

POLICY BRIEFING: Overview of Student Loan Debt Support and Assistance

Introduction

Current student loan debt stands at \$1.75 trillion, spread across more than 45 million Americans.¹ At the federal level, there has been some recent progress in programs to discharge, forgive, or simplify repayment of student loans. However, at the local level, there is also a push to provide support to loan repayment as an incentive to attract recent graduates.

Exploring City approaches to medical debt relief as a model for student debt relief requires understanding where these debt types can be similar and where they may differ:

1. Student loans can be held and administered at the federal level through Federal Student Aid -or- through non-governmental private loan lenders.
2. Federal student loans can be forgiven or discharged through government programs which do not extend to cover private student loans.
3. Sallie Mae is the largest lender of private student loans, which are combined into securities for potential investors.²
4. Private student loans account for approximately \$128 billion, 7.3% of the overall student loan debt volume.³
5. Like most medical debt, private student loans are not subject to the same regulations as federal loans and rates, terms, and repayment options are dictated by the private org owning the debt.
6. Also, like medical debt, many private student loans are able to be discharged through bankruptcy whereas federal student loans are more challenging to have discharged through this process.

Student Loan Debt Trends and Issues

When compared to medical debt, student loan debt has not seen a similar emergence of non-profit entities focused on the reduction and cancellation of overall debt volumes. While the reasons for this may vary, it is possible that an increased focus on student debt relief for the significantly larger federal loan portfolio may overshadow the fact that private student loan debt volumes are comparable to current medical debt amounts (Approx \$195 billion medical vs \$128 billion private student loans).⁴

It is also important to consider the impacts of other federal actions, such as borrower defense, focusing on large for-profit schools encouraging borrowers to take out large sums based on misleading information. Section 4 of the [Consumer Finance Protection Bureau's October 2022 Ombudsman Report](#) highlights these issues and how private student loan borrowers are not seeing a corresponding effort for debt relief:

“Over the last decade, federal, state, and private litigation and investigations⁴² have demonstrated that major for-profit college chains engaged in predatory practices, pressuring students to borrow large amounts by making false, misleading, or fraudulent claims about employment placement rates, starting salaries, and other indications of future success.⁴³ These inquiries also showed that predatory schools have targeted non-traditional students, low-income households, military veterans, and Black and Latino students, leaving them with low future earnings, high

¹ [US Student Loan Debt Statistics - What is the Average Student Loan Debt? | Chamber of Commerce](#)

² [Asset-Backed Securities | Sallie Mae](#)

³ [Report of the CFPB Education Loan Ombudsman, Oct. 2022 \(consumerfinance.gov\)](#)

⁴ [Health Care Debt In The U.S.: The Broad Consequences Of Medical And Dental Bills - Main Findings - 9957 | KFF](#)

debt balances, and high default rates...

While the expanded use of borrower defense on federal student loans has been a significant development for many borrowers, investigations of predatory for-profit schools have shown that private student loans played a critical role in the business model of these schools. Over the past decade, the CFPB has identified a range of risks associated with the private student loan market's intersection with for-profit schools. For example, the CFPB raised concerns about illegal practices by both institutions and lenders that worked to enroll students in low-value educational programs and to saddle them with high-cost private student loans to meet tuition obligations. In 2014, the CFPB sued ITT Educational Services, Inc. (ITT) for its role in pushing students into private loans. The CFPB took similar action against Corinthian Colleges. In its complaints against both ITT and Corinthian, the CFPB described how both schools relied on private student loans to fund the "gap" between federal loans or grants and the schools' tuition prices. Each complaint noted that third-party lenders made those private student loans until 2008, leading both schools to generate their own institutional lending programs. The CFPB ultimately entered into settlements with the holders of private institutional loans marketed to students at ITT and Corinthian, while several state attorneys general settled with one large private student lender to provide relief for a portion of the third-party private student loans associated with those schools. The FTC has also taken enforcement actions affecting some private student debts associated with predatory for-profit schools.

The private student loan risks uncovered by CFPB are not only echoed in state and private actions against for-profit colleges; they are also echoed in consumer complaints received by the Bureau. These complaints document how borrowers continue to struggle with private student loans made by third-party private student lenders for attendance at predatory for-profit colleges."

In response to private student loans falling outside of federal relief programs, there has been an increased focus on issues and remediation by state attorney general offices⁵. Minnesota AG Ellison recently announced investigations into 52 student loan debt relief companies⁶.

Example Municipal or County Student Loan Repayment Support Programs

Niagara Falls, New York⁷

Program: Live NF

\$3,492 per year w/two-year agreement to reside in targeted development neighborhood of Niagara Falls.

St. Clair County, Michigan⁸

Prospective Program: Come Home Award

Up to \$15,000 to recent colleges graduates from STEAM related field(s).

Hamilton, Ohio⁹

Program: Talent Attraction Program Scholarship

Payment(s): Up to \$15,000

Eligibility: Graduated from STEAM program within past 7 years; not currently living in one of the designated areas

⁵ [Home \(navientagsettlement.com\)](http://navientagsettlement.com)

⁶ [Minnesota attorney general investigating predatory student-loan debt-relief companies – Twin Cities](#)

⁷ [CITY OF NIAGARA FALLS DOWNTOWN HOUSING INCENTIVE \(studylib.net\)](http://studylib.net)

⁸ [Come Home Award – Community Foundation of St. Clair County, Michigan \(stclairfoundation.org\)](http://stclairfoundation.org)

⁹ [Hamilton Community Foundation | Scholarships | Scholarships for Recent College Graduates \(TAP\) Scholarship \(hamiltonfoundation.org\)](http://hamiltonfoundation.org)

Additional Student Loan Data Sources or Other Resources

1. Federal Student Aid Data Portal¹⁰
 - a. Contains data related to the federal student loan portfolio including breakdowns by volume, school, borrower characteristics, and location.
 - b. Example data showing Federal Student Aid application status for Minnesota schools ([LINK](#))
2. National Center for Education Statistics, National Postsecondary Student Aid Study¹¹
 - a. DataLab contains extensive data related to educational status or area across multiple population groups
3. Consumer Finance Protection Bureau Student Loan Dashboard¹²
 - a. CFPB collects data on both federal and private student loans which includes volumes and borrower risk profiles.
4. Public Service Loan Forgiveness (PSLF) – [Federal Student Aid Info Portal](#)
5. Student Loan Repayment Options and Strategies – [Federal Student Aid Repayment Simulator](#)
6. Federal Student Loan Debt Relief – [Federal Student Aid Debt Relief Portal](#)
7. Financial Aid Options Overview – [Federal Student Aid Program Overviews](#)
8. MN Department of Education – [SELF Refi Student Loan Refinancing Program](#)
9. MN Department of Education – [SELF Loan \(Private Loan Alternative\)](#)
10. State of Minnesota 529 College Savings Plan – [MNSaves Website](#)
11. State of Minnesota Dream Act – [Resources for Undocumented Students](#)
12. Office of Minnesota Attorney General – [Student Loan Information Portal](#)

¹⁰ [Student Aid Data | Federal Student Aid](#)

¹¹ [National Postsecondary Student Aid Study - About NPSAS \(ed.gov\)](#)

¹² [Student Loans | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)