

Warren Shakes Up Student Loan Debate

Andrew Kreighbaum

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Presidential candidate proposes canceling student debt for most borrowers, making public higher education free, adding billions in support for minority-serving institutions and kicking for-profit colleges out of federal aid system.

Senator Elizabeth Warren's call Monday to wipe out student debt has ignited a debate over the scale of federal action needed to deal with the growing loan burden borne by many borrowers.

The \$1.25 trillion proposal received praise by progressive groups for its ambition and its explicit focus on racial equity. But some higher ed experts questioned whether it offered too many benefits to college graduates who don't require assistance from the federal government.

Warren's plan would completely wipe out the debt of three-quarters of student loan borrowers, according to her presidential campaign.

It would offer up to \$50,000 in student loan cancellation to borrowers with household income of up to \$100,000. Borrowers with six-figure incomes would receive graduated loan forgiveness, and those earning more than \$250,000 would receive no debt forgiveness.

The proposal would also eliminate tuition at two- and four-year public colleges by creating a partnership between the federal government and states (an idea many GOP governors rejected in 2016). And it would add \$100 billion to the Pell Grant program to cover the full cost of college attendance at public institutions.

The cost of the plan would be offset by a proposed tax on the ultrarich that would hit the 75,000 wealthiest families in the U.S. and raise \$2.75 trillion over a decade.

Warren argued in [a Medium post](#) Monday that a student loan crisis has developed because, as states have disinvested in higher education, students have shouldered more of the costs by taking on debt to attend college. She said her plan recognizes "that a public college education is like a public K-12 education -- a basic public good that should be available to everyone with free tuition and zero debt at graduation."

The proposal adds to a growing catalog of policy plans for everything from antitrust enforcement to universal childcare that have set Warren apart from a crowded primary field. Some Democratic presidential hopefuls [have rejected](#) free college this year. While others [have backed](#) free college or debt-free college, none have offered as comprehensive a plan on student debt.

Adam Green, co-founder of the Progressive Change Campaign Committee, called the Warren proposal "by far the biggest and most inspiring student debt plan from any 2020 candidate."

Ben Miller, vice president for postsecondary education at the Center for American Progress Action Fund, said the plan includes important dimensions absent from other free college or debt-free-college proposals. For one, it specifically addresses the ramifications of student debt for black borrowers. Federal data show black student borrowers are more likely to struggle to repay their loans whether they graduated or not.

Miller said the proposal also acknowledges that “even if we tackle future college affordability, we still have folks struggling with loans from the existing system.”

The proposal, however, was still subject to the same critiques as other expansive college-affordability proposals. Neal McCluskey, director of the Center for Educational Freedom at the Cato Institute, said it wouldn’t be fair for borrowers who benefited from their college degree to have their loans canceled.

“People go to college, and often take on loans to do so, at least in part to greatly increase their lifetime earnings,” he said.

Even some left-of-center voices questioned the plan, arguing there would be better options for new federal spending. Clare McCann, deputy director for federal higher education policy at New America, said most people struggling with student loan debt aren’t earning up to a quarter million dollars each year.

“Debt forgiveness would transfer federal dollars to the disproportionately middle- and high-income students who went to college and wouldn’t help borrowers who have already repaid their debts or Americans who never went to college because they didn’t want to take on the debts,” she said. “Poorly targeted, expensive proposals like Senator Warren’s might be politically popular, but they’re not the wisest use of federal money.”

Doug Webber, an associate professor and director of graduate studies in the economics department at Temple University, said borrowers with loan debt of \$50,000 or more have often taken on debt to attend graduate programs. And graduate degrees, especially in fields such as law or medicine, can be expected to eventually lead to much higher incomes.

“We’re talking about a lot of money going to people who are going to have very high-paying careers,” he said.

Although high-balance borrowers have traditionally been graduate students, some research has shown that in recent years those borrowers have increasingly attended for-profit colleges and less selective institutions. And more large-balance borrowers are undergraduate students. Those borrowers have also struggled more with student debt.

The Warren campaign argued that the proposal would substantially boost the wealth of black and Latinx households. About 80 percent of black households and 83 percent of Latinx households would receive full debt cancellation, compared to 73 percent of white households, according to the campaign.

Tiffany Jones, director of higher education policy at the Education Trust, which focuses on education equity, said the Warren loan-forgiveness proposal takes the right approach by targeting loan relief. But she said debt cancellation should account for family wealth alongside income. The typical white family has 10 times the wealth of the typical black family, Jones noted.

“We know that when you don’t take wealth into consideration, you’ll have a disproportionate impact on white families because of the racial wealth gap,” she said.

Warren’s proposal would take other steps to address racial disparities in higher ed, including the creation of a \$50 billion fund to support historically black colleges and minority-serving institutions. It would also require public colleges to conduct an annual equity audit to identify failures to enroll and graduate low-income students and students of color.

The plan also calls for cutting off Title IV federal student aid to for-profit colleges, which, Warren said, “have built a business model around sucking down taxpayer dollars while delivering a poor education primarily to students of color.”

Steve Gunderson, president and CEO of Career Education Colleges and Universities, the lobby group for for-profits, said Warren had disclosed her “true endgame” with the proposal.

“She, like too many voices in the public sector today, are so opposed to the very existence of small family businesses that she now proposes to eliminate the very sector that was created to provide midlevel career skills education and continues to do so today,” Gunderson said.

The Warren proposal could also have negative implications for private nonprofit colleges and public colleges, said David Warren, president of the National Association of Independent Colleges and Universities.

"I think we should direct as much federal aid as possible to students who need it," he said. "Then those students could afford to go to the college where they decide they fit in best, whether that is a community college, a small private or a large public."

The plan’s approach to college affordability could set new standards for other presidential campaigns, though. Jones of Ed Trust said it shows the Democratic primary has reached the “big idea” phase.

“These are big problems,” she said. “We’re not going to be able to solve them on the cheap.”