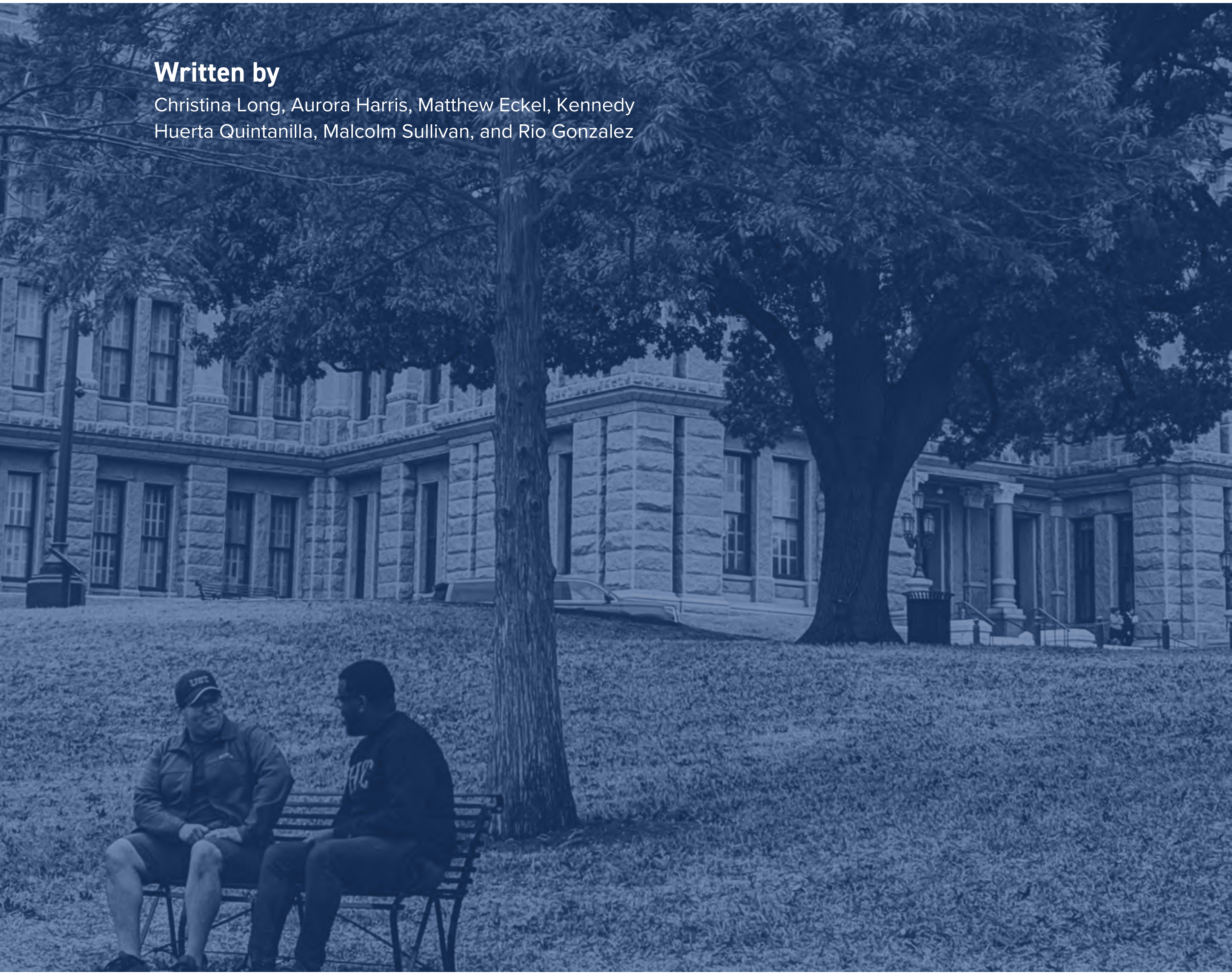
STUDENT DEBT IN TEXAS:

Why It's Time to Collect on the Best Interests of Texas Borrowers



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About Young Invincibles

Young Invincibles' mission is to amplify the voices of young adults in the political process and expand economic opportunity for our generation.

ACKNOWLEDGMENTS

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This report is dedicated to young Texans. We share your vision of obtaining a college degree without debt.

CONTENT

EXECUTIVE SUMMARY

Debt-financed college is taking a steep toll on Texas student loan borrowers. Texas holds the second-highest student loan debt in the nation, now totaling more than 101 billion dollars,[1] and graduates leave with an average debt of $33,664.[2] Tuition and fees at Texas' academic institutions more than doubled between 2003 and 2016,[3] and tuition is only one part of real college cost. Students' basic needs of shelter and food make up a significant portion of the full cost of attendance. Going to college has become unaffordable. In 2018, Texas students at public four-year universities would have to work a minimum wage job 68 hours per week, all year, in order to pay for the cost of attendance and 54 hours at a community college.[4]

This system of debt-financed higher education is impacting students of color at disproportionate rates. Black and Latino communities have lived to date under racist economic structures that stifle economic mobility. On average, Black students borrow more and more often, with Black students who graduated from Texas state universities having a debt-to-income ratio of 117 percent and Latino students at 71 percent, compared to 68 percent for their white counterparts.[5] These disparities have also been further amplified by the global COVID-19 pandemic, which is disproportionately impacting communities of color.[6] Historic rates of unemployment and loss of job opportunities place borrowers in economic peril. Now more than ever, Texas must act to protect student loan borrowers, and ensure Texans have opportunities toward financial stability, home ownership, and the freedom to pursue career ambitions and life goals.

1 "State of Student Aid in Texas 2020", Trellis, last modified 2020, https://www.trelliscompany.org/state-of-student-aid-2020/need-and-work/.
2 "Texas Student Debt by The Numbers", Student Borrower Protection Center, 2020, https://protectborrowers.org/wp-content/ uploads/2020/05/TX-2020.pdf.
3 "Overview: Tuition Deregulation and Tuition Set Asides", Texas Higher Education Coordinating Board. 2017, http://www.thecb.state.tx.us/DocID/PDF/10182.PDF.
4 "State of Student Aid in Texas 2020", Trellis, last modified 2020, https://www.trelliscompany.org/state-of-student-aid-2020/need-and-work/.
5 D. J. Baker, "When Average is not Enough: A Case Study Examining the Variation in the Influences on Undergraduate Debt Burden." (AERA Open 5, 2019)
6 Jim Henson and Joshua Blank, "Analysis: The Coronavirus Hits Texans of Color Harder. You Can See It in Public Opinion Polling.," *The Texas Tribune* (The Texas Tribune, May 12, 2020), https://www.texastribune.org/2020/05/12/coronavirus-texans-color-harder-polling/.

Findings Highlights

Young Invincibles research included student debt consumer education workshops and focus groups conducted across Texas in 2019, in-depth video interviews, and a July 2020 Texas statewide student debt survey (using the firm Lucid) with 1,600 respondents ages 18-34. Critically, our research demonstrated racial and gender disparities in navigating student loan debt, and findings that show high amounts of stress faced by Texas student loan borrowers.

Texans' future career decisions, home ownership, and life goals are impacted by student loan debt. First-generation college students reported higher impacts from debt when planning for the future.

Over 65 percent of statewide survey respondents with outstanding loan balances agreed that student loans are a serious obstacle for getting what they want in life, 50 percent of such respondents said that student loans prevented them from saving for an emergency fund, and 33 percent of such respondents said that student loans prevent them from saving for a new home.

Student loan debt is causing high stress, with disparities in stress levels.

Women were more likely to report student loan debt stress than men. Across all genders, Latino respondents were most likely to report high stress. Additionally, first-generation students with an outstanding student loan balance are substantially more likely to report adverse mental health effects relative to their non-first generation college student peers.

Unemployment, exacerbated by COVID-19, is correlated with higher financial stress, such as stress about health care payments.

55 percent of respondents who were unemployed reported stress about health care. Unemployment disproportionately impacted Black and Latino borrowers in our survey, and women were slightly more likely to be unemployed than men.

The repayment process is confusing, and borrowers wish they had more information.

On our survey, 47 percent of all borrowers with current debt said they had not gotten enough information about financial aid from their institution. While this number was high for all racial groups, 51 percent of Latino borrowers agreed they had not gotten enough information from their institution, the highest of any racial group.

State Policy Solutions for Student Loan Debt Highlights

States play a pivotal role in directly addressing student debt and protecting borrowers.[7] Based on our findings, we recommend action across the following areas:

01

Increased and inclusive investment in higher education, such as federal and state partnerships that drive down the cost of college for students, equitable apprenticeship and work-based learning programs, and need-based financial aid.

02

Centering low-income borrowers and borrowers of color in pandemic response and recovery, including expanding Medicaid so more Texans have affordable coverage, targeted emergency aid for students, and increased postsecondary mental health services.

03

Statewide student debt consumer protections, such as appointing a student loan debt ombudsman to compile and analyze student loan data, expansion of consumer education on student debt, and guidelines for student loan servicers. We also recommend requiring for-profit colleges in Texas, from which graduates hold the highest amounts of debt in Texas, to publish debt and workforce data.

04

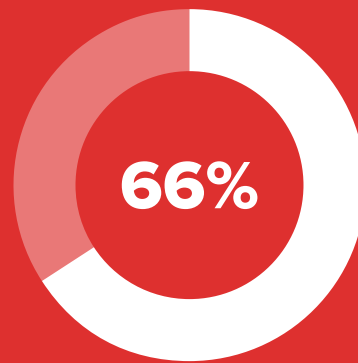
State debt relief initiatives. In addition to federal student debt cancellation policies, states can create opportunities such as state public service loan forgiveness, which provide pathways to grow in-demand sectors while relieving debt burdens.

7 Tim Shaw and Kiese Hansen, "How States Can Solve the Student Debt Crisis: A Framework for Reducing Student Debt Burdens for Present and Future Borrowers", *Aspen Institute*, March 23, 2020. https://www.aspeninstitute.org/publications/how-states-can-solve-the-student-debt-crisis-a-framework-for-reducing-student-debt-burdens-for-present-and-future-borrowers/.

INTRODUCTION

Headline after headline show the growing trillion-dollar student loan figures. Many people may have become desensitized, but young Texans are not. Texas students are living with astronomical amounts of student loans. The rising cost of college directly fuels the student debt problem, further exacerbated by state disinvestment in higher education. Meanwhile the federal financial aid system continues to lock out DACA students and fails to keep up with skyrocketing costs.[8]

The burdens of the loan-heavy higher education system are disproportionately borne by borrowers with the biggest barriers to obtaining higher education: Black and Latino students. Due to the unjust persistence of racial capitalism, which impacts generational wealth, students of color are more likely to take on higher amounts of debt and struggle with repayment and college completion.[9] The negative effects of college loan debt on students' personal and financial wellbeing cannot be overstated. 66 percent of Texas borrowers on our 2020 survey said loans prevent them from what they want in life.



Texas Borrowers

Saying loans prevent them from what they want in life

In 2015, the Texas Higher Education Coordinating Board adopted the 60x30TX plan, making a much-needed attempt to address the student debt crisis. The goal states that by 2030, undergraduate student loan debt will not exceed 60 percent of first-year wages for graduates of Texas public institutions.[10] Recent studies suggest that Texas is not on track to meet its debt to income ratio goal, with Black students borrowing $7,214 more than their white peers and Latino students borrowing $453 more.[11]

For students of color, student loan debts equals 74 percent of what they earn in their first-year wages.[12] These inequities in student debt have been intensified by the COVID-19 pandemic. As students experience job loss, reduced hours, furloughs and pay cuts, even more young people will struggle to meet their loan payments. This report explores the experiences of borrowers of color in Texas and proposes a package of equity-focused state policy solutions to the debt crisis.

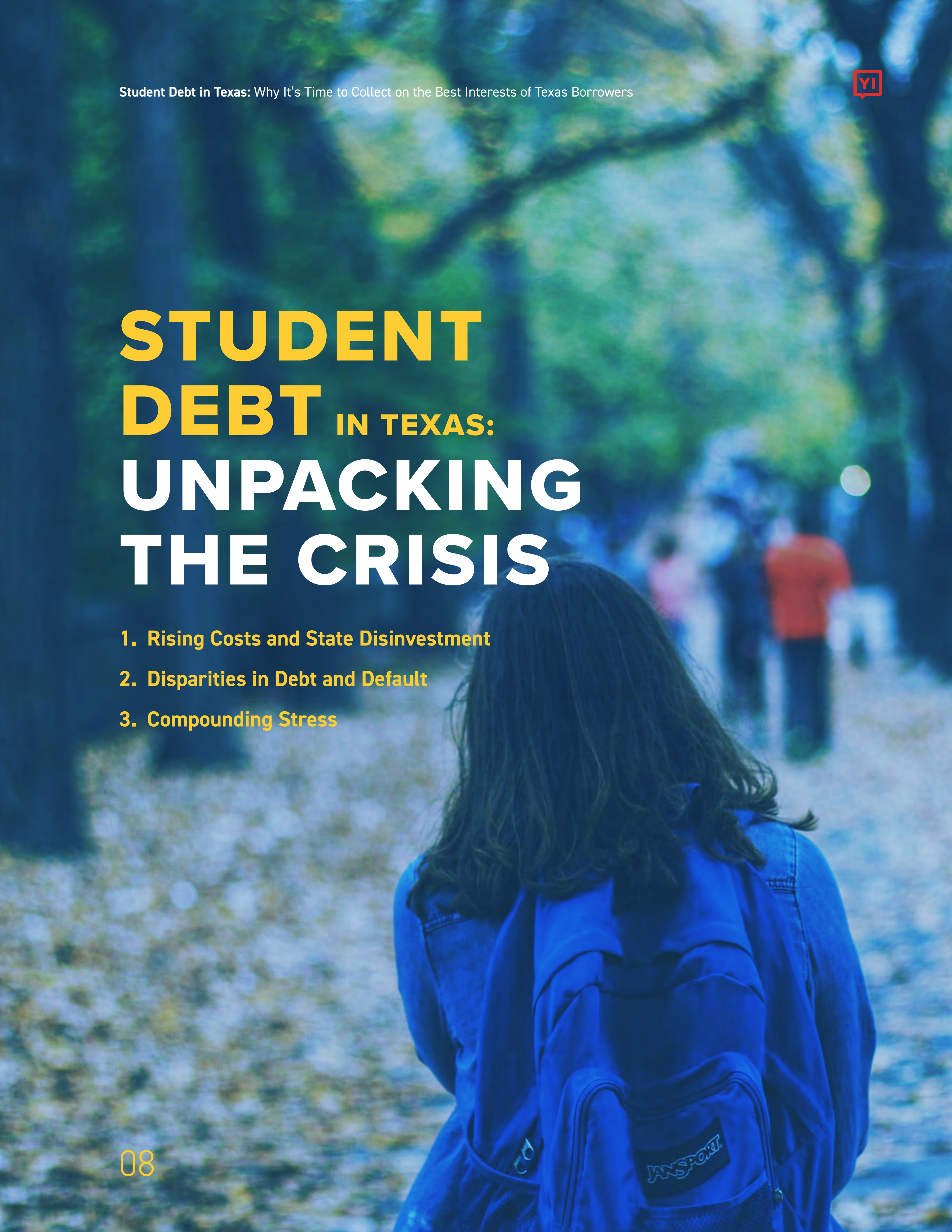
8 *Young Invincibles, Race & Ethnicity as a Barrier to Opportunity: A Blueprint for Higher Education Equity*, (2017), https://younginvincibles.org/wp-content/uploads/2017/05/Higher-Education-Equity.pdf.

