

## FINDINGS

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



## 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<sup>55</sup> 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.

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<sup>55</sup> 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.

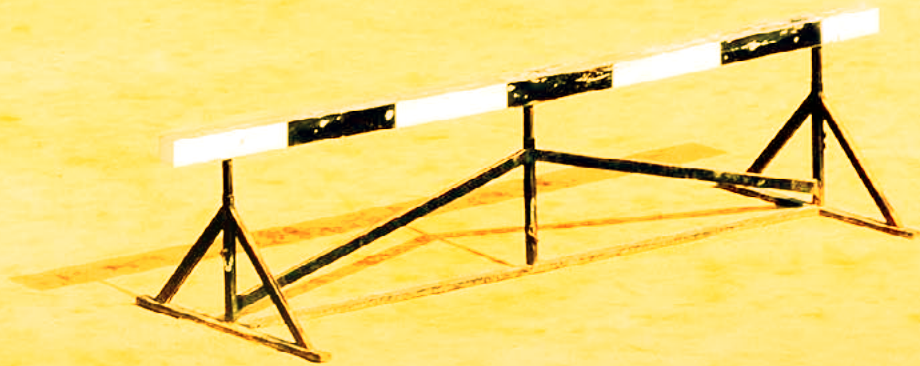
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FUTURES ON HOLD:

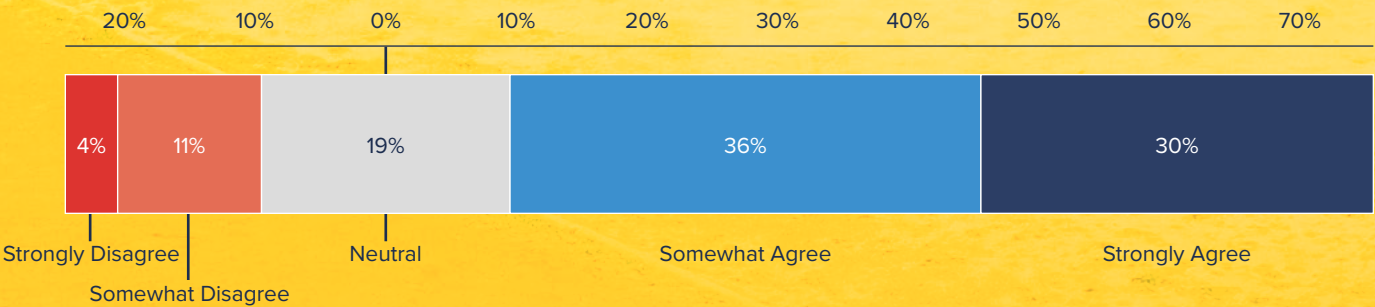
Academic Progression, Major Life Purchases, and Job Acquisition

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.”** <sup>56</sup>



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

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### Academic Progression

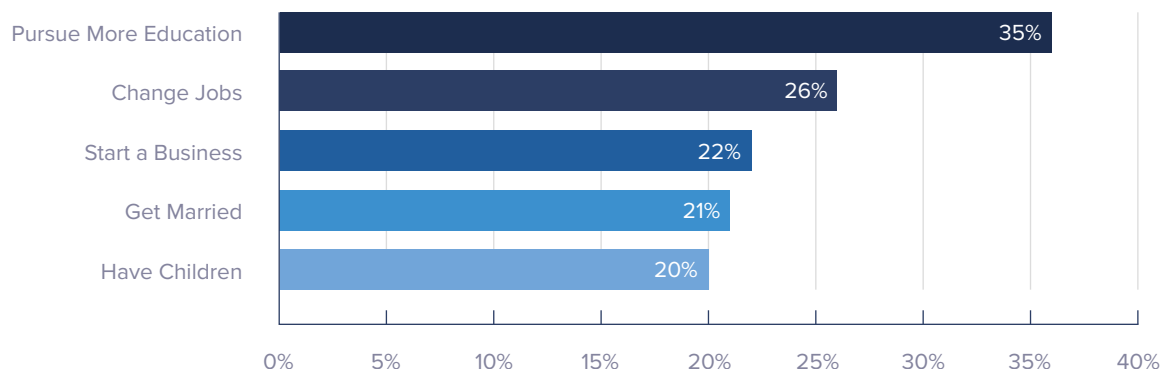


#### FINDING

**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?”<sup>57</sup> Another borrower expressed that while they were interested in graduate school, “it was just too expensive.”<sup>58</sup> 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



