

Diversifying

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Student Loans, A Dumpster Fire: Part 1



Speakers

Delyanne Barros, Nathalia Copeland, , Meryl

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Delyanne Barros

Last March, I was done. I quit. I was a lawyer for 13 years. I had spent my life going through this little checklist of what I was supposed to do as an immigrant, I had a really rigid definition of success college, law, school, corporate job, the whole package. I finally had the dream job working at a New York City employment law firm. But I was miserable. The environment was suffocating me and the hours were endless. I felt like I was wearing golden handcuffs. I knew I was lucky to be making good money. But in reality, I had to make that money just so I could afford my rent and pay the minimums on student loans. I owed \$150,000. I suddenly realized I was trapped. I felt so alone when I was going through all this, which is why I'm here talking to you.

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Delyanne Barros

My name is Delyanne Barros. I know money can define your life, especially when you're struggling. That's why I became a money coach. It was a side hustle that became a full time hustle that's now turned into this new podcast. As a woman of color, I know financial institutions weren't designed with people like you and me in mind. I think it's time to make personal finance actually feel personal for all of us with stories that reflect where we come from and where we're going. So that's what we're doing here on diversifying. We're not going to tell you to skip the latte or dive straight into dividends, and NFT's instead will offer guidance you can actually use about things like credit, crypto and investing. We're also going to tackle the emotional side of money because let's face it, they're inseparable. Welcome to diversifying a new money podcast from CNN. To kick off the show, I wanted to start with a financial obstacle that's affecting so many of you today. Student loans, over 43 million Americans have them.

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Caller 1

I feel so trapped and scared that I'm not going to be able to pay them off.

00:02:23

Caller 2

I fantasize about ways I could get rid of it.

00:02:26

Caller 3

That pressure alone, is it's as if there's an elephant on your shoulder.

00:02:32

Delyanne Barros

I've been having conversations about this with my sister, Natalia. She took out six figures of student loans, too, and we've both been thinking about whether they were worth it. They offered us a lot of opportunity, but they also came at a huge cost. I think our story is something a lot of you can relate to. So I wanted to bring her on to talk it through. Hey, Natalia.

00:02:55

Nathalia Copeland

Hey, Delyanne.

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Delyanne Barros

Our voices sound a little bit alike, so please bear with us.

00:03:00

Nathalia Copeland

I offered to put on an accent, and surprisingly, Delyanne said, don't do it. I can't imagine why. So.

Delyanne Barros 00:03:05
Our family moved from Brazil to Miami when I was eight years old, and she was four. A lot of our childhood was about scarcity. My dad was a carpet cleaner and my mom was a housekeeper. They worked really hard to cover the basics. Rent, food, clothes. But there was no wiggle room doing anything extra, anything fun. It required some creativity.

Nathalia Copeland 00:03:32
I'm sure you and I both have some interesting stories about how we saw mom and dad spending money or not spending money,

Delyanne Barros 00:03:42
We used to sit through hours and hours of presentations because I don't know if anybody does know this. But back in the day, you could sit through a time share presentation and you would get Disney pass. And so I don't know how my father found out about this. We would go up to Orlando and we would spend half a day sitting through timeshare presentations so that we can get passes for the five of us.

Nathalia Copeland 00:04:04
I remember, like there was like another room, too, where they tried to put like a pinball machine and some stuff to keep us busy like that's to have that burned in my memory. And that was something that I thought was like a prerequisite before you could go to Disney. You had to go hang out in that room because we did it every time.

Delyanne Barros 00:04:26
And then I was like, Wait, when I found out that other people didn't do this, I was like, Wait, you just go. You just go straight to the park. Oh, wow, I didn't know that was a thing. When we were growing up, our parents were all about school, which is pretty common in immigrant families.

Nathalia Copeland 00:04:42
College was always in the cards for us. Absolutely. I think that both of us knew that was the path for success in the United States and we were really wrapped up in. We're going to do whatever it takes. And I think we did. You know, despite some of the consequences of that to make sure that we went. And so absolutely that was really important for us.

Delyanne Barros 00:05:04
But at that time, I was, you know, so excited for the future. So hopeful. I just watched Legally Blond. I'm like, Yes, that's going to be me. I'm just going to be walking these halls, ruling the world living in New York City, living my best life.

Nathalia Copeland 00:05:20
I really believed that I was going to make it like, I believed that I was going to make it up later. And I bet on myself in that way. I don't know if it's because of youth where you just don't look and realize that, hey, you know, this is going to have consequences for potentially the rest of your life. At that time, it was just like, Let's make it work no matter what.