9 *Lose the Loans: 2019 Overview of the Student Debt Crisis in Texas*, (Jolt, 2019), https://8xv.94a.myftpupload.com/wp-content/uploads/2019/07/LOSE-THE-LOANS-_-2019-OVERVIEW-OF-THE-STUDENT-DEBT-CRISIS-IN-TEXAS.pdf.

10 "60x30TX," *Texas Higher Education Coordinating Board*, 2020, https://bit.ly/2XZStGZ.

11 "Texas' strategic goal for students' debt burden shows potential promise and pitfalls: Black and Latinx college graduates had some of the highest debt-to-income ratios." *Southern Methodist University*. ScienceDaily. www.sciencedaily.com/releases/2019/07/190722115934.htm

12 "Texas' strategic goal for students' debt burden shows potential promise and pitfalls: Black and Latino college graduates had some of the highest debt-to-income ratios." (*Southern Methodist University*, 2019), ScienceDaily. www.sciencedaily.com/releases/2019/07/190722115934.htm (accessed July 25, 2020).



STUDENT DEBT IN TEXAS: UNPACKING THE CRISIS

1. Rising Costs and State Disinvestment
2. Disparities in Debt and Default
3. Compounding Stress

RISING COSTS AND STATE DISINVESTMENT

Texas holds the second-highest student loan debt in the nation, now totaling more than $101 billion,[13] with an average student debt amount of $33,664.[14] As student loan debt continues to climb for Black and Latino families in Texas, it's critical to examine the evolution of our current debt-for-diploma system of private financing. For previous generations, a student could work a summer, minimum wage job to pay their tuition bill.[15]

In 2018, Texas students at public four-year universities would have to work a minimum wage job 68 hours per week, all year, in order to pay for the cost of attendance and 54 hours at a community college.[16]

Students have seen diminished state higher education budgets since 2000.[17] In 2003, facing a budget shortfall, the Texas Legislature voted to deregulate tuition, with colleges and universities immediately raising prices to cope with restricted budgetary resources.[18]

13 "State of Student in Texas Report Updated for 2019," Trellis Company, July 11, 2019, https://www.trelliscompany.org/state-of-student-aid-in-higher-education-in-texas-report-updated-and-now-available-in-easy-to-search-mobile-format/.
14 "Texas Student Debt by The Numbers", Student Borrower Protection Center, 2020, https://protectborrowers.org/wp-content/uploads/2020/05/TX-2020.pdf.
15 Lily Feinn, "How The Price Of College Has Changed Since 1975," *Bustle*, March 31, 2016, https://www.bustle.com/articles/151243-how-the-price-of-college-has-changed-since-our-parents-were-in-school.
16 "State of Student Aid in Texas 2020", Trellis, last modified 2020, https://www.trelliscompany.org/state-of-student-aid-2020/need-and-work/.
17 "Degrees of debt: Why is Texas investing less and expecting better college graduation rates?", *CPPP*, February 12, 2019 http://bettertexasblog.org/2019/02/why-is-texas-investing-less-and-expecting-better-college-graduation-rates/
18 Kate Mcgee, "Looking at Higher Education Funding in Texas—and How We Got Here", *The Alcalde*, January 3, 2019, https://alcalde.texasexes.org/2019/01/looking-at-higher-education-funding-in-texas-and-how-we-got-here/

Texas disinvestment in higher education continued during the Great Recession, and state educational appropriations remain below pre-2008 recession levels.[19] This trend led to dramatic increases in costs for students and families. State spending per-pupil decreased by 22 percent in Texas since 2008.[20]

According to the Texas Higher Education Coordinating Board, tuition and fees at Texas' academic institutions more than doubled between 2003 and 2016.[21] Tuition, although crucial, plays only one part in the real cost of college. Students' basic needs of shelter and food make up a significant portion of the full cost of attendance. In addition, state funding levels have been unable to keep up with the rise of admissions, with students who attend community colleges or four year colleges part time receiving little, if any, state based financial assistance.[22] The inability of Texas funding to keep pace with rising enrollment, the increasing necessity of a college degree for the workforce, and tuition deregulation forced the hand of many students to take on more debt to finance their education. Texas students rely heavily on loans to attend postsecondary institutions. More than half of student aid in Texas is in the form of loans, with more than two-thirds of aid at public four-year universities coming as loans.[23]

Debt is not just a young adult issue; it is a Texas issue. While our report focuses on debt impacts to young people, it must also be noted that the fastest area of growing student loan debt is in those aged 65 and older.[24] The practice of balancing compromised state budgets on the backs of students and their families is recurring and exacerbates the state's student debt burden. This policy pattern must be interrupted as the economic crisis of the COVID-19 pandemic unfolds.

19 "State Higher Education Finance: FY 2018," *State Higher Education Executive Officers Association (SHEEO)*, 2019, https://sheeo.org/wp-content/uploads/2019/04/SHEEO_SHEF_FY18_Report-2.pdf
20 "State of Student Aid in Texas 2020"
21 "Overview: Tuition Deregulation and Tuition Set Asides", *Texas Higher Education Coordinating Board*, 2017, http://www.thecb.state.tx.us/DocID/PDF/10182.PDF.
22 Ashley Williams, "Degrees of Debt: Don't Forget Financial Aid for the Non-traditional Students.", *CPPP*, 2019, http://bettertexasblog.org/2019/02/dont-forget-financial-aid-for-non-traditional-students/.
23 Carla Fletcher and Kasey Klepfer, "State of Higher Ed and Higher Education in Texas", *Trellis*, 2019 https://www.trelliscompany.org/state-of-student-aid-2019/.
24 Shannon Najmabadi, "Report: Americans Age 65 and over Are Fastest Growing Demographic of Student Loan Debt Borrowers," *Community Impact Newspaper* (The Texas Tribune, December 4, 2019), https://communityimpact.com/dallas-fort-worth/lewisville-flower-mound-highland-village/economy/2019/12/04/report-americans-age-65-and-over-are-fastest-growing-demographic-of-student-loan-debt-borrowers/.

DISPARITIES IN DEBT AND DEFAULT

Students of color face the greatest challenges with debt-financed higher education. Black and Latino communities have lived to date under racist economic structures that stifle economic mobility. Lack of access to traditional wealth-building tools like home ownership, stocks, and high paying careers means that Black and Latino families struggle to fund their higher education experiences and must borrow to get ahead.

On average, Black students borrow more and more often, with Black students who graduated from Texas state universities having a debt-to-income ratio of 117 percent and Latino students at 71 percent, compared to 68 percent for their white counterparts.[25]

Latino students borrow smaller amounts because they are more likely to attend less-expensive, two year institutions.[26] On the surface, this is positive news, but studies show that borrowers with the lowest amounts of debt are more likely to have not completed their program. These borrowers therefore face pressures of loan repayment without the higher earnings from a degree.[27]

In a study tracking students who earned their bachelor's degree from a public Texas university within six years, Black students borrowed an average of $33,598 while white students borrowed an average of $25,286. The study also showed that public institutions with the highest averages of student debt were those that had higher rates of Black and Latino student enrollment.[28]

Lack of support for historically Black colleges and universities (HBCUs) in their mission to educate Black students further compounds the debt crisis for Black borrowers. Texas is home to only nine HBCUs, but the State's public HBCUs account for nearly 25 percent of the state's Black student enrollment at four-year public institutions.[29] HBCUs are critical for Texas'

25 D. J. Baker, "When Average is not Enough: A Case Study Examining the Variation in the Influences on Undergraduate Debt Burden." (AERA Open 5, 2019)
26 "State of Student Aid in Texas 2020"
27 "Latinos in Higher Education: Student Loan Repayment", *UnidosUS*, March 2019, http://publications.unidosus.org/bitstream/handle/123456789/1937/studentloanrepayment_brief_32519.pdf?sequence=2&isAllowed=y.
28 Eva-Marie Ayala, "Are Texas college students taking on too much debt? A new study suggests maybe," *The Dallas Morning News*, July 24, 2019, https://www.dallasnews.com/news/education/2019/07/24/are-texas-college-students-taking-on-too-much-debt-a-new-study-suggests-maybe/.
29 Brittany Britto, "Texas HBCUs Continue to Provide Haven for Black Students in Times of Unrest," *Houston Chronicle*, June 29, 2020, https://www.houstonchronicle.com/news/education/article/Texas-HBCUs-continue-to-provide-haven-for-black-15371193.php.

Black undergraduates but remain inadequately funded in comparison to the State's flagship universities. This underfunding contributes to the average student debt upon graduation at Prairie View A&M University and Texas Southern University being $42,103 and $42,699 respectively.[30]

Viewing the student debt crisis at the intersections of race and gender, data shows that paying off student debt is an almost unconquerable challenge for Texas' women of color. Women are more likely to have a college degree, but state financial aid is structured to assist traditional full-time, four-year college students.

This structure disproportionately leaves out adult learners, students enrolled part-time, community college students, and student parents--who represent one-in-four of the Texas student population and are majority women of color.[31]

Between student loans and the gender pay gap in the workforce, women of color suffer disproportionately from the student loan crisis, making student debt relief a racial and gender justice issue.

For Black and Latino borrowers in Texas, default is a very real threat. On average, households of color earn over $30,000 less per year than white households,[32] and are almost twice as likely to rent homes than their white counterparts.[33] Sixteen percent of student borrowers of color end up in default on their loans, as opposed to 11 percent of white borrowers.[34] Because of the disparities in amounts borrowed and access to resources, default is not only more likely for borrowers of color, but can be more catastrophic, leading to job and housing loss.

Furthermore, those who graduate from for-profit institutions in Texas hold greater average student loan debt, are less likely to graduate, and are at higher likelihood of defaulting on their loans.[35] This is especially critical information when considering the enrollment at for-profit colleges. Texas for-profit college enrollment is 60.5 percent low-income, 21.9 percent African American, and 63.1 percent female students, percentages that far outweigh enrollment of low-income, African American, and female students at Texas nonprofit public institutions.[36] Action is especially urgent because four-year for-profit institution enrollment is increasing during the pandemic, notably as many nonprofit and public universities face declining enrollment.[37]

30 Ashley Williams, "Underfunded. But Why? The story of Texas' lack of investment in Historically Black Colleges and Universities", *Center for Public Policy Priorities*, February 2020, https://everytexan.org/images/EO_2020_01_HBCU_Underfunding.pdf.

31 Glenn Hunter "Economic Issues for Women in Texas 2020", *Texas Women's Foundation*, 2020, https://www.txwf.org/texas-womens-foundation-report-women-lagging-in-key-indicators-of-economic-stability/.

32 https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=pct_student_holders_in_default&state=48

33 "Quarterly Residential Vacancies and Homeownership, Second Quarter, 2020," *The U.S. Census Bureau*, July 28, 2020, https://www.census.gov/housing/hvs/files/currenthvspress.pdf.

34 "Debt in America: An Interactive Map: Texas," Urban Institute, December 17, 2019, https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=pct_student_holders_in_default&state=48.

35 "For profit colleges: less favorable outcomes, deeper debt for students," *Center for Responsible Lending*, 2019. https://www.responsiblelending.org/map/pdf/tx.pdf.

36 "For profit colleges: less favorable outcomes, deeper debt for students," *Center for Responsible Lending*, 2019. https://www.responsiblelending.org/map/pdf/tx.pdf.

37 Stephany Riegg Cellini, "The alarming rise in for-profit college enrollment," Brookings Institute, November 2020. https://www.brookings.edu/blog/brown-center-chalkboard/2020/11/02/the-alarming-rise-in-for-profit-college-enrollment/.

COMPOUNDING STRESS

Compounding student loan debt has led to compounding stress with significant mental health impacts for borrowers. From our literature review, we found concerns about the harmful impacts on borrower's mental health during college and after having left their institution.[38] Many borrowers talk about a feeling of "drowning, sinking, or being crushed alive" when discussing their student loans.[39] Current research shows that two-thirds (68 percent) of graduates paying their student loans view it as an emotional burden and 64 percent of current student borrowers feel the same way.[40]

Financial well-being impacts overall well-being, and the presence of student debt harms financial well-being while increasing stress.[41] A study by the American College Health Association found that over one-third (35%) of students have described their financial situation as "traumatic or difficult to handle."[42] Another current survey among young professionals found that "student loans cause 2.5x as many suicidal thoughts as COVID-19."[43] Additionally, a national poll survey of 38,802 student loan borrowers showed "59 percent of respondents are facing increased stress, anxiety, and depression caused by their student loans during the COVID-19 pandemic."[44] Other factors that lead to poorer mental health involve the stigma of having student debt and feelings of personal failure.[45] Research has shown that high debt levels negatively affect borrowers' self-esteem and decreases borrowers' sense of properly managing their personal finances.[46]

Financial stress also impacts one's ability to stay focused at work or school, which can make it harder to graduate and maintain employment. Mental health challenges may also negatively impact academic performance, which could lead to lower graduation rates. Struggling with mental health makes it more challenging to manage finances, creating a vicious cycle of continuous stress and anxiety over financial well-being.[47] Many parents also feel stress about not being able to finance their children's education, which can lead parents to take out a Parent Loan for Undergraduate Students (PLUS). Likewise, spouses or partners who

38 Anna Phillips, "Student Loan Debt Has Negative Consequences in Later Life, Review by IOE Researchers Suggests," *UCL*, October 17, 2018, https://www.ucl.ac.uk/ioe/news/2018/jun/student-loan-debt-has-negative-consequences-later-life-review-ioe-researchers-suggests.

39 Lila MacLellan, "It's Time to Talk about the Mental Health Effects of Student Loan Debt," *Quartz at Work*, October 28, 2019, https://qz.com/work/1732070/the-emotional-toll-of-student-loan-debt-at-work/.

