inSocialWork Episode 290 – The Impact of Student Loan Debt on Subjective Well-Being: Examining the Role of Economic and Non-Economic Factors: Katrina Cherney, PhD

[00:00:07] Hello from Buffalo and welcome to InSocialWork. This is Louanne Bakk and I'll be your host for this episode. In this podcast, our guest, Katrina Cherney, examines the current student loan debt crisis. She discusses the relationship between student loan debt and subjective well-being and how student loan debt is stratified across the socioeconomic spectrum and compounds inequalities. Katrina Cherney is a Ph.D. candidate, instructor and researcher at the McGill University School Social Work. Her research focuses on financial well-being, social and education policy and child welfare. She was interviewed by Michael Lynch, clinical assistant professor here at the UB School of Social Work.

[00:00:55] I am Michael Lynch and today we're going to be interviewing Katrina Cherney. So, Katrina, could you tell me a bit about your dissertation research?

[00:01:02] Sure. Basically, student debt has become, as you probably know, a major issue in public discourse, and it's become a really central concern and discussion about public policy and about equality more generally. This is true very much so in the U.S., but also in Canada where I am. And I think that in public discourse, there's a lot of talk about how much student debt is creating for students and for borrowers who have recently graduated, who have left school without graduating. And this is very clear in the research literature and in public conversations and conversations I'm sort of hearing around me. So generally, I really wanted to understand the impact of student debt on young adults well-being and specifically their financial being and what disparities exist when it comes to the impact of debt on well-being coming from social work. I am concerned with inequality and I so I wanted to understand sort of variation of the impact of debt on well-being and from sort of a social work and social justice perspective. Again, I'm really concerned about how debt is compounding existing inequalities or sort of becoming a new dimension of inequality in some ways. So basically, I sort of look at it in two ways, that taking on student loans is this vehicle for accessing postsecondary education in the kind of the setting and the context that we're currently in. And it helps a lot of students who would otherwise be excluded from post-secondary education to gain access to that education. And so it's really important for well-being and for social and economic mobility. But there's also seems to be this growing gap in outcomes between students who need to rely on debt to go to post-secondary education and those who don't. And then there also seems to be this compounding effect in terms of vulnerability that happens for debtors who are from more vulnerable financial situations to begin with. So I think that being saddled with student debt is for some students and politically and some, you know, kind of in the public discourse, being saddled with debt is really starting to call into question the benefits of a college education. And this is especially so for some sonically underrepresented groups and socioeconomically disadvantaged groups. So basically, in some that sort of motivated my desire to understand the impact of debt on well-being and sort of how that stratified across the socioeconomic spectrum.

[00:03:07] Yeah, it's almost like student loans are this vehicle to access economic mobility through education. But it also can be a burden when you graduate and your choices are so limited or you're so burdened by debt that you have to make really tough decisions. I think it would be helpful because I'm very familiar with the student loan sort of process and how it works in the States. But if you could just sort of describe how colleges funded or how loans work in Canada, because I know a lot of their policies tend to be very different than what we have here.

[00:03:34] Yes, absolutely. I can do that briefly. Just so you're aware, the focus of my research has been in the U.S. I'm starting to do some exploratory work in Canada to see how this relationship kind of between debt and well-being is playing out here.

[00:03:46] So the focus of my research more generally, though, has been on the U.S. And so when I'm talking about student debt in my research and here on this podcast, it's always pretty much within the context of U.S. student debt and loan policy. But just because it's interesting, I guess briefly about Canadian student loans and how it works, for the most part, it's a federal system with provincial counterparts. So there are federal student loans that are accessible. And then there's also a portion of those loans that are covered by each province, which means that there's a lot of variation in how much students from different provinces have access to. And while we do definitely have a similar public conversation about student debt here in Canada, we simply have much lower tuitions, even in really expensive schools, although there are exceptions around very expensive specific programs like medical programs, law programs are really expensive and the tuition is growing at a rapid pace. But we just don't have the same aggregate level of debt. Median debts tend to be a little bit lower here just because tuition is a lot less expensive in Canada. But not to say that debt here is not creating concern for a lot of borrowers. I hear it around me. I mean, it's my own personal experience. And having debt at the time of life is stressful. And you're not thinking about how it compares to people in other countries or thinking about your own financial prospects. It's a problem in Canada, too.

