

2019 OVERVIEW OF THE STUDENT DEBT CRISIS IN TEXAS

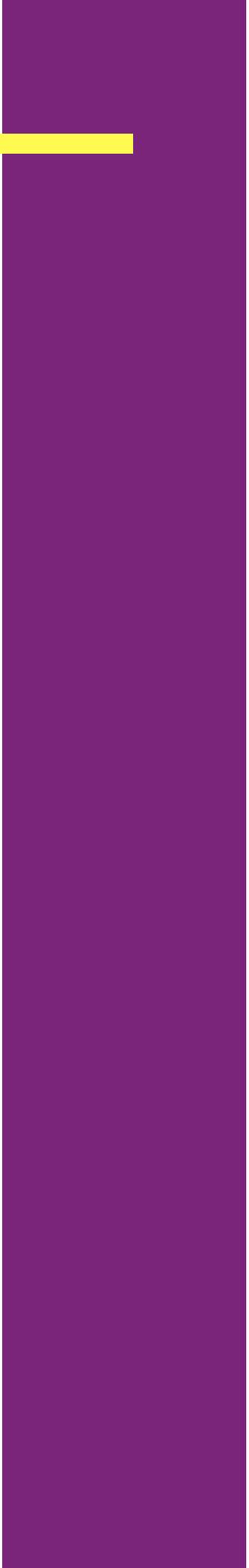
# LOSE THE LOANS



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**Jolt**  
ACTION



*Dedicated to Texas' young Latinos whose  
dreams we share and whose potential is  
limitless.*

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## **STUDENT DEBT IS REACHING A STATE OF CRISIS ACROSS THE NATION AND IN TEXAS, CREATING FAR REACHING CONSEQUENCES FOR STUDENTS, EMPLOYERS AND THE TEXAS AND NATIONAL ECONOMY.**

In 2016, more than half of all bachelor degree college graduates in Texas completed their studies with student loan debt. The average loan debt shouldered by college students in Texas is approximately \$26,000 and students are struggling to make payments. Indeed, by 2023 nearly 40 percent of students across the nation are expected to default on their student loans [1].

Predatory lending schemes and federal policies that have been enacted under the Trump administration of further aggravated and keep students in cycles of debilitating debt that follow them for years after graduating and in Texas can even land them in jail. Limited job prospects and low post-graduate earnings mean that some students will struggle to pay back their debt. Students of color and low-income students often face the harshest consequences that deepen already disproportionate economic hardships., which is particularly important to address in Texas, given that the state has one of the most diverse student bodies in the nation [2].

## **STUDENTS IN TEXAS RECEIVE LESS DIRECT AID AND TAKE ON INCREASINGLY MORE LOANS.**

National trends on student debt are even worse in Texas, where students are borrowing more on average and are unable to make payments on their debt. Since 2003, tuition and fees for higher education have increased by 91% in Texas. Meanwhile, state appropriations for higher education have declined by 27% [3].

Additionally, Texas higher education institutions provide much less aid to their students than the national aggregate: in the 2014-2015 school year, just 11 percent of all direct aid to students in Texas came from higher education institutions, as compared to 25 percent of all direct aid to students coming from higher education institutions nationwide [4]. In Dallas, student debt is by far the fastest growing type of debt and students who don't complete their degrees are at an especially high risk of having delinquent debt [5]. The total volume of student loans for all Dallas County borrowers has climbed 380 percent since 2003, with over \$1.4 billion in outstanding student debt that is at least 90 days past due [6].

## **FAMILIES WHO ARE OF COLOR OR LOW-INCOME EXPERIENCE HIGHER RATES OF DEBT AND DELINQUENCY.**

*Our researchers found that the Texas student body is one of the most diverse in the nation and while the state has a young and diverse population that could be educated to meet the state's future workforce needs, the reality is that the growing cost of higher education and the state's failure to invest in higher education has reduced the number of Texans attending college and burdened students with exploding costs of higher education.*

*For low-income communities and communities of color, particularly Latino communities, the student debt crisis hits first and worst, creating unique challenges for Texas, where half of those under the age of 18 are Latino. A 2016 report by the Washington Center for Equitable Growth shows that nationally, communities with more Latino and African American residents tend to have higher rates of delinquent debt, with the trend being stronger amongst Latino communities. Middle-class Latino and African American students in particular tend to have higher rates of delinquent debt than low-income African American and Latino students. These middle class students may struggle to find jobs or don't have sufficient family wealth to pay back their debt [7].*

*Higher education tuition rates in Texas are stacked against low-income families and families of color, making debt inevitable. In 2017, the average annual tuition for a 4-year public or private institution in Texas was just under \$17,000 [8], which is about 29 percent of the 2016 average annual income for white families, but 41 percent of the average annual income for families that identify as African American and "some other race" (Hispanic/Latino was not explicitly listed) [9].*

