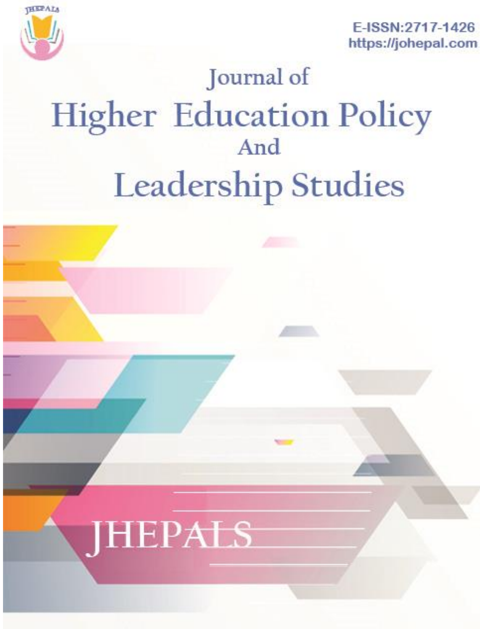
Journal of
Higher Education Policy
And
Leadership Studies

JHEPALS (E-ISSN: 2717-1426)

https://johepal.com



COVID-19 and the Impact on Student Loan Debt

Cherrelle Hall

School for Graduate Studies,
SUNY Empire State University, USA
Email: cherrelle_hall429@esc.edu ; cherrelle_hall429@sunyempire.edu
https://orcid.org/0009-0008-8799-9350

Colloquium Received **2023/10/22**

Colloquium Accepted **2023/12/17**

Published Online **2023/12/31**

Cite colloquium as:

Hall, C. (2023). Covid-19 and the impact on student loan debt. *Journal of Higher Education Policy and Leadership Studies, 4*(4), 172-178. https://dx.doi.org/10.61186/johepal.4.4.172

"Colloquium"

COVID-19 and the Impact on Student Loan Debt

Journal of Higher Education Policy And Leadership Studies (JHEPALS)

E-ISSN: 2717-1426
Volume: 4 Issue: 4
pp. 172-178
DOI: 10.61186/johepal.4.4.172

Highlights

- The COVID-19 pandemic and the financial hardship that it created has impacted the rise in student debt and the ability of borrowers to pay down their student loans.
- Debt repayment and financial hardships impacting one's ability to take out student loans can have a lasting impact on college enrollment and the desire for folks to further their careers with advanced education, which can in turn have long-term impacts on the economy.
- The financial impact of the pandemic has been most pronounced in lower income and minority students with Black Americans having disproportionately felt the adverse economic impacts of the pandemic.
- College completion is a key driver in making sure students are able to begin repaying their educational debt.

Cherrelle Hall *

Keywords: Student Loan Debt; Loan Forgiveness; Debt Cancellation; Loan Repayment; Financial Hardship; Economics of HE

*Corresponding author's email: cherrelle_hall429@esc.edu ; cherrelle_hall429@sunyempire.edu

Introduction

The COVID-19 pandemic and the financial hardship that it created has impacted the rise in student debt and the ability of borrowers to pay down their student loans. More people attending colleges and universities could mean more people borrowing to finance their education, which in turn could lead to higher overall levels of borrowing from the federal government (The Pew Charitable Trusts, 2021). Additionally, folks experiencing financial hardship are less likely to be able to meet their repayment obligations for their student loan debt. As of March 2021, almost one-fifth of all federal borrowers were in default on their loans, suggesting that repayment challenges are widespread. Changes in reliance on debt to finance higher education could foreshadow shifts in the extent of future repayment difficulties in certain situations, such as if borrowing is rising or falling at institutions with a track record of poor repayment outcomes (The Pew Charitable Trusts, 2021). Although ballooning student debt was a concern prior to the pandemic, some folks have been left in an even more precarious financial situation than before. Policymakers in New York State have an opportunity to alleviate the debt burdens for student borrowers and their families and positively impact the economy.

Debt repayment and financial hardships impacting one's ability to take out student loans can have a lasting impact on college enrollment and the desire for folks to further their careers with advanced education, which can in turn have long-term impacts on the economy. The Higher Education Services Corporation of New York (HESC) should continue to provide flexibility in its offered loan forgiveness programs and as well as provide grant and scholarship aid to ease student debt burdens for state debt beyond June 2023 when student federal loan payments are scheduled to resume. Providing extended relief until December 31, 2023, will give students additional time to get acclimated to the changes and will provide some additional relief as repayment will not resume for state and federal loan debt in tandem.

