

Report: Student Debt Cancellation Will Help Fix Broken Student Loan System, Close Racial Wealth Gap

June 8, 2022

A new report from CLASP and NCLC explores debt cancellation and other measures to reduce the harmful impact of disproportionate student loan debt on Black borrowers

WASHINGTON – A **new report** from the Center for Law and Social Policy (CLASP) and the National Consumer Law Center (NCLC) highlights the disproportionate impact of student debt on Black borrowers and provides recommendations for addressing racial disparities through federal policies and executive action. The report comes as momentum builds for President Biden to announce a plan canceling some amount of student debt.

“The generations-old racial wealth gap and inequitable employment opportunities, combined with the high cost of college attendance, present significant barriers to economic stability for Black workers,” said J Geiman, policy analyst at CLASP. “With these hurdles in place, Black students and their families face undue hardship in the form of student loan debt.”

The four-year college degree has been marketed to populations with low incomes and Black Americans as a way to escape the cycle of poverty and close the racial wealth gap. However, the report, which examines data tracking student loan payments and the amount owed years after graduation, finds that a combination of higher initial loan amounts and inequitable employment and earning outcomes, compounded by student loan system design choices, places an undue burden on Black borrowers.

“The Biden Administration has promised widespread relief and student loan reform, both of which are critical for Black Americans still struggling to recover from the economic impacts of the COVID-19 pandemic,” said Alpha Taylor, staff attorney at the National Consumer Law Center. “By adopting the solutions outlined in our report, policymakers can begin to remediate decades of harm suffered by existing borrowers and ensure that Black Americans are able to obtain a college degree without the disproportionate, intergenerational burden of student loan debt.”

The report’s recommended steps to address the dual student loan and college affordability crises include administrative and congressional action to:

- Provide broad-based student debt cancellation to all borrowers, without an income cap or other administrative barriers to access;
- Extend the student loan payment pause;
- Ensure a smooth transition of loan accounts to new servicers;
- Provide increased protections for borrowers, particularly those who are victims of predatory

lending and for-profit colleges;

- Strengthen existing repayment options, including Income-Driven Repayment (IDR); and
- Invest in college affordability through federal initiatives like the Pell Grant, a federal free community college program, and support for student basic needs.

Additional resources:

- Group letter calling on President Biden to cancel federal student debt immediately via executive action, May 27, 2022
- Abby Shafroth, Op-Ed: “Limiting student loan relief by income sounds sensible - it is not” (The Hill, May 12, 2022)