Delyanne Barros 00:05:42
You know, I agree with you. It's the optimism of youth, right, that allows you to make these kind of decisions that as you get older, you become more pragmatic and you become more risk averse and then it's harder to make those decisions. I don't know that I could sign off on one hundred and fifty thousand dollars of student loans today, knowing what I know, I probably wouldn't.

Nathalia Copeland 00:06:03
Yeah.

Delyanne Barros 00:06:03
And unfortunately, I feel like the student loan companies know this. They know our desperation for materializing this dream, for making this a reality, and they've taken advantage of it. And it can be a really, really overwhelming thing once you realize it. So I remember getting that first email where they're like, Hey, your student loans are about to, you know, the deferment is about to kick off and you're going to owe this much by the first of the month. When I saw that number, I literally started sweating. I was like panicking, and I could not hit the forbearance request fast enough. They're like, if you need a forbearance, if you need a little extra time, you can fill out this form. I couldn't have filled out that form fast enough. And I did as many times as they allowed me to do it without understanding that the interest is still compounding. It's still growing and it's all going to, you know, somebody's going to have to pay the piper at some point. So that is definitely one of, like I would say, my quote unquote money missteps that I would go back and I would never repeated that.

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Nathalia Copeland

I remember the AHA moment. It was when I had been paying the loans for two to three years. I looked at how much the balance was and I realized it wasn't going down. And that was when I had like my panic slash light bulb moment of I need to do something in order to make bulk payments to make this happen. Yeah, that that was my shift into kind of like realizing something had to change there.

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Delyanne Barros

It took me a long time to get to that shift. For over a decade, I paid the minimums on my student loans, which was still a thousand dollars a month. I assumed I just pay that indefinitely because I felt so hopeless and I was like, I don't get it. I felt like everybody else was building their little piles of money and creating wealth. And I was missing a piece of the puzzle. But then I discovered investing. I started to find people on social media who were quitting their jobs because they were living off of their investments. These people had found financial independence, a term I had never heard before. That's what helped shift my whole perspective when I realize that investing in the stock market was something that could literally change my life, and it has. That's when everything started opening up for me, and I'm sure I became a very annoying sister at this point because I couldn't stop talking about money. And you're like, What the hell is going on, right? Wasn't it almost like an overnight situation?

00:08:36

Nathalia Copeland

Oh, yeah, I mean, it was. It was amazing, though, to see that transformation. I absolutely loved it.

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Delyanne Barros

I'm like, Oh, so debt freedom is just like another step towards financial independence that's much more exciting than just like, let me become debt free for the sake of becoming debt free. I had been slowly saving up money, hoping to buy property someday, but I decided to change course. I threw a huge chunk of my savings at my student loans. And at the stock market, this was when I started my side hustle as a money coach, which also changed things for me in a major way. The business did so well. I was able to quit my job and escape corporate America. And in about a year, I also paid off my student loans a hundred and fifty thousand dollars gone. Look, I know paying off this amount of debt so fast is not a realistic option for most people. And I'm not saying everyone needs to be an entrepreneur or start a side hustle in order to pay off their loans. But I do think it shows a huge impact that learning about personal finance can have. It let me break out of the path I thought I was stuck on. And I think even small steps can help you do the same thing. Knowing everything we know today, I had one more question for Natalia. You know, at the end of day, do you regret taking out the student loans?

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Nathalia Copeland

I don't regret taking out the student loans. I regret that that was the only option I felt that I had at the time that it had to be this way or absolutely nothing at all, like either take out six figures of student loan debt or basically, you know, good luck trying to go to one of these prestigious schools. I think it's definitely overinflated. I think the amount of education I should have gotten before I was allowed to make that kind of decision there's, like in order to get a driver's license, you have to take a test. You know, like there are certain things that have a bar before you can do things that risk your life. And this is a risk to your life, almost that people are not talking about. So why are we not having you actually, you know, be counseled in a way that allows you to make the best decision?

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Delyanne Barros

A lot of us have had to make that choice. A third of college students in the U.S. have to take out loans. We're going to take a quick break, but when we come back, we'll dig into how the hell we got here. Hey, you've reached Delyanne Barros, host of diversifying what's your student debt like, how does it make you feel? Let me know after the beep.

00:11:25

Caller Montage

Hi Delyanne. Hey Delyanne. Hi Delyanne. Oh chile, let me tell you about these loans ok? \$80000 of parent plus loans. \$30000 in debt. Over \$100000 in debt. Going into college, I was considered a first generation student and didn't really understand the financial aspect of it. I was deciding between paying my gas bill or paying my student loans. I remember calling said loan servicing and crying to them. I am a single woman. I don't feel like I can buy a house. I think it hinders students because you spend a lot of your time just working to pay that back and not so much crushing your ambitions. As someone who paid off their student loans. I don't want anyone to have to go through what I had to go through.