40 "Student Loan Debt: Implications on Financial and Emotional Wellness," *Prudential Financial, Inc*, https://www.prudential.com/wps/wcm/connect/b6a99ee5-5fb8-4b03-b839-2255566c9a4f/Student_Loan_Debt.pdf?MOD=AJPERES&CVID=mMoGhAY.

41 Kristy L. Archuleta, Anita Dale, and Scott M. Spann, "College Students and Financial Distress: Exploring Debt, Financial Satisfaction, and Financial Anxiety," *Association for Financial Counseling and Planning Education*, 2013, https://files.eric.ed.gov/fulltext/EJ1043230.pdf.

42 Jonathan J Fox et al., "College Student Debt and Anticipated Repayment Difficulty," *Journal of Student Financial Aid*, 2017, https://lib.dr.iastate.edu/cgi/viewcontent.cgi?article=1051&context=hdfs_pubs.

43 Travis Hornsby, "Mental Health Challenges Borrowers Have Because of Student Loans," *Student Loan Planner*, June 1, 2020, https://www.studentloanplanner.com/mental-health-challenges-student-loan-borrowers/.

44 "New Data Shows COVID-19 and Economic Downturn Crushing Student Loan Borrowers," *Student Debt Crisis*, 2020, https://studentdebtcrisis.org/student-debt-covid-survey/.

45 Sabri Ben-Achour, "How Debt May Take a Toll on Mental Health," *Minnesota Public Radio*, June 5, 2019, https://www.marketplace.org/2019/06/05/the-other-dark-side-of-debt-psychological-wellbeing/.

46 Kristy L. Archuleta, Anita Dale, and Scott M. Spann, "College Students and Financial Distress: Exploring Debt, Financial Satisfaction, and Financial Anxiety," Association for Financial Counseling and Planning Education, 2013, https://files.eric.ed.gov/fulltext/EJ1043230.pdf.

47 Ibid.

help their significant other pay off their student loan debt are prone to anxiety and suffer from other emotional consequences, which can cause them to feel "very bothered."[48]

While the burden of student loan debt has a wide reach, it is not affecting everyone equally. As mentioned throughout this report, the weight of the student debt crisis disproportionately falls on people of color. This disproportionality is also seen in the mental health impacts caused by student loans. Specifically, Black women are known to carry a heavier student loan burden, therefore, they feel the stress of loans more severely.[49] In addition to stress, Black borrowers have a significant association with poorer mental health and poorer sleep patterns caused by student loan debt.[50]

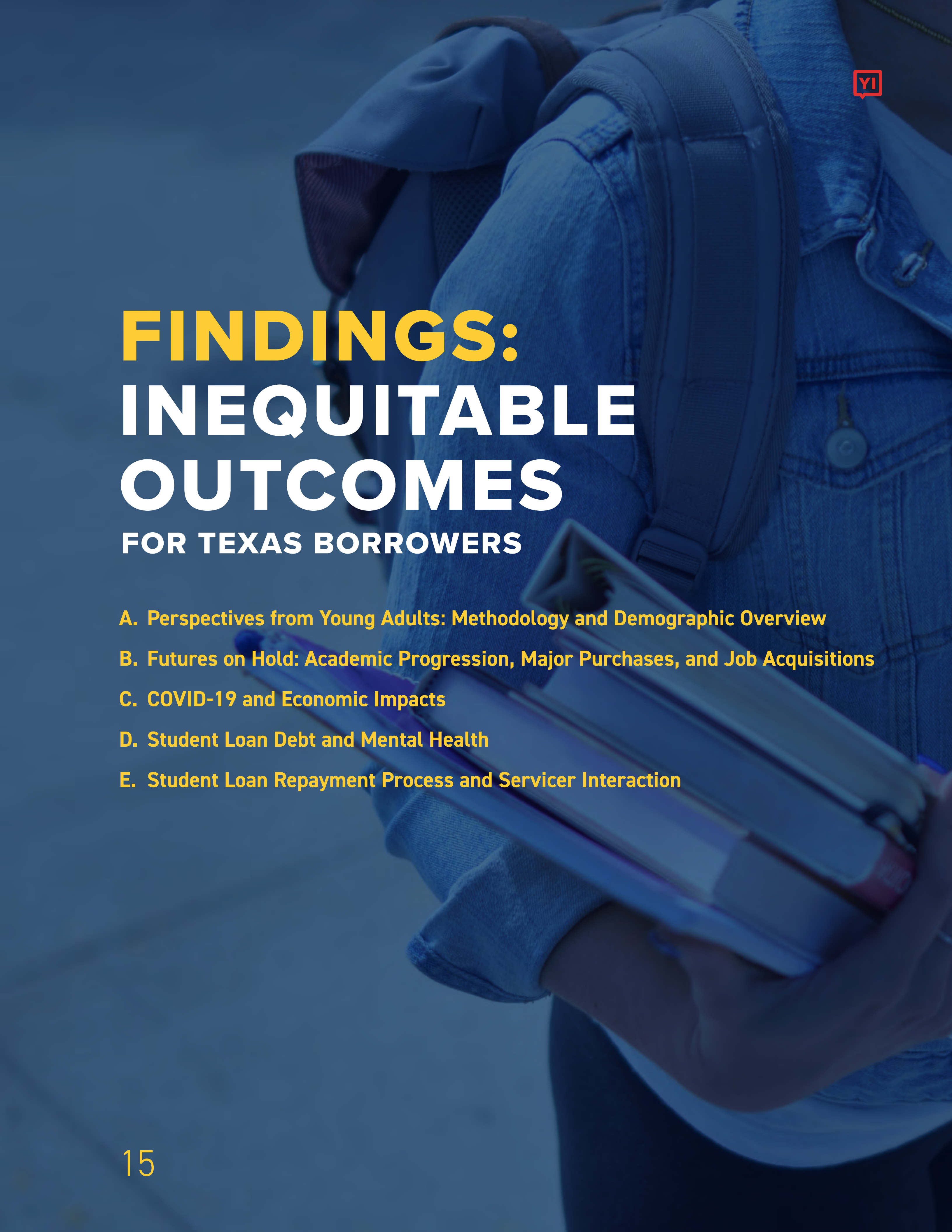
The disparities in experience of student loan debt further extends to people with prior mental health issues. In research conducted by the Money and Mental Health Policy Institute, they found that "people with mental health issues are 3.5 times more likely to be in problem debt than those without mental health problems."[51] In conclusion, the student debt crisis has a profound impact on borrowers' lives beyond just their financial health and continues to exacerbate disparities.

48 "Student Loan Debt: Implications on Financial and Emotional Wellness," *Prudential*, July 12, 2019. https://www.prudential.com/corporate-insights/student-loan-debt-implications-financial-emotional-wellness

49 Lila MacLellan, "It's Time to Talk about the Mental Health Effects of Student Loan Debt," Yahoo! (Yahoo!, October 28, 2019), https://www.yahoo.com/now/time-talk-mental-health-effects-143127567.html?guccounter=1.

50 Darrick Hamilton and Naomi Zewde, "Promote Economic and Racial Justice: Eliminate Student Loan Debt and Establish a Right to Higher Education across the United States," *Washington Center for Equitable Growth*, February 18, 2020, https://equitablegrowth.org/promote-economic-and-racial-justice-eliminate-student-loan-debt-and-establish-a-right-to-higher-education-across-the-united-states/.

51 Lydia Smith, "How Student Debt Can Affect Your Mental Health," *Yahoo! Finance* , November 9, 2019, https://finance.yahoo.com/news/how-student-debt-can-affect-your-mental-health-060033659.html.



FINDINGS: INEQUITABLE OUTCOMES

FOR TEXAS BORROWERS

OVERWHELMED

These are just some of the words that young Texans use to describe how they feel about student debt.

SCARED

BURDENED **EXHAUSTED**

VICIOUS CYCLE

In our research, we listened to students and borrowers directly impacted by student loan debt. The voices of young adults who navigate unprecedented debt burdens reveal the true impact of soaring college costs. After talking with borrowers across Texas, we heard the same sentiments voiced over and over. The process of applying for financial aid, taking out loans, and then entering repayment is fraught with confusion. Debt interferes with large decisions, like home-buying and graduate school. Debt impacts one's mental health.

Student debt hinders the future of young Texans.

Perspectives from Young Adults:

METHODOLOGY AND DEMOGRAPHIC OVERVIEW

Statewide Student Debt Workshops

During 2019, we designed a young adult-informed student loan debt consumer education workshop and workbook, with the goal to create accessible information about student loan repayment.[52] Young Invincibles (YI) conducted pilot debt workshops and focus groups across the state in Houston, Dallas, Austin, El Paso, Edinburg, and Brownsville during 2019. Led by participants in YI's Young Advocates program and YI staff, the interactive workshop reached 150 participants in Texas and included information on financial aid, repayment options, loan default, and loan consolidation. We surveyed participants about their knowledge and attitudes regarding student loan debt before and after the workshop, and administered a participant consent form.

During the workshop pilot, we spoke further with over 50 participants surrounding their feedback of the workshop and experiences with student loan debt. The focus group participants included borrowers at different stages in the repayment process-from current students to those in the workforce. Questions in the focus groups were created by young adult leaders and YI staff, with feedback from the 2019 Young Advocate Program. We used focus group feedback to strengthen our consumer education materials, which are included in the Student Debt Advocacy Roadmap. To dive deeper, we interviewed four young adults for the video associated with this report in June 2020, in which they shared their story navigating the student debt system during the COVID-19 pandemic. We also reached out to former workshop participants to attend an optional virtual data analysis event in June 2020, in which we collaborated with Texas borrowers to analyze data we collected. Information from this event was used to create insights and policy recommendations embedded in this report.

Statewide Texas Student Debt Survey

Our research culminated with a statewide Texas Student Loan Debt Survey, which was administered in July of 2020, during a time of rising COVID-19 cases in Texas. We sought to learn more about Texans' experiences with the student loan debt system. Using the survey firm Lucid, more than 1,600 online interviews were conducted. The sample frame was 18-34-year-olds in Texas with internet access and at least some postsecondary education (even if no degree was received or program completed). To reduce the possibility of "racing" bias, data from abnormally slow and abnormally fast respondents were excluded from the final analysis of responses.

Our survey was designed to center the experiences of students of color. Respondents from non-white communities (Black, Latino, and Asian/Pacific Islander) were deliberately oversampled to enable a more nuanced picture of the challenges faced by respondents from these communities. Relative to the population, the sample overrepresents Black and Asian/Pacific Islander respondents, as well as women and LGBTQ-identifying individuals. The demographic breakdown of respondents is below. We asked survey participants about financial stress, future planning, mental health, confidence in repayment, and interactions with student loan servicers.

52 Young Invincibles' Student Debt Workshop and Workbook is enclosed in the Student Debt Roadmap at the end of this report.

Statewide Student Loan Debt Survey Demographics

Age

Category	Count	Percentage (Sample)	Percentage (Census)
18-25	752	47%	39%
26-34	847	53%	61%

Race/Ethnicity[53]

Category	Count	Percentage (Sample)	Percentage (Census)
White	441	28%	43%
Black	300	19%	14%
Asian/Pacific Islander	226	14%	8%
Latino	518	32%[54]	32%
Identified with two or more racial identities	115	7%	4%

Gender

Category	Count	Percentage (Sample)	Percentage (Census)
Male	625	39%	47%
Female	953	60%	53%
Genderqueer/NB	22	1%	N/A

Transgender Status

Category	Count	Percentage (Sample)
Trans Male	29	2%
Trans Female	18	1%
Trans NB/Other	4	<1%

53 Respondents were shown a list of ethnic and/or racial identities, and could choose as many or as few as they wished. Respondents were also provided with the opportunity to input their preferred identity in lieu of or in addition to the categories listed. Latino-identifying respondents listed here include those who listed additional categories. Others listed reflect exclusive responses. Respondents who explicitly chose "More than one," in addition to those who chose more than one racial identity, are listed as having identified with two or more identities.

54 Different surveys take different approaches to identifying respondents from the Latino and/or Latina communities. Consistent with many other high-quality instruments, the language in this survey asks whether respondents identify as "Hispanic" alone or in addition to other identities. The authors recognize that this may imperfectly capture the nuances of self-identification for many whose identities encompass a combination of Hispanic, Latino, Latina, Latinx, and other ethnic or racial identities. Respondents were given an open-ended option to indicate identities not listed in the survey. None provided any responses obviously relevant to this particular concern.

LGBTQ+ Identification

Category	Count	Percentage
Yes	331	21%
No	1241	78%

Household Income

Category	Count	Percentage
<$10,000	108	7%
$10,000 - $19,999	113	7%
$20,000 - $29,999	170	11%
$30,000 - $39,999	157	10%
$40,000 - $49,999	135	9%
$50,000 - $59,999	155	10%
$60,000 - $69,999	96	6%
$70,000 - $79,999	145	9%
$80,000 - $99,999	137	9%
$100,000 - $119,999	124	8%
$120,000 - $149,999	92	6%
$150,000 or more	104	7%

Total (or Expected Total) Student Debt

Category	Count	Percentage
None	480	30%
$1 - $4,999	155	10%
$5,000 - $14,999	279	17%
$15,000 - $29,999	233	15%
$30,000 - $49,999	206	13%
$50,000 - $69,999	126	8%
$70,000 or more	121	8%

Current Balance Student Debt

Category	Count	Percentage
None	538	35%
$1 - $4,999	236	15%
$5,000 - $14,999	283	18%
$15,000 - $29,999	205	13%
$30,000 - $49,999	142	9%
$50,000 - $69,999	82	5%
$70,000 or more	64	4%

FINDINGS OVERVIEW

In both focus groups and our statewide survey, young adults across the state shared stories with us about the impact of debt in their lives, both in the present and when planning for the future. Many participants highlighted how the impact of debt makes them feel stuck, deterring them from moving on in life.

Our findings are organized by four topics: planning for the future, economic impacts of COVID-19, the mental health impact of debt, and the repayment process. Critically, our survey demonstrated racial and gender disparities in navigating student loan debt across these areas. In our statewide survey and focus groups, we observed that student debt especially limits Texans' ability to pursue career and life goals, impacts those who are unemployed or underemployed, and poses mental health risk. These impacts are amplified by the COVID-19 pandemic, which has put the health and finances of students and borrowers in further peril, and disproportionately impacts communities of color.