Disruption caused by the pandemic has impacted both existing students as well as graduating high school senior's ability to receive and manage financial aid and as a result several states have issued revised guidance regarding scholarship eligibility and requirements that may need changes due to the pandemic. Additionally, several states have also taken action to provide additional relief to borrowers who may not be eligible for the federal relief measures that include the following: Payments are deferred and interest is waived until Sept. 30, 2021; collection actions and penalties are suspended until Sept. 30, 2021; companies can pay up to $5,250 of employee's student loan payments on a tax-free basis through Dec. 31, 2025; and requirements that force students to repay loans if they withdraw from courses are waived during the COVID-19 emergency (Smalley, 2021). As state aid is managed by individual states, they have the opportunity to customize their approach to their borrower population and provide alternatives for minimizing the debt burden on students and their families. States have a unique role to play in addressing student loan burdens. Their role in overseeing public universities, tax and budget powers, and regulatory authority mean that they have a wide array of options to help borrowers with their student loans (The Aspen Institute Financial Security Program, 2020).

Loan forgiveness will mostly impact low-income and middle-class households, which will receive the bulk of its benefits (compared to folks earning higher incomes) (Iacurci, 2022). This increases their spending power and thus has a positive impact on the economy. The financial impact of the pandemic has been most pronounced in lower income and minority students with Black Americans having disproportionately felt the adverse economic impacts of the pandemic. Prior to the pandemic, Black students were borrowing and defaulting on their loans at higher rates than their White peers (The Pew Charitable Trusts, 2021). With approximately 38% of SUNY's students being underrepresented minorities (SUNY, 2022), any assistance that NYS HESC provides would positively impact the outcomes for these students.

The Biden Administration's Student Loan Debt Relief Plan is a 3-part plan that will help working- and middle-class federal student loan borrowers transition back to regular payments as the federal pandemic-related support expires (*Federal Student Aid*). Borrowers can receive up to $20,000.00 in loan forgiveness under Biden's loan forgiveness plan. The 3 parts to this plan are as follows: 1) The Administration will provide a final extension of the student loan repayment pause (which has been extended a number of times) until December 31, 2022 and repayments will resume in January 2023; 2) the US Department of Education will provide up to $20,000.00 in debt relief to Pell Grant recipients with loans held by the Department of Education and up to $10,000.00 in debt relief to non-Pell Grant recipients (borrowers are eligible for this relief if their individual income < $125,000.00 or > $250,000.00 for households); and 3) make the student loan system more manageable for current and future borrowers. To do this the Biden-Harris Administration is proposing a rule to create a new income-driven repayment plan that will substantially reduce future monthly payments for lower- and middle-income borrowers. Additionally, borrowers who are employed by non-profits, military, or federal, state, Tribal or local government may be eligible to have all of their student loans forgiven under the Public Service Loan Forgiveness (PSLF) Program (*Federal Student Aid*).

Recently, the Biden-Harris Administration extended the student loan repayment pause from December 31, 2022, into 2023 as their proposed loan forgiveness plan has been challenged in court. Payments will resume 60 days after the debt cancellation program is implemented, 60 days after the lawsuits are resolved or 60 days after June 30, if litigation fails (Jones, 2022). This will provide a much-needed reprieve for student loan borrowers. Biden's student loan forgiveness program would cancel debt for up to $40 million borrowers and the Administration is appealing adverse rulings to this initiative (Minsky, 2022). Some would argue that there is more to be done than just a student loan pause at this time; however, Biden-Harris have also taken other steps to support student borrowers including giving borrowers with Direct Loans or Department-managed Federal Family Education Loans (FFEL) more credit toward forgiveness; establishing a fair and accessible bankruptcy discharge process to help struggling borrowers discharge their student loans; providing $9.1 billion in relief for 425,000 borrowers who have a total and permanent disability; and restoring eligibility for financial student aid to almost 7.5 million borrowers to help them complete their credential or degree, to name a few (U.S. Department of Education, 2022). New York State and other states can model the federal government's actions in order to take similar action to support struggling borrowers and families.

