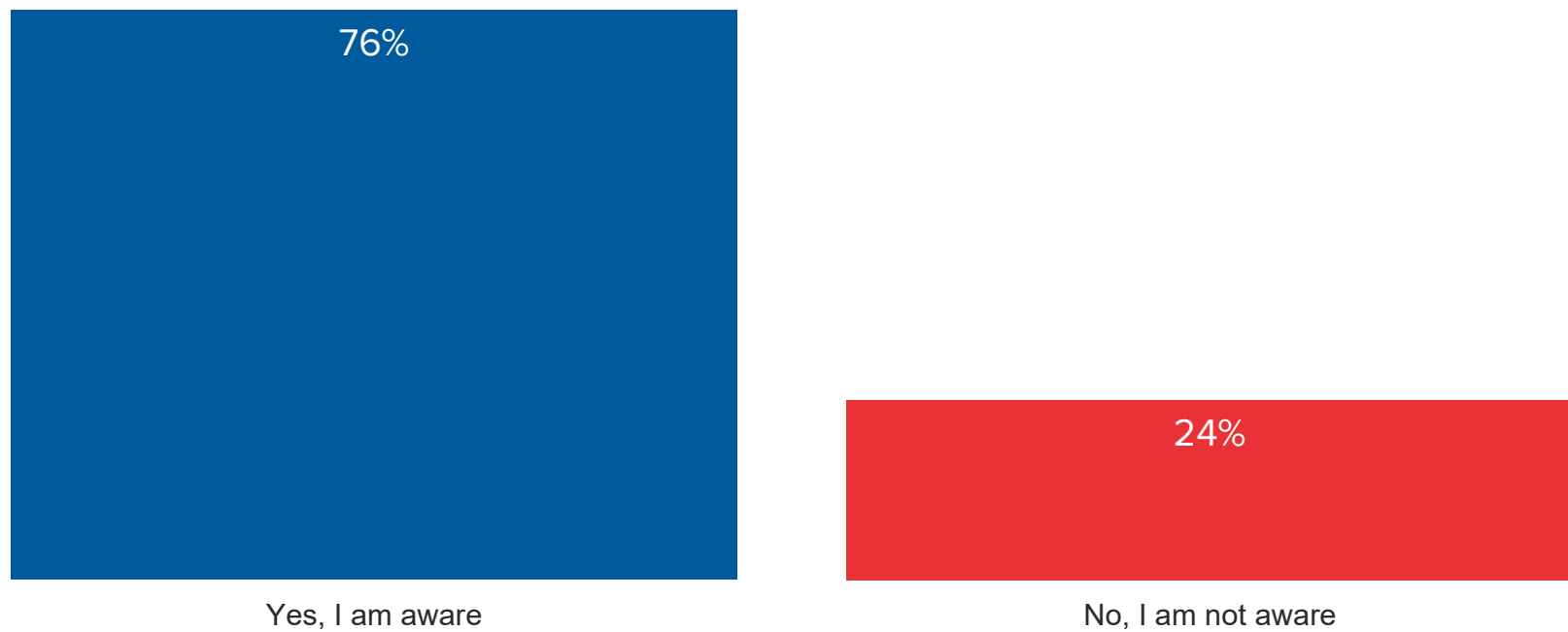
[Since] [Before] the coronavirus (COVID-19) pandemic approximately how much was the total monthly payment that you were required to make on the loans from your education?



SERVICERS NOT PROVIDING CRUCIAL INFORMATION

A quarter of NC borrowers (24%) are not aware of the current automatic payment pause on federal student loans.