Our July 2020 statewide survey[55] further demonstrates the ongoing disparities that pervade the student debt crisis for first generation college students. First-generation college students reported higher levels of student loan debt, more barriers due to student loan debt, and slightly higher levels of stress due to student loan payments. First generation college students were more likely to identify student loans as preventing saving for emergencies, for their children's higher education, and for their own retirement. Our survey also indicated the dire impact of unemployment, as those who were unemployed at the time of the survey were also more likely to experience stress due to loan debt and more likely to experience financial stress in other areas.

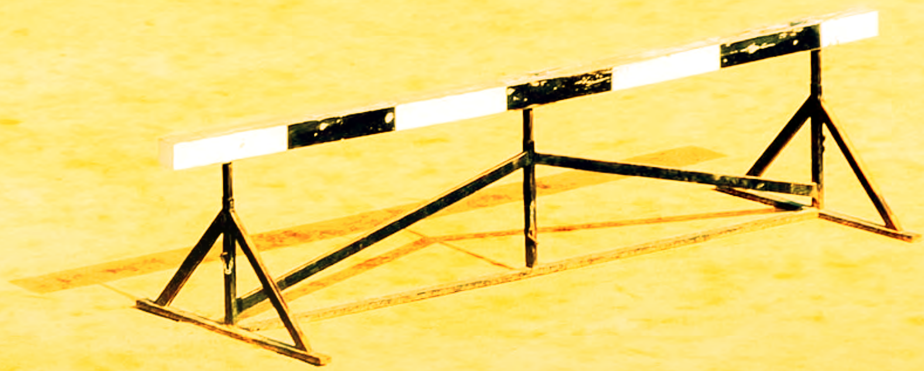
We believe our findings are a call to action. Texas must address the student debt crisis with equitable policies that ensure borrowers of color, unemployed borrowers, and first-generation college students are centered in state actions toward student debt prevention, protections, and relief.

55 This July, 2020 survey was conducted using a diverse sample of 1,600 18-34-year-old Texans with at least some postsecondary educational experience. Respondents were recruited online via the survey firm Lucid.

FUTURES ON HOLD:

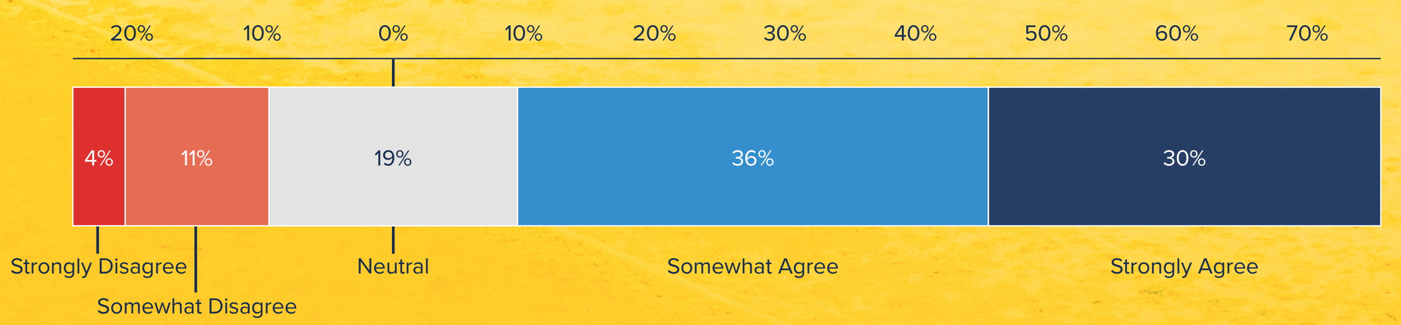
Academic Progression, Major Life Purchases, and Job Acquisition

Student borrowers start their higher education experience with the ambition of obtaining a degree to better their future. The grim reality is that borrowers are putting their hopes and dreams on hold because of the vicious cycle of financial instability caused by student loans. Both our survey and focus groups illuminated the ways in which student loan debt prevents Texans from accessing life goals and financial milestones. **Over 65 percent of respondents with outstanding loan balances agreed that student loans are a serious obstacle for getting what they want in life, 50 percent of such respondents said that student loans prevented them from saving for an emergency fund, and nearly 33 percent of such respondents said that student loans prevent them from saving for a new home. As one borrower put it, "It's not to say that it traps young people, but it does."** [56]



Student Loan Attitudes and Experiences

Agreement (Respondents with Balances Outstanding):
Student loans are a serious obstacle to me getting what I want from life.



56 Student Debt Workshop Participant, 2019

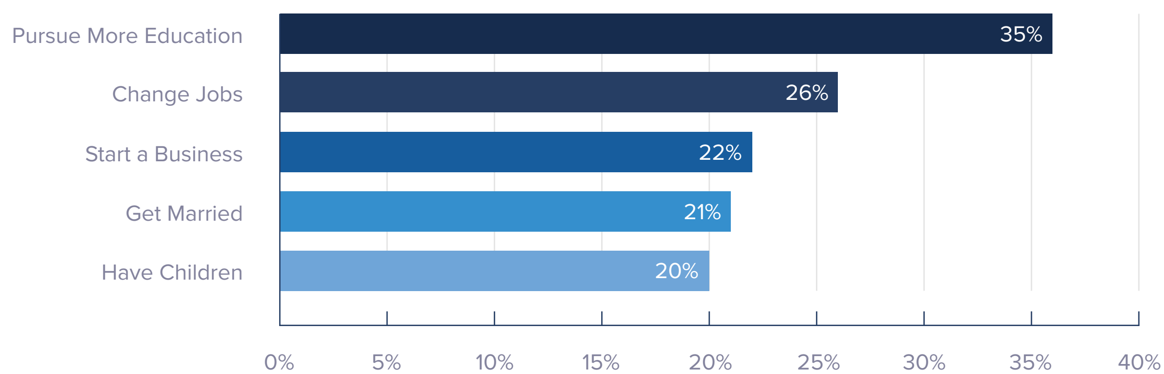
Academic Progression

FINDING

Student loan debt deters borrowers from meeting their fullest potential because of the snowball effect loan debt can have.

In our statewide survey, 35 percent of respondents with current debt noted that going back to school was an obstructed milestone due to student loan debt, 26 percent say it hinders them changing jobs, and 22 percent report it hinders them from starting a business. Such results amplify the need to create opportunities for degree completion, specifically for those whom student loan debt is a barrier. Borrowers are held back from what they could achieve in a life without debt. One participant in our focus group discussed their experience as, "…it's basically hindered academic progression because after you graduate and you already have upwards of $50,000…why would you go back?"[57] Another borrower expressed that while they were interested in graduate school, "it was just too expensive.[58]" These experiences emphasize the barriers to post-undergraduate degrees, which impedes borrowers' ability to gain earning capacity and access to opportunities.

Student Loans: Hindering Life Milestones

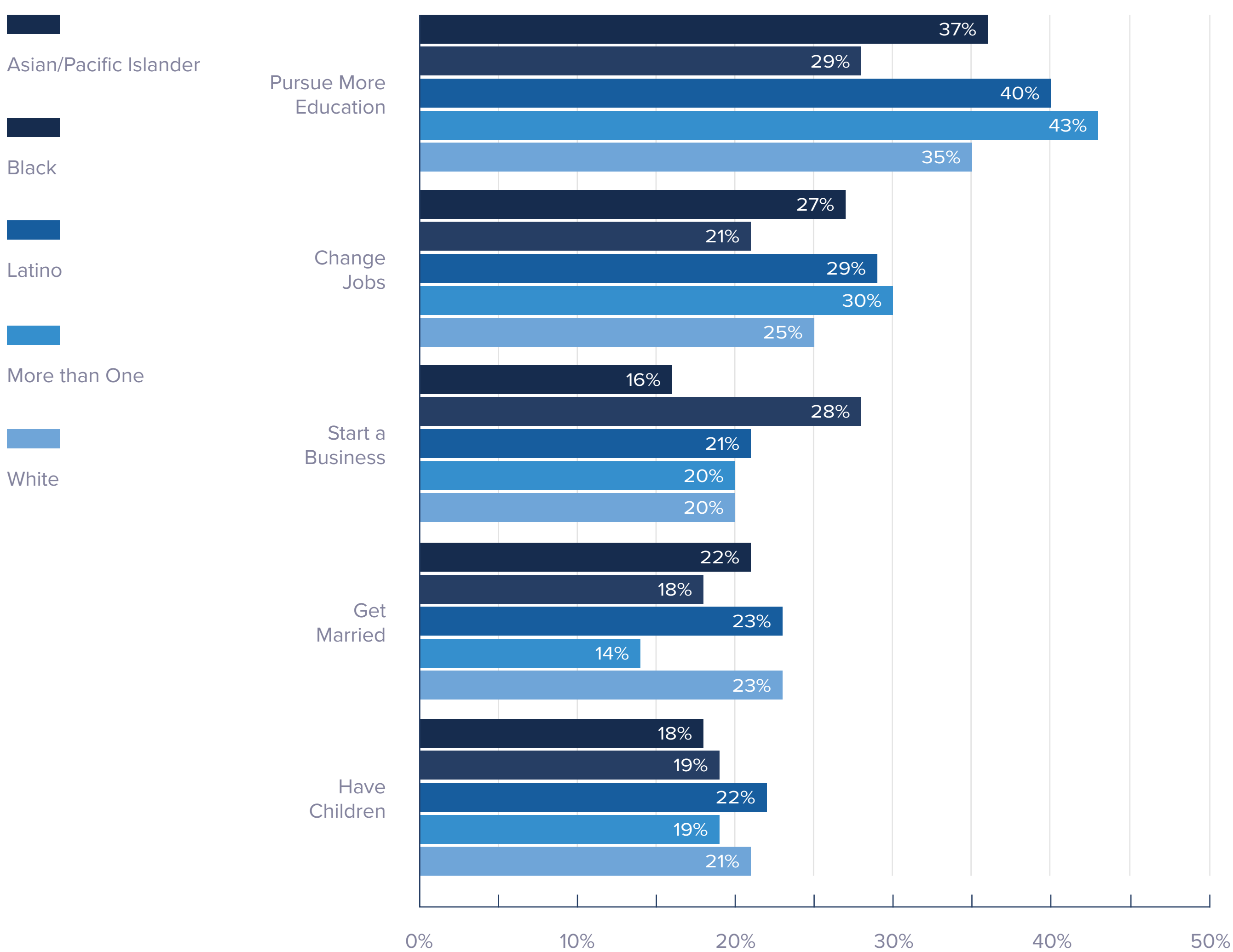


57 Student Debt Workshop Participant, 2019
58 Student Debt Workshop Participant, 2019

FINDING
The impacts of debt on future education were greater for Texas women and women of color, particularly for Latina women.

In our survey, respondents who identified with more than one race, Latino respondents, and Asian/Pacific Islander respondents were most likely to cite the impacts of debt on going back to school and changing jobs. **Women were 8 percentage points more likely than men to not pursue additional education because of student loans, regardless of race. Latina women are the most likely to have been prevented from pursuing more education because of student loans, with 42 percent of respondents agreeing that loan debt was a deterrence. Black respondents were most likely to cite student loans as interfering with starting a business.** This data indicates the debt problem is not just about daily finances. Many borrowers, especially marginalized student borrowers, are having to forgo their ambitions because of student debt.

Student Loans: Hindering Life Milestones (Race and Ethnicity)



Major Life Purchases

FINDING

Debt impacts student borrowers' ability to make large purchases, such as buying a home or acquiring childcare, along with many other necessities.

One-third of respondents with loan balances say that student loans have prevented them from saving for purchasing a home. Roughly a quarter of such respondents reported that student debt has prevented them from saving for retirement.

1/3 Of Repondents

with loan balances say that student loans have prevented them from saving for purchasing a home.

FINDING

Comparable to academic progression, student loan debt is affecting borrowers' ability to make important purchases at inequitable rates.

According to our survey, Latina and Black women respondents were more likely to have a great deal of stress regarding paying for child care. We also saw that first-generation student borrowers were particularly likely to cite paid child care as a stressor. According to the survey, well over half of first-generation student borrowers stated that they could not save for an emergency fund because of their student loan debt.

FINDING

Over 50 percent of respondents to our survey who are current students reported that student loan payments gave them a great deal of stress.

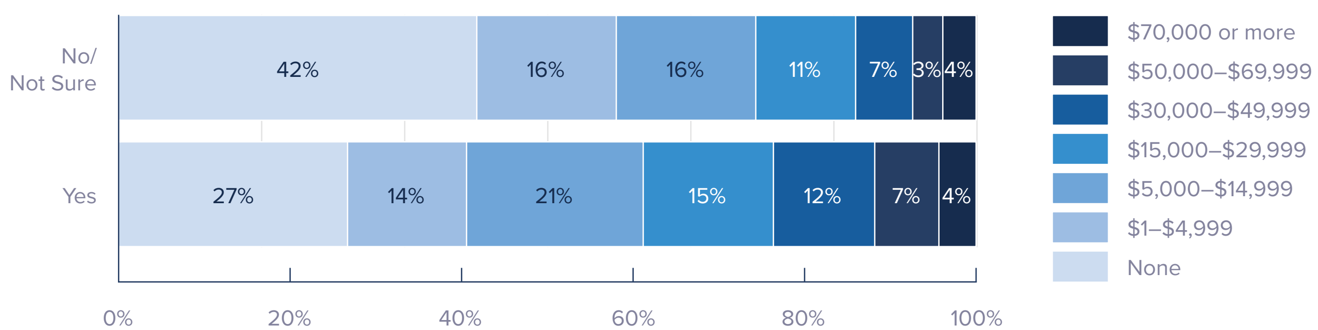
This stress can be due in part to the constraint that student loan debt places on purchases; people are unable to acquire needs because of financial stress. It is clear that students feel the impact of high college costs not just after, but also during postsecondary education.

FINDING

First-generation college students were more likely to cite debt preventing them from home ownership, retirement, children's higher education fund, and emergency fund. Borrowers who reported higher balances were also more likely to cite debt preventing them from reaching these milestones.

This financial strain was also seen in first-generation borrowers, with 33 percent of respondents with a loan balance reporting that they were hindered from buying a new home because of their student loan debt. First generation student borrowers reported higher outstanding loan balances,[59] which may impact their ability to save and plan for the future. Student loan debt is debilitating borrowers, preventing borrowers from achieving further ambitions, and forcing them into a cycle of vulnerability.

Current Loan Balance (First-Gen Status)



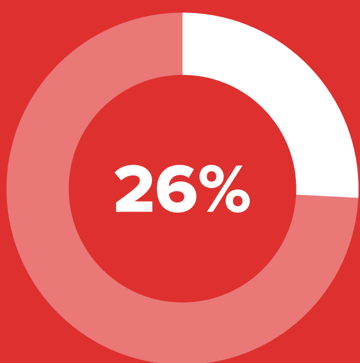
59 The unweighted median reported dollar range for current loan balance among first-generation borrowers who had one was $15,000 - $29,999; among non-first-generation borrowers it was $5,000 - $14,999.