<sup>57</sup> Student Debt Workshop Participant, 2019

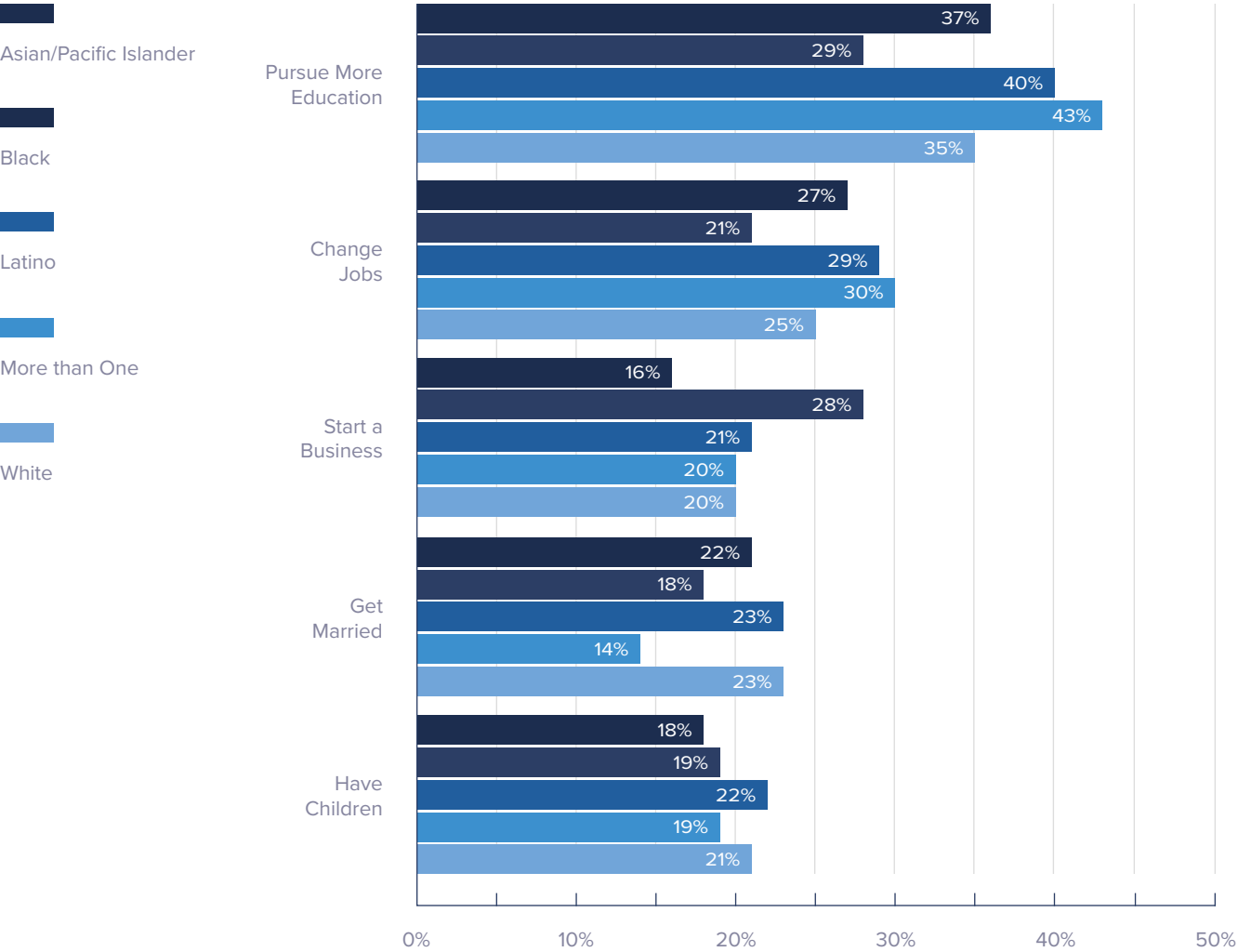
<sup>58</sup> Student Debt Workshop Participant, 2019

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**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.





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### 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.



#### 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.

**1/3** Of Respondents

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

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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.

