

# Burdensome debt and health

## NARRATIVES AND HEALTH EQUITY: EXPANDING THE CONVERSATION

Crushing debt has far-reaching health impacts on individuals, families, and communities. Parents may have to work multiple jobs to make ends meet, leaving little time for family and recreation. Students who graduate facing 30 years of debt may face financial barriers to starting a family or settling into a community. High debt and its related stress can come from multiple sources, including predatory lending practices, accumulation of student loan debt, high home costs and mortgage lending practices, and major life crises that precipitate job loss. The emerging narrative links these consequences to their health outcomes.

1. Every community should have the opportunity to build long-term assets and economic security, which are essential for lifetime health.
  - a. Everyone deserves to have access to affordable savings products and financial education.
  - b. No person or community should become impoverished due to predatory lending practices.
  - c. Everyone should have the opportunity for timely and relevant financial education and support to help manage their resources and resolve their debts, regardless of ability to pay.
2. Every community should have safe and affordable options available to meet the financial needs of all. No one, because of financial necessity, should have to turn to abusive and harmful lending practices.
  - a. The practices of false representation of return on investment, lending money at unreasonably high rates of interest, misleading information about interest rates over time, making unethical or immoral monetary loans that unfairly enrich the lender and impoverish the borrower, or any other predatory practices should not be permitted in any community.
3. Everyone has a role to play in creating an economic environment that supports health.
  - a. Governments must examine and shape policies to assure that all people, regardless of income, have the opportunity to develop economic security and are protected from predatory financial practices.
  - b. Mainstream financial institutions have an important role to play in creating the opportunity for all Minnesotans and Minnesota communities, regardless of income levels, to develop savings accounts and build long-term wealth.
  - c. All persons and communities should have the opportunity to participate in the development of policies, plans, products and other activities that will shape their economic futures, regardless of their current income levels.
4. Everyone has a role to play in assuring the conditions in which people can experience economic security, assuring that no populations or communities are excluded from economic opportunity or targeted by financial predators.

## Student debt

5. Student debt is a barrier to a full range of options for life, including a healthy life (home ownership, employment, recreation, self-determination, etc.).
  - a. The stress of student debt is linked to poor mental and physical health.
  - b. Predatory recruiting practices by schools that encourage borrowing, such as overstating job prospects and future income, can be just as devastating as other forms of predatory lending.
  - c. Student debt increases individual and family stress and contributes to the burden of mental health concerns for entire communities.
  - d. Student debt impairs the community by reducing the time people have for full participation in the community and by increasing rates of transiency (i.e., renting), which also limits civic engagement, which affects the health of the whole community.
  - e. Defaulting on private student loans can limit employment opportunities and make it impossible to get any kind of loan for years, with long-term impacts on the conditions that create health (e.g., employment, housing, or transportation).
  - f. The high cost of college education limits employment and earning opportunities for persons of more limited financial means, and combined with student debt, contributes to eventual wage gaps and disparities in health outcomes.
  - g. Student loan programs that target disadvantaged communities and misrepresent the real long-term costs of student loans increase the burden of debt and contribute to population-based health disparities.
6. Everyone deserves to have the opportunity for an education that will allow them to earn a wage that supports a healthy life and family, without going into debt for a lifetime.
7. Education should not be the cause of long-term debt that limits income or employment opportunities.
8. All educational institutions, public or private, must be aboveboard and transparent in their promotion of degree programs and future job prospects, and should be held accountable if they falsely represent future earnings in order to lure prospective students into debt.

## Mortgage lending

9. Structural racism based in historical practices and continuing today has contributed to significant differences in home ownership rates between different racial and ethnic populations.
  - a. Predatory lending practices and sub-prime mortgages are targeted to disadvantaged and marginalized communities; these communities were the most negatively impacted by the economic downturn and mortgage crisis.
  - b. All Americans are and have been affected by mortgage lending practices, whether they have fallen prey to a sub-prime mortgage or not.
  - c. The realty industry has been complicit in creating and maintaining racial and economic segregation in American communities.

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- d. The economic advantage of European-Americans is to a large degree the result of home ownership, which has traditionally generated wealth that is transferred from one generation to the next. African Americans in particular have historically been prevented from owning homes with negative impacts on their own and their children financially and physical health.
10. Everyone deserves to have a safe and healthy home in which to live.
- a. Home ownership contributes to the stability and safety of communities, with important impacts on physical and mental health. The impacts of foreclosures go far beyond individuals by decreasing neighborhood property values, diminishing local tax revenues, and reducing community purchasing power.
  - b. Every homeowner deserves the opportunity to purchase a sustainable, affordable mortgage.
  - c. No one, whether home owner or renter, should have to pay so much for their rent or mortgage that they are unable to take care of their other essential needs.
11. No population or community should be the target of predatory mortgage lending practices. Lenders must not be allowed to target certain populations or steer people into mortgages that they cannot afford to pay. Lenders should not reward mortgage brokers for steering people into loans that benefit the lender and put the borrower at risk.

## Predatory and payday lending

12. The current practice of payday lending targets the most vulnerable and entraps them into a cycle of certain financial destruction. Payday lenders typically locate in low income and racially segregated neighborhoods.
- a. Far from being an individual matter, payday lending has devastating effects on communities, including increased rates of crime, reduced social engagement, increased individual, family and community stress, and greater health disparities.
13. Anyone in urgent financial need should have access to safe and affordable financial help. No one should, because of financial necessity, have no recourse other than to abusive and harmful lending practices.
- a. A range of fair and timely alternatives to predatory payday loans should be developed (with the participation of those most affected) and marketed to persons likely to be in need of financial assistance.

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