Student Loans: Hindering Financial Goals (First-Gen Status)
First Gen Student
Yes
No/Not Sure
Retirement
28%
25%
New Home
33%
33%
Children's Higher Ed
24%
15%
Emergency Fund
53%
46%
0%
10%
20%
30%
40%
50%
60%

Job Acquisitions

FINDING
Another one of the greatest setbacks borrowers in our focus groups shared was lack of job acquisitions.

One participant[60] described their present experience saying, "right now [student loan debt] affects what jobs I'm even looking at or considering." The experience our first participant expressed is not unique, as another participant[61] also highlighted that they "...can't even apply for the jobs [they] really want because of [their] loans and because [they are] so fixated on paying them back as soon as possible." We saw similar sentiments in our survey, with 26 percent of respondents with a loan balance reporting that student loans hinder them changing jobs. Lack of job acquisition has been exacerbated by the student loan debt crisis, with the ongoing pandemic and economic recession adding only more stress on those affected.



Borrowers

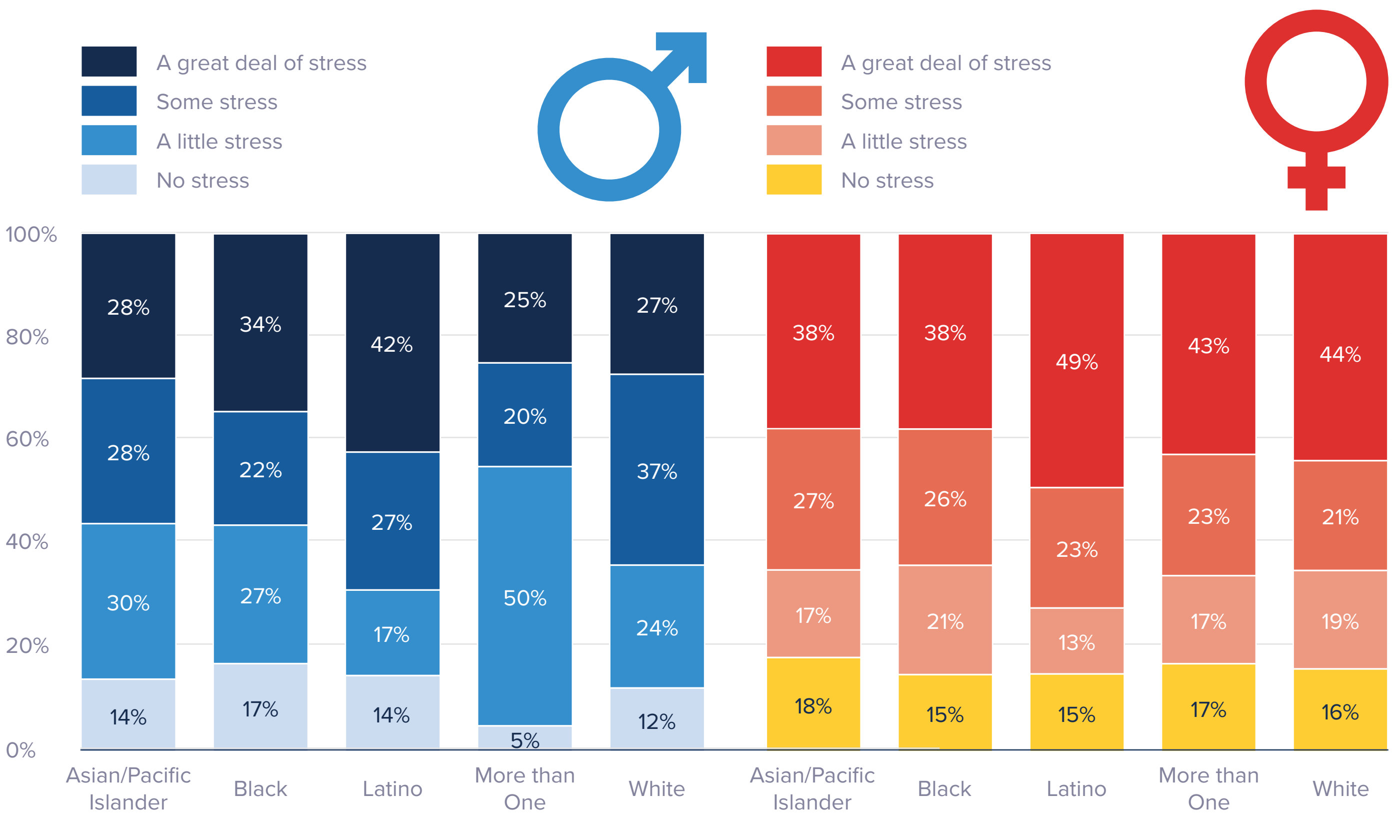
Reporting student loans hinder them changing jobs

60 Student Debt Workshop Participant, 2019
61 Student Debt Workshop Participant, 2019

FINDING
Women self-reported greater stress regarding student loan payments. Latino respondents were most likely to report that student debt caused a great deal of stress, across genders.

We found qualitative information to support these findings as well; women in our focus groups reported concern about the gender pay gap when having to repay student loans.

Financial Stressors: Student Loans (Men vs Women)



COVID-19 AND ECONOMIC IMPACTS

The COVID-19 pandemic is exacerbating structural inequality in health care and the economy. Unemployment in Texas has skyrocketed, with more Texans applying for unemployment benefits from mid-March through July 2020 than in all of 2019.[62]

Our survey was given in July 2020, while COVID-19 cases were rising and Texans were losing jobs.

Critically, unemployment disproportionately impacts Texans of color,[63] as our state survey data also demonstrated. Texans of color are more likely to experience job loss as a result of COVID-19 than white Texans,[64] highlighting the grave impact of the pandemic on communities of color.

Unemployment dramatically alters student debt stress and repayment. For those who were unemployed at the time of our survey, we found negative impacts across almost every category we measured. Such impacts are particularly critical because borrowers who are unemployed and cannot make payments are at risk of late fees, late payments and default, financial barriers that alter the personal and economic future of borrowers. Texas graduates are also entering an unstable job market. The stress of the current economic climate was apparent during in-depth interviews for our debt video.

Adam, a Texas borrower, shared that "with the job market being the way it is, and the economy being the way it is…I'm very unsure what's going to happen…" [65]

Young adults who are launching their career in the current economy face enormous uncertainty. While unemployment is itself a stressor,[66] protections that help guide borrowers through transitions, job changes, and pandemic relief could dramatically alter stress and the ability of borrowers to manage debt long-term.

62 Anne Novak and Mitchell Ferman, "More than 3 Million Texans have filed for unemployment relief since Mid-March," *Texas Tribune*, September 3, 2020, https://apps.texastribune.org/features/2020/texas-unemployment/.
63 Jhacova Williams. "State unemployment by race and ethnicity," Economic Policy Institute, August 2020 https://www.epi.org/indicators/state-unemployment-race-ethnicity/
64 Jim Henson and Joshua Blank, "Analysis: The Coronavirus Hits Texans of Color Harder. You Can See It in Public Opinion Polling.," *The Texas Tribune* (The Texas Tribune, May 12, 2020), https://www.texastribune.org/2020/05/12/coronavirus-texans-color-harder-polling/.
65 Student Debt Video, Young Invincibles, 2020
66 Chad Stone and Sharon Parrott, "Many Unemployed Workers Will Exhaust Jobless Benefits This Year If More Weeks of Benefits Aren't in Relief Package," *Center on Budget and Policy Priorities* (Center on Budget and Policy Priorities, August 6, 2020), https://www.cbpp.org/research/economy/many-unemployed-workers-will-exhaust-jobless-benefits-this-year-if-more-weeks-of.

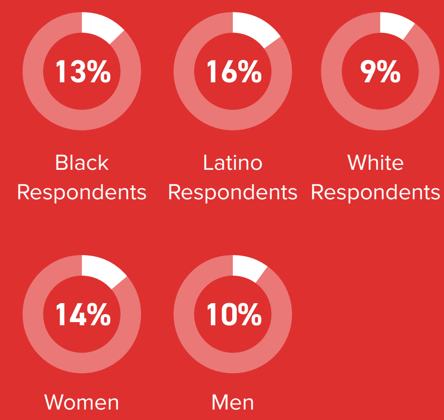
FINDING
Unemployment disproportionately impacted Black and Latino borrowers on our survey, as well as women.

13 percent of Black respondents and 16 percent of Latino survey respondents reported they were unemployed, compared to 9 percent of white respondents. 14 percent of women reported they were unemployed compared to 10 percent of men. 9 percent of all respondents reported they lost their job due to the COVID-19 pandemic.[67] In the middle of a health crisis that is disproportionately impacting Black and Latino communities, such impacts are also economic.

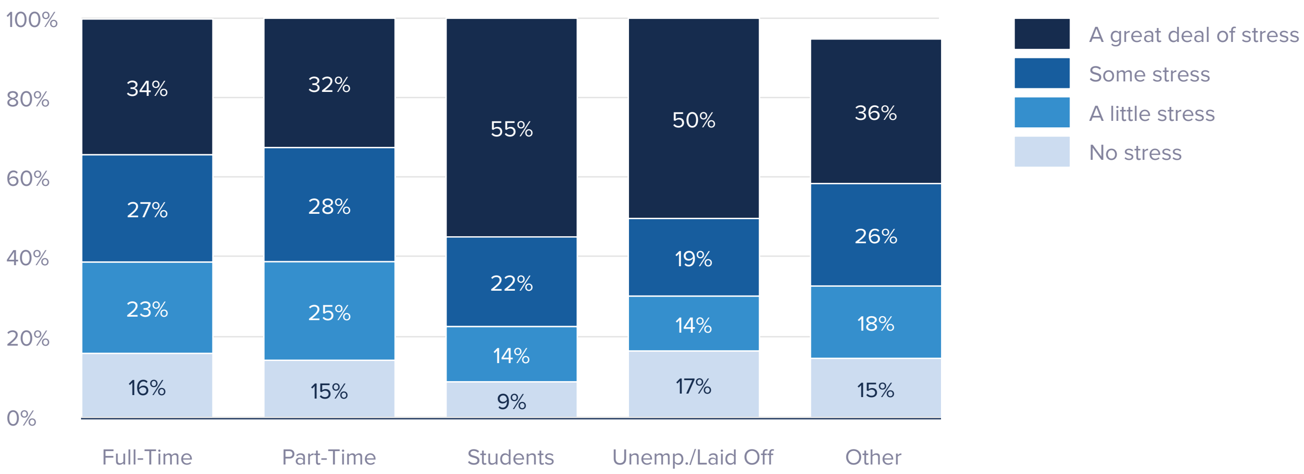
FINDING
Those who were either students or unemployed showed the most stress regarding student loan payments.

Stress due to student loan debt will only increase as unemployment continues in the pandemic. While some students may not yet be paying back loans, student loans were still a source of stress for them, highlighting the stress of debt from the moment students take out loans.

Unemployment Rate
Among Respondents



Financial Stressors: Student Loans (Employment Status)



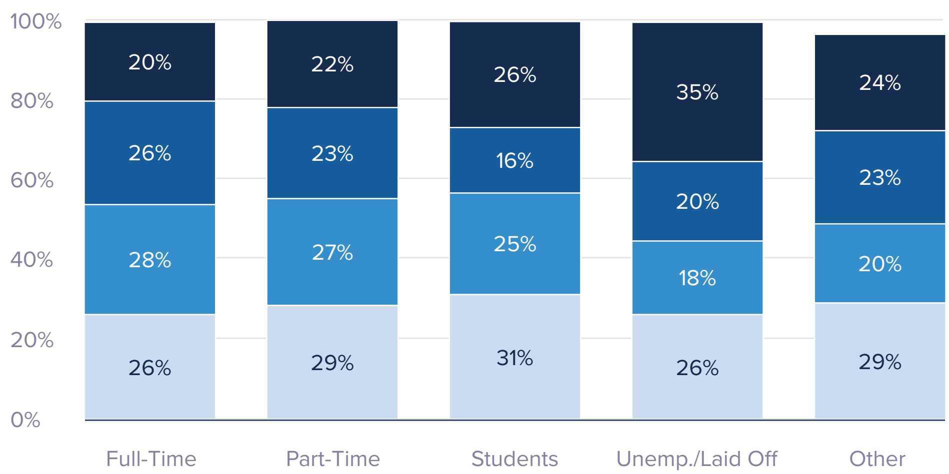
67 This measure is defined as those respondents who reported being either full-time employees, part-time employees, or students at the start of the pandemic, and reported being unemployed or laid off at the time of the survey.

FINDING
Unemployment increases financial stress for daily living needs.

Our survey revealed that those who were unemployed were more likely to be stressed about other essential payments as well, such as health insurance and groceries. While half of borrowers across all employment categories reported at least some stress with making health payments, **73 percent of borrowers who were unemployed reported stress about health care insurance premiums**. Health care stress was significant for unemployed borrowers, with **35 percent of unemployed respondents feeling a great deal of stress about health insurance payments**. Ensuring that Texans have access to resources to be healthy- such as food security, affordable health care, and housing- are critical. Given the impacts of COVID-19 on employment prospects, solutions for repayment for those who have lost a job or have recently graduated are essential to protecting the health of Texans.

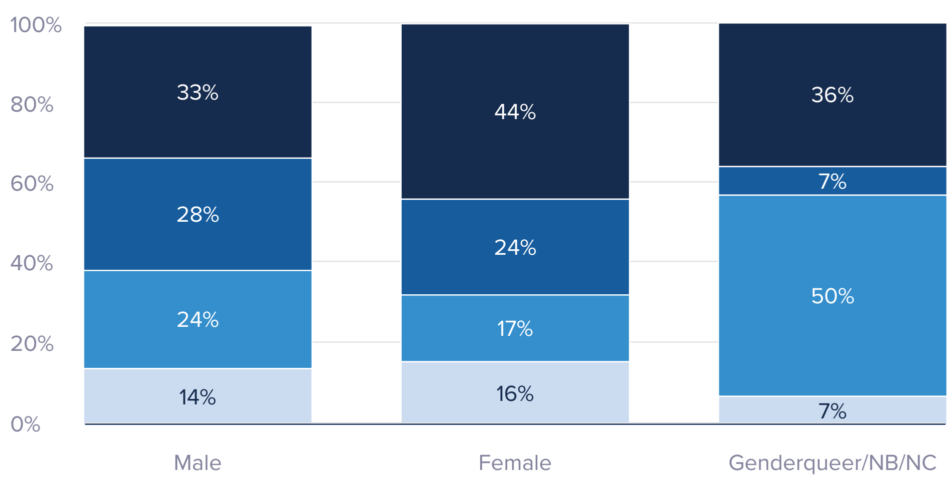
Financial Stressors: Health Insurance Premiums (Employment Status)

A great deal of stress
Some stress
A little stress
No stress



Financial Stressors: Student Loans (Gender)

A great deal of stress
Some stress
A little stress
No stress



FINDING
Those who were unemployed reported the least satisfaction with their loan servicer.

