Student Loan Debt Relief

OFFICE OF LEGISLATIVE RESEARCH &
OFFICE OF FISCAL ANALYSIS

JANUARY 27, 2022
Overview

• Scope of student loan debt
• COVID-19 and graduate employment rates
• Pre-pandemic loan relief programs
• COVID-19 emergency relief
• Current status of federal loan relief
• Cost/price trends
Scope of Student Loan Debt

- In Connecticut --

  - $19.3 billion held by 540,900 residents in 2020 (NY Fed.) – nearly the size of the General Fund budget
    - Average debt load: $35,681 per person
    - 15% of CT population has student debt
    - Total debt up $2.9 billion (18%) since 2016, even as number of borrowers slightly declined

  - Average debt for undergrad. class of 2020: $35,853 (TICAS)
    - 5th-highest among states

  - Nationally, $1.75 trillion in student loan debt (St. Louis Fed., Q3 of 2021)
COVID-19 and Graduate Employment Rates

• For 2020 Graduates:

  ◦ 50.2% had full-time jobs with a traditional employer at six months after graduation, down from 55.3% in 2019 (National Association of Colleges and Employers, Dec. 2021)

  ◦ Jan. 2020-Oct. 2020 saw the biggest decrease in graduate labor force participation since the Great Recession (Pew Research Center)

  ◦ 31% of 2020 graduates were still unemployed in Fall 2021, up from 22% in 2019 (Pew Research Center)
## COVID-19 and Graduate Employment Rates

### Unemployment Rates for Graduates with a Bachelor’s Degree

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent College</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduates (age 22 to 27)</td>
<td>4.1%</td>
<td>7.5%</td>
<td>13.3%</td>
<td>9.3%</td>
<td>6.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>College</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduates (age 22 to 65)</td>
<td>2.3%</td>
<td>8.5%</td>
<td>8%</td>
<td>5.4%</td>
<td>3.8%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Pre-Pandemic Loan Relief Programs

Federal

Title IV of the Higher Education Act (HEA) (P.L. 89-329, as amended)
  • Deferment
  • Forbearance

Income Driven Repayment (IDR) plans

Targeted loan forgiveness programs

State - CHESLA
Emergency Relief: HEROES ACT

Health and Economic Recovery Omnibus Emergency Solutions Act

• Expanded the payment pause and interest waiver from the CARES Act to include all federal education loans, including
  • FFELP loans not held by the USDE
  • Federal Perkins Loans
• Cancelled or wrote down up to $10,000 in federal student loans
• Automatically placed borrowers on an administrative forbearance
• Set interest rates to zero
Emergency Relief: CARES Act

Coronavirus Aid, Relief, and Economic Security Act

• Temporarily paused payments and involuntary collections on federally held student loans

• Allocated approximately $14 billion to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund (HEERF)
  • Became the first round of HEERF Funding
Emergency Relief: HEERF

Higher Education Emergency Relief Fund

• Three rounds of funding (March 2020-March 2021), with third as largest
• Generally, about half of all funding distributed to institutions must be provided to students as grants
  • CT public institutions: $200.6 million in student grant funds
• Logistics
  • *Not* allowed to automatically apply student funding to balances or debt
  • Students choose how to use
  • Institutions decide how to distribute among students
Current Status of Federal Loan Relief

Recurring Federal Loan Repayment Pause

• Executive Orders announced:
  ➢ August 2020: extend pause until December 31, 2020
  ➢ January 2021: extend pause until September 30, 2021
  ➢ August 2021: extend pause until January 31, 2022
  ➢ December 2021: extend pause until May 1, 2022

• Loan forgiveness and IDR program impact
Cost/Price Trends

• Higher costs/prices could be associated with higher loan burdens

• Multiple metrics
  • List prices
  • Net prices
  • Costs: Higher ed inflation (HEPI)
Cost/Price Trends: List Prices

- List prices: Tuition, fees, room, board
Constituent Unit In-State Tuition and Fees, Academic Years 2015-16 Through 2021-22

- UConn: Up 39%
- CSUs: Up 23%
- CCs: Up 15%
Cost/Price Trends: Net Prices

- Net price: Actual cost to students, to be paid with money/loans

\[
\text{Costs} - \text{Grants and Scholarships} \\
\text{(Tuition + Fees + housing + food + supplies)}
\]
## Cost/Price Trends: Net Prices

Average for first-time, full-time in-state undergraduate students from families with income $0-30k, and who received federal financial aid:

<table>
<thead>
<tr>
<th>Institution</th>
<th>2015-16</th>
<th>2019-20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gateway C.C.</td>
<td>$5,204</td>
<td>$6,938</td>
<td>33%</td>
</tr>
<tr>
<td>Central CSU</td>
<td>$13,002</td>
<td>$12,292</td>
<td>(5%)</td>
</tr>
<tr>
<td>UConn-Storrs</td>
<td>$11,626</td>
<td>$14,069</td>
<td>21%</td>
</tr>
</tbody>
</table>

Note: Net price calculation includes costs of housing and food, even for community college students.
Cost/Price Trends: Cost Inflation

• Costs for institutions could be one driver of prices
• Have grown ~1.5-3% annually in recent years (Commonfund’s HEPI)