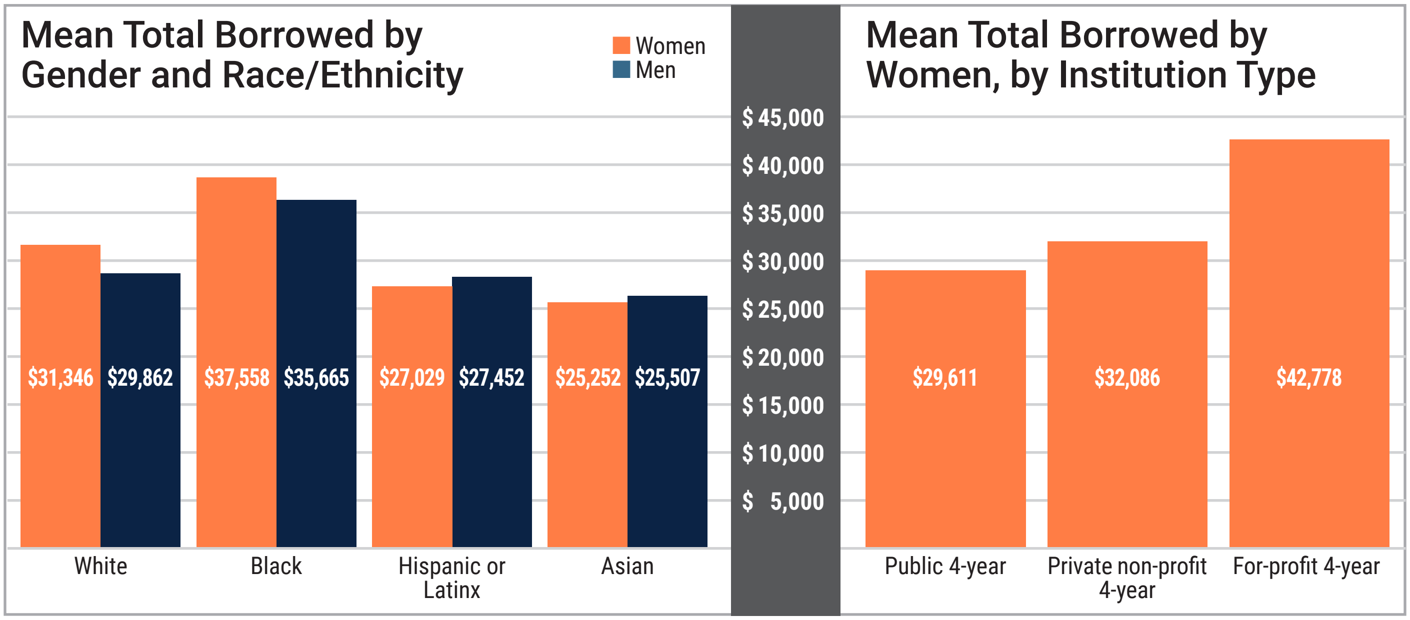
Deeper In Debt

Women and Student Loans in the Time of COVID

The Debt Problem

Americans today carry $1.54 trillion in student loan debt. That number has more than doubled over the last decade—increasing at nearly six times the rate of inflation.[1] Women are particularly burdened, holding nearly two-thirds of all outstanding loans—around $929 billion.[2]



Note: Analysis excludes those who borrowed no money to finance their educations
Source: AAUW analysis of U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study

While millions of women students have loan debt, there are distinct patterns of those who are hardest hit. Among borrowers:

Black women finish their undergraduate education with more debt.[3]

First-generation college students face more debt by the time they graduate. Women whose parents held a high school diploma borrowed, on average, $4,145.80 more than women whose parents held a bachelor's degree.[4]

Women who attended for-profit colleges owe far more money than those who attended public or private non-profit schools.[5]

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Why Student Debt Matters —Especially Right Now

Even before coronavirus upended the global economy, the gender wage gap made it harder for women to repay their student loans. More women than men reported difficulty making payments during the first year after graduation (23.2% vs 21%, respectively).[6]

The global economic shutdown will only exacerbate the student debt problem. Record-high unemployment, the loss of supplementary income and inadequate benefits will make it harder for recent graduates—and for women in particular—to pay back their student loans.