[00:05:03] Yeah, it can be a financial problem, but also. A psychological one, too, and just feeling sort of trapped. So I'm curious about the history. You hear stories about how 30, 40 years ago people were able to pay for school by working at a grocery store or working to pay off their tuition, sort of as they go in for students. Now, that's not really an option. So could you talk a bit about the history of student loans and how we got to this point in the student debt crisis that we're in currently?

[00:05:29] Yeah, sure. So I find it fascinating. There's a lot of really great literature on this. But a bit of an overview. You can say broadly that America has become like a borrowing society. This has a lot to do with stagnating wages and very precarious employment opportunities, courses, a lot of people to borrow to pay for things that they need. And then there's the other side of the coin, which is the US becoming somewhat more of a consumer society. So really broadly, that's sort of like the context that student debt is functioning and but student debt specifically. I think an interesting place to start thinking about it is with expansion of education. Since the 1970s, there's been really huge increases in participation in post-secondary education among individuals, from families with lower financial resources. So there was this like massive expansion of the post-secondary system. But at the same time, there's been this sort of retrenchment or disinvestment in postsecondary education by state government. And we actually have a very similar trend here in Canada. And this is meant that the cost of tuition is really risen and that the burden of paying for post secondary education has really shifted from the state to families and individuals. So it's the simultaneous increase in the number of students who are going to post secondary education and withdrawal of funding for that same education. And there's been also a decline in non-repayable grant for postsecondary education. So rather than this low tuition and generous grant, or instead we see college financing really looking like high tuition needs, based grants, high levels of employment while in school. And most notably, I think obviously in the context of this research, increasing reliance on student loans, though, that's historically how we got here.

[00:06:58] There's also been a lot of change with regard to how lending works and sort of the student debt and student loan industry more generally. So private lenders gained access to the industry in 1990s, which is sort of led to a real rapid increase in private loans. And then kind of simultaneously with the expansion of education, eligibility for student loans became a lot less restrictive. So this was really good for increasing access to credit and therefore access to post-secondary education, especially for groups that were excluded. But it also led to what we see now, which is this explosion of student debt since the 1990s and early 2000s. So just basically because I think the numbers are really powerful and they speak for themselves, but I think it's important to outline them. But the stock of outstanding student debt at the end of twenty eighteen is one point five trillion dollars, and this is from close to two hundred billion in 2003. So that the six fold increase in less than 20 years. Twenty two percent of households had some student debt in 2016, and this is up from nine percent in 1989. So, again, a massive jump. And I think what I'm really interested in and I think is really important is that almost half of young households, so households whose head is under the age of 35 have outstanding student loan debt. So that's just a stark reality for so many young households in the US. And also, there is growing debt among older households because a lot of parents are taking on class loans and being saddled with that debt over the long term. And median student debt per borrowing household was nineteen thousand dollars in 2016, which was up from just under six nineteen eighty nine. So the median amounts are really growing rapidly. That's a really big number. And I think the most alarming thing here and what I think is really important as a focus, not just the growing debt, but the burden that this is creating is really represented by the default rate. So the number of people or the rate at which people are defaulting on their student loans. So a borrower is in default if their payment is more than 270 days late. And in twenty eighteen more than 10 percent of borrowers or more than 90 days in default. And if you use even less conservative measures of distress, the situation looks even worse. So the rate of borrowers who are struggling, including default, forbearance and deferment, jumps to 42 percent. When you're looking at those different categories, though, default, forbearance and deferment together, which are all different forms of struggling with debt, close to 42 percent of borrowers are in that situation. So loan debt is growing and a lot of students are in trouble.

[00:09:13] Wow. So it's a huge problem now in the trends. I'll point to it actually getting worse. So a question about what you had said before with state governments contributing less to tuition and to making college affordable. I'm curious if that's just due to less revenue or if that's due to states being forced to put more money in other things. And I don't know if this is true, but my inclination is that as health care prices have gone up and up and up and I know states pay a portion of health care, I wonder if some of that money that they used to contribute to tuition goes to something like health care. I don't know if you know that necessarily, but I'm just curious what the rationale is from the states perspective in terms of investing less and less money in state education.