According to Deloitte, institutions are working with individual students and families to try to bridge their specific financial gaps, trying to make the best use of limited resources

[DOI: 10.61186/johepal.4.4.172]

(*COVID-19 Impact on Higher Education*, n.d.). Colleges can take steps to support and ensure the success of students that were most impacted by the pandemic including being transparent with students about costs as when unexpected or hidden costs arise, students are more apt to drop out; amplify support for lower income and first generation students who may lack the resources and tools for success; and strengthening relationships between community colleges and four-year institutions to improve transfer rates of community college students and provide pathways to degree completion (Spina, 2021). This is even greater incentive for NYS HESC to provide alternatives to students in managing their debt and strategies to reduce debt for students and families.

Recommendations for Higher Education Services Corporation

I offer the following recommendations to HESC to reduce the long-term impacts of student loan debt and repayment for borrowers experiencing financial hardship:

1. Work with SUNY and CUNY to reduce the out-of-pocket cost of attendance for state and local colleges for families experiencing hardship as a result of the pandemic. It's important to note that CUNY and SUNY schools are tuition free for families who make under $125,000/year (*Tuition-Free Degree Program: The Excelsior Scholarship*, n.d.), but what about families who do not meet this income threshold and are experiencing financial hardship or those folks who have student debt obligations and thus may not be able to afford tuition and loan payments?

There are states that have successfully implemented free college tuition with less restrictive eligibility criteria, such as the Nevada Promise Scholarship in Nevada that covers up to 3 years of college tuition for students enrolled in any of the 4-year colleges in the state. In terms of eligibility, there is no minimum GPA or SAT score to receive the scholarship, but students must complete 20 hours of community service. Another example is Tennessee and its Tennessee Promise Scholarship, which provides eligible high school students tuition-free education at the state's 13 community colleges and 27 technical schools or eligible public and private universities with two-year programs. Residents of the state applying to the program must maintain a GPA of 2.0 or higher and must complete 8 hours of community service per term (Dennon & Leckrone, 2023).

2. Expand NYS loan forgiveness programs. There are currently 7 NYS loan forgiveness programs (Higher Education Services Corporation, n.d.). This could be expanded to other areas such as front-line public health workers for example.

More research will need to be done in the area of expanding loan forgiveness, but policymakers should seriously consider this as an option for New York State borrowers. Students shouldn't have to choose between a rewarding career that pays well and a low paying job that leads to loan forgiveness. Some argue that loan forgiveness programs promote work in low paying fields (Dickler, 2009). A question that comes to mind is what are the long-term impacts of students taking lower paying jobs in order to obtain loan forgiveness and how does this impact long-term earning potential? Policymakers should explore this further to determine if the answer and how to combat this.

[DOI: 10.61186/johepal.4.4.172]

3. Offer employer tax credits and deductions that incentivize employers to create student loan repayment benefits for their employees, thus decreasing student loan debt burdens.

Fewer than 10% of companies currently offer student loan repayment assistance.

> According to one 2019 survey, more than 60% of employed adults in the United States with student loans would consider switching companies to gain a student loan payment benefit. Given pandemic-related cutbacks and business challenges, many companies may hesitate to create a new employee benefit, except perhaps in fields where intense job market competition exists. (Strausfeld, 2020, para. 4)

By offering tax credits and deductions that incentivize employers to create student loan repayment benefits, New York State would potentially quell any hesitation or fears that organizations have, thus positively impacting student loan debt burdens of New York State students.

4. Offer student loan debt forgiveness to non-completers or folks who dropped out of their programs due to financial hardship.

It is evident that student loan debt is very burdensome to non-completers. College completion is a key driver in making sure students are able to begin repaying their educational debt. "Those who graduate generally pay their loans […] those who don't can't" (Fredman, 2018, para. 4). The link between college completion and the ability to afford student loan payments is undeniable and New York State would set an example for other states offering student loan debt forgiveness to this population.

We are three years into the pandemic and are now fully realizing the full impact of COVID-19 on the higher education landscape and ultimately how this impacts students and their ability to repay their debt or their decision to complete their degree programs. NY HESC is uniquely positioned to ease the burden on New York State students, providing them with manageable solutions and alternatives to choose from. As a result, New York State students will be in better position than most to overcome the challenges posed by the pandemic.

Acknowledgement

I would like to express special thanks to Dr. Ali Ait Si Mhamed and Dr. Lisa Unangst for their feedback and support on this piece.

