DEEPER IN DEBT

WOMEN AND STUDENT LOANS

Executive Summary
and Recommendations

AAUW
empowering women since 1881

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Over the course of the past few decades student loans have become an increasingly common means of paying for a college education. Most students who complete a college program now take on student loans, and the amount of student debt that students assume has increased along with the price of attending college. At this time about 44 million borrowers in the United States hold about $1.3 trillion in outstanding student loans.

The scale of outstanding student loans and an increasing share of borrowers who fail to repay mean that many Americans have become aware of student debt as a challenge for society and for individual borrowers. But many do not think of student debt as a women's issue despite the fact that women represented 56 percent of those enrolled in American colleges and universities in fall 2016. This report reveals that they also take on larger student loans than do men. And because of the gender pay gap, they have less disposable income with which to repay their loans after graduating from college, so they require more time to pay back their student debt than do men. As a result, women hold nearly two-thirds of the outstanding student debt in the United States.

This report is intended to offer a broad overview of how student debt became a women's issue and in doing so change the conversation around student debt to include gender-based analysis and solutions. The analysis examines the experiences of women as a diverse population and presents statistics by race and ethnicity as well as other demographics. The report relies heavily on publicly available federal government survey data as well as published studies undertaken by academics and organizations researching the issue of student debt.

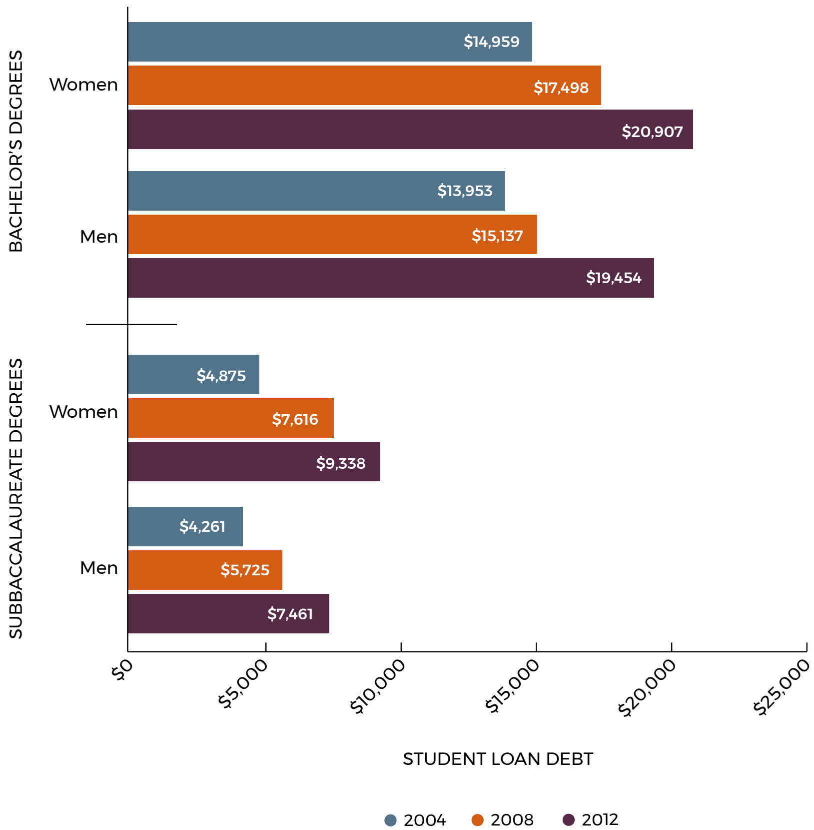
Chapter 1 examines the changing nature of higher education, focusing on women's gains in educational attainment, changes in how higher education is financed, and the implications of student debt. Understanding the origins of our system of higher education and the student debt upon which it relies is crucial to understanding how that system can be improved. Chapter 2 documents the scale of the student debt problem for society and for individuals, focusing on understanding the impact of gender and the debt accrued by women and men of different race/ethnicity groups. The individual consequences of student debt are explored in chapter 3, which addresses the difficulty experienced by women in repaying student loans, as well as the impact of student debt on subsequent financial decision making. Chapter 4 provides concluding findings and recommendations in the hope of changing the conversation around student debt to formulate solutions that address the struggles faced by women.