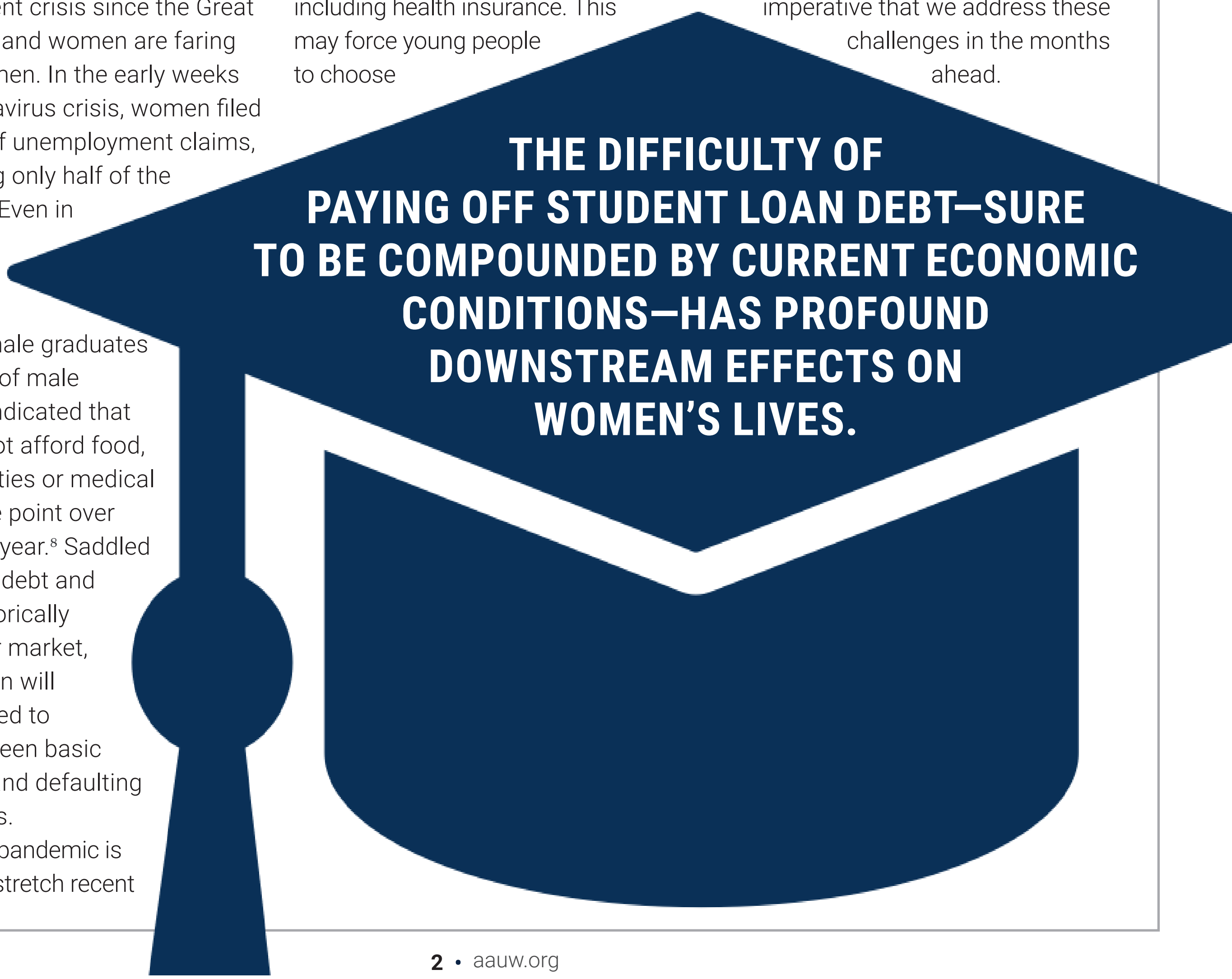
Recent graduates are finding themselves facing the worst unemployment crisis since the Great Depression—and women are faring worse than men. In the early weeks of the coronavirus crisis, women filed nearly 59% of unemployment claims, despite being only half of the labor force.[7] Even in the healthy economy of 2017, 23.5% of female graduates (versus 16% of male graduates) indicated that they could not afford food, housing, utilities or medical care at some point over the previous year.[8] Saddled with student debt and facing a historically difficult labor market, young women will likely be forced to choose between basic necessities and defaulting on their loans.