Those who are unemployed are arguably in the most difficult position to repay loan debt, as they make decisions to stay afloat. Servicers should work with borrowers facing income changes to understand options—like income-based repayment—and to equip borrowers with knowledge to make a plan for loan debt without fear of shame or late fees.

Kennedy Huerta Quintanilla, current University of Texas at Austin student, describes student borrower consumer protections at The State of Young Texas.

STUDENT LOAN DEBT AND MENTAL HEALTH

When speaking with young people about debt, one thing was very clear:

BORROWERS ARE STRESSED.

We had conversations with borrowers who were stressed at every level of the process, hearing from students who wanted more information about their financial aid options and those in the workforce struggling to pay back their debt. Our survey illuminated these conversations by showing that indeed, Texans are stressed about debt and this stress is impacting their mental health.

FINDING
Borrowers report student debt negatively impacts their mental health, and these impacts were highest for Latino borrowers in our study.

Across racial backgrounds, 51 percent of those with outstanding balances agreed that stress from student loan payments has been bad for their mental health. 55 percent of Latino participants agreed that loan payments were bad for their mental health, compared to 51 percent of white participants and 48 percent of Black participants. These grand burdens of weight summarize the mental health challenges student borrowers are facing. Many students, graduates, and other borrowers state feeling stress, anxiety, depression, worry, shame, and fear. One borrower expressed this when describing their experience on student loan repayment, "And now I've graduated and I'm crying, it's awful because... loans are terrible but you know, you understand that everybody has them. **So you think it's a normal thing and you think it's fine and we'll be okay, but it's not okay...**"[68]

FINDING
Student loans are a particularly strong source of worry and stress for young people who have current balances.

Survey results showed 65 percent of sampled borrowers across racial backgrounds cite student loans as a source of financial stress. The rates of reported stress are higher for Latino-identifying borrowers, 71 percent of whom report stress from student loan payments, in contrast to 64 percent of white and 60 percent of Black respondents. Among the subset of the sample with an outstanding student loan balance, women (53%) respondents are slightly more likely than men (49%) to somewhat or strongly agree that student loans are bad for their mental health.

68 Student Debt Workshop Participant, 2019

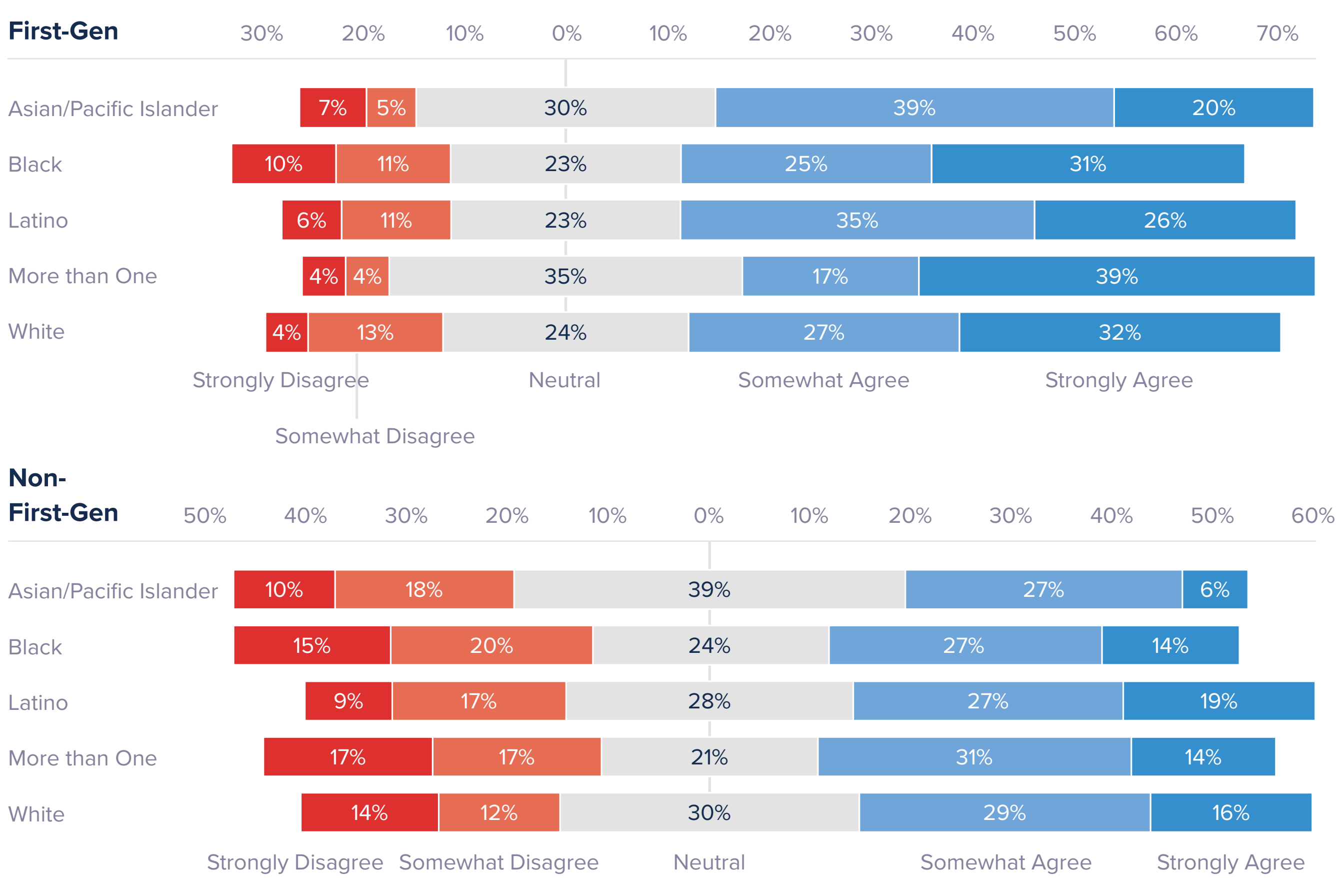
FINDING

Additionally, our survey results showed that first-generation students with an outstanding student loan balance are substantially more likely to report adverse mental health effects relative to their non-first-generation peers (59 percent somewhat or strongly agreeing, vs. 43 percent of non-first-generation students).

Students who identified as first generation and Asian/Pacific Islander (59%) were substantially more likely to report adverse mental health impacts than their non-first generation Asian/Pacific Islander counterparts (34%).

Student Loans and Mental Health (First-Gen vs Non-First-Gen)

Agreement: The stress from student loan payments has been bad for my mental health.



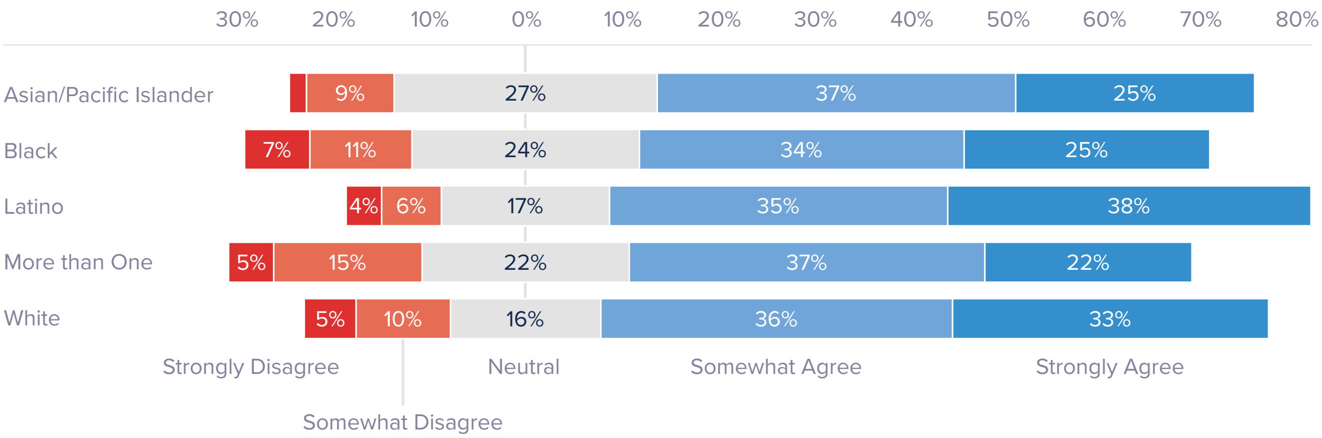
FINDING

Across racial backgrounds, 66 percent of respondent borrowers reported experiencing some level of stress due to student loan payments.

Latino respondents reported slightly higher levels of stress (73 percent reporting some or a great deal of stress) in comparison to other participants.

Student Loans: Worry and Stress (Race/Ethnicity)

Agreement: My student loans cause me to feel worried and stressed.



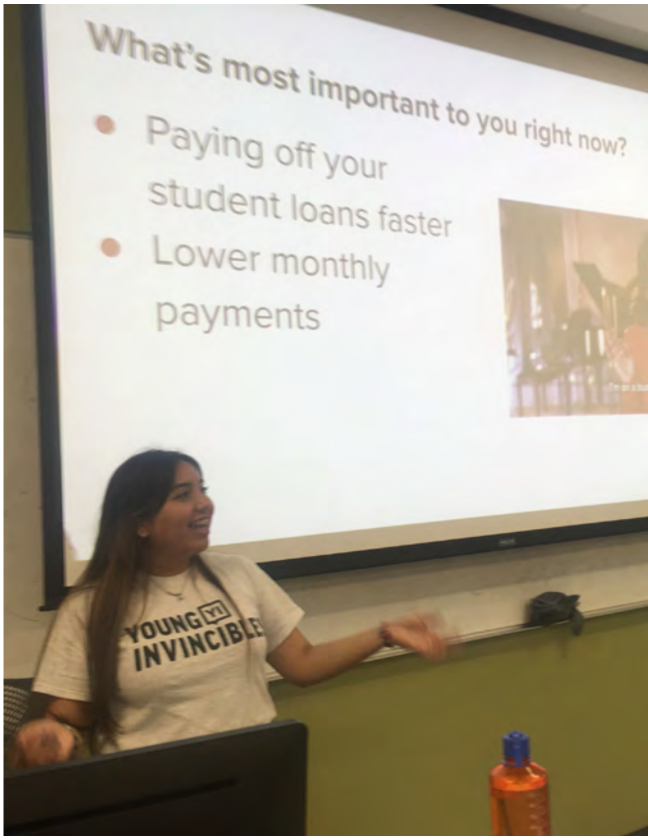
STUDENT LOAN REPAYMENT:

"THERE SEEMS TO BE NO CENTRAL RESOURCE."

Borrowers feel trapped, resoundingly sharing the feeling that they will never be able to pay off their debt. Just 32 percent of the 143 participants in our student debt workshop series agreed or strongly agreed that they felt confident regarding their knowledge of repayment options prior to the workshop. As Evan, a borrower in Austin shared, "there seems to be no central resource."[69]

The repayment process feels confusing and hopeless.

When discussing repayment, we often encountered feelings of hopelessness and despair. **Borrowers expressed confusion about the many steps needed to manage debt, with one focus group participant sharing that "...It's so overwhelming. You don't know what to do and when to do it and who to contact. I just feel lost."**[70] When describing debt, overwhelming was a word that came up over and over. Another borrower told us that "the process does seem very overwhelming. Like figuring which loan or which repayment plan would be better for you, knowing that things change, having to reevaluate everything again."[71]



Young Invincibles Young Advocate describing the student loan repayment process.

69 Student Debt Video, Young Invincibles, 2020
70 Student Debt Workshop Participant, 2019
71 Student Debt Workshop Participant, 2019

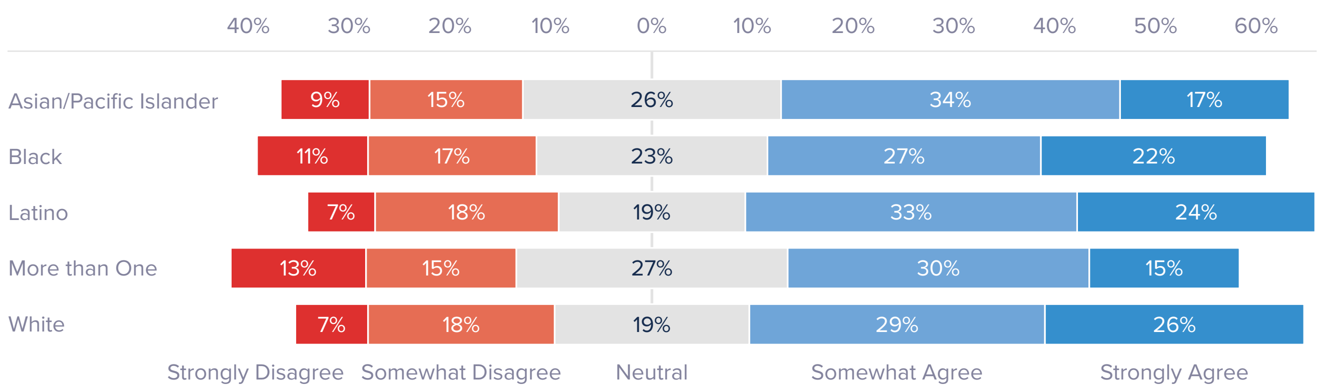
FINDING

There is a lack of confidence in repayment plans. 60 percent of Latino respondents, 51 percent of Asian/Pacific Islander respondents, 49 percent of Black respondents, 55 percent of white respondents, and 45 percent of respondents who identify with two or more racial groups agreed or strongly agreed they were not familiar with student loan repayment options. Latino and Asian/Pacific Islander borrowers were also the least likely to feel extremely confident in their repayment plan.

Such results highlight that there simply isn't enough accessible information about how to manage student loan debt. Students and borrowers are taking on enormous amounts of debt without full education of the long-term ramifications and long-term management strategies, including the impact of interest over time and the variety of repayment structures available.