*Some education experts have noted that when the Texas student body became majority brown and black the state begin to make drastic cuts to education funding- whatever the reason, it's time the state revisited its funding priorities, given that the state faces massive gap in qualified workforce to meet the needs of the Texas economy. Today, 56% of all jobs in Texas require postsecondary education, but by 2025 only 38% of Texans over the age of 25 are projected to hold a two-year degree or higher, leaving the state with a significant skills gap [10]. Students of color in the state face even greater hurdles, today just 18% of Latinos [11] over the age of 25 hold a college degree.*

### **IN TEXAS, DEFAULTING ON YOUR STUDENT DEBT COULD COST YOU YOUR PROFESSIONAL LICENSE OR GET YOU ARRESTED.**

Texas is one of the harshest states in the country for students who have defaulted on their loans. Currently, at least 7 states including Texas allow professional boards to revoke any license due to outstanding federal and/or state student loans.

Though these laws are designed to incentivize students to pay their loans on time, in practice these laws make it even more difficult for working people to make payments as working without a professional license decreases one's ability to get higher paying jobs. These laws were once more prevalent throughout the country, but beginning in 2015, nearly half of the states that retained such laws successfully repealed them [12], and several others, including Texas, have introduced similar legislation to repeal but have yet to adopt them [13].

Additionally, these laws don't just negatively impact working families but have direct consequence on the Texas economy. Even though Texas is facing a shortage of nurses and teachers, according to the Texas Tribune, Texas has revoked or failed to renew 500 nurses and 250 teachers professional licenses, due to student debt. Officials in Texas are so intent on punishing students who default on their loans that judges have even issued arrests. In 2016, Fusion reporter Rob Wile found that among several major metropolitan areas (New York, Chicago, Los Angeles, Miami, Boston, and Houston), Houston was the only city where any arrests related to unpaid student debt were made.

Furthermore, many of the people arrested were low income, Black, and recipients of Social Security and disability benefits [14]. Like with professional licenses, in theory this policy is intended to act as a deterrent for defaulting on student loans, but in practice it is used to target low income people and people of color and keep them in a cycle of economic hardship.

## **WHO'S RESPONSIBLE FOR THE CRISIS? LAWMAKERS, BANKS, AND INSTITUTIONS THEMSELVES**

While Texas upholds laws that carry unequivocally harsh consequences for students in default, some officials have taken matters into their own hands to drive the point home. The same 2016 Fusion report traced almost all arrests related to student loan defaults in Texas to the decisions made by one judge with a history of racial discrimination: Southern District Supreme Court Judge Lynn Hughes. Since his appointment by Ronald Reagan in 1985, Judge Hughes earned a reputation for discriminatory behavior and was [15] and in 2013 was admonished by his own circuit for defending an overtly racist comment made to a Black plaintiff [16].

Beyond Texas, national figures have also carried the banner that students who default on their loans have no one to blame but themselves. US Secretary of Education Betsy DeVos, whose advisors have close ties to for-profit colleges [17], attempted to block Obama-era regulations that would forgive federal student loan debt from students who attended schools that either closed or engaged in fraud. In 2016, her efforts were deemed illegal by federal courts and in 2018, DeVos was forced to cancel \$150M in student loan debt from closed for profit universities [18].

The financing of higher education has also meant big business for private lenders, who have taken advantage of every opportunity to collect public dollars and dole out paralyzing loans for profit. Since the federal government privatized its student loan program decades ago, banks have successfully lobbied Washington to ensure that student debt is essentially the sole type of consumer debt that cannot be discharged in bankruptcy. Increases in tuition that outpace middle-class income levels and shrinking funding for public institutions has caused students to increasingly rely upon private debt to make ends meet. Student debt is now a \$140 Billion industry annually [19].

Higher education institutions themselves have played a complicit role in an education system that targets vulnerable students for financial gain. Institutions are financially incentivized to enroll as many students as possible with little to no incentive to ensure that students graduate or find good-paying jobs afterward. This is even more true when considering for-profit colleges, who tend to be even less selective [20]. Effective reform should hold institutions accountable as well as lenders and government officials.

## WHAT HAS BEEN DONE TO ADDRESS THE CRISIS SO FAR?

In 2015, Governor Greg Abbott announced the Texas Higher Education Coordinating Board's 60x30TX plan, which aims to educate at least 60 percent of Texans age 25-34 in a certificate or degree program by 2030. According to the plan, at least 550,000 students will be graduating from a certificate, associate, bachelor's, or master's degree program in academic year 2030 and will have gained "identified marketable skills." The plan also seeks to limit student debt at public institutions to under 60 percent of first-year wages for graduates. Abbott committed to invest \$450M in university research facilities and passed laws that further protect students from accumulating insurmountable debt. The initiative was a continuation of the Board's "Closing the Gap by 2015" initiative which aimed to boost graduation rates from public institutions, particularly among students of color [21].

