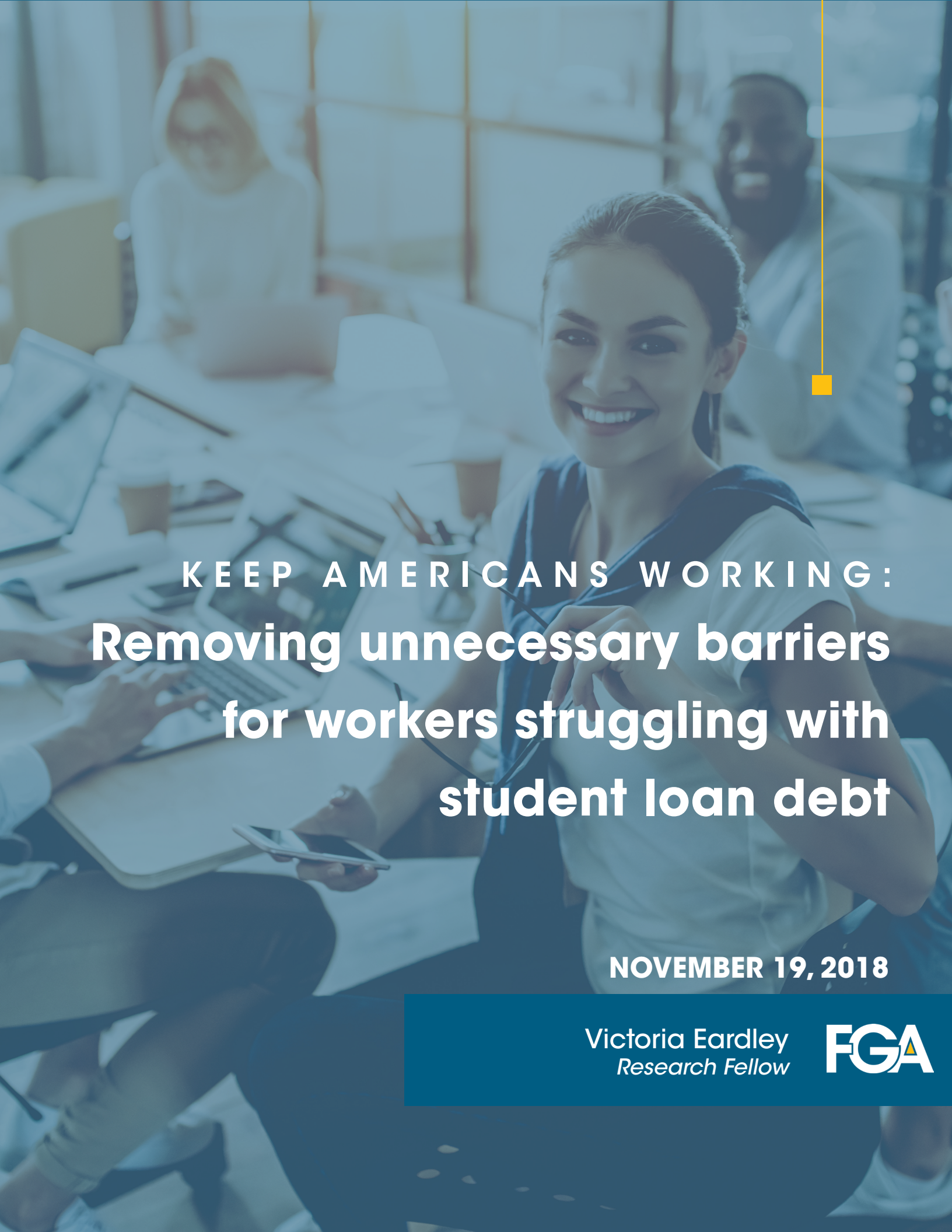

KEEP AMERICANS WORKING:

Removing unnecessary barriers for workers struggling with student loan debt

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KEY FINDINGS

1

THE PROBLEM:

FIFTEEN STATES REMOVE AN INDIVIDUAL'S OCCUPATIONAL LICENSE IF THEY DEFAULT ON THEIR STUDENT LOANS.

2

THE CONSEQUENCES:

NURSES, FIREFIGHTERS, TEACHERS, LAWYERS, DOCTORS, REAL ESTATE BROKERS, AND OTHERS CAN LOSE THEIR JOBS WHEN THEIR CREDENTIALS ARE SEIZED.

3

THE SOLUTION:

STATES SHOULD REMOVE STATE STATUTES THAT MAKE IT NEARLY IMPOSSIBLE FOR WORKERS TO PAY OFF THEIR DEBTS AND STAY IN THEIR JOBS.

BOTTOM LINE:

IT IS TIME FOR POLICYMAKERS TO KEEP AMERICANS WORKING.