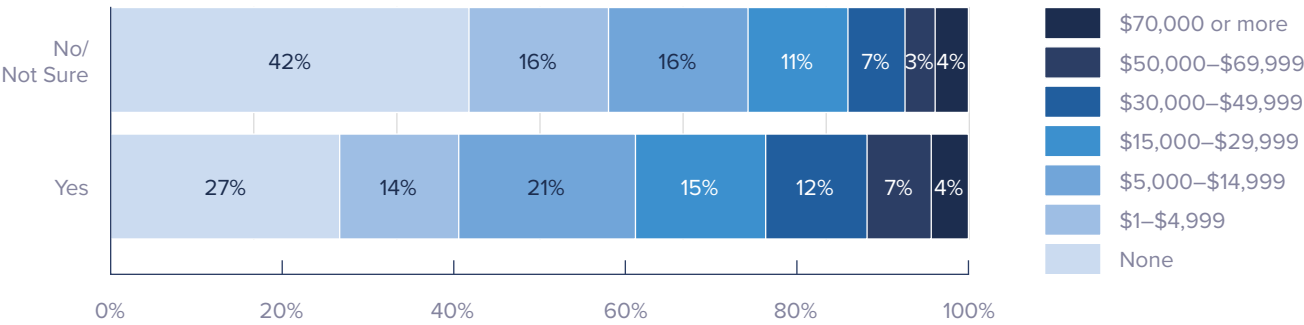


FINDING

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,<sup>59</sup> 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.

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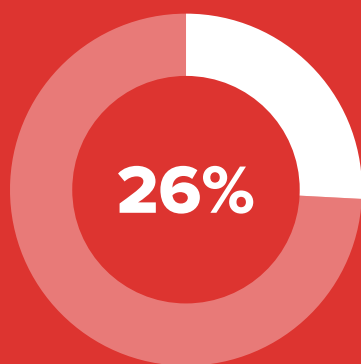
### Job Acquisitions



#### FINDING

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

One participant<sup>60</sup> 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<sup>61</sup> 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



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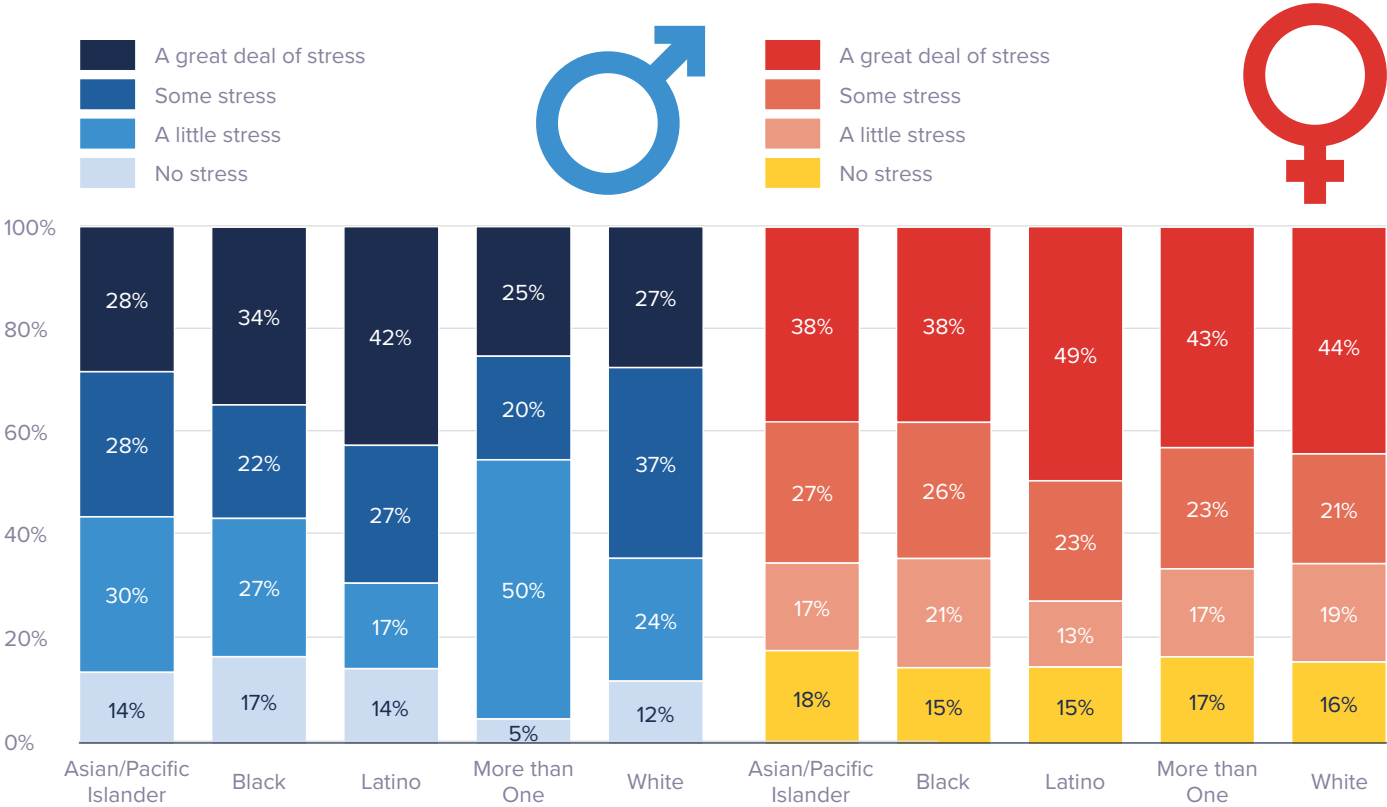
FINDING

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)



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# 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.<sup>62</sup>

**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,<sup>63</sup> 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,<sup>64</sup> 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...”<sup>65</sup>**

Young adults who are launching their career in the current economy face enormous uncertainty. While unemployment is itself a stressor,<sup>66</sup> 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>.

