

FINDINGS

Student Debt in Texas: Why It's Time to Collect on the Best Interests of Texas Borrowers



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>.

FINDINGS

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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.



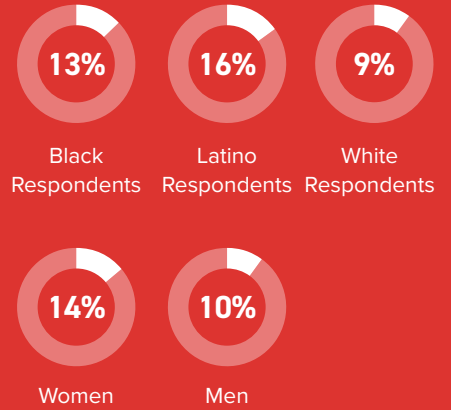
FINDING

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

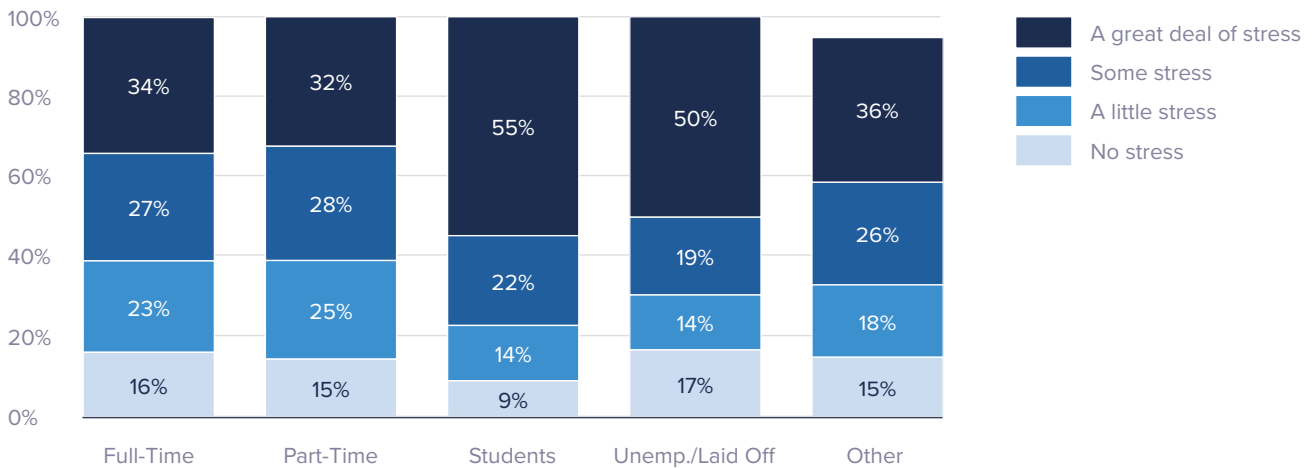
Stress due to student loan debt will only increase as unemployment continues in the pandemic. While some students may not yet be paying back loans, student loans were still a source of stress for them, highlighting the stress of debt from the moment students take out loans.

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.

FINDINGS



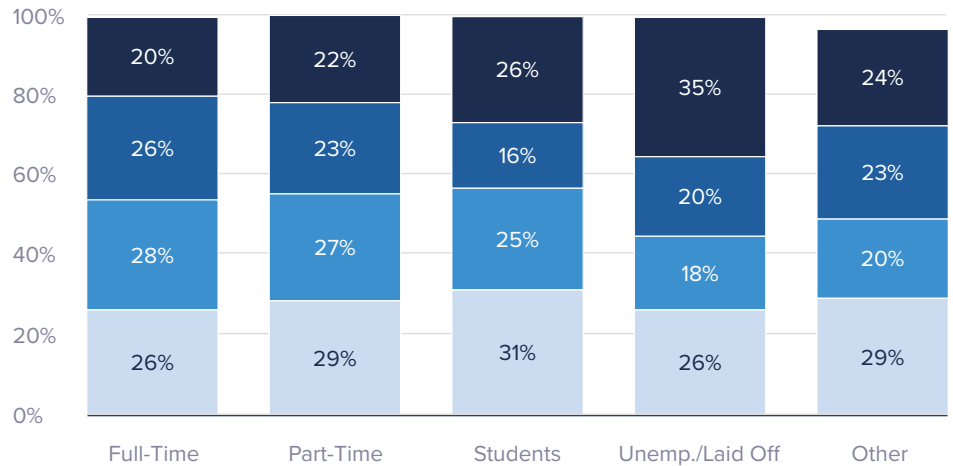
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Unemployment increases financial stress for daily living needs.

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.

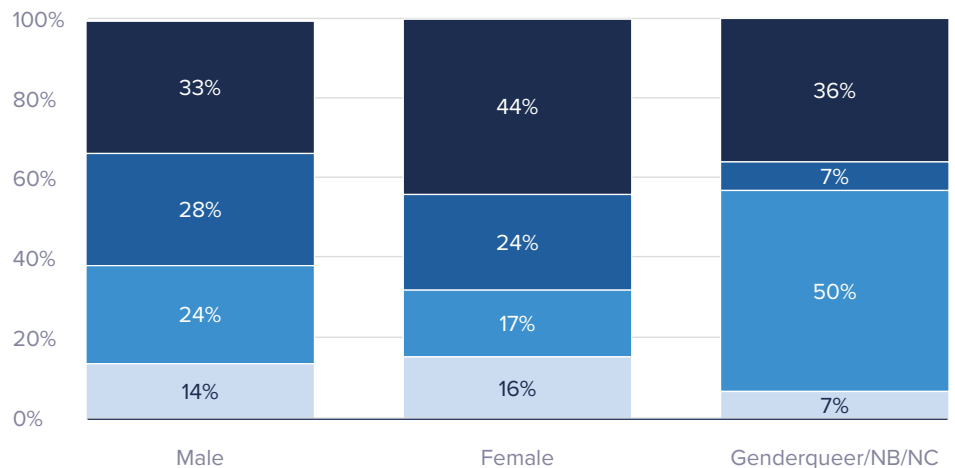
Financial Stressors: Health Insurance Premiums (Employment Status)

- 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



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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.

Student Debt Report: Policy Recommendations

- **Statewide consumer protections.**
 - The development of a cost-effective Texas Student Borrower Bill of Rights.
 - Increase accountability of for-profit colleges in Texas, particularly in regards to student loan debt and workforce opportunities.
- **Debt relief initiatives.**
 - Make transcripts accessible to support re-enrollment.
 - Explore state-level debt forgiveness opportunities, such as public service debt forgiveness.
 - Pause student loan debt collections.



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