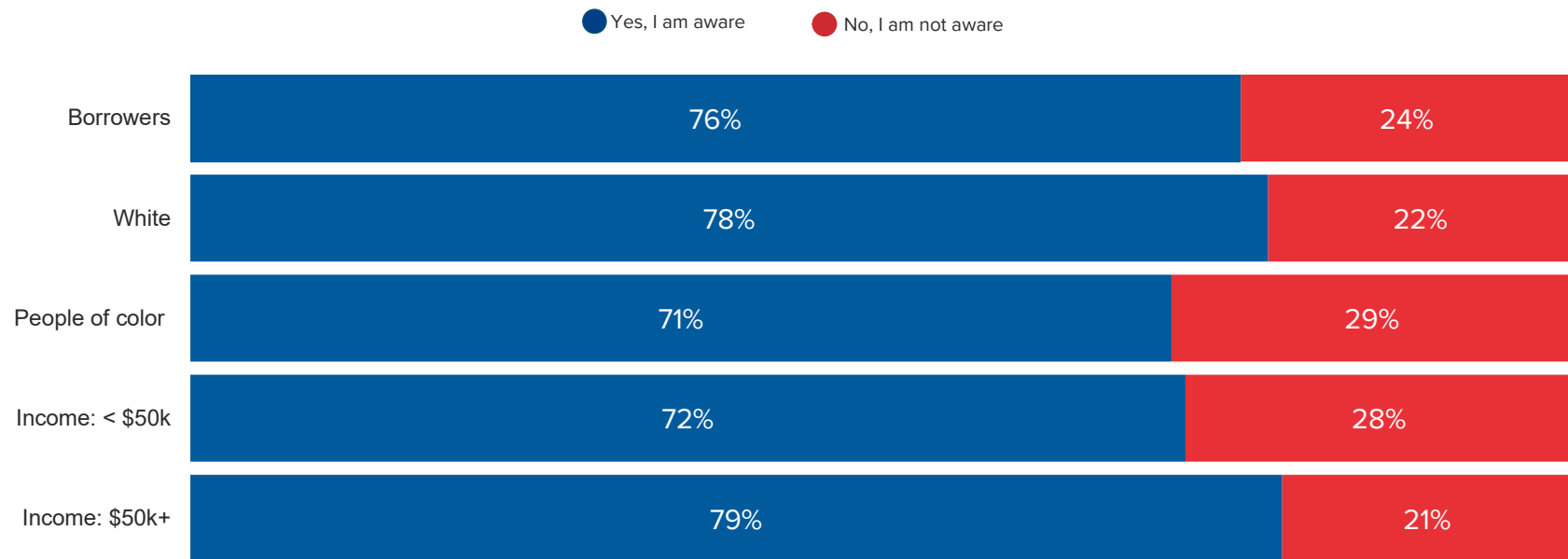
Are you aware that all federally held student loans have been automatically deferred with 0% interest, meaning that many borrowers do not currently have to make payments on these loans?



SERVICERS NOT PROVIDING CRUCIAL INFORMATION

Most borrowers across key demographics are aware their student loans have been automatically deferred with 0% interest. However, well over a quarter of borrowers of color and low-income borrowers were not aware.