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### 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.<sup>67</sup> In the middle of a health crisis that is disproportionately impacting Black and Latino communities, such impacts are also economic.



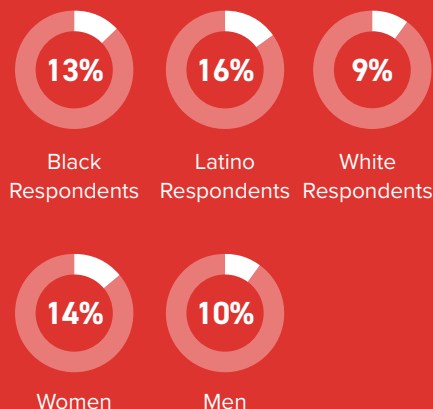
### FINDING

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

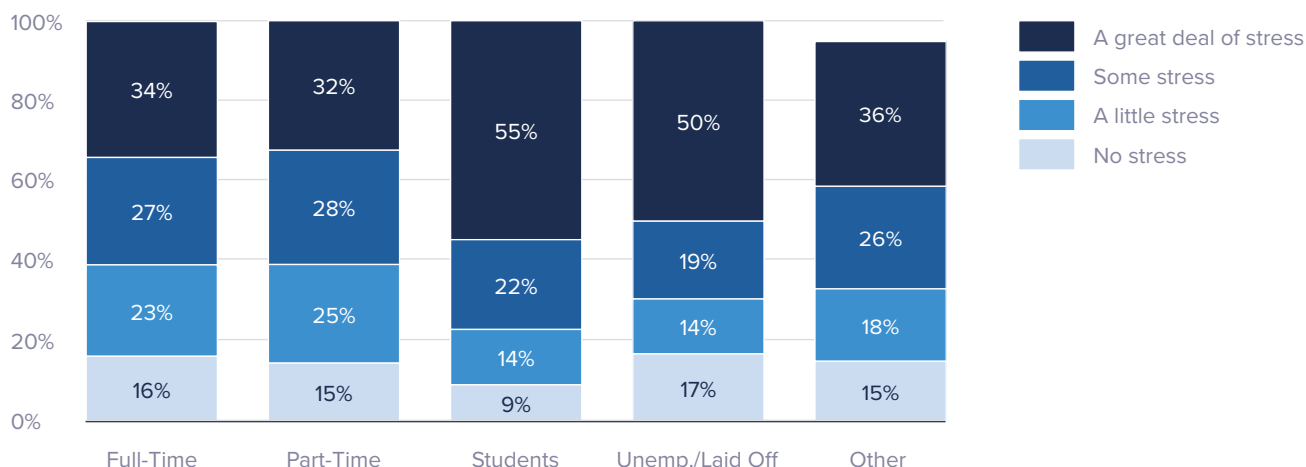
Stress due to student loan debt will only increase as unemployment continues in the pandemic. While some students may not yet be paying back loans, student loans were still a source of stress for them, highlighting the stress of debt from the moment students take out loans.

## Unemployment Rate

Among Respondents



## Financial Stressors: Student Loans (Employment Status)



<sup>67</sup> 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.

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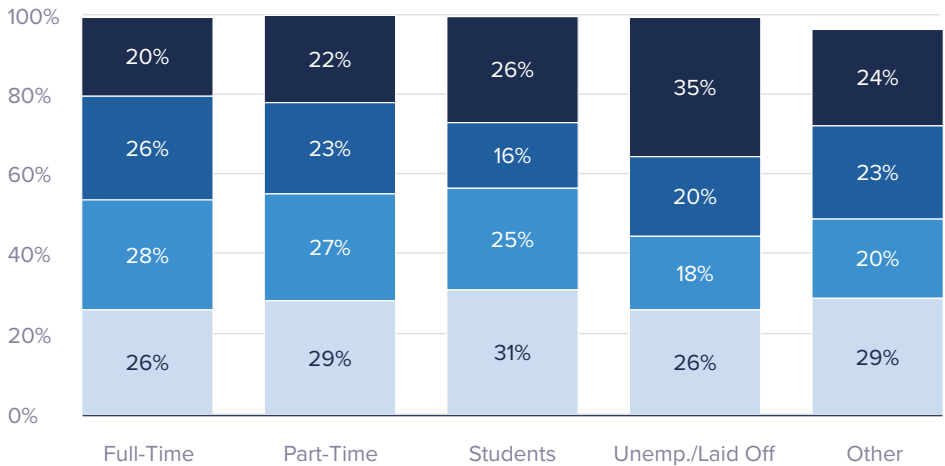


**FINDING**  
**Unemployment increases financial stress for daily living needs.**

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.

