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/.