The global pandemic is also likely to stretch recent grads who rely on side jobs to repay student loans, save for a rainy day or simply make ends meet. About 15% of college graduates reported taking on extra employment, making an average of $1,936.51 per year. But the economic shutdown has caused most gig work—such as driving for ride-sharing services, providing ad hoc childcare or running errands—to dry up.[9] Young people are finding themselves with mounting student debt and even fewer ways to pay it off.

Even those graduates lucky enough to find a job are not guaranteed the benefits that they need to weather the pandemic. Half of all graduates have reported that their first job out of college does not offer benefits, including health insurance. This may force young people to choose between buying quality health insurance and repaying their student loans—a decision we do not want workers making during a public health crisis.[10]

The difficulty of paying off student loan debt—sure to be compounded by current economic conditions—has profound downstream effects on women's lives. More than a third of women (34.2%) reported that their undergraduate student loan debt forced them to delay buying a home; 21.7% said it caused them to delay marriage; and 22.6% stated it led them to delay having children.[11]

In order to ensure a full and equitable recovery from the pandemic and its economic fallout, it is imperative that we address these challenges in the months ahead.



What's Being Done

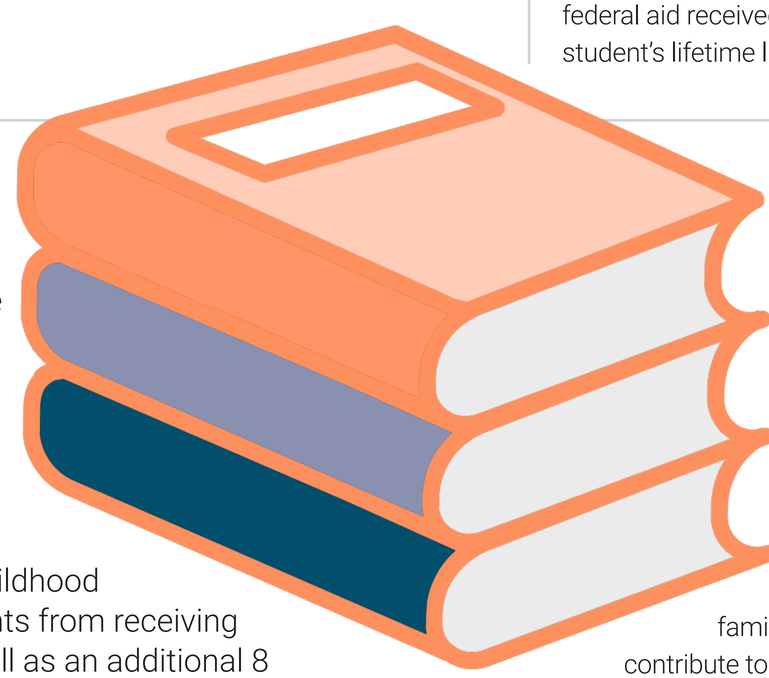
The Coronavirus Aid, Relief and Economic Security (CARES) Act (P.L. 116-136) was signed into law on March 27, 2020 and provides emergency support and stimulus funds to institutions to help students affected by the COVID-19 crisis. The CARES Act establishes the Education Stabilization Fund, providing approximately $30 billion in fiscal support to states, K-12 schools and higher education.

Some of the dedicated funds for higher education will provide:

- $14 billion directly to colleges and universities, of which approximately $12.5 billion will be given to schools based on their enrollment of Pell Grant students.[12]
- Emergency financial relief as a result of any campus disruptions due to the pandemic—at least 50% of funding received must go directly to students.
- $1 billion to Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs) and Minority Serving Institutions (MSIs), with $349 million in grants going to those institutions most impacted by the pandemic.[13]

Additionally, The CARES Act will:

- Suspend all loan payments on federal student loans until September 30, 2020, with 0% interest.[14]
- Cease all collection activities, including wage garnishment on all student loans that are in default.
- Ensure students on federal work study continue to be paid even though they are no longer working.
- Exclude any Pell Grants and other direct federal aid received from counting towards a student's lifetime limits.[15]