College students today are more diverse than ever. Once rarities who received but a small fraction of college degrees when AAUW was founded in 1881, women now earn 57 percent of bachelor's degrees from American colleges and universities. There have also been large increases in the representation of racial and ethnic minorities in college enrollment; between 1976 and 2014 the portion of enrolled college students who were not white more than doubled from 16 percent to 42 percent. However, this increased diversity within colleges and universities has occurred alongside the increased price of attendance. Though median household incomes in the United States have barely budged since 1976, the median price of college attendance has more than doubled since then. The gap between household incomes and the price of attendance is being filled by student loans, which are readily available to almost all college students but also difficult to discharge in bankruptcy, meaning they are risky investments for some of the students who rely on them to attend college.

As student loans have become commonplace few people have examined the role of gender in how much debt students take on. AAUW's analysis of federal government data has found that women are more likely to take on debt (44 percent of female undergraduates take on debt in a year compared to 39 percent of male undergraduates). On average women take on more debt than men at almost every degree level and type, from associate degrees to doctoral degrees and across institution types. On average across degree levels women in college take on initial student loan balances that are about 14 percent greater than men's in a given year. Upon completion of a bachelor's degree, women's average accrued student debt is about $1,500 greater than men's, and black women take on more student debt on average than do members of any other group.

Following graduation, women repay their loans more slowly than do men, in part because of the gender pay gap. Women working full time with

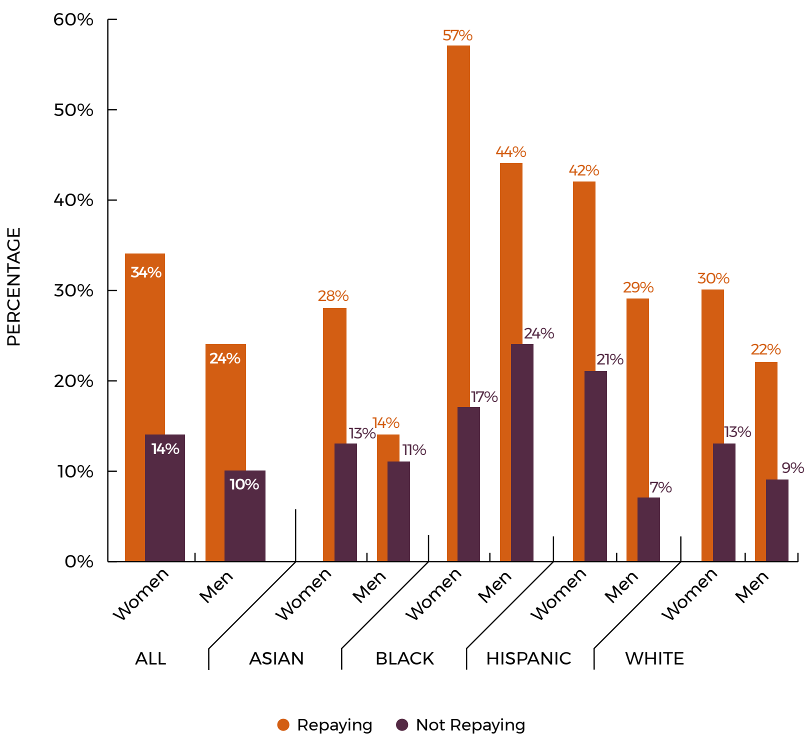
Cumulative Student Loan Debt at Completion of Undergraduate Degree or Certificate by Gender, 2004-2012



Source: AAUW analysis of U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, *National Postsecondary Student Aid Study* 2004, 2008, and 2012 data.
Note: values for 2004 and 2008 adjusted to 2012 dollars using the Consumer Price Index.

college degrees make 26 percent less than their male counterparts, though the gap is somewhat smaller immediately after college (18 percent one year after graduation and 20 percent four years after graduation). Lower pay means less income to devote to debt repayment. In the time period between one and four years after graduation, men paid off an average of 38 percent of their outstanding debt, while women paid off 31 percent. The pace of repayment was particularly slow for black and Hispanic women, as well as for men in those groups. Difficulty repaying student loans is also reflected in default rates, which are higher for women than for men, and much higher for black and Hispanic borrowers than for white and Asian borrowers. Perhaps unsurprisingly, graduates who are still repaying loans four years after college are less likely than graduates without loan payments to be able to meet such essential expenses as rent or mortgage payments within the past year. Women—especially women of color—are most likely to experience