[00:09:51] You know, that's really interesting. And I would love to read about that. I don't have an answer. I think that your speculation is probably correct, that, you know, priorities shift and it's perhaps that sense, I think, over the last kind of 80s, 90s, 2000s, the sense that college. It is sort of a private benefit that accrues for the student themselves and not necessarily for society as a whole, has gone along with this shift towards towards saying, well, maybe students should be responsible for paying their own bills and that this is not a state responsibility. The state is responsible for things like health care, for a public education in elementary and high school. And so with that narrative shifts the funding, although I think that would be a very interesting study actually, to see those shift from spending in state government over the course of the last 30, 40 years.

[00:10:32] Absolutely. So you talk about the concept of dual quality of debt and how it informs your work. Can you talk a little bit more about that?

[00:10:38] Sure. This is sort of my starting point. And I think I started here. I read a paper by Rachel Dwyer that she wrote in 2012. She's a sociologist and she talked about how debt has this dual quality as an investment and also as a risk and a vulnerability. And based on some of the focus groups that we've been running, we're seeing that these two things are functioning for people at the same time. So we're investigating these conflicting narratives about student debt and how they fit together with like a starting point for this research for us. So I mentioned it before.

[00:11:04] I won't go into too much detail, but college education is still very much associated with higher lifetime earnings and job satisfaction, life satisfaction. And there's also just this inherent desire for many people to pursue higher education.

[00:11:16] And so students use debt to make that investment in their higher education. And if you want to think about it in sort of classical economic terms, it's a way to invest in human capital, to obtain social mobility and to either maintain class standing or to achieve mobility.

[00:11:30] And then some of our focus group participants even talked about student debt being smart debt as opposed to credit card debt. So this is just kind of framing it in their own language, saying that student debt with a good form of debt to have and a lot of students are actually in a much better position to complete college if they take on debt as compared to those who might not be able to finance education without any debt or those who need to work a lot during school to pay the bills, which takes away from time spent on their studies.

[00:11:55] Actually, a recent study found that community college students who borrowed more up to a limit, but those who borrowed slightly more ended up taking more classes, completing their degrees more quickly and struggled with their debt less later on. So taking on debt can really help to ease those day to day financial concerns while students are in school. And there's also some research that has found sort of positive impacts of debt on things like self-esteem, mastery, psychological well-being. So there is sort of this empirical evidence to suggest that debt has positive impacts for borrowers. But at the same time, debt is a risk and a vulnerability. Like I was saying before, the default rates are really high. And this is an indicator of how people are doing with their debt. From a very financial perspective, defaulting on loans can incur a lot of financial risk. So it can hurt your credit score. It can cut your risk of debt collectors coming after you garnished wages, tax refunds being taken away. So it's not a neutral debt. Never is. But it's not just a neutral financial tool. It comes with financial risk. And then also, as we were sort of talking, getting out before, if you think about these risks and vulnerability is sort of in the wider macroeconomic contact, students are taking on this debt in the context of stagnating wages and increasingly precarious job opportunities, rising health care costs that people have to shoulder. So there's sort of less and less this guarantee that students are going to graduate, find a secure and stable and sufficient job that allows them to pay their loans back in the kind of timely and predictable manner. And it makes those risks associated with that a lot more stressful. And financially, we're seeing a relationship between increasing student debt and limited asset accumulation. So things like lower net worth, lower home equity value are related to increasing student loan debt.

[00:13:33] And I bet that's in stark contrast with previous generations in terms of at this point in their lives, wealth accumulation. For generations who didn't have this student loan crisis was probably much different than the current generation.

[00:13:43] Absolutely. I think there's massive cohort trends and changes to investigate here. And some researchers are doing a great job of looking at that, like Jason, who is a sociologist who studies on those generational trends are very stark and really important. And it's changing sort of our understanding of what's possible for us in this generation. Something really important, though, to point out, to keep in mind with these types of studies is that when we're looking at the differences in the impact of debt for students or with debt and without debt, students without debt doing better than those with debt, when it comes to things like asset accumulation or home equity values, it's really important to keep in mind that we have to think about this counterfactual. So the students who do take on debt to access higher education, had they not taken on that debt, might have been in a worse financial position than they are having taken on that debt. So it's just important to think about we can't really see what the outcome would have been for a student who needs to use debt to access post-secondary education where what they would be without using that. So it's just important to keep in mind that makes sense.

