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# Solving Student Debt

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Video: <https://stosselintheclassroom.org/2020/03/13/solving-student-debt/>

Segment Length: 5:46 minutes

## **Lesson Description:**

Americans owe over \$1.5 trillion in student loan debt, and that number keeps rising. But what if anything should we do about it? While some politicians think “free college” is the answer, John Stossel looks at another possible solution that could empower students to make more informed decisions about their futures.

## **Concepts & Key Terms:**

*Income share agreement (ISA)* – a financial structure in which an individual or organization provides something of value (often a fixed amount of money) to a recipient who, in exchange, agrees to pay back a percentage of their income for a fixed number of years.

*Indentured servitude* – a system in which an employee is bound to work for an employer for a specified amount of time

## **Objectives:**

Students will be able to:

- discuss student loans and income share agreements
- assess how different college majors can impact earnings
- evaluate the pros and cons of income share agreements

## **Preview Activity and Questions:**

Distribute copies of the K-W-L worksheet to the class. Have students fill in the K and W sections. After showing the video, have students complete the L section and answer the question at the bottom of the worksheet.

## **Viewing Guide:**

We recommend that teachers show the video twice: once to allow students to view it and focus on the issues presented, and once to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs sharing and verifying answers.

## **Answers to Viewing Guide**

1. profit
2. low earnings
3. complex
4. income
5. post, graduation
6. win, win

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## Viewing Guide

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Teacher \_\_\_\_\_

**Directions:** As you watch the video, fill in the blanks with the correct words.

1. We take the middleman out, we take the banker out of the picture, because they're taking a \_\_\_\_\_.
2. If I'm a young person going to college, the federal government doesn't tell me that the amount that I'm borrowing is probably going to be unaffordable for me, because I'm on a path to a \_\_\_\_\_ - \_\_\_\_\_ occupation.
3. It's not because they're dumb, it's because we've made a system that's really \_\_\_\_\_.
4. Graduates who get jobs repay the loans by paying the college a percentage of their \_\_\_\_\_.
5. They may even sway students away from going into majors that don't have job prospects \_\_\_\_\_ - \_\_\_\_\_.
6. It's a brand-new industry, the public's still learning, the investors are still learning. They really care about the students. It is a \_\_\_\_\_ - \_\_\_\_\_ situation for everyone involved in it.

**Now, take a few moments to reflect on the video and answer the questions below:**

Before watching this video, what did you think should be done about the student debt crisis?

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Has any information in this video led you to rethink your view? \_\_\_\_\_. If yes, what information? If no, why not? \_\_\_\_\_

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Does an income share agreement (ISA) sound appealing to you? \_\_\_\_\_. Why/Why not?

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## **Discussion and Analysis:**

1. Why do people borrow money? What are some things people borrow money for?
2. Why do some people struggle to pay back loans? Does that mean they borrowed too much? What else might it mean?
3. Should the government provide loans for college? Why / Why not?
4. Do you think the government should be in the business of loaning people money? stay involved in student loans? Why / Why not?
5. When banks loan people money and they are unable to pay back the money they borrowed, who loses?
6. When the government loans people money and they are unable to pay back the money they borrow, who loses?
7. Some people think student loans should be “forgiven” and college tuition should be paid for by the government. Who would actually pay those costs?
8. Should people who chose not to attend college be forced to pay for others’ college education? Why / Why not?
9. Why do ISAs (Income Share Agreements) charge higher rates for majors that lead to fewer and/or lower-paying job opportunities?
10. Charging different rates for different majors provides an incentive for hard science majors and a disincentive for social science majors. Why? What are the pros and cons of this system?
11. If you plan to attend college, have you considered what you will major in? How much consideration did you give to the eventual job opportunities and salaries for each major?
12. Under an ISA, students don’t have to pay anything when they’re unemployed, and only have to pay a small percentage of their income each month when they are employed. This makes it easier for them to afford their payments, but they’ll pay a higher total if they get a high-paying job. Is this a good trade-off? Why / Why not?
13. Beth Akers says we should invest in students in the same way that we invest in startups. What does she mean by this?
14. Critics have called ISAs predatory and compared them to “indentured servitude.” Why? Is this comparison accurate? Why / Why not?
15. If ISAs replaced traditional student loans, who would benefit most? Who would it hurt the most?
16. If ISAs became more common, could they solve what some people claim is a student loan crisis?
17. Had you heard of ISAs before this video? Would you consider getting one?