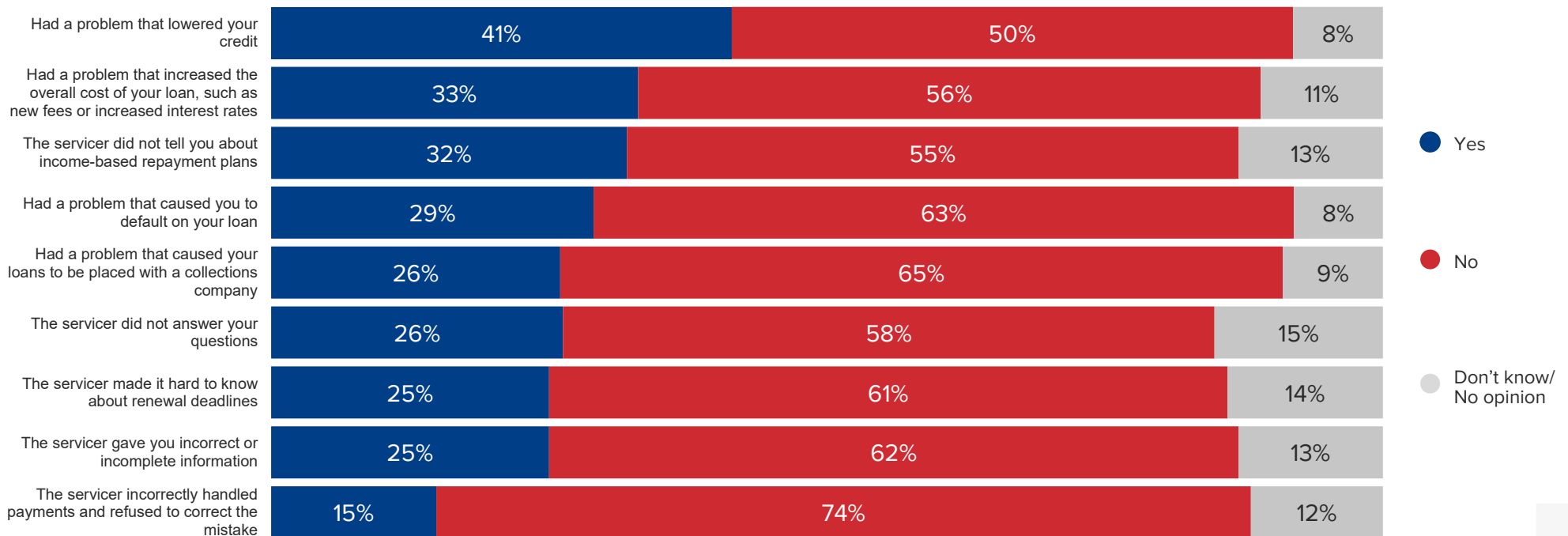
Are you aware that all federally held student loans have been automatically deferred with 0% interest, meaning that many borrowers do not currently have to make payments on these loans?



SERVICERS NOT PROVIDING CRUCIAL INFORMATION

Forty-one percent of borrowers report they've had a problem related to their student loan that lowered their credit. Additionally, a third (33%) report they have had a problem that increased the overall cost of their loan and that a servicer did not tell them about income-based repayment (32%).

Here is a list of situations some have had with their student loan payments. Has this problem ever happened in your experience with a student loan servicer?



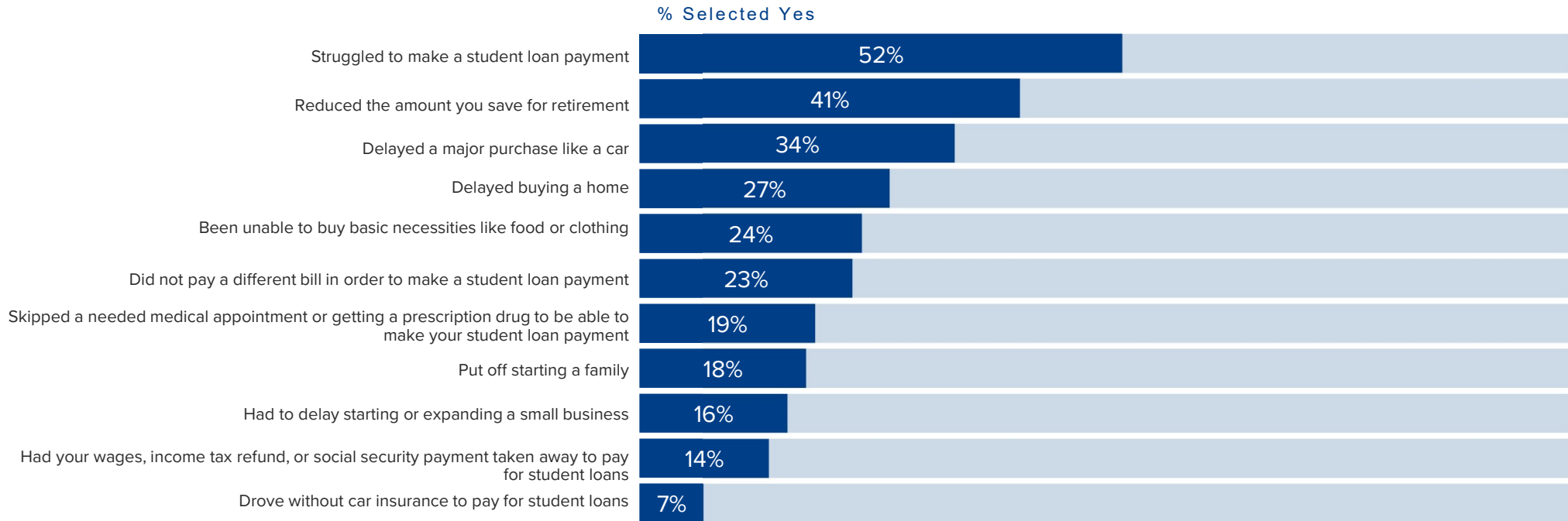
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MACROECONOMIC IMPACT