[DOI: 10.61186/johepal.4.4.172]

Declaration of Conflicting Interests
The author declares that there is no conflict of interest.

Funding
There is no financial support to be cited here.

Human Participants
There were no human participants; however, pertinent ethical guidelines are observed in terms of journal's policies.

Originality Note
The author confirms that the manuscript is her original work, and if others' works are used, they are properly cited/quoted.

References

COVID-19 Impact on Higher Education. (n.d.). Deloitte United States. https://www2.deloitte.com/us/en/pages/public-sector/articles/covid-19-impact-on-higher-education.html

Dennon, A., & Leckrone, B. (2023, October 30). Is community college free? Yes, In These States. *BestColleges.com*. https://www.bestcolleges.com/news/analysis/2022/05/24/is-community-college-free/

Dickler, J. (2009, April 15). Get a job, ditch your student loans: New loan forgiveness programs promote work in low paying fields. *CNN Money*. https://money.cnn.com/2009/04/15/news/economy/loan_forgiveness/index.htm

Federal Student Aid. (n.d.). The Biden-Harris administration's student debt relief plan explained. https://studentaid.gov/debt-relief-announcement

Fredman, J. (2018, August 10). Think tank finds large gaps in student loan repayment between completers and non-completers. *NASFAA*. https://www.nasfaa.org/news-item/15916/Think_Tank_Finds_Large_Gaps_in_Student_Loan_Repayment_Between_Completers_and_Non-Completers

Higher Education Services Corporation. (n.d.). Loan forgiveness, cancellation and discharge. https://www.hesc.ny.gov/repay-your-loans/repayment-options-assistance/loan-forgiveness-cancellation-and-discharge.html

Iacurci, G. (2022, September 11). Who benefits most from student loan forgiveness? Economists, investment banks and education experts weigh in. *CNBC*. https://www.cnbc.com/2022/09/11/heres-who-benefits-most-from-student-loan-forgiveness.html

Jones, D. (2022, November 22). With student loan relief tied up in court, Biden extends repayment pause into 2023. *NPR*. https://www.npr.org/2022/11/22/1138724532/with-student-loan-relief-tied-up-in-court-biden-extends-repayments-a-few-months

[DOI: 10.61186/johepal.4.4.172]

Minsky, A. S. (2022, November 22). Biden extends student loan pause into 2023 — Key details. *Forbes*. https://www.forbes.com/sites/adamminsky/2022/11/22/biden-extends-student-loan-pause-into-2023---key-details/

Smalley, A. (2021, March 22). Higher education responses to Coronavirus (COVID-19). *NCSL*. https://www.ncsl.org/education/higher-education-responses-to-coronavirus-covid-19

Spina, E. (2021, October 04). What it takes to bridge the access and success gap for lower-income students. *Diverse: Issues in Higher Education*. https://www.diverseeducation.com/opinion/article/15279419/what-it-takes-to-bridge-the-access-and-success-gap-for-lowerincome-students

Strausfeld, D. (2020, June 04). New tax incentive for employers to help with student loans. *AICPA & CIMA*. https://www.aicpa-cima.com/resources/article/new-tax-incentive-for-employers-to-help-with-student-loans

SUNY. (2022). *SUNY Fast Facts*. https://www.suny.edu/about/fast-facts/

The Aspen Institute Financial Security Program. (2020). How states can solve the student debt crisis: A Framework for reducing student debt burdens for present and future borrowers. https://www.aspeninstitute.org/wp-content/uploads/2020/04/How-States-Can-Solve-the-Student-Debt-Crisis.pdf

The Pew Charitable Trusts. (2021, December 22). How the pandemic could affect the rise in student debt. https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/12/how-the-pandemic-could-affect-the-rise-in-student-debt

U.S. Department of Education. (2022, November 22). Biden-Harris Administration Continues Fight for Student Debt Relief for Millions of Borrowers, Extends Student Loan Repayment Pause. https://www.ed.gov/news/press-releases/biden-harris-administration-continues-fight-student-debt-relief-millions-borrowers-extends-student-loan-repayment-pause

Mrs. Cherrelle Hall is an EdD student in Educational Leadership and Change at Empire State University (State University of New York), USA.

[DOI: 10.61186/johepal.4.4.172]