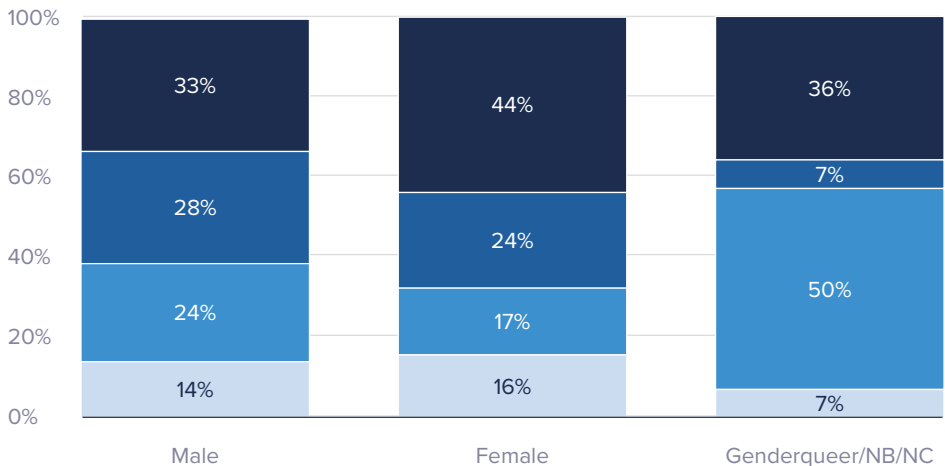
Financial Stressors:  
Health Insurance  
Premiums  
(Employment Status)

- 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





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### 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.

## 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.*

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# 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.

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### 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...**”<sup>68</sup>



### 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.

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68 Student Debt Workshop Participant, 2019

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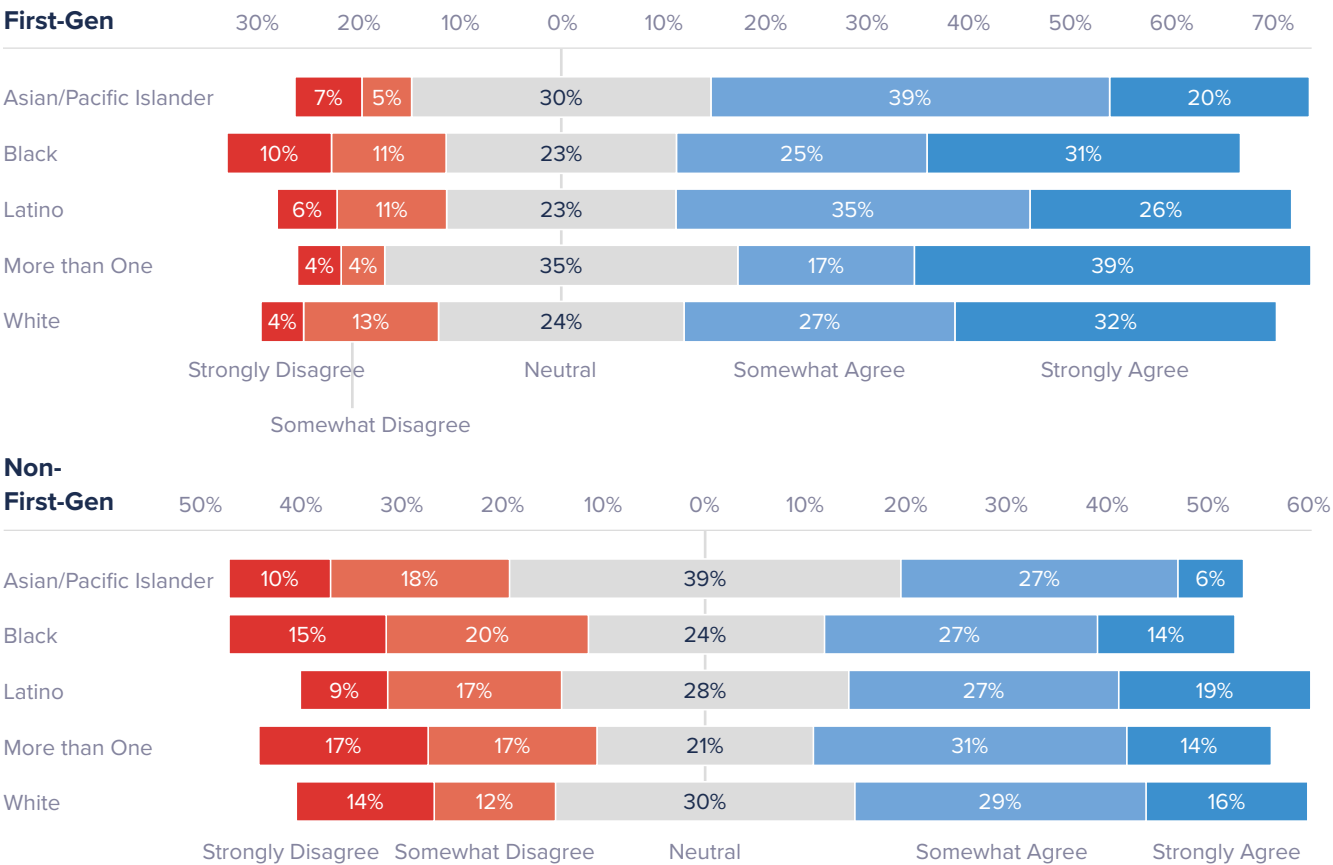
FINDING

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.





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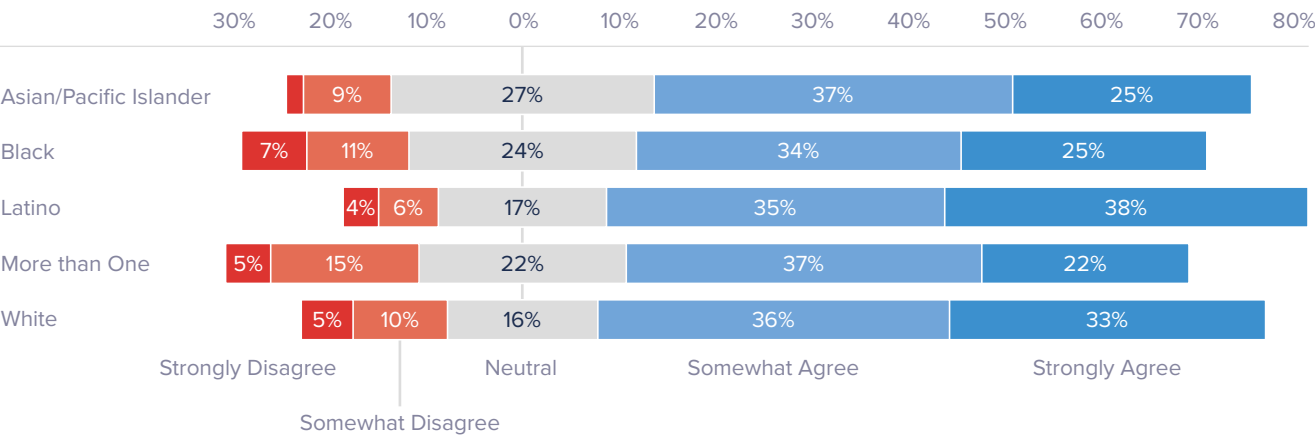
FINDING

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.



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### STUDENT LOAN REPAYMENT:

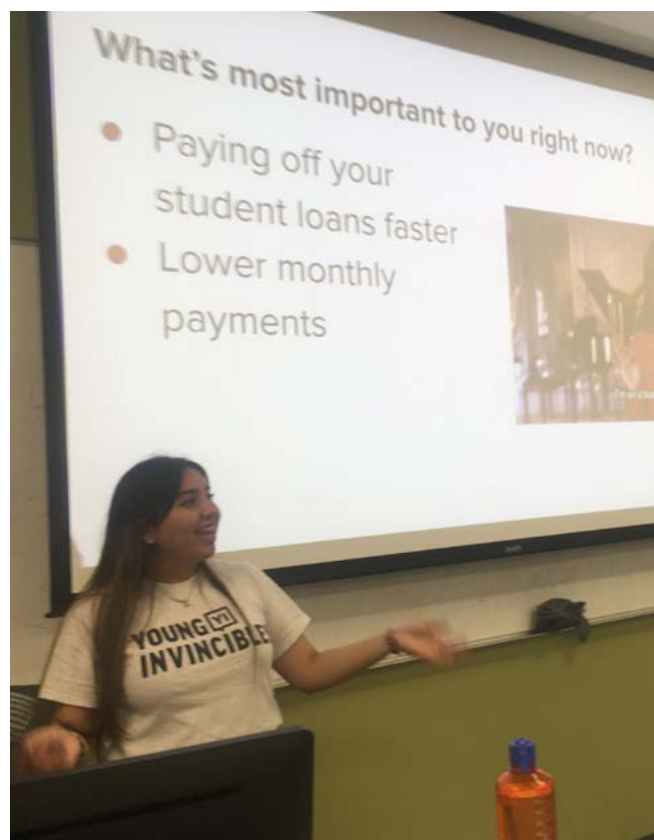
“

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.”<sup>69</sup>

#### 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.”**<sup>70</sup> 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.”<sup>71</sup>