Among NC borrowers, 52% report struggling to make a student loan payment. And 41% report they have had to reduce the amount they save for retirement.

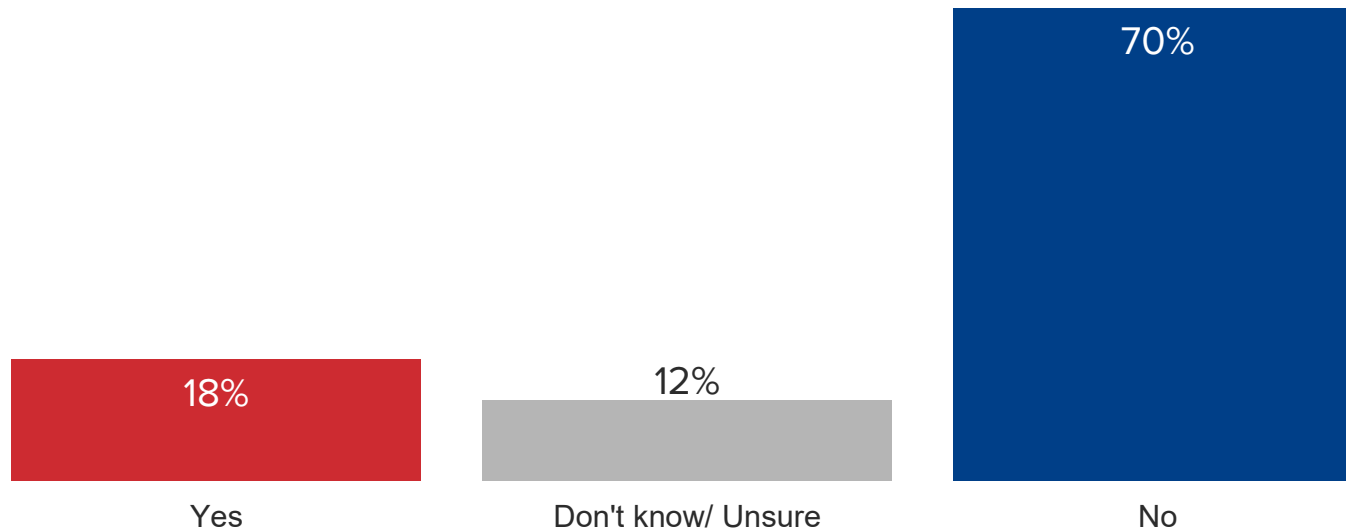
The following questions are related to the impact of your student loans. Have any of the following situations described below happened to you in the last 1-2 years due to student loan payments?



MACROECONOMIC IMPACT

Nearly a fifth of borrowers (18%) report knowing someone who has moved to take a job that will help them afford their student loan payments.

Do you know anyone in North Carolina who has moved in order to take a job that will help them afford their student loan payments?