Delyanne Barros

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Hearing all these voices. It's hard not to feel like something's going wrong. The purpose of a student loan is to provide a bridge to the future to give people a chance to enter the workforce and achieve. Theoretically, the loan should allow you to bring in enough money that you can afford to pay it off. But as we heard, that's often not the case. Over time, student debt has gotten more complicated, and it's become a greater burden for people taking out loans. We're now inching towards two trillion dollars of student debt as a nation. I wanted to understand more about how we got here, so I called up Danielle Douglas-Gabriel.

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I am a National Higher Education Reporter for The Washington Post. I primarily cover the economics of higher education, so student debt, everything that kind of encompasses the financing of higher ED and really looking at it from the perspective of students who are like me, I guess, first generation college students whose parents didn't necessarily have the sophistication to navigate the system and really trying to explain these often complex ideas in the simplest terms, to make it easy for everyone to understand what they're getting into.

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Delyanne Barros

Well, I am super grateful for that because I am too. I'm an immigrant, actually. I was born in Brazil and grew up in America and had to navigate that system all by myself because my parents had no idea what I was doing. So figuring out that FAFSA form alone should have required a degree.

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Indeed, indeed. The funny thing is, so my mom pursued higher ED much later in life after I had graduated college, and she turned to me she was like do you remember how to do this? I was like, Yes, let me help you, mother.

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Delyanne Barros

That is such a perfect like, you know, full circle moment. That's hilarious. Well, what's not so funny, unfortunately, is this, you know, issue that we're dealing with student loans. What is it that led us to the system that we're tackling today? Like, it wasn't always this way. People have borrowed money since the 60s.

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I think there are a couple of things. I mean, the sheer volume of people going to school and the sheer volume of under-resourced people going to school needing to rely on loans in a way that previous generations may not have, because the issue of access just wasn't quite there the same way, right? So, yeah, people went to college in the seventies and eighties and sixties and such, but not as many people and certainly not as many black and brown people who did not have the money to attend. They tended to go to schools where they could afford to work. You know, a side job or a part time job and pay their way through. And while that is possible, in some instances, it is less likely, though these days, even if you're attending community college, you know, I think it's interesting. There are a lot of states that cover tuition for community college students, but they still have to live, they still have to eat, and the expense of doing those things can make it very difficult for them to graduate. We also have seen, you know, the cost of college rise tremendously in part, you know, on the state side, because state disinvestment, the less money that states are giving to their public institutions, the more families have to make up that difference with an increase in tuition.

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Delyanne Barros

Danielle says the recession in 2008 played a huge role here. People who couldn't find jobs went back to school. There were government campaigns encouraging low income students to enroll. But at the same time, states trying to save money cut funding to public colleges.

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Certainly, we have seen states deciding to reinvest in their public institutions, but not to the levels of pre Great Recession, at least in the majority of states, and that's really harmful to a family's ability to pay for school. Even middle income families, I think if you are in a situation where you can't even afford your regional public, not the flagship, but even the regionals require you to borrow and take out then we really have to think about this overreliance on debt financing and think what should be the state's role, the federal role in affording citizens a path to education, a path to a sustainable middle class life, a path to creating a workforce that can be nimble, that can be competitive on the global stage without saddling those people with tremendous amount of debt.

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Delyanne Barros

You know, I was reading the study where it said black graduates from a four-year college owe nearly twice as much as white graduates, right? And so clearly, this is having a huge impact on people of color.

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Certainly. I mean, the research shows exactly the problem, right? Black and brown people, especially black people, are bearing the brunt of the student debt burden. It's interesting, you know, of the various cohorts that owe a lot of money. Black women in particular have one of the highest debt burdens and debt loads. And it really affects their ability to create wealth to close the racial wealth gap. And it's also interesting because a lot of black women I've spoken with are saying to me that, you know, they acquired their debt in graduate school, which is the bulk of the student debt. You know, 40 percent of the loans the federal government makes is for graduate programs. But a lot of these women say, look, labor market discrimination made it so that I felt I had no choice but to go and pursue this degree, to keep my job or to even remain competitive with my white peers who just had a bachelor's. And so we really have to think about this in holistic terms about how various elements of the system has failed people in ways that this debt has compounded those problems.

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Delyanne Barros

Another big factor here is resources. The net worth of a white family on average is 10 times more than a black family. A lack of generational wealth. The wage gap. Student loans. These are all related. They all hold people back.

