

Biden administration

'Killing the middle class': millions in US brace for student loan payments after Covid pause

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Jennifer Rae Wilson, a social worker and single mother of three children in Richland, Washington, has struggled with student loan debt since she went back to school and graduated in 2000 - more than two decades ago.

Struggling to raise three boys with very little child support, Wilson decided to attend college 10 years after graduating high school to improve her career prospects. She was eventually able to move out of low-income assistance housing and off government assistance programs.

“But then the school loans hit,” said Wilson. “I couldn’t afford the payments on top of rent and all of the other things, there was no way that I could make those payments.”

She is not alone, as student debt in America has become a crisis for millions of citizens that often feels like it will last for people's whole lives, or at least blight them for many years to come after graduation. Around **44.7 million Americans** have outstanding student loan debt totaling **over \$1.86tn**, with 42.3 million Americans holding federal student loan debt.

The US Department of Education **paused** repayment, collections and interest on federal student loans in response to the Covid-19 pandemic under Trump, with **the final extension** on the pause set to expire on 31 January 2022.

But now millions of Americans are bracing for resuming payments on federal student loans after nearly two years of relief - and the crisis is set to roll on again.

Between rent, bills and daycare costs, Wilson went into default after not being able to keep up with student loan payments. Then her paychecks started being garnished in 2010 to pay off the student loans of around \$1,000 per month, which was just paying off the interest on her principal.

The pause on student loan repayments during the pandemic allowed Wilson to catch up on other bills and purchase a home, but she worries about the payments restarting.

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“It kind of concerns me a little bit with it coming back with what they're going to be able to offer us in terms of payment plans,” added Wilson. “I've been making payments for 20 years and my balance has only gone up. That doesn't make any sense. If I made a \$1,000 per month payment on my car, or on my house, I would be paid off and I would not have a home loan or would not have a car loan. But with this, it doesn't seem to make a difference.”

A recent **survey** of more than 33,000 student loan borrowers conducted by the Student Debt Crisis Center found 89% of borrowers are not financially secure enough to resume payments on 1 February. Prior to the pandemic, **over half of all student loan borrowers** were either in default, forbearance, deferment, or otherwise not currently making payments on their student debt.

PJ Rivera of Texas is one of the borrowers not prepared to resume student loan payments. His initial student debt was around \$80,000, but has increased with interest to \$110,000, despite making payments of \$1,000 a month.

“Student loans have crippled my ability to have personal savings but the inability to help my family who are struggling with hospital bills and other medical bills,” said Rivera. “The system doesn’t work. It’s not the students’ fault because you need money to pay for your career. Maybe tuition shouldn’t be so high to start with. Everyone should be able to study and learn about whatever they are passionate about without going broke or living to pay and nothing else.”

The average student loan debt for new college graduates is around \$30,000. Joe Biden campaigned on cancelling \$10,000 in student loan debt per person and cancelling student debt for Americans who attended Historically Black Colleges and Universities and public colleges, but the Biden Administration has yet to cancel debt for these Americans

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Beverly Dunker Brown of New York City completed her undergraduate and graduate degrees in the 1980s and 90’s, but with high interest rates and taking on parent plus loans for her son, her student loan debt has increased from around \$43,000 in loans to over \$150,000.

“I will be in my late 80s paying student loans off of social security income,” said Dunker Brown. “I have Federal Family Education Loan Program loans which were not paused. I can’t afford to pay them and continue to request forbearances on them.”

Despite making a six-figure salary in business administration, she is unable to properly save for retirement, save for home, and cares for her disabled husband who is a cancer survivor and regularly requires dialysis. Her own student loans are \$862 monthly and the parent plus loans for her son will add another \$362 a month when the federal student loan pause ends.

“The interest and penalties are just crazy. My student loan balance increases each month. Black and Brown people can’t get ahead,” added Dunker Brown. “I

have no generational wealth, retirement savings or savings for an emergency, yet I have an MBA that I earned in 1996. Having a fancy degree wasn't the answer it was supposed to be."

Black college graduates owe an **average of \$7,400** more in student loans than white college graduates, and that gap more than triples to nearly \$25,000 after four years from graduation.

Sabrina Elliott of Charlotte, North Carolina, couldn't afford to make payments toward her student loans for the first eight years after graduating law school. By the time she could afford to start making payments, with the debt ballooned from over \$72,000 to more than \$166,000.

For the past seven years, Elliott has made monthly minimum payments of nearly \$1,400 a month, but still owes more than the original loans despite paying over \$90,000 toward the debt in that time.

"Student loans should not impair a person from being a homeowner, starting a family or a badge of shame," said Elliott. "I have made payment for over seven years and the balance is the same. As you can see, I have repaid the original loan. The minimum payment is a mortgage payment but not high enough to reduce the debt."

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Kaida Flowers, a family and child therapist in Philadelphia, Pennsylvania, has struggled to try to pay her student loans from her undergraduate and master's degree, and only makes around \$50,000 a year working a job she pursued to try to help people and emphasized student debt is causing her and others who pursued similar career paths to struggle to get by.

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When the payments resume, she will be forced to pay \$300 a month again

toward her student debt, most of which goes toward interest.

“They’re killing the middle class,” added Flowers. “Part of the American dream is you go to school, you try to do something to have a better life, but it’s just not what it is.”