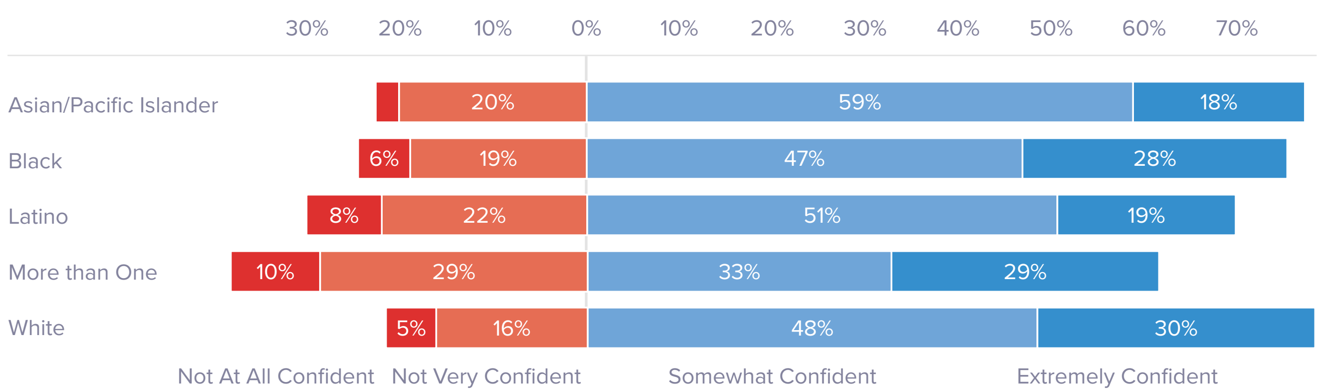
Student Loans: Familiarity (Race/Ethnicity)

Agreement: I am not very familiar with different student loan repayment options.



Student Loans: Repayment Plan Confidence (Race/Ethnicity)

Confidence in Current Loan Repayment Plan



FINDING
Many Texans wish they had more financial aid.

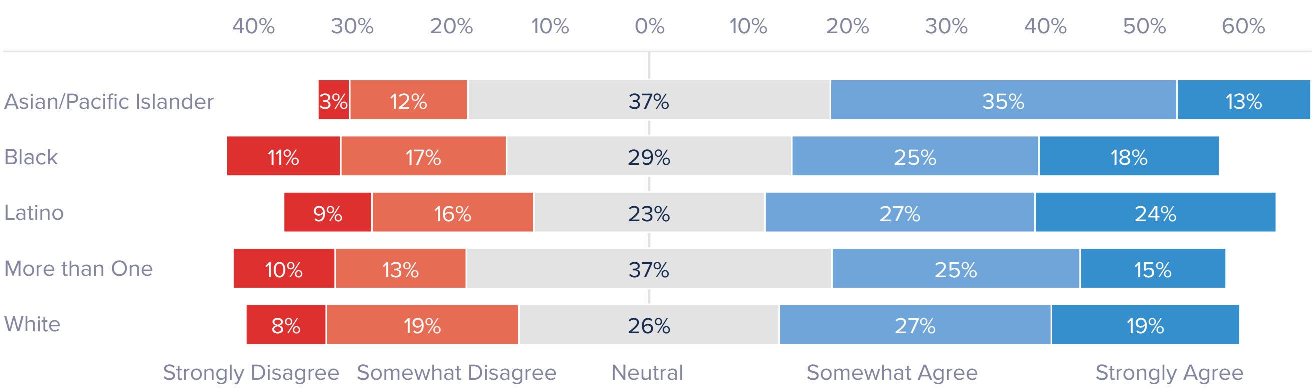
Workshop participants told us they wished they had more financial education before entering repayment. **One borrower said, "I feel very anxious because it's one of those things you didn't have to think about while you were in college... then it's a thing that creeps back up right now that you're done and months have passed and the student loan companies reach out to you. They're like, hey, we want our money, but you don't have that much money...so it's a very scary topic and we weren't very well prepared about it..."**[72] Borrowers also expressed frustration that they may not even be aware of all of the higher education funding options available. Borrowers frequently shared they wished they had more information about other options, such as scholarships.[73]

FINDING
On our survey, 46 percent of all borrowers with current debt said they had not gotten enough information about financial aid from their institution.

While this number was high for all racial groups, 51 percent of Latino respondents with existing debt somewhat agreed or strongly agreed they had not gotten enough information from their institution, which was the highest of any other racial group. Additionally, borrowers in our focus groups expressed confusion on where to go find information about critical financial aid and loan repayment questions, especially after graduating.

Student Loans: Information From School (Race/Ethnicity)

Agreement: I have not gotten enough information from my school about the financial aid process.



72 Student Debt Workshop Participant, 2019
73 Student Debt Workshop Participant, 2019

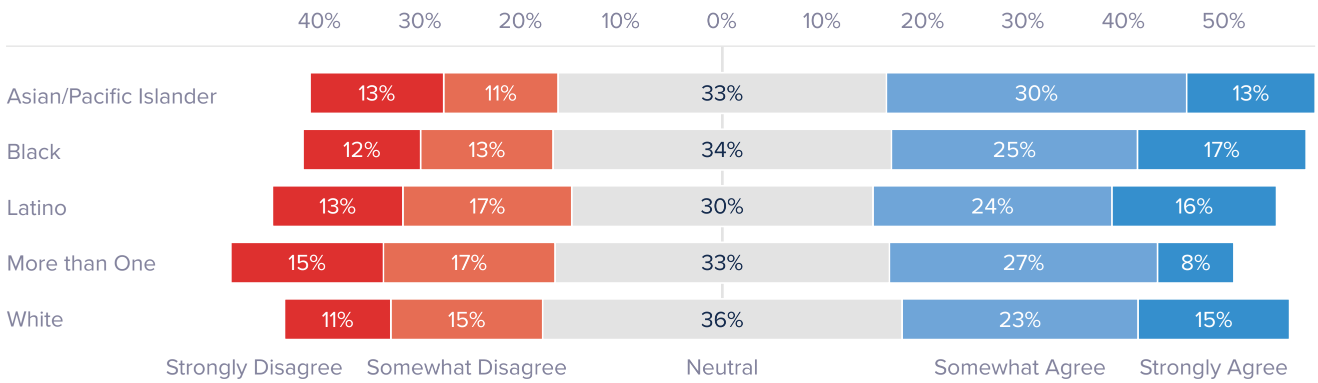
FINDING

Women and non-binary respondents were more likely to disagree that their student loan servicer was helpful in creating a plan than male counterparts. The majority of respondents across racial groups were neutral or disagreed their loan servicer was helpful.

Student loan servicer interactions are critical to ensuring borrowers are on the best repayment plan for them, and ensuring they know their options. Our findings call attention to why state level oversight is critical to investigating consumer experiences, complaints, and protections.

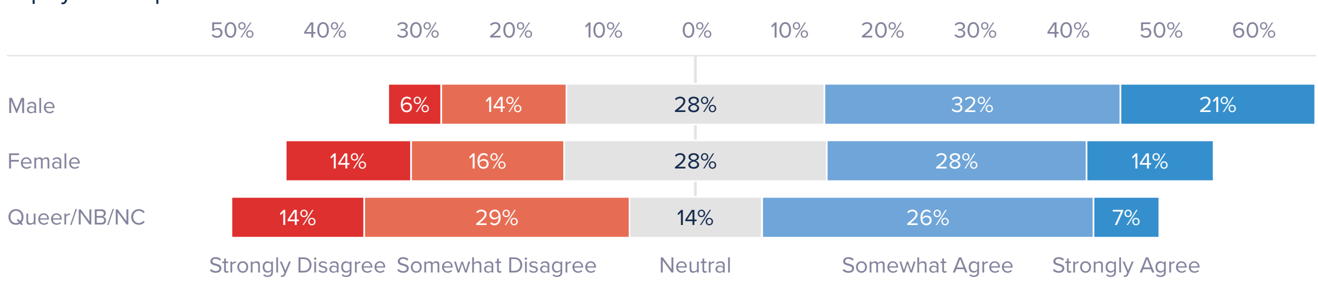
Student Loans: Information From Servicer (Race/Ethnicity)

Agreement: I have received helpful and complete information from my student loan servicer about different loan repayment options.



Student Loans: Information From Servicer (Gender)

Agreement: I have received helpful and complete information from my student loan servicer about different loan repayment options.



FINDING
Consumer education makes a difference in loan repayment confidence.

Pre and post test results from our student debt workshops suggest there is value in receiving direct education about repayment plans, loan consolidation, loan interest, and loan default. During our debt workshops, participants self-reported the strongest increase in understanding repayment options more than any other component of the workshop, highlighting that this information is new for many borrowers. **One borrower summarized this by asking, "Why didn't anyone tell us that stuff concisely in the beginning."**[74] Our student debt workshop outcome data below shows that indicators such as confidence in financial aid knowledge and repayment knowledge were increased after workshop participation.

Question	Pre-Test Avg.	Post-Test Avg.
I have the knowledge I need to pay back my student loan debt.	3.42	**4.78** +.76 gain
I am confident regarding my knowledge of financial aid.	3.41	**4.09** +.68 gain
I am confident regarding my knowledge of repayment options	2.95	**4.04** +1.09 gain
I feel empowered to take charge of my personal student loan repayment process	3.26	**4.14** +.88 gain

74 Student Debt Workshop Participant, 2019

POLICY RECOMMENDATIONS:

STATE SOLUTIONS AND THE IMPACT OF COVID-19

A. State Debt Relief Initiatives

B. Increased Investment in Higher Education

C. Center Low-Income Students in Pandemic Response and Recovery

D. Consumer Protections

States play a pivotal role in directly addressing student debt and protecting borrowers.[75] Texas can create a path for borrowers to navigate economic hardship and unemployment amidst student debt, so that student loan payments do not interfere with Texans' ability to receive health care, put food on the table, and seek housing.

As many components drive the debt crisis, multiple avenues are needed to address it. We recommend policy action in four core areas:

1
Debt relief initiatives

2
Increased investment in higher education

3
Centering low-income borrowers and borrowers of color in pandemic response and recovery

4
Statewide consumer protections

We call upon lawmakers to enact systemic policy change that directly supports communities of color, addresses the racial wealth gap, and promotes equitable higher education opportunities for Texans.

75 Tim Shaw and Kiese Hansen, "How States Can Solve the Student Debt Crisis: A Framework for Reducing Student Debt Burdens for Present and Future Borrowers", *Aspen Institute*, March 23, 2020. https://www.aspeninstitute.org/publications/how-states-can-solve-the-student-debt-crisis-a-framework-for-reducing-student-debt-burdens-for-present-and-future-borrowers/.

1

STATE DEBT RELIEF INITIATIVES

Young Invincibles supports broad-based and immediate federal student loan debt cancellation.[76] Clearing student loan debt balances would lift a substantial financial weight from the shoulders of young people, helping them participate more fully in an equitable economic recovery. As the state with the collective second-highest student loan debt burden in the nation, a program of federal student debt cancellation would put young Texans on more solid financial footing.

States can also create opportunities for debt relief. Numerous roadblocks abound for Texans in default. While Senate Bill 37 (passed during the 86th Texas Legislative Session) successfully enabled those in student loan default to keep their professional license, more needs to be done to ensure that those navigating this financial hardship are set up to move forward. We recommend that lawmakers pursue policies that build prosperity for those with debt, including:

Make transcripts accessible to support re-enrollment. Allow students in default to receive transcripts from any institution that they have formerly attended. Default is more likely for those who never finished their postsecondary education--but going into default also makes returning to school to finish a degree more challenging. It is of particular concern that transcripts can be blocked due to financial debt- institutional or otherwise. Students who need to get a hold of their transcript should be able to do so, in order to move forward and make plans.

Explore state-level debt forgiveness opportunities, such as public service debt forgiveness. Texas has an opportunity to creatively find solutions both to debt and workforce problems. Given the impact of unemployment on Texans- and on student loan debt- there is incentive to build workforce programs and pathways which support debt forgiveness. For example, Texas might expand public service loan forgiveness options for Texans who enter in-demand public service roles, such as health care or counseling.

Pause student loan debt collections until January 2022. There is no way to expect Texans - especially those who are unemployed or recently laid off- to continue making student loan payments. We call on Texas lawmakers to make clear that loan servicers should pause student loan payments, including private student loan payments, and also to pause court cases related to student loan debt collection. Those who are unable to pay their loans should not answer in collections during the pandemic, but rather should be connected to an ombudsman or debt resources to create a long-term plan.

76 Morgan Diamond, Erin Hemlin, and Kyle Southern, "The Path Forward: A Bold Policy Agenda for Young People," (Young Invincibles, 2020). Retrieved from https://younginvincibles.org/wp-content/uploads/2020/11/The-Path-Forward.pdf.

2

INCREASED INVESTMENT IN HIGHER EDUCATION

Addressing debt means addressing the actual cost of higher education for students. Our recommendations for state investment are rooted in a vision in which states partner with the federal government to drive down costs for students, commit to state-level debt goals, and ensure that state dollars pursue equity in decision-making.

State and federal higher education partnership. Congress should move to make a long-overdue commitment to public higher education, partnering with states to ensure that the cost of college is decreased for students.[77] This partnership would infuse public institutions with revenue that enables them to control the cost of two- and four-year higher education. Further, a federal-state partnership should invest in historically Black colleges and universities and other minority-serving institutions to strengthen their infrastructure and bolster equity across the higher education landscape. This partnership with states would ensure financial burdens from this present crisis do not saddle students with unbearable debt loads for decades ahead. We envision a future where our budget reflects our moral priorities, and Congress moves to invest deeply in higher education, while disinvesting in military, policing, and funds that detract from an equitable future.

Significant investment of federal funds in public institutions of higher education should come with rigorous expectations for improved student outcomes—both in terms of degree and credential completion and closure of opportunity gaps associated with race, ethnicity, and income. Such investment should also be paired with the ability of students to use any other aid sources to address the costs of attendance beyond tuition that become significant hurdles to clear toward completion for many students.[78]

Increase need-based state financial aid with a focus on equity. Texas must keep and increase need-based financial aid and grant opportunities. Programs that provide free college opportunities for students should ensure they are designed for students most marginalized by the student debt system--specifically students of color and first-generation college students. To fully meet the needs of students, these programs should include comprehensive aid that goes beyond tuition to include living expenses such as room and board, books, school supplies, transportation, and access to food.[79] Programs should also ensure inclusion of DACAmented and undocumented students, part-time students, full-time workers, student parents, justice system impacted students, and those returning to school.

77 Morgan Diamond, Erin Hemlin, and Kyle Southern, "The Path Forward: A Bold Policy Agenda for Young People," (Young Invincibles, 2020). Retrieved from https://younginvincibles.org/wp-content/uploads/2020/11/The-Path-Forward.pdf.