## **Discuss These Lines from the Video**

1. If actual private lenders—people with skin in the game—made college loans, they'd care about being paid back. They'd tell students which majors often lead to higher-paying careers, and warn them that majoring in sociology, art history, or gender studies might make it tougher to get out of debt.
2. It's not because [students are] dumb, it's because we've made a system that's really complex.
3. [Forgiving student debt and providing free college tuition] ends up giving very large benefits to people who probably don't need it.
4. So you want to be a web developer? Sign up, pay nothing up front. That's right, nothing.
5. The ISA was a way for the school to say to [students], "You're only going to pay us if we help you succeed."
6. The security of knowing that I'll never pay back more than I can afford every month was enough for me.
7. ISAs convey information to the student about how lucrative a different major's going to be.
8. English majors must pay 4 1/2% of their income for 116 months. Math majors pay 4% for just 96 months.
9. We should think about investing in students the same way that we invest in startups: share equity in their company.
10. If you graduate and you don't have a job, you're not paying anything. Where's the servitude in that?

## **Quotes for Discussion:**

When people leave college, they should be able to start their life with excitement, not be saddled with outrageous levels of student debt. – Bernie Sanders

Kids should go to college, but they should go to the best school they can afford to get through with minimal or no debt. That might mean going to a community college or an inexpensive local state school. Whatever it takes. – Mark Cuban

With high and rising costs, free college may sound appealing. But remember, when any politician offers something for "free," the costs eventually fall on all Americans. – Russell Rhine

Students who acquire large debts putting themselves through school are unlikely to think about changing society. When you trap people in a system of debt, they can't afford the time to think. – Noam Chomsky

If there were no government-guaranteed student loans, college tuition would be much lower. – Gary Johnson

A decent society wouldn't push millions of students into debt. It would recognize that higher education isn't mainly a personal investment, it is a public good. – Robert Reich

There's no point in making college more affordable for students who don't belong there in the first place.... Our dream should not be a world where everyone goes to college but a world where you can get a good job straight out of high school. – Bryan Caplan

[I]t was literally easier for me to become the youngest woman in American history elected to Congress than it is to pay off my student loan debt. – Alexandria Ocasio-Cortez

Higher education should not be a luxury. It is a necessity, an economic imperative that every family in America should be able to afford. – Barack Obama

The only thing more expensive than education is ignorance. – Benjamin Franklin

I had three jobs in college. The best day of my life was when I paid off my student loans, on my own. – Jessica Seinfeld

Student debt is a product that has been sold to us with such repetition and intensity that most people believe they can't live without. – Unknown

### **Activities:**

1. Have students complete the K-W-L chart in class or for homework.
2. Distribute copies of the PMI chart and have students complete in class or for homework.
3. Show the class the Both Sides paired video, Robert Reich: The Student Debt Crisis, and use the accompanying discussion questions.

<https://stosselintheclassroom.org/2020/01/20/both-sides-what-should-we-do-about-student-debt/>

4. Produce a “man-on-the-street” video in which you ask people what they know about college student debt.
5. Research government control of college loans. When did the government take control of college loans? How did it do that? What were the promises—the intended consequences? What were the results? If there were any unintended consequences, what were they?
6. Research college tuition costs. Has tuition increased at the rate of inflation? What about other costs? Why has tuition increased more?
7. Write a persuasive essay in which you explain the stated benefits of ISAs and the claim that it is essentially “indentured servitude.” Then, take and defend a position.
8. Read and summarize the article “Why Is the Cost of College Tuition Becoming So Pricey?” by Brittany Hunter.

<https://centerforindividualism.org/why-is-the-cost-of-college-tuition-so-pricey/>

9. Read and summarize the article “Income Share Agreements: A Crazy Alternative to Student Loans” by Dave Ramsey.

<https://www.daveramsey.com/blog/income-share-agreements>

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_ Per \_\_\_\_\_

Teacher \_\_\_\_\_

### Solving Student Debt: PMI Chart

- P = Plus:** What might be some positive effects of income share agreements?
- M = Minus:** What might be some negative effects of income share agreements?
- I = Interesting:** What are some interesting aspects of income share agreements?

+ Plusses +	- Minuses -	I

Do you want to go to college or learn a skill that doesn't require college? \_\_\_\_\_

Why? \_\_\_\_\_

Are income share agreements a good option for college students? \_\_\_\_\_ Why / Why not? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_ Per \_\_\_\_\_

Teacher \_\_\_\_\_

## Solving Student Debt K-W-L Chart

**Directions:** Complete the **K** and **W** sections prior to watching the video. After you have seen the video, complete the **L** section and answer the two questions below the K-W-L chart.

<b>K</b>	<b>W</b>	<b>L</b>
What I know about college student debt:	What I want to know about college student debt:	What I've learned about college student debt:

Based on what I have learned about college student debt and Income Share Agreements (ISAs), I think \_\_\_\_\_

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