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The creation of wealth is your ability to save money, invest money, retirement, college savings plans, all of those things so that you have assets. Not only that you can rely upon, but that your family can rely on that kind of generational wealth. Now, people who are kind of starting from the bottom without those resources and using education, higher education as a path to help them towards that end of wealth creation. Now, if they come out of college with \$50000 in debt, no safety net in terms of their family. Every dollar used towards paying that down is one less dollar they're unable to put towards trying to create and generate any kind of wealth.

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Delyanne Barros

And this is something that I talk about, you know, in the sense of investing because people ask me about 529 plans and saving for college, and those are all well and good. But if you don't have the money freed up to put money into those accounts, then what's the point of having access to these things? And you know, I graduated with one hundred and fifty thousand dollars in student loan debt. And like you said, it took me a really long time to get to the point where I am now, where I have built a significant safety net. But it's also delayed things in my life like I have not purchased a home. You know, I pretty much discounted the idea of having children, and this is a common theme that you're seeing with millennials and even some Gen Zers who are saying, you know, I don't want to do X, Y and Z because my student loans have just taken up my entire life.

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I mean, I think it's fascinating because some of it is the psychological impact of the debt. So when I graduated from undergrad, I had \$50,000 in debt, and because of that, I made certain decisions about my career because I always wanted to make sure I could afford to pay my bills, particularly my student loans, because I was my only real source of credit, right? But then I got to a place where I was like, I don't want to work for the rest of my life. I'm a contribute to this 401K if that means I am making minimum payments on these student loans as long as it's paid. I'm sorry, I'm not going to die working for you, people, OK, but I am of the mindset that you cannot let your student loans define you because you will miss out on all the opportunities that allow for you to possibly make more money to pay them off faster. And that is a regret. In my 20s, I was so frightened of my loans that I probably passed up a lot of opportunities that could have landed me in the higher income bracket as a result of that. And some of that, I think, is been. I was first generation and I constantly had this fear of, you know, disappointing parents and my parents are immigrants too, and they're like, We came to this country, you have to do things, you know, I mean, it was all of that and also thinking about what if my family needs me? What if I'm the one who made it quote unquote right? Will I be able to help them with a bill if they fall short? Not that folks were necessarily asking, but you feel that kind of responsibility. And I think that I hear that so much in so many black and brown people. I speak to that it just it breaks my heart, in part because I feel like a lot of times when people are having conversations about debt cancelation and who would benefit and what that looks like, they forget us. They forget people who have come from these sorts of experiences where they've been paying a parent's bill since they were in their 20s without ever, you know, asking anyone to feel sorry for them, but understanding that the demands on their money are very different than their peers.

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Delyanne Barros

I just feel like I had a therapy session and I feel so validated hearing you say all that because you described my personal life, my personal experience to a T. That is exactly how it felt for me. I delayed investing in my 401K. I feared at changing careers for so long because I couldn't afford to take risks in my career. I didn't. I didn't rock the boat at my job. I didn't make complaints. I didn't speak up for myself. I didn't negotiate salaries, all because I was playing small and playing safe because I'm like, I cannot afford to lose this job. I have so much debt and I have so many people counting on me. If you're anything like me, you're shaking your fist at the sky right now or at the dumpster fire, that is our student loan system. But don't worry, I'm not just going to tell you that things are broken and then walk away. The next episode of Diversifying is in your feed right now, and it's all about how to get your student loans under control. You're going to be completely debt free by March 2023?

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Meryl

Yeah, it should be. Yeah.

00:22:21

Delyanne Barros

Oh my God, that's amazing. That's way better than 2050.

00:22:24

Meryl

It's so much better than 2050. Yes.

00:22:27

Delyanne Barros

We'll also be back in your feed next Monday and every Monday. If you've got a story you'd like to tell me or a question you'd like answered. You can give me a call at two zero two five three nine seven three seven zero. Leave me a voicemail and let me know what you're thinking. Diversifying is a production of CNN Audio. Megan Marcus is our executive producer and Haley Thomas is our senior producer. Our producers are Alex Stern and Kinsey Clarke. Our Associate producer is Charis Satchell, and our production assistant is Eden Getachew. Eduardo Ocampo is our intern, mixing in sound design by Francisco Monroy artwork designed by Brett Ferdock, Original Music by Andrew Eapen. Our technical director is Dan Dzula, with support from Chip Grabow, Steve Kiehl, Anissa Wells, Abbie Fentress Swanson, Tameeka Ballance-Holasny, Ashley Lusk, Lindsay Abrams, Rafeena Ahmad, Lisa Namerow and Courtney Coupe. I'm Delyanne Barros. Thanks for listening.