[00:14:39] I like how you, as you were framing the risk associated with borrowing and also the potential benefits and sort of in the context of you almost have to go to post-secondary school to achieve any level of economic stability. It almost reminded me of a gamble that you're talking about. I'm going to risk this amount of money that I would have to pay back for this long and potentially defaulting on credit and having to forego homeownership and car ownership with the opportunity to hold. Actually achieve a degree that can help me make money, and then it also makes me think about the decisions that students are making about what field to go in and if it's really transactional, risky gambling type experience, I imagine that really affects the nature of the programs they pursue and because they want to be able to make enough money when they graduate.

[00:15:23] Absolutely. I think it affects the choices around programs that they pursue and it also affect choices around jobs that they choose to take after graduating. So people, you know, are making choices about what kind of life to pursue based on their debt constraint, their death and their financial constraints, more so than their passion or their interest or their skills.

[00:15:40] So I think that in that sense, it's really having an impact on how people are making choices about their lives and they're making choices that reflect the sort of consensus of what pays well, which frequently isn't, what sort of makes the world better or helps things. So that stuff, too, is that you were sort of creating a system where people are forced to choose programs that capitalism deems as worthy enough to pay.

[00:16:02] Well, absolutely. And I think from a social work perspective, just based on conversations that I'm having with other students, especially bachelor's and master's students, I was recently having a conversation with a bachelor student who was thinking about going on to pursue their masters and calculating that return on investment to go into social work was a really scary thought process for her. She could do the math and say that social work would, in the long run, pay off. But taking on that much debt, knowing what her potential income in social work would be, was a really scary thing for her.

[00:16:30] Was, in a lot of ways, changing her mind about whether or not this degree was worth it for her. So it's real for a lot of people.

[00:16:36] Absolutely. All of these things interrelate. You mentioned subjective financial well-being as a key outcome. Could you talk a bit about that?

[00:16:42] Yeah, I guess that's important because that's the main outcome that I'm looking at in my studies. And what's pretty clear from most of the empirical evidence so far is that the consequences of debt for people, objective financial situations is sort of like their balance sheet is pretty bad.

[00:16:56] Not for everyone, obviously that is helpful, but it can have these sort of longer term financial consequences that are starting to become clear to us now. And there's also a lot of literature on debt and mental health and debt and stress. And this is beyond student debt, sort of just looking at the impacts of debt, on depression, on different psychological outcomes. But what we are really curious about what we really wanted to understand was how debt factored into how people understand and feel about their financial situation specifically.

[00:17:23] So it's sort of that bridge between the objective financial circumstances and the psychological outcome. So how they perceive their financial situation and subjective financial well-being, I think is important because it's associated with better mental health, better physical health, overall life satisfaction. And as we were just talking about before, it also shaped how people make their financial decisions and plan for the future. So someone who is more satisfied and confidence in their financial situation might be more likely to take on a new career path or to take a risk in their career to start a family, to make some kind of transition or kind of move that they need that financial confidence to make. So I think it's a really important outcome to look at.

[00:17:56] Something else that's really important about it is that given the huge significance attached to student debt in our contemporary political and social and economic life and the power of student debt for shaping young people financial profile, it's clear that debt doesn't have purely economic consequences. It has so much to do with cultural and emotional family life. So the impact of debt do not stop at the front door when someone walks in. That's not part of their financial world. I think it affects people all day, every day. And so understanding how that's happening for people is really important.

[00:18:26] Absolutely. Speaking personally, my wife and I owe a significant amount in student loans and it's affected every decision we've made since graduating a long time ago. And about subjective financial well-being, it almost reminds me of a metric of safety and has a parallel to safety, where if you feel your subjective financial well-being is OK, you're feeling safe. You can weather a storm. If something happens, if your car breaks, if an event happens, you're still OK. But if you're feeling bad about your subjective financial well-being, you almost feel unsafe. You're one disaster away from who knows why. Calling someone and asking for a loan or defaulting or going further into debt and the psychological effects of that must be pretty strong.

[00:19:02] Absolutely. I think that it's a really powerful measure and I think it's measured differently across a lot of different studies. But I think it's exactly it's a really powerful measure for looking at instability and insecurity. These are these terms that get kind of used a lot when we're talking about current financial and economic trends. But what does that really look like for people on the ground?

[00:19:19] And so I think it's sort of an approximation of that insecurity and that vulnerability.

[00:19:23] Absolutely. So could you tell me about your recently published paper on changes in student debt and financial well-being over time? What did you find?

[00:19:29] So we really want to understand how changes in student debt impact changes and subjective financial well-being. So we want to look at this sort of a dynamic period, young adulthood of the dynamic period of the life force. So it's sort of looked at that way. It's posited as the sort of unique developmental period and explored by a lot of dollars in sociology and psychology. It sort of captures that 18 to 29 period. And so I use the term emerging adulthood and young adulthood interchangeably, though if I'm seeing emerging adults or young adults just because of the kind of the differences across disciplines. But it's a really important developmental period. There's a lot of change that occurs broadly during this period and typically the period where young adults are becoming self the.

[00:20:04] Patient or to some degree, warming, committed relationships, taking on sort of more adult roles in their own lives and young adults well being during this period to a large extent is really determined by the resources that they have access to, but also to the challenges that they face during this period and sort of how much is aligned between those resources and challenges. Challenges can be a good thing, but only if you have enough resources to sort of overcome those challenges. So I really wanted to understand debt as both a resource and a challenge during this developmental period. I think it's really important to point out, and I always have to put this caveat when I'm talking about that, is that although we sort of use these terms and these descriptions of these normative pathways through young adulthood, there are a lot of different pathways through this period and people's circumstances and preferences are very different and will really shape their trajectory through this period. So a lot of young adults in the USA are not going to post-secondary education. This is largely because of financial constraints or limited opportunities. So instead they are entering the workforce directly or multiple other pathways that we can envision. So just to point out that I'm not being the case for every single young person in the United States, but we were really concerned with the impact of student debt on young adults trajectories. And because of that, we're concerned with young adults who have attended post-secondary education or are currently attending it. So we use data from the AP study, which I highly recommend people looking into if they're interested in longitudinal data on financial knowledge, skills, values and its association with adult life outcomes. So that's what this study is. It's a study following a group of young adults as they enter their first year of college and then following them through a few waves until their late 20s through really getting to follow the same group of people through this developmental period.

[00:21:42] So that's sort of the group that we are looking at.

[00:21:46] So back to the study itself, we really wanted to understand change in the relationship between debt and subjective financial well-being throughout this period. And like I was saying before, it's really a dynamic thing. It has its own life cycle. It's not stagnant. It increases. Well, students are kind of taking out more to pay for the years of college. And people's feelings about their debt are going to change in relation to the changing amount of debt that they hold and also to when it comes to their proximity to repaying that debt. So I guess, in other words, debt feels very different when you're in your first year of college and just starting to take it out to pay for your day to day expenses and your tuition during school. And it's going to feel very different as you approach the end of college and then move on, whether it's to continue further education or to go out into the workforce and repayment becomes a much clearer prospect. So debt has its own lifecycle and its impact on well-being changes over that life cycle.

[00:22:37] That's really interesting. It starts off as sort of abstract when you're in school and then it becomes more clear and then sort of daunting once you graduate. And then when you get closer to being able to repay it, it becomes much more controllable, like it's something that you feel like you have some control and there's an end date in sight. So you're right, it does sort of have a morphing type of effect.

[00:22:55] Yeah. And I mean, for some people, it won't ever feel like it's more in control. For some people, it feels like it sort of spirals out of control out there in the repayment period, especially for people whose incomes are maybe not sufficient to be paying back a sufficient portion of their debt and they're just paying off interest or a minimum payments on their debt or no payments at all. Their debt is actually continuing to grow or to kind of remained stagnant even as they're putting money towards it. So the relationship to that debt is going to change dramatically based on one's financial circumstances and the state that their debt is currently in.

[00:23:24] Absolutely. And emphasis on your research has been on the disparities and the impacts of students regarding student debt. So could you talk about some of the disparities of the impact that certain groups of students may have that are different than other students?

[00:23:35] Yeah, so the narrative around this, I think, is kind of changing. But there's been a lot of concern in the public discourse and in literature about the very large debt load. So you'll read headlines all the time about something with like two hundred fifty thousand dollars in debt or five hundred thousand dollars in debt. And we're increasingly understanding that those are really not necessarily the people who are struggling with their debt. And if they are, those are sort of exceptions to the rule. Often those with massive debt loads are also those who went into expensive programs that come out on the end with a degree that allows them to have really high paying jobs. So one's ability to repay their debt is not really necessarily determined by the size of their debt, but the circumstances around their debt and in fact, the likelihood of defaulting on loans actually goes down as loan balances go up. So people are better able to pay off their debt or on the higher end of the debt spectrum as people sort of in the middle and on the lower end of the debt who are taking on smaller amounts of debt to go into programs that are less of a sure thing, who are struggling most with their debt. So there are really clear disparities in who is taking on debt and who's defaulting on their loans. This is what I'm really concerned with. And I think we need to be looking beyond these sort of aggregate debt amounts or these large debt amounts and this universal discussion about a student debt crisis. And instead, we need to really be paying attention to who's really vulnerable in this conversation, who's struggling the most with our debt. So just briefly, I think it's important to highlight who those people are and basically people struggling both with their debt or borrowers who don't graduate.

[00:24:55] So the default rate among borrowers who don't complete their degree is three times higher than borrowers who do complete their degree. It's clear when students stop taking classes and they drop out. School, if they don't get that wage bump that graduates get, that would otherwise help them pay back their loans.

[00:25:09] I also imagine they have less incentive to pay. I feel like they almost feel like they paid for something that they didn't get. So, I mean, the psychological effects of paying for a program that they didn't finish must be pretty tough.

[00:25:19] Absolutely. There's that psychological burden and then there's that income disparity that just makes it really hard for them to pay off. So I think those things are happening at the same time for sure. Another really vulnerable group getting written about a lot more. Thankfully, it's students at for profit colleges in 2014, more than half of the 25 colleges whose students had the most student debt were for profit colleges. So they're racking up student debt and really high numbers. And these schools, a lot of them disproportionately serve disadvantaged students. So students at these schools are more likely to take on debt. They're less likely to graduate. They have worse employment incomes largely because of the quality of the degrees that they obtain by going to these schools, and they're more likely to default on their debt and repay their debt more slowly. So it's a really, really important segment of the student population that has to be paid attention to.

[00:26:03] And this really has to do with regulation around student debt and around what can be considered a college and what we should be charging tuition for. So this is a much bigger conversation about post-secondary education more broadly. Also, incredibly importantly, is that black borrowers are much more likely to hold outstanding debt and to have higher loan balances after graduation. There are a lot of scholars who are doing a really good job of looking at racial inequities and student debt. And they're doing a lot better of a job than I can do with the data that I'm currently using. But for example, Cinnabar Addo and Jason Hool, I really like to highlight their work. They find that black young adults have substantially more debt than their white counterparts and that these black white disparities and debt increase across the early adult life course and that racial inequities and student debt account for a substantial minority of the black white wealth gap. So basically, while student debt is a crisis across the board, it's a much bigger crisis for black youth and young adults who have kind of more persistent intergenerational factors contributing to this problem.

[00:26:57] So student debt is becoming a major factor, perpetuating the racial wealth gap that we see more broadly. And this is due in large part to structural barriers and inequalities that we see more broadly that black young adults are facing in employment and homeownership. So student debt is not removed from this situation.

[00:27:13] It's definitely contributing to it in large ways.

[00:27:15] It seems like student debt has a way of exacerbating existing social problems and social inequities.

[00:27:21] Exactly. And I think there's just growing at a rapid pace.

[00:27:23] So it's clear that student loan debt is having huge effects on a system level and at individual levels in terms of the choices they're making in their prospects. What are some implications of your research for social work practice, specifically for practice and policy at the micro and macro levels?

[00:27:39] I think this is kind of the case for social work in general, that you can look at everything in two ways. There's that first approach of helping individuals on the ground. There's that clinical work that needs to happen with people who are currently struggling. And then there's obviously the more macro approach to changing social structures as they currently exist in terms of helping people cope better with their debt. This is not about changing the nature of student debt or postsecondary education financing more generally, but helping the students who are currently struggling or the borrowers that are currently struggling. It's clear that student debt is keeping people up at night. It's clear that it's constraining their choices and it's really impacting their mental health. And I think it's really important that those who are most accessible to those students, the mental health professionals, that that students have access to our understanding the impact of student debt on their well-being. So if that's councilor's university mental health care team asking the right questions about student financial situation and how it's impacting their day to day lives, I think that it just often doesn't come up in conversation. It feels like your financial life is one thing and then your mental health is another. And just understanding how deeply related these two things are is really important for helping students on the ground. And students need help navigating their financial lives. A lot of students, especially first generation students, students from lower income families, are doing this for the first time in their family. They don't have all the resources that wealthier or more advantaged students have when it comes to navigating the financial system. So just being able to help on a practical basis with navigating all these financial decisions can relieve a lot of stress. And it can also help people have better awareness of their options that are available to them. So different types of debt repayment plans that might be more suitable to their financial situation. These are all things that can only come through proper sharing of information and information channels that I think that universities and states and the federal government have a huge responsibility to structure and to shape. So I think that that's on the ground just counseling and mental health support around financial struggles and making sure that accurate and whole information is available to students and to borrowers were in repayment is really important.

[00:29:30] And then on the other side of things, there's that real structural change that needs to happen. And I sort of think about this in two ways. One is about addressing this affordability program problem. For the reason that we have so much student debt is because school is so expensive. So they're addressing affordability and postsecondary education. And then there's also addressing the repayment crisis and saying the real problem here is that people are struggling to repay the debt that they hold. So trying to find ways to finding real policy mechanisms that can address this debt repayment crisis is really important.

[00:30:00] I mean, it would be great if we have some time to go into some detail about these structural. Abilities.

[00:30:05] Absolutely, and how they relate to wage stagnation to because being able to pay your loans back in a context where wages are going up nearly as fast as they were in the past, there's definitely an effect. They're shifting to 2020. Some Democratic politicians have floated ideas of loan forgiveness, canceling student debt. Is that possible? And if so, what would the effects be?

[00:30:25] I don't want to declare myself an expert on it. I think I'm observing this the same way that everyone is is trying to understand what we can predict about loan forgiveness and how effective it might be. But I can sort of give my opinion on the matter. So there's different policies being floated. But the idea is to forgive existing student debt either for all students. I think that's Bernie Sanders approach or for a segment of borrowers, which I think is more Elizabeth Warren's approach. And I think, of course, justice being held up as such an important part of the public discourse. It's an exciting prospect. And this idea that we could relieve so many borrowers of this enormous financial pressure is really exciting. And it just feels important to be talking about this. I sometimes worry that forgiving all current student debt feels sort of like a bandaid solution. It's sometimes a universal approach. It makes me wonder how much of the people who need it most are going to benefit long term from a universal approach. Firstly, I don't know that it's economically feasible. It may be. But if we're not fundamentally changing the way that we finance post-secondary education for the long term, then a huge amount of current debtors are really going to benefit from this loan forgiveness. But people will continue to need to use debt to finance post-secondary education, and then that jar will just start to fill up again. So that's something I worry about if we focus on forgiveness, but not on changing that postsecondary education financing at a structural level. And we're going to end up in the same situation that we're in currently. So I think that Elizabeth Warren's plan addresses both of those things, which is eliminating tuition and fees at two year colleges, I think maybe two year and four year colleges. And doing this through a federal state partnership sort of approach, it sort of addresses that concern about the cup starting to refill because students at these institutions wouldn't be incurring more debt, would be leaving the income that run up of student debt.

[00:32:01] But like we were talking about before, a huge proportion of current outstanding student debt is from person from graduate school and from private or for profit institutions. So if we're not addressing rising costs of those institutions and the debt problem for students there, then the run up of student debt at these institutions is going to start happening again. So I guess my kind of takeaway or what I think we need to focus on moving forward in this debate is fundamentally targeting loan forgiveness and postsecondary education, financing to our conversations around that around those vulnerable borrowers. So we need to find a way to sort of determine that threshold for who really needs the most support in these structural policy moves.

[00:32:38] It's a very smart point. And like you, I think I just find it refreshing that at least in the public discourse, they're talking about this now and they're talking about solutions because we haven't been there. So I think this problem is getting recognized by the larger public and it's becoming something that we're inching towards a potential policy solution, which is great.

[00:32:54] Yeah, and I think it also brings a lot of younger people into the public conversation. And if it engages voters, I think that that's a fundamentally important aspect of this conversation.

[00:33:04] Yeah. When student loan debtors are not able to say politics doesn't affect me or this politician will do anything for me like some of my apathetic friends may say, because these issues really do affect that cohort. So I've always been curious about this and I'm not sure if you can answer it, but as I'm paying my loans back, I see how much I'm paying and interest. And I understand that some of that interest is to guard against paying for people who default. But I also am wondering, where does that money go? Is someone profiting? Is the government profiting at all on student loans? Is there a way to check that because the interest is just so high and accumulating and accumulating?

[00:33:35] Yeah, I think that the interest is a huge problem. And actually in Canada, the biggest conversation that we're having around student debt and student debt policy is interest rates and whether we should be deferring interest for longer or whether we should be eradicating interest on student loans. And there seem to be so many different perspectives on this. I think it takes a much smarter economist than me to be able to answer this question. I really don't have an answer. All I know is that, like you said, the interest on its face played a role and supporting the administrative costs of lending that money and incentivizing lending for institutions. But we wonder, like, should the government be profiting from this? And are they? And also, there's a lot of private loan companies who are benefiting tremendously from these interest payments. So I think it is a really important question that we need to keep having. And I just think that interest rates are sort of a direct part of the current policy that can be addressed in a very efficient way. We can decide to do things differently around interest rates and we can sort of make the proper calculations to determine what's fair and who should be paying how much interest on different loans. And there's already some attempts to do that, like subsidized direct student loans, those that have deferment, period. But the borrower eventually becomes responsible for paying back that debt.

[00:34:39] And the interest can be a massive problem if people can't get past those interest payments and not paying down the principal and their loans are growing.

[00:34:46] Yeah, and even to speak more personally, when I pay my student loans and I pay all of the interest, I view the government's loan as their investment in me and how they value my education. And when I'm paying all of this interest, it makes me feel like the value they put in me. Getting an education is so little that they want to make money off of me. It feels like. Like, they're giving me the opportunity to land in more like they're taking advantage, almost has a sort of feeling where your government is working against you, not for you. And it just sort of makes you feel cynical about the whole thing.

[00:35:15] Absolutely. And I think that that comes back to that point around who is really getting the benefit of a secondary education. And if we believe that it's only the individual debtor, you can start to make that argument. And I think it's a slippery slope that that that's the only person that should pay for it. But I really think that education is a public good. It should be accessible to everyone. And we should also recognize the benefit that it has for individuals and also for society to have a well-educated population. And so if we don't agree on that, then we can see interest rates making sense. But I see exactly what you're saying, that it just doesn't feel like the government is valuing the time and money that you've spent putting into contributing to your own well-being and to the well-being of society more generally. And that's, I think, really frustrating.

[00:35:54] And also to their bottom line, I mean, by going to school, most likely you're going to be contributing more to taxes and you're going to be taking less assistance to further in life. So what do you want to study next? What's your sort of next step?

[00:36:05] So my next step, I think, is firstly moving this conversation to Canada. We don't have great data here for looking at this. So I have lofty dreams of collecting a lot of large scale data survey data that looked at these themes of debt and wellbeing in Canada. But I guess a good place to start there is doing these sort of exploratory focus group with students in Canada to see how they're feeling. What are the really important themes that are present for them when they're talking about their student debt? So I really want to understand what's happening here. And just doing more of this qualitative work and understanding, it's clear empirically that people are struggling with their debt.

[00:36:36] It's clear from the public conversation. But what does that really look like day to day? And I think that qualitative work, asking people to talk in depth about their own personal situation is really what informs our understanding of how people are really feeling and also how we can address these issues.

[00:36:49] That sounds really interesting. So in terms of my questions, that's all I have. Is there anything else you want to get into in terms of anything really about student loan debt?

[00:36:56] I mean, I could say so much more, but I think I'll probably leave it there for today. I'm just really looking forward to seeing how this conversation plays out over the next few months in the U.S. and also to see the political conversation sort of shifting over the next little while.

[00:37:10] So I just really hope that we find ways to address this at a macro level, but also on micro individual level on the ground.

[00:37:17] Absolutely. Well, Katrina, it was great talking with you. And I look forward to seeing your work in the future. Thank you so much.

[00:37:23] You've been listening to Katrina Cherney discuss student loan debt. For more information on this episode. Please visit our website and inSocialWork.org. Please join us again at inSocialWork.