FGA

The problem: States are attacking workers

Occupational licensing has grown rampant in recent years. Occupational licensure now affects more American workers than minimum wage laws or unionization.[1]

In the 1950s, fewer than five percent of U.S. workers were required to have a state-issued license to work. Today, this number has risen to nearly 30 percent.[2] Individuals in occupations ranging from lawyers, doctors, and psychiatrists to barbers, electricians, and plumbers must obtain a license to work in their chosen field.[3]

The number of individuals experiencing the burden of student loan debt is also on the rise.

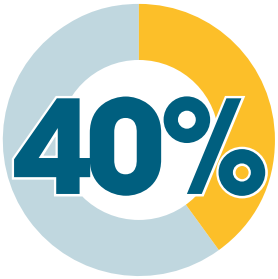
Today, student loans take up 12 percent of a person's monthly paycheck for 40 percent of young, working-age adults.[4-5] Student debt is now the second-largest source of household debt after housing, and is the only form of consumer debt that continues to grow post-Great Recession.[6] The number of people who default on their student loans has recently increased as well, with more than 11 percent of borrowers falling into default.[7-8] By 2023, it is estimated that nearly 40 percent of borrowers will default on student loans.[9]

Unfortunately, student debt does not just affect those with a degree. Many "noncompleters," or individuals who never completed their schooling, are left with substantial loans to pay off without the degree to show for it.

Mounting student debt is a crisis for far too many Americans. But rather than helping these struggling workers, states are doubling down with an all-out assault on work.

STUDENT LOANS TAKE UP

OF A PERSON'S PAYCHECK FOR

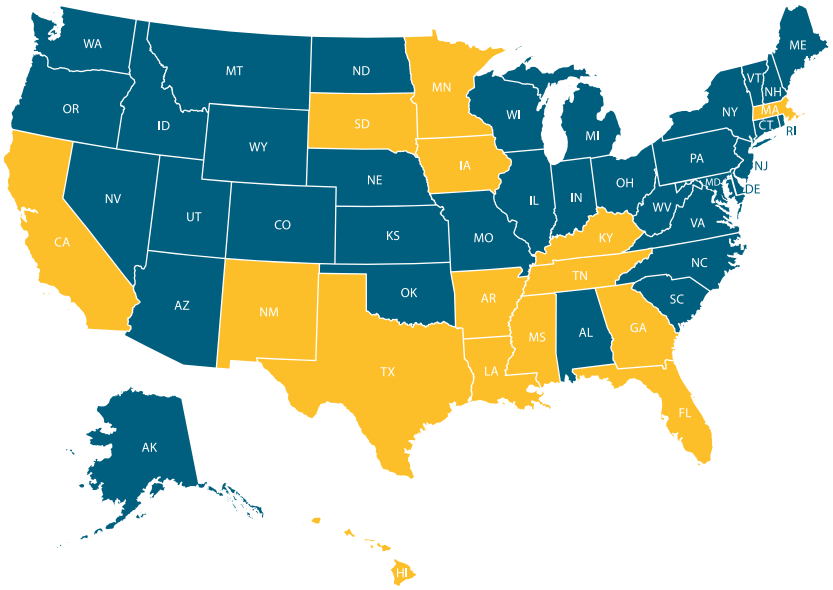


OF YOUNG, WORKING-AGE ADULTS.

> These laws have been rightly labeled a "catch-22," "debtors' prison," "unnecessarily punitive," and "counter-intuitive" for they create yet another barrier for Americans who are working hard to pay back their debts.

Currently, 15 states have laws on the books that revoke the occupational licenses of Americans who default on their student loan bills. These laws have been rightly labeled a "catch-22," "debtors' prison," "unnecessarily punitive," and "counter-intuitive" for they create yet another barrier for Americans who are working hard to pay back their debts.[10-12]

This widespread problem affects licensed workers across the country. In some states, only medical professionals or specific occupations are affected by these laws, but in nine states, all licensed occupations are affected.[13-14] These individuals deserve the freedom to stay in their jobs and keep paying down their debts.



States in yellow remove or suspend licenses for default.

The consequences: Hardworking Americans are having their livelihoods threatened

As a result of these attacks on work, Americans who are working lose their jobs and the ability to repay their loan debt. The loss of income often leads to additional debt as individuals fall further and further behind on their payments.

It gets even worse: once a license is removed or suspended, individuals not only have to pay down their defaulted debt, they have to pay extra fees to the state licensing boards just to get their license back.

Defaulting on student loan debt is serious and should be avoided at all costs. But rather than helping Americans who have fallen on hard times, states are making it more difficult for former students to ever catch up on their loans by taking away their access to a job.

Data from states reveals that at least 8,700 individuals have been affected by these attacks on work.[15] The real impact is likely much higher.[16-17]

LOUISIANA ONE STRIKE AND YOU ARE OUT.