What Else We Need

Despite the assistance these funds provide, not all students or student-debt holders will see relief. The Department of Education is excluding Deferred Action for Childhood Arrivals (DACA) students from receiving emergency aid[16] as well as an additional 8 million borrowers who have loans under the Federal Family Education Loan (FFEL) program or from private lenders.[17]

Given the limitations of the CARES Act and the ever-growing student debt crisis, policymakers must:

- **Address equity in student debt.** Not all debt is created equal, just as not all borrowers are on equal footing when accessing higher education. The student debt burden weighs most heavily on women, especially women of color. Taking a more meaningful and targeted approach—such as improving college affordability, holding institutions accountable for equitable access and completion, and implementing evidence-based interventions—will ensure that women and other historically marginalized and underserved populations will achieve economic opportunity and upward mobility.[18] A more equitable approach to student debt will ensure these unique populations will not be mired in debt, can build an economic safety net for their families, and are more able to contribute to the economy.
- **Reflect borrower realities.** Time spent in college now often means unmanageable student debt that drags down those seeking greater opportunity, especially low-income women, women of color and women who drop out before completing a degree or credential. Students are at risk of having their college dreams turn into financial nightmares. The struggles of college graduates with student debt can be significant, but students who leave college without completing their academic program are more than twice as likely as graduates to default on their student loans. To ensure greater economic stability, policymakers must focus on students and borrowers who are most heavily burdened by student debt and consider the following:

- **Cancel student debt.** Rising higher education expenses means that students, notably women and especially women of color, are responsible for significantly higher out-of-pocket expenses that are not covered by grant aid. Forgiveness of at least $10,000 in student debt is a good beginning to enable America's 45 million borrowers to increase personal income and contribute to the economy in significant ways.[19]
- **Increase the Pell Grant.** The federal Pell Grant Program is critical to many students' success in higher education. Congress must ensure that the maximum Pell Grant is increased as the program's purchasing power is the lowest it's been in decades.
- **Simplify repayment approaches.** Income-driven repayment (IDR) plans are crucial to customize loan repayments to reflect borrowers' economic circumstances. The myriad programs, however, can be confusing to navigate. Streamlining the IDR programs and making it easier for individuals to enroll would improve outcomes for women who are struggling to repay their loans.

> **EXTEND EMERGENCY AID TO ALL STUDENTS WITH THE HIGHEST NEED REGARDLESS OF IMMIGRATION STATUS.**

- **Extend emergency aid to all students with the highest need regardless of immigration status.** Approximately 2% of all students are undocumented or have DACA status. And it is estimated that 62,000 DACA eligible individuals are working on the front lines of the coronavirus crisis as essential workers.[20] Colleges and universities must prioritize emergency aid for these students to ensure their continued access to college and their vital contributions to the country.[21]
- **Eliminate the pay gap.** The pay gap plays a major role in the student debt burden on women. Policymakers must commit to ending gender-based pay discrimination by passing and updating laws, such as the Equal Pay Act, to close existing loopholes. This would deter discrimination by strengthening penalties for equal pay violations, banning the use of salary history in the hiring process, and prohibiting retaliation against workers who inquire about employers' wage practices or disclose their own wages. This would improve incentives for employers to follow the law, empower women to negotiate for equal pay, and strengthen federal outreach and enforcement efforts.

Endnotes

1 Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit,* (New York: May 2020) https://www.newyorkfed.org/microeconomics/hhdc/background.html

2 AAUW estimate. See Kevin Miller, *Deeper in Debt: Women and Student Loans* (Washington, D.C.: American Association of University Women, 2017), 35-36.

3 AAUW analysis of U.S. Department of Education, National Center for Education Statistics, *B&B:17 Baccalaureate and Beyond Longitudinal Study.*

4 Women whose highest-educated parent had completed a bachelor's degree borrowed a mean of 29,676.30, versus 33,822.10 for those whose highest-educated parent held a high school diploma. AAUW analysis of U.S. Department of Education, *B&B:17.*

5 AAUW analysis of U.S. Department of Education, *B&B:17.*

6 On average, women in America make 82 cents for every dollar made by men. See AAUW, *The Simple Truth About the Gender Pay Gap* (Washington, D.C.: American Association of University Women, 2019), https://www.aauw.org/app/uploads/2020/02/Simple-Truth-Update-2019_v2-002.pdf; loan repayment data AAUW analysis of U.S. Department of Education B&B:17.

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