## RECOMMENDATIONS:

The Texas legislature has a unique role to play in building a well-educated, prepared and trained workforce to meet the state's ongoing needs by investing in higher education, reducing and or eliminating the need for student loans that are burdening Texans. While the state ambitious goals in its 60x30TX plan, to graduate more Texans from higher education institutions and reign in the exploding costs of higher education, it is far from reaching its goals. Jolt has identified the following priorities necessary to ensure that the state meet its ambitious goals, build a well-trained workforce and build a strong economy for future generations.

### 1. College Affordability

SB 33 Texas Promise: Free tuition for students entering two-year institutions, community colleges and state trade schools. This legislation would help close the gap that from financial aid and the cost of tuition.

Texas set a goal of 60 percent of all 25-34 year olds obtain a postsecondary credential. This legislation is a proven strategy in states like Tennessee and Oregon, and cities like Dallas to help increase educational attainment and postsecondary credentials.

The projected cost of this program would be \$100 million a year. This program would not need to raise additional funding. The Texas Rainy Day Fund would be able to cover the cost of the program.

2. Ban the practice of revoking professional licenses Stop penalizing individuals for defaulting on student loans, making it even harder and less likely they will be able to pay off debts.

SB 37, This legislation would ban the practice of revoking professional licenses due to defaulting on student loans focusing on teachers and nurses.

This legislation would not cost any money for the state to implement this change and would in fact decrease the cost of administrative staff time needed to implement the existing law.

3. Increase funding for Texas Public Universities.

Jolt Initiative is working with the Center for Public Policy Priorities (CPPP) to make sure that Texas increase the grant funding available to Texas public universities for increased funding in grants and scholarships to students in need and increase overall funding to public universities to prevent rise in tuition and fees for students.

Last session the state's primary financial aid program for 4-year institutions, TEXAS grant, received a 10 percent increase in funding. Jolt Initiative is advocating for a similar increase this session for the TEXAS grant program. Texas added \$71 million, bringing the total proposed spending on the program over the next two years to \$786 million.

### **CONCLUSION:**

This legislative session Governor Abbott and the Texas Legislature have signaled that education reform is the top priority for the state. While the Texas elected leaders like to talk a lot about putting Texans first, the truth is that they by refusing to invest in education they have put Texans last. Their failure is leaving a generation of Texan children and adults behind and locked out of the few high-paying good jobs in the state with the best jobs reserved not for Texans, but for out of state transplants.

By not investing in educating Texans and making a college more affordable, it's hurting the Texas economy and most importantly, Texas families. If state elected leaders seek to put Texas first, its starts with investing in our kids and their futures, because they intrinsically linked to the future of the entire state's economy. The state of Texas has a unique opportunity to lead the nation on tackling the student debt and college affordability crisis and build a strong, resilient Texas economy that benefits business and working families.

### **APPENDIX**

- [1] <https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>
- [2] <https://www.trelliscompany.org/wp-content/uploads/2017/02/SOSA30.pdf>
- [3] <https://www.brookings.edu/research/the-trouble-with-student-loans-low-earnings-not-high-debt/>
- [4] <https://equitablegrowth.org/how-the-student-debt-crisis-affects-african-americans-and-latinos/>
- [5] <https://www.chronicle.com/interactives/tuition-and-fees>
- [6] 2012-2016 American Community Survey 5-Year Estimates; MEDIAN INCOME IN THE PAST 12 MONTHS (IN 2016 INFLATION-ADJUSTED DOLLARS)
- [7] <http://www.ncsl.org/research/labor-and-employment/license-suspension-for-student-loan-defaulters.aspx>  
States are: Montana, New Jersey, North Dakota, Oklahoma, Alaska, Illinois, and Washington
- [8] <http://www.ncsl.org/research/labor-and-employment/license-suspension-for-student-loan-defaulters.aspx>  
; States are: Georgia, Hawaii, Iowa, Kentucky, Massachusetts, Tennessee and Texas
- [9] <http://www.texasstandard.org/stories/texans-are-being-arrested-by-us-marshals-over-student-loan-debt/>
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- [15] <https://fivethirtyeight.com/features/to-ease-the-student-debt-crisis-hold-colleges-responsible/>
- [16] [https://gov.texas.gov/news/post/governor\\_abbott\\_announces\\_60x30\\_higher\\_education\\_plan\\_in\\_mckinney](https://gov.texas.gov/news/post/governor_abbott_announces_60x30_higher_education_plan_in_mckinney)
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- [20] <https://fivethirtyeight.com/features/to-ease-the-student-debt-crisis-hold-colleges-responsible/>
- [21] [https://gov.texas.gov/news/post/governor\\_abbott\\_announces\\_60x30\\_higher\\_education\\_plan\\_in\\_mckinney](https://gov.texas.gov/news/post/governor_abbott_announces_60x30_higher_education_plan_in_mckinney)

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