Louisiana—known for its excessive occupational licensing, particularly among low-income jobs—is one of the most aggressive states when it comes to punishing hard-working Americans who have fallen on hard times.[18] One group that has been hit particularly hard is nurses. In just the past few years, Louisiana has blocked license renewal for more than 700 nurses, putting their livelihoods at risk.[19-29] Even worse, most of these nurses had never experienced loan default before—57 percent were in first-time default.[30-31]

57%
OF THESE NURSES WERE IN FIRST-TIME DEFAULT

TEXAS THE PRINCIPAL CAN'T SEE YOU NOW—HE LOST HIS LICENSE.

In Texas, more than 200 careers currently require a state-issued license.[32] The Lonestar State is also among the four highest states for total student loan debt.[33] In recent years, the State of Texas has divulged that they have suspended the licenses of at least 500 nurses and 250 teachers on these grounds.[34-35] According to the Texas Tribune, government records suggest more than 4,215 people in the state—including security guards, cosmetologists, and pharmacists—were at risk of losing their licenses.[36-37]

TENNESSEE A DEFAULT A DAY KEEPS THE DOCTOR AWAY.

Beginning in 2009, Tennessee began actively pursuing workers.[38] By 2011, local media were already reporting cases of Tennessee workers having their licenses seized.[39] Tennessee now reports that about 4,200 resident workers have had their medical licenses suspended for falling behind on their student loans since 2009.[40] The New York Times reported that there were 5,400 licenses revoked from 2012 to 2017.[41]

Weeks after submitting on online application and fee for his teaching license, Texas worker Roderick Scott Sr. was called into his school's human resources office and asked why he hadn't renewed his license.[42] Just one phone call to the Texas Education Agency revealed that his renewal was not processed because he had defaulted on his loan payments. Although the middle school teacher immediately paid the loan collector, the time spent sorting out the renewal had its consequences. His students were moved to a different teacher and he lost a department-chair position which came with an added stipend.

Nashville, Tennessee resident Shannon Otto spent years in school and thousands of dollars to ultimately land her dream job as a nurse.[43] After successfully working for more than a decade, she unexpectedly developed sporadic epileptic seizures and was unable to work. Inevitably, she defaulted on her student loans. Once the seizures were under control, Otto was ready to get back to work and pay back her debt, but the Tennessee's Board of Nursing had suspended her license after she defaulted on the loans. To get her license back, she would have to pay more than $1,500—a price she couldn't pay without her job.

For a decade, Georgia nurse Debra Curry took a break from work to raise her six children.[44] But after two years back on the job, she received a letter saying that her nursing license was at risk because she had fallen behind on her student loan payments. Unless she immediately contacted the state to set up a payment plan, her license would be terminated. Although Curry swiftly responded to the notice, the state terminated her license. She was told it was a mistake, but it took a week to have the license reinstated. Curry pays about $1,500 a month and she worries that her debt will once again threaten her ability to work.

REAL PEOPLE

"You do understand that, basically, I have been fired because you won't allow [the Texas Education Agency] to renew my certification."
– Roderick Scott Sr.

"I absolutely loved my job, and it seems unbelievable that I can't do it anymore."
– Shannon Otto

"How do you think I'm going to be able to pay [my loans] back if I don't have a job?"
– Debra Curry

The solution: Stop out-of-control attacks on workers

Lawmakers across the political spectrum have seen these "catch-22" policies hurt workers in their states.[45] Fortunately, policymakers have the opportunity to keep hardworking Americans in their current jobs and help them pay off their student loan debts.

Removing an individual's license to work is inefficient and these state suspensions must end. Lawmakers can and should introduce bipartisan legislation to prevent states from suspending, revoking, or denying state professional licenses because borrowers are behind on their student loan payments.

Individuals would still be responsible for paying off their debts, but they would be protected from having their access to jobs and their livelihoods attacked.

The momentum: States are starting to reverse course, but more work is needed

Just in the past year, Virginia, Illinois, Alaska, and Washington were successful in removing their counterproductive licensing laws.[46-51] From 2015 to 2017, New Jersey, Oklahoma, North Dakota, and Montana also removed their state statues, setting a precedent for others to continue down the path to protecting work.[52-55] There is noticeable momentum nationwide, but 15 states still have work to do.

Recently, Congress has also taken notice of these harmful statues. Just this past year, the U.S. Senate and House introduced companion bills that condition federal funding under the Higher Education Act upon the removal of these state laws. Notably, the sponsors of these bipartisan bills represent states that currently have license suspension laws in place.

Given these trends, there is hope on the horizon for American workers.

"Individuals would still be responsible for paying off their debts, but they would be protected from having their access to jobs and their livelihoods attacked."

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