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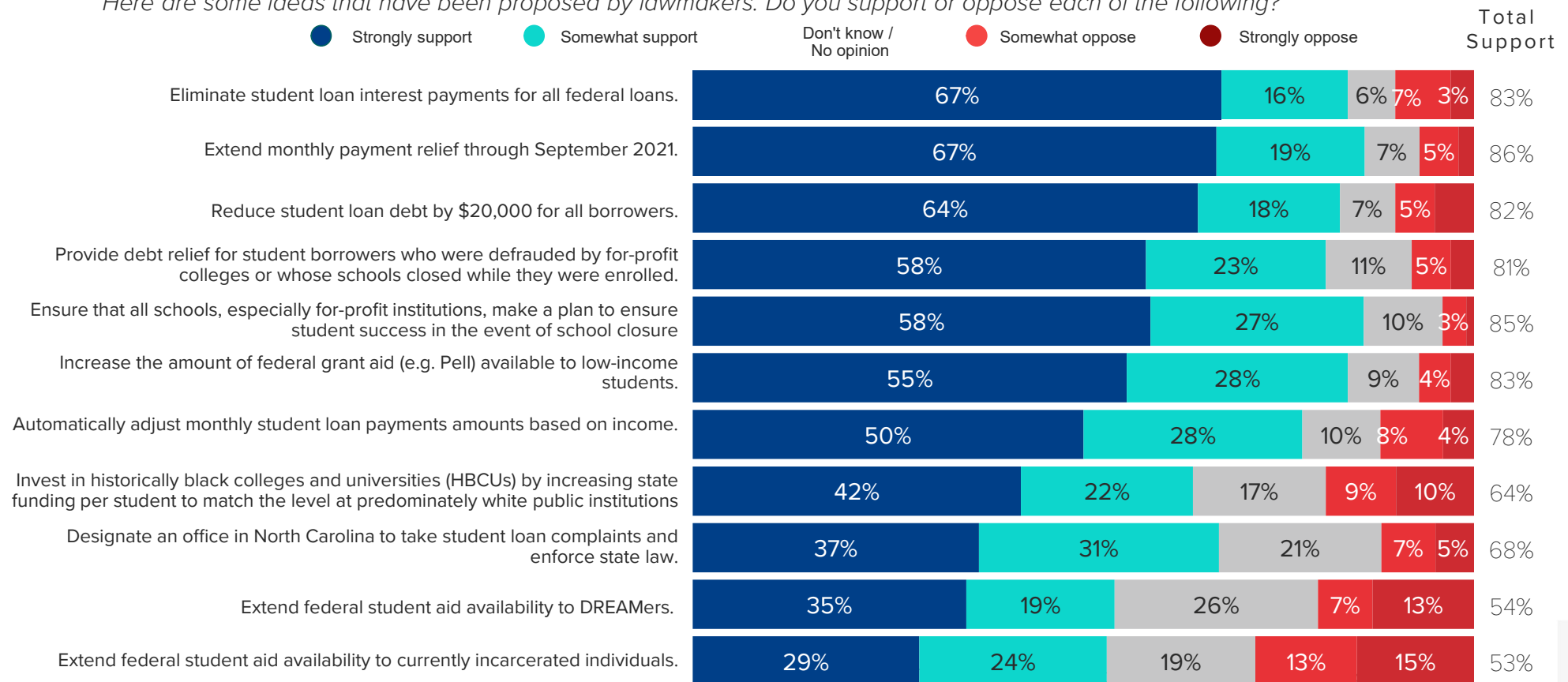
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POLICY SOLUTIONS