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

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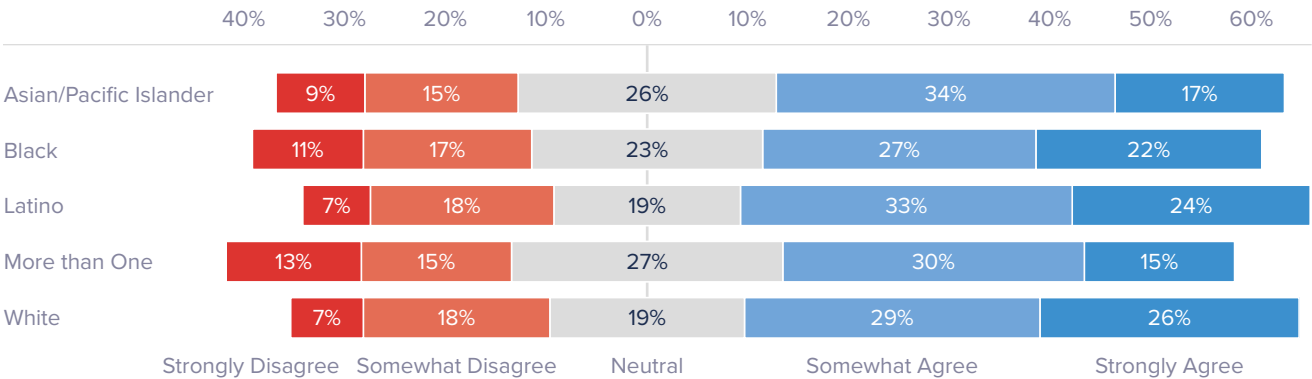
FINDING

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.

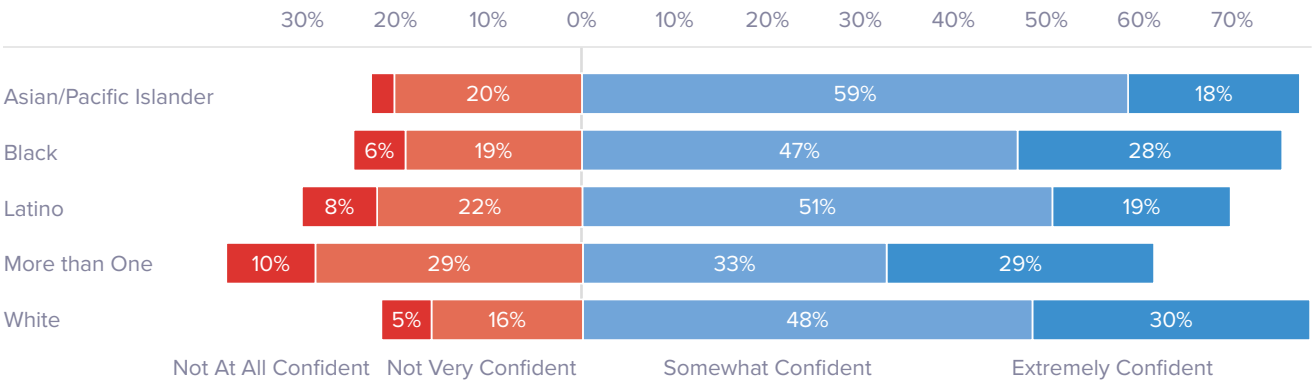
Student Loans: Familiarity (Race/Ethnicity)

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



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### 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...”**<sup>72</sup> 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.<sup>73</sup>



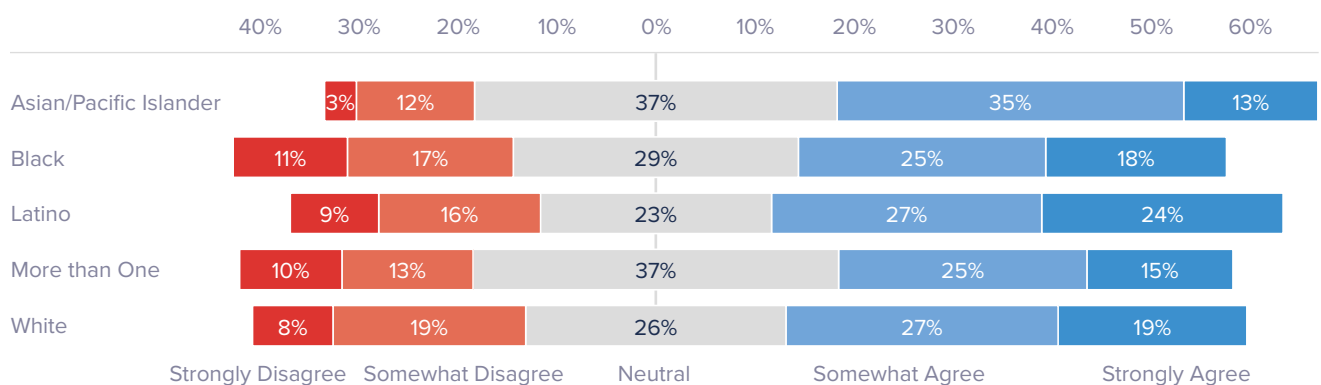
### FINDING

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.



<sup>72</sup> Student Debt Workshop Participant, 2019

<sup>73</sup> Student Debt Workshop Participant, 2019



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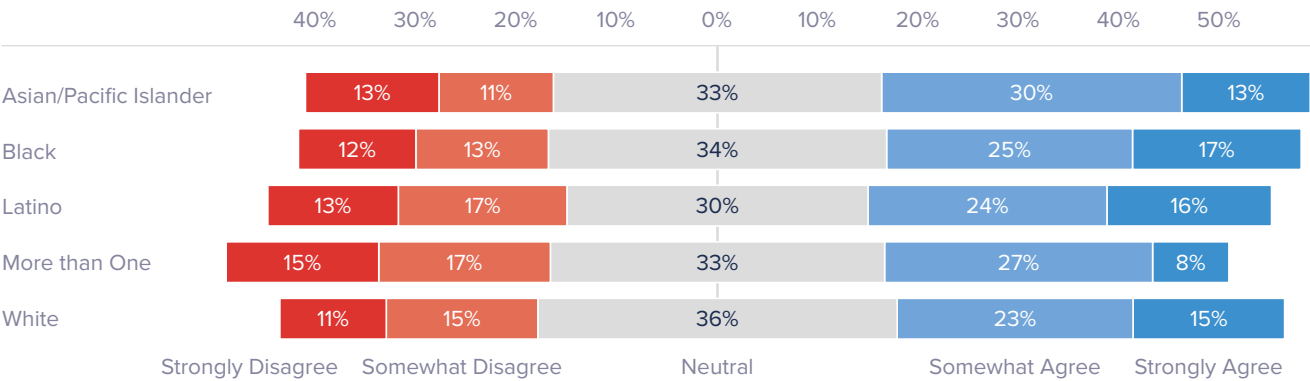
FINDING

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.

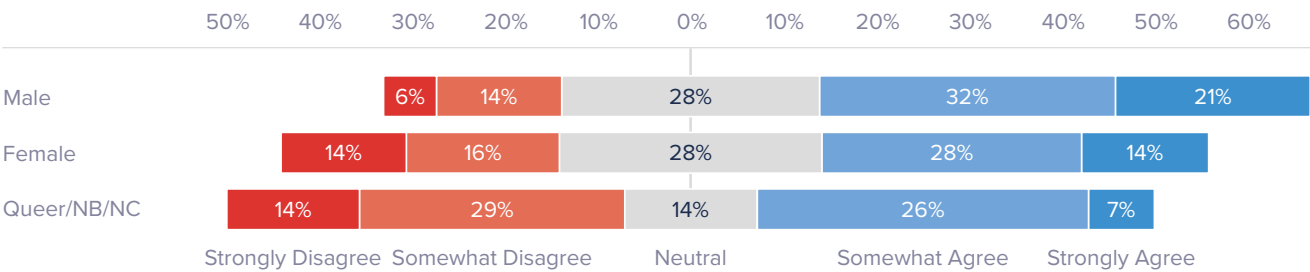
Student Loans: Information From Servicer (Race/Ethnicity)

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.



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**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.”**<sup>74</sup> 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	<b>4.78</b> +.76 gain
I am confident regarding my knowledge of financial aid.	3.41	<b>4.09</b> +.68 gain
I am confident regarding my knowledge of repayment options	2.95	<b>4.04</b> +1.09 gain
I feel empowered to take charge of my personal student loan repayment process	3.26	<b>4.14</b> +.88 gain

74 Student Debt Workshop Participant, 2019