Percent of College Graduates Experiencing Financial Difficulties by Race, Gender, and Loan Repayment Status



Source: AAUW analysis of U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, *Baccalaureate and Beyond Longitudinal Study* 2008/12 data.
Note: "Not repaying" includes students who never had loans or had completed paying them off. "Repaying" includes only those students who were making payments, not those in deferral or default.
Note: "Financial difficulty" means that at some time in the past year, the respondent was unable to meet all essential expenses.

difficulties, 34 percent of all women and 57 percent of black women who were repaying student loans reporting that they had been unable to meet essential expenses within the past year.

Though they enroll a relatively small portion of American college students, for-profit institutions disproportionately enroll women, people of color, low-income students, and members and former members of the U.S. military. For-profit institutions use advertising and high-pressure recruitment tactics to woo students and their student aid and loan money, but debt outcomes for students at these institutions are particularly dismal. Even after accounting for student demographics, for-profit institutions have low completion rates and high default rates—a matter of serious concern for student loan borrowers, researchers, and policymakers.

The struggles of college graduates with student debt can be significant, but students who leave college without completing their academic program are more than twice as likely as graduates to default on their student loans. While these borrowers may have amounts of debt that are small in absolute terms, their precarious economic position without a certificate or degree to improve their prospects in the labor market means that they may be unable to repay those loans: More than half of student debt defaults are on loan amounts of less than $10,000.

Recommendations

PUBLIC POLICY RECOMMENDATIONS

There are clear steps that policymakers can take to support students and reduce or eliminate the need for debt to finance college. These steps can take place on the local, state, or federal level. Policy efforts to enable students to finish college free of debt have real potential to benefit women, but to exert any significant impact those policies must take into consideration the total cost of college and seek to encourage state investment in higher education. Ultimately, policymakers must also continue to focus on students who need aid the most, strengthening long-standing and critically important financial aid programs and ensuring that the system works for women.

Protect Pell grants and ensure that they work for all students.

Need-based grant aid helps alleviate the amount of debt students must assume to attend college. The federal Pell Grant Program is critical to many students' success in higher education. Congress must ensure that the maximum Pell Grant is maintained and increased as the program's purchasing power is at the lowest it's been in decades. In addition, AAUW encourages Congress to move Pell grants entirely to a mandatory funding system to ensure that students can rely on the program as they plan for college and that it is not subject to annual funding disagreements in Congress. Finally, to address the specific needs of nontraditional students, AAUW encourages changes in the Pell Grant Program to allow students to access more than one grant in a school year and to increase the income protection allowance, which determines how much aid working students qualify for.

Support repayment approaches that reflect borrowers' realities.

AAUW and other advocates work to close the gender pay gap and even the playing field for women workers, but we also know that income-driven repayment (IDR) plans are crucial for women in particular to manage their debt since these plans allow struggling borrowers to customize loan repayments to reflect their economic circumstances. While recent efforts by the U.S. Department of Education ensure that most borrowers have access to an IDR option, the myriad programs can be confusing for borrowers to navigate and there are different terms depending on when a borrower took out a loan. Streamlining the IDR programs and making it easier for borrowers to enroll would continue to improve outcomes for women who are struggling to repay their loans.

In addition to making repayment more manageable for borrowers, AAUW encourages Congress to make refinancing possible for both federal and private student loans. Borrowers should be able to refinance student loans the same way they can refinance other financial instruments. AAUW also supports provisions to make private student loans dischargeable in bankruptcy: While we hope that such programs as IDR plans and refinancing can help borrowers avoid bankruptcy, the ability to discharge private student debt in this worst-case scenario is imperative.

Address additional costs students face beyond tuition.

Often lost in the conversation about affordable higher education are the other costs incurred by students during their time in school. For example, many students today are also parenting while enrolled in college and as this report explains may take on additional loans that students without dependent children do not need. The costs of child care put it out of reach for many student parents, making affordable on-campus child care a necessary and effective resource. Our one federal program to support this type of affordability, the Child Care Access Means Parents in School (CCