America's Modern Sharecropping: The Student Loan Debacle

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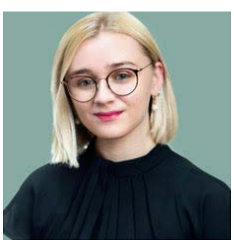
Sharecrop (v)
1. (of a tenant farmer) cultivate (farmland) giving a part of each crop as rent.[1]
2. a type of farming in which families rent small plots of land from a landowner in return for a portion of their crop, to be given to the landowner at the end of each year.[2]

Today, 44.7 million Americans collectively owe 1.71 billion USD in student loan debt.[3] Out of 17.5 million undergraduate students in 2019 about 69 percent took out loans. The amount of the loans varied depending on the type of university (public, non-profit, for-profit), with the average student graduating with $32,600 across the board.[4] Meanwhile, about 54 percent of graduate students take out loans, but somehow account for more than half of America's collective student debt while only accounting for about 13 percent of its population.[5] According to the U.S. Department of Education, about 20 percent of borrowers are in default.[6] A default is a failure to repay a debt, including interest or principal, on a loan or security that is more than 270 days past due.

Disparities

Women bear the burden of nearly one-third of this total collective student loan debt. The Brookings Institution notes that, while black college graduates owe $7,400 more on average than their white peers when attaining their bachelor's degrees, "over the next few years, the black-white debt gap more than triples to a whopping $25,000."[7] By the fourth year following graduation, their debt is almost double that of their white peers. To put it into perspective, for those born in the early 1980s, there are a greater number of white Americans from the richest 10 percent of the income distribution who went to college than all Black Americans combined today. These are borrowers who are usually able to make their payments. Meanwhile, the burden

1 "Definitions of Sharecrop," Lexico.Com, Oxford University Press, 2020, https://www.lexico.com/definition/sharecrop.
2 History.com Editors, "Sharecropping," HISTORY, June 7, 2019, https://www.history.com/topics/black-history/sharecropping.
3 "U.S. Student Loan Debt Statistics for 2021," Student Loan Hero, January 7, 2021, https://studentloanhero.com/student-loan-debt-statistics/.
4 Ibid; Celia Miller, "College Enrollment & Student Demographic Statistic," EducationData, June 7, 2019, https://educationdata.org/college-enrollment-statistics.
5 Adam Looney, "The Student Debt Burden and Its Impact on Racial Justice, Borrowers, and the Economy," Brookings Institution, April 13, 2021, https://www.brookings.edu/testimonies/the-student-debt-burden-and-its-impact-on-racial-justice-borrowers-and-the-economy/.
6 "Default Rates," Studentaid.gov, https://studentaid.gov/data-center/student/default.
7 Judith Scott-Clayton and Jing Li, "Black-White Disparity in Student Loan Debt More than Triples after Graduation," Brookings Institution, October 10, 2016, https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/.



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sits differently on the shoulders of the less financially mobile: "low-income students who receive Pell Grants graduate with an average of $31,000 in student loan debt – $4,500 more than their peers who did not receive Pell Grants."[8]

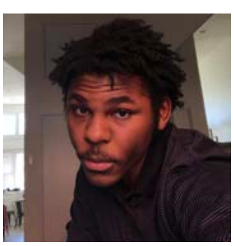
When borrowers are consistently *not* able to make their payments, the issue of defaulting rears its ugly head. Borrowers who default on loans face penalties that are often debilitating to financing a well-rounded life. A default can inhibit a borrower's ability to secure necessities reliant on their financial records like an affordable home or car insurance, and they also leave borrowers' bellies exposed to more liberal government action over their income, assets, or benefits. The issue rears its head again for those that do not make it to graduation day, a considerable demographic often overshadowed even though "more than half of students who enroll in college don't complete a degree."[9]

The outbreak of the novel Coronavirus has made a bad situation both better and worse. As part of America's pandemic relief measures, created under the CARES Act defaults were halted., Prior to the upheaval, 11.1 percent of student loans were 90-days-plus delinquent or in default. Monthly student loan payments were also halted — prior to the repayment moratorium, the average payment was $300.[10] On March 30, 2021, the COVID-19 emergency relief measures were expanded to defaults on federal student loans made through the Federal Family Education Loan (FFEL) Program.

America's current practice of student loans is a tried and true residual of sharecropping.[11] Historian Ian Ochiltree argues that sharecropping emerged because "the planters and landowners, weakened by war, politically emasculated by Reconstruction, and rendered insolvent without emancipation with compensation - were not strong enough to enforce the type of labor settlement of their former slaves that they desired."[12] Sharecropping provided the means for white Americans to contain and continuously dehumanize Blacks despite the "confines" emancipation imposed on them. Following emancipation, Blacks weren't able to own land, per the discriminatory laws and lending practices that arose after the end of the Civil War. In 1910's Georgia, for example, more than 40 percent of white farmers owned land, compared to Black farmers' seven, while more than fifty percent of them worked as sharecroppers or wage workers. With sharecropping, white landowners echoed slavery, this time hoarding the profits of Black workers' agricultural labor under the pretense of mutual business, and trapping them in generation-spanning cycles of poverty and debt.

For black Americans, sharecropping advertised independence and entrepreneurship, with croppers able to obtain land, tools, livelihood all on a schedule. In the Journal for Southern African Studies, Ochiltree documents the aftermath of emancipation, noting how "these attempts

8 "Free College, Cancel Debt," Bernie Sanders Official Website, https://berniesanders.com/issues/free-college-cancel-debt/.
9 Ibid.
10 "U.S. Student Loan Debt Statistics for 2021."
11 Douglas A. Blackmon, Slavery by Another Name: The Re-Enslavement of Black Americans from the Civil War to World War Two (Icon Books Limited, 2012), https://books.google.com/books?id=2v-BYWrjl9IC.
12 Ian Ochiltree, "Mastering the Sharecroppers: Land, Labour and the Search for Independence in the US South and South Africa," Journal of Southern African Studies 30, no. 1 (2004): pg. 43.



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to restore families and redirect their labor to serve the needs of the household rather than the planter, were integral to the self-sufficiency that freed people sought from sharecropping."[13] Farmers would rent, loan, or lease land and equipment to the farmer at high prices, with the "expectation" being for them to offset those costs with the revenue of their crop, optimally with profit. Instead farmers would fall into so much debt that they would not be able to use their loaned assets to repay the amounts they owed. Oftentimes, farmers would knowingly provide them poor land, sowing failed harvests for the sharecroppers and reaping the fruits of someone else's labor for themselves. Sharecroppers could find themselves bound to that property, with no choice but to take out more loans to try to work their way out. Sharecropping fell from prominence in the 1940s, subdued by the onset of the Great Depression and ruled out thanks to mechanization. But with 1.71 billion USD to its new name today, it hasn't lost its fire.

How Did We Get Here?

Discriminatory and racist policies—those borne both from the post-emancipation-Jim Crow era and more recent decades—have been shown to be key inhibitors to the building of generational wealth in black families, a hindrance exacerbated by disparities in employment and educational opportunities and benefits. Any policy that mirrors sharecropping is one of those discriminatory and racist policies. To require a student to pay a portion of their income to a student loan agency for the majority of their working life—all for the purported "privilege" of going to college—is to parallel the leech-like nature of sharecropping. High interest rates, unscrupulous landlords, and unpredictable harvests stand the test of time, translating into high interest rates, unpredictable job opportunities, and unscrupulous landlords, and wages and public benefits that fail to satisfice the demand for regular loan payments today.

As sharecropping pulled on the heartstrings with tunes of reclaiming independence, colleges and universities beat a drum of zeal and appeal, pandering to students' insecurities and application processes with barrages of emails, texts, pamphlets, and ads. A focus group in Florida examined the fervent advertising campaigns employed by local for-profit universities, noting the disproportionate enrollment of black, single parent, and older students, and their "intense advertising and personal recruiting; quick, frictionless enrollment; flexible scheduling; and the lack of entrance requirements," all subverting the daunting word "cost."[14] Schools like these often advertise further borrowing after the fact, too. Instead of loaning a student money outright, they offer the chance to attain a tool that will get you that loan's value and more: a degree, often touting lofty ideals of ease and affordability. Meanwhile half of defaulters never completed a degree, even though households without a degree only account for eight percent of student debt. As we already know, however, the issue spares nobody, with wages that successful graduates do manage to attain often failing to satisfy the demand for yearly loan payments, both timelines and value-wise. With defaulting, the punitive nature of repayment failure then sets debtors up for an endless cycle, one not unlike the cycle sharecroppers faced when they couldn't break even on an annual crop. According to Pew Charitable Trusts, twenty-five percent of people who restored their loans to good standing ended up defaulting again within five years.[15] The nature of repayment is also far from the loaners' conveyed ease-of-procedure during initial advertisement, fraught with misinformation and borrowers who fall off their payment path being "relentlessly pursued by debt collectors, charged interest on interest and exorbitant

13 Ian Ochiltree: pg. 44.

14 Robin Howarth and Robert Lang, "Debt and Disillusionment - Stories of Former For-Profit College Students as Shared in Florida Focus Groups," Center for Responsible Lending, August 2018, https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-florida-debt-disillusionment-l-aug2018.pdf.

15 Sarah Sattelmeyer, "Student Loan System Presents Repayment Challenges," Pew Charitable Trusts, November 6, 2019, https://www.pewtrusts.org/en/research-and-analysis/reports/2019/11/student-loan-system-presents-repayment-challenges.

collection fees, and have vital safety net resources taken until the debts and collection fees are fully paid off."[16]

Student loan repayments are scheduled to resume on January 31, 2022. However, despite the enactment of the CARES Act, a majority of borrowers have not seen a significant level of support. According to a survey by Student Loan Hero, a company under the loan agency Lending Tree, 85 percent of those who took advantage of the freeze failed to see an increase in savings. Another 55 percent of borrowers were unsure if they would be able to regularly make payments once forbearance ends while about an equal amount felt they would either be able to make only the first payment or none at all (26 percent and 29 percent respectively).[17] While this is based on data collected in December 2020 under the assumption that forbearance would end in January 2021, not much has changed since then, from the state of economic security to student loan policies.

There are a wide variety of proposed long-term solutions to the debt crisis and the resulting disparities. Three of the most popular proposals are as follows:

<u>Biden's Plan:</u> On April 28, 2021 President Biden introduced the American Families Plan in order to make education more financially accessible and the access to these resources more equitable. While the plan needs first to be passed by Congress in order to be enacted as a law, the plan would provide at least four additional years of free education, though not all not in the post-high school institutions as many have advocated for.[18] Biden's plan of universal, free access to two years of college education can be seen as an introductory compromise to more well-known college accessibility proposals that were a primary topic of debate during the 2020 presidential election campaigns. Biden's plan focuses on free education while stating that he would be "prepared to write off the $10,000 debt but not $50 [thousand], because [he doesn't] think [he'll] have the authority to do it."[19] Forgiveness up to $50,000 tends to be the most popular type among Democrats, with fewer preferring up to $10,000. Republicans do not appear to be open to the idea of student loan forgiveness in any form.[20]

<u>Universal Forgiveness Plan:</u>

The plan of universal loan forgiveness for all Americans regardless of the borrower's background or income level was popularized by Senator Bernie Sanders during his presidential campaigns. Recognizing that one-time forgiveness isn't enough, the "College for All Act" as proposed by Senator Sanders and Representative Pramila Jayapal would provide free access to community college for every person in the country and eliminate tuition and related fees at public postsecondary institutions for families making up to $125,000.[21] This would encompass nearly 80 percent of families and provide at least $48 billion per year for the previously stated initiatives for equitable access to postsecondary education.[22]

16 "Open Letter to Secretary of Education John B. King," National Consumer Law Center, August 17, 2016, https://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/ltr-sec-king-race-student-debt.pdf.

17 Rebecca Safier, "Student Loan Payments Set to Resume, but 55% Can't Afford Them," Student Loan Hero, January 6, 2021, https://studentloanhero.com/featured/student-loan-relief-covid-2021/.

18 "Fact Sheet: The American Families Plan," The White House, April 28, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/.

19 Joseph Biden and Anderson Cooper, "CNN Presidential Town Hall with Joe Biden," CNN, February 16, 2021, http://transcripts.cnn.com/TRANSCRIPTS/2102/16/cnnt.01.html.

20 Megan Leonhardt, "We Asked More than 500 Congress Members about Student Loan Forgiveness—Here's What We Found," CNBC, April 22, 2021, https://www.cnbc.com/2021/04/22/student-loan-forgiveness-where-members-of-congress-stand.html.

21 "College for All Act Introduced by Jayapal and Sanders," Congresswoman Pramila Jayapal (blog), April 21, 2021, https://adminjayapal.house.gov/2021/04/21/college-for-all/.

22 "Free College, Cancel Debt," Postsecondary education includes public colleges and universities, tribal colleges, community colleges, trade schools, and apprenticeship programs.

Income Based Plans:

Income-Based student loan forgiveness is the most variable of the proposed systems. Income cut-offs and the amount to be forgiven often change depending on who is proposing the specific initiative, however, like Senator Sanders, Senator Warren's Income-Based student loan forgiveness plan was popularized during her 2020 presidential run. In her inopportunely titled proposal, "My Plan to Cancel Student Loan Debt on Day One of My Presidency", Senator Warren outlines a tiered debt cancellation policy based on income where gradually, the more you earn, the less debt will be forgiven. Borrowers earning up to $100,000 annually would be eligible for a maximum benefit of $50,000, while those making between $100,000 and $250,000 would receive incrementally less. Those with annual income exceeding $250,000 would not be eligible for any forgiveness.[23]

Solutions like Biden's skim the surface of the borrowers' plight with a wide net, attempting to undertake a variety of measures geared to bypass partisan scrutiny rather than sustainably address the student loan and accessible education issues. With this wide but shallow focus, too many critically affected Americans fall through the holes. Meanwhile, universal loan forgiveness, while easy on the ear, is actually regarded as one of the worst options.

Full forgiveness of existing student debt would cost more than the cumulative amount spent on programs like unemployment insurance, or the Earned Income Tax Credit, or food stamps over the last 20 years. And in contrast to those targeted programs, the beneficiaries of student loan forgiveness would be vastly richer, whiter, and better educated.

While universal forgiveness is flawed by design, more palatable solutions like Senator Warren's still cut at the corners of principle, too. Many income-based solutions do not actually address the issue of lifelong, debilitating, debt, only further enabling the toxic qualities of educational financing. While confining borrowers' loan debts within a seemingly manageable package, they often enable the sharecropping-esque trend of working with loans over one's head for a substantial part of a borrower's life.

All in all, America's educational loan-financing scheme is a modern corporate plantation, another system built on the backs of those who get the short end of the stick. When that mountain of a debt system crumbles, the ones on the bottom will be the first to bear its burden.

23 Elizabeth Warren, "My Plan to Cancel Student Loan Debt on Day One of My Presidency," Warren Democrats, https://elizabethwarren.com/plans/student-loan-debt-day-one.