78 The Institute for College Access and Success, "2021 & Beyond: How the Biden Administration and Congress Can Ensure Higher Education Emerges From the COVID Crisis Stronger Than Ever", November 2020. https://ticas.org/wp-content/uploads/2020/11/2021-Transition-Memo_TICAS.pdf

79 Tiffany Jones and Katie Berger, "A Promise Fulfilled," The Education Trust, October 27, 2020, https://edtrust.org/resource/a-promise-fulfilled/.

Equity-driven statewide debt goals. 60x30TX, the Texas state initiative to increase college attendance and completion in Texas, includes the long-term goal that undergraduate student loan debt will not exceed 60 percent of first-year wages for Texas public institution graduates.[80] Given the known disparities in Texas student loan debt levels, we believe that future state goals should include specific racial and gender outcomes[81] that focus not just on average wages and debt, but lowering debt for communities carrying the most debt--especially Black and Latino borrowers in Texas.

Lower tuition rates for online courses, or involve students in setting tuition rates, particularly as colleges rework courses into virtual learning. Students have found themselves receiving an education dominated by virtual classes. Many students find this frustrating as the education experience--including the many kinds of activities and on campus supports--are vastly different than prior to the pandemic. In August 2020, the Partners for College Affordability and Public Trust released its Tuition Payer Bill of Rights, which affirms the need to involve students in critical decisions that affect their and their family's finances.[82] Institutions have also explored ways to reduce cost and meet student educational needs in today's challenging environment. Dallas-based Paul Quinn College has used its shift to an online-only approach during the pandemic as a time to both charge lower tuition and launch an innovative new bachelor's degree program.[83]

Expand apprenticeship and work-based learning opportunities, particularly for women and people of color. High rates of unemployment have increased the need even more for work-based learning opportunities that connect graduates and Texans with in-demand careers. Now more than ever, Texans are seeking opportunities to upskill or shift employment sectors. Equitable opportunity is critical to larger efforts at increasing work-based learning across the state. We raise two solutions toward ensuring equitable apprenticeship and work-based learning opportunities.

1. Apprenticeship navigators: Navigators serve as key points of regional contact for apprenticeship programs. They can help to identify apprenticeship sponsors, create outreach for apprenticeships, and strengthen partnerships.[84]

2. Young adult voice: We recommend that future committees and work groups on this issue include young adult voices, students and/or organizations representing young adults.

80 "60x30: EDUCATED POPULATION," 60x30TX.com (Texas Higher Education Coordinating Board, 2020), http://www.60x30tx.com/.
81 Tiffany Jones and Andrew Howard Nichols, "Hard Truths: Why Only Race Conscious Policies Can Fix Racism in Higher Education" (2019). https://edtrust.org/resource/hard-truths/.
82 "Tuition Payer Bill of Rights", *Partners for College Affordability and Public Trust*, https://www.tuitionrights.org/.
83 Lindsay McKenzie, "Paul Quinn Launches Accelerated Online Degree," *Inside Higher Ed*, July 13, 2020, https://www.insidehighered.com/quicktakes/2020/07/13/paul-quinn-launches-accelerated-online-degree.
84 Morgan Diamond, "Pathway to Opportunity: Apprenticeships and Breaking the Cycles of Poverty for Young People Experiencing Homelessness,"*Young Invincibles*, July 2020,

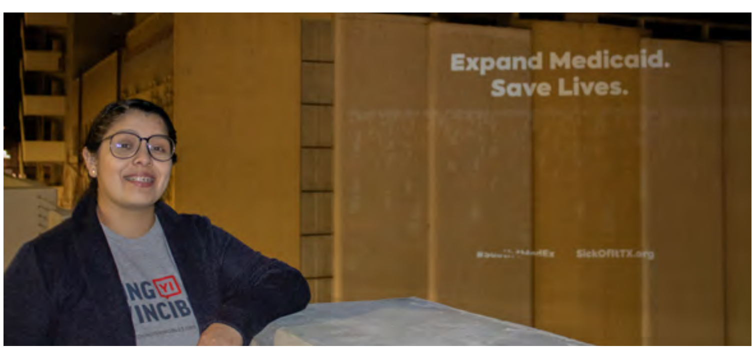
3 CENTER LOW-INCOME STUDENTS AND STUDENTS OF COLOR IN PANDEMIC RESPONSE AND RECOVERY

Our survey reinforces the close intersection between health care and financial wellbeing. Communities of color have been especially impacted by the COVID-19 pandemic, both in regards to health and economic impacts of the virus. Addressing the financial stress caused by student loan debt also requires addressing the systemic problems that plagued Texas long before COVID-19 and continue today, including significant disparities in health care coverage. As Texas takes continued efforts in recovery from the pandemic, low-income students and students of color must be centered in policy decisions.

Expand Medicaid. Prior to COVID-19, one third of young adults in Texas already lacked health coverage.[85] Many young adults are part of the Texas Medicaid gap, and are unable to get affordable health coverage. Our survey showed that those with current debt are especially stressed about health care premiums, and those who are unemployed are in great stress. Now, those who lose employment due to the pandemic are at risk of losing job-based health coverage. By expanding Medicaid, Texas will increase the number of insured Texans.

Ensure emergency aid centers low-income students and communities of color. Emergency aid opportunities must be continued as the impacts of the pandemic continue to impact students, particularly students whose jobs and housing are directly impacted by the pandemic. We encourage decision-makers in Texas to communicate the need for both federal and state support to help students thrive amidst the many changes to coursework, housing, transportation, and student life. Emergency aid should include undocumented and DACAmented Texans who have been left out of prior federal emergency aid funds.

Increase postsecondary mental health access. Given the rise in mental health risk due to the pandemic, alongside the mental health impacts of student loan debt, more counselors and access to mental health opportunities are needed. We recommend Texas consider a range of policy initiatives to support college student mental health, such as telehealth services, workforce incentives for counseling and social work careers, and suicide prevention and mental health awareness education for post secondary instructors and staff.



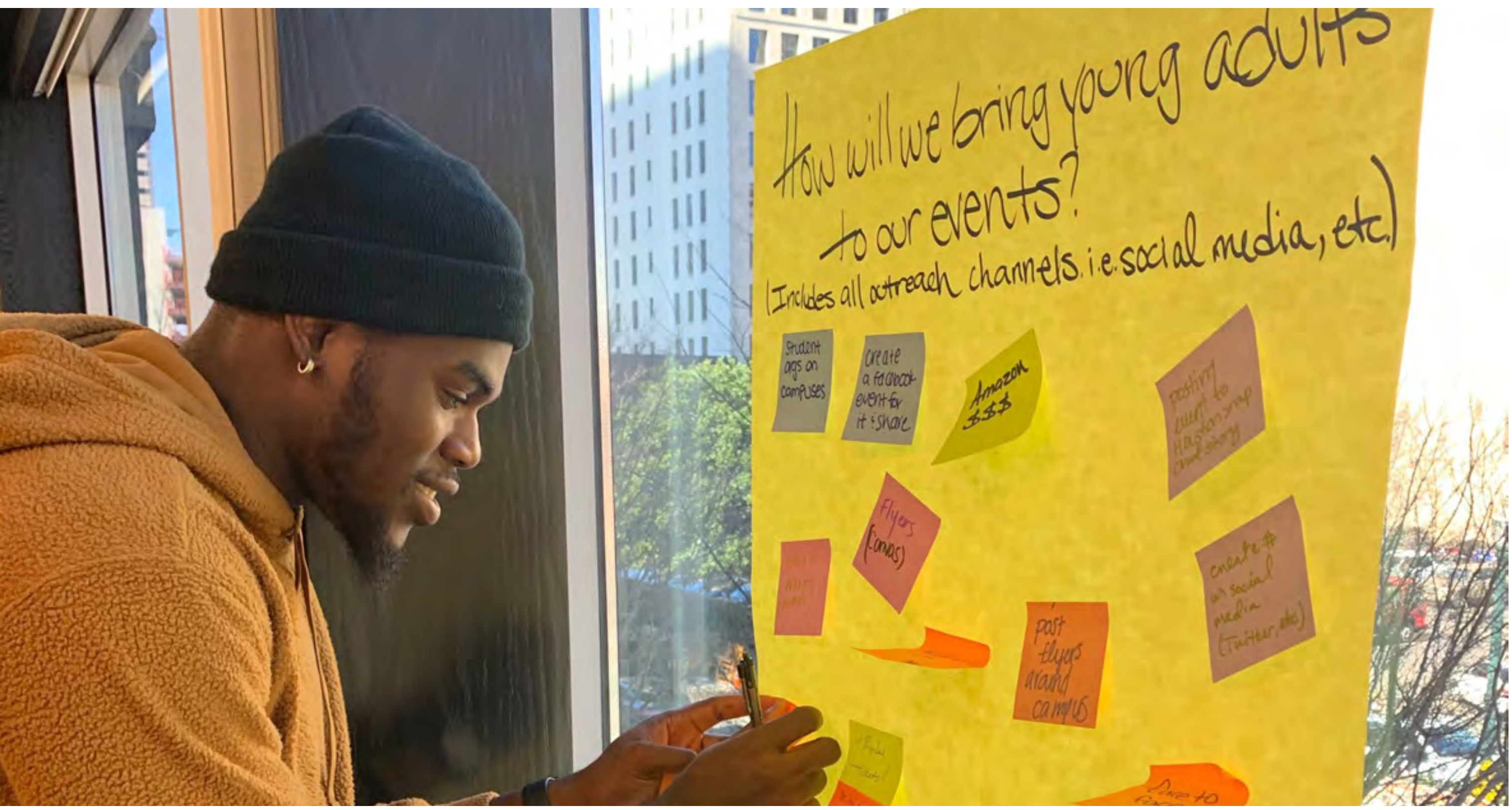
85 Matthew Buettgens, Linda J. Blumberg, and Clare Pan, "The Uninsured in Texas: Statewide and Local Area Views," *Episcopal Health* (Urban Institute, December 2018), https://www.urban.org/sites/default/files/publication/99498/uninsured_in_texas_2.pdf.

4 CONSUMER PROTECTIONS

The repayment process is a significant barrier reported on both our focus groups and survey.

When considering repayment, it is imperative to consider the role of student loan servicers. Student loan servicers manage debt by receiving scheduled payments, applying payments to borrowers' accounts, maintaining records, and communicating directly with borrowers about their loans.[86] As such, student loan servicing is an integral component of student loan repayment and default prevention. Servicers can and should do more to provide information and instill confidence that borrowers are on track.

Given the challenges in communicating with servicers and making decisions about repayment plans, we recommend the development of a cost-effective Texas Student Borrower Bill of Rights. A Borrower Bill of Rights serves as a set of consumer protection standards that help guide the student loan process and protect borrowers while receiving and repaying student loan debt. **A Texas Student Borrower Bill of Rights is a low-cost solution that would help support current borrowers while also reducing the burdens of debt.**



86 Whitney Barkley-Denney and Yasmin Farahi, "States Move to Hold Student Loan Servicers Accountable," *Center for Responsible Lending*, October 2019, https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-steppingup-studentloans-oct2019.pdf

Student Borrower Bill of Rights Protections:

1. **Require student loan servicers to register themselves within the state.**
   Many states have moved to instill a registration or licensing process for servicers. Critically, registration or licensing would allow Texas to monitor servicer activities and communicate directly to servicers. Fees can be used to instill support needed to curb the debt crisis, such as a student debt ombudsman role and student debt consumer education initiatives.

2. **Create student loan servicer guidelines that protect consumers and keep payments on track.**
   Require student loan servicers to contact borrowers about income-based repayment and loan forgiveness options. Borrowers in our study did not express high confidence in repayment plans, and this was even more true for borrowers who were first generation college students.

3. **Appoint a student loan debt ombudsman who oversees consumer protections for student debt.**
   A student loan ombudsman would be responsible for compiling and analyzing student loan data, tracking and investigating consumer complaints, tracking student loan forgiveness requests, and policy oversight efforts.[87] Gathering and reporting on this critical information will ensure support for Texas borrowers, facilitate implementation of loan policies, and provide Texas with a roadmap of the current status of loan systems. Only until this information is clear can Texas truly tackle the debt problem.

4. **Create and share consumer education about financial aid and student loan debt.**
   Our debt workshops revealed the power of sharing information in a clear, simple format and taking time to describe pros and cons of various repayment plans. While many Texas postsecondary institutions hold financial literacy workshops, we recommend Texas explore ways to expand financial education on student loan repayment. For example, a student loan debt ombudsman could explore opportunities for disseminating financial education opportunities to all Texas borrowers, including those who have graduated or are no longer enrolled.

5. **Increase accountability of for-profit colleges in Texas, particularly in regards to student loan debt and workforce opportunities.**
   As public college enrollment during the pandemic declines, for-profit college enrollment during the pandemic is notably rising.[88] The reality is that for profit institutions do not equip students to economically thrive; for-profit college graduates have the most debt of any other borrowers in Texas.[89] Texas must prepare borrowers with information to make decisions about their financial and academic futures, and as such, we recommend that accountability measures are in place, such as requiring for-profit institutions to post workforce data on admissions materials.

87 “Students’ Borrower Bill of Rights”, *General Assembly of North Carolina*, April 22, 2019. https://www.ncleg.gov/Sessions/2019/Bills/House/PDF/H875v1.pdf
88 Stephany Riegg Cellini, “The alarming rise in for-profit college enrollment,” *Brookings Institute*, November 2020. https://www.brookings.edu/blog/brown-center-chalkboard/2020/11/02/the-alarming-rise-in-for-profit-college-enrollment/
89 “For profit colleges: less favorable outcomes, deeper debt for students,” *Center for Responsible Lending*, 2019. https://www.responsiblelending.org/map/pdf/tx.pdf.

CONCLUSION

As Texas students seek education to build careers and livelihoods, debt insidiously holds them back. From preventing future goals and life milestones, to the sheer and ongoing stress of monthly payments, debt continues to fuel a cycle of economic oppression for borrowers of color and marginalized borrowers in Texas. Higher education must broaden opportunity for Texans, not limit it. Amidst national student loan debt discussions, Texas can and should intervene for Texans in order to lower debt burdens.

To the young adults we work alongside every day: We are committed to tackling the debt problem with you. We believe that as we collectively share our voice about the impacts of debt, we will create new opportunities for Texas student borrowers to move forward in their life and ambitions. Our Student Debt Advocacy Roadmap is meant to share with friends, teachers, postsecondary staff, administrators, and elected officials. We are determined to find solutions for Texas debt.

Student Debt Advocacy Roadmap Toolkit