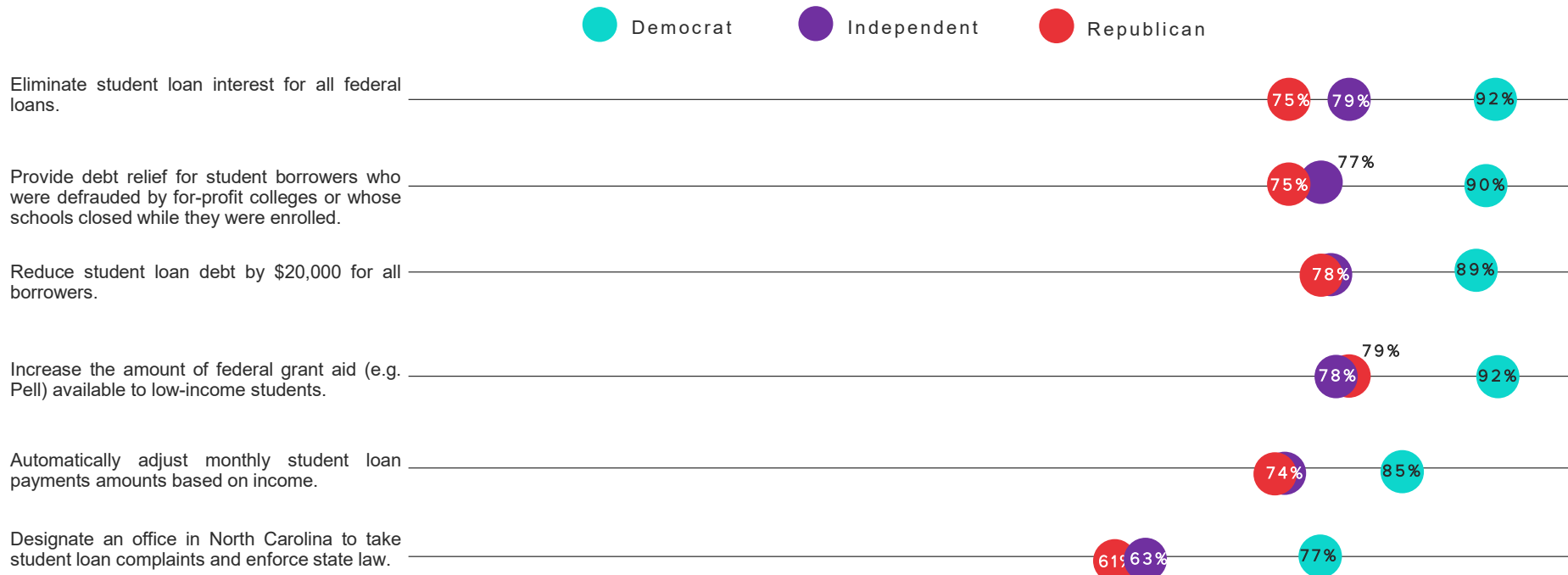
NC borrowers across the political spectrum strongly support eliminating student loan interest on all federal loans (67%), extending monthly repayment relief (67%), and reducing student loan debt by \$20,000 for all borrowers (64%). Half of NC borrower strongly support automatic payment adjustment based on income. Here are some ideas that have been proposed by lawmakers. Do you support or oppose each of the following?



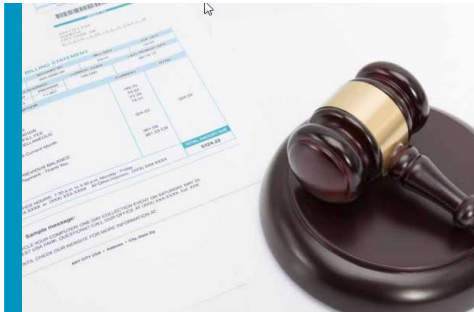
POLICY SOLUTIONS

Support for the proposed policies varies in level by political party. There is bipartisan support for eliminating student loan interest for all federal loans, reducing student loan debt by \$20,000 for all borrowers, and automatic income-based repayment.

Here are some ideas that have been proposed by lawmakers. Do you support or oppose each of the following?



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North Carolina:

Student Loan Debt Campaign



North Carolina students lack basic protections from their loan servicers' actions

“There is no expectation that the servicer will act in the interest of the consumer” – Navient CEO Jack Remondi





Student Loan Debt: State Policy Improvements

- The Student Loan Debt Campaign calls on the state of North Carolina to protect borrowers from shoddy student loan servicing.
- NC should rein in abuses by student loan servicers, such as:
 - Misleading borrowers
 - Misrepresenting borrowers' obligations under their loan agreements
 - Misapplying loan payments
 - Refusing to communicate with an authorized representative
 - Providing inaccurate information to credit bureaus
 - Placing borrowers into forbearance or default without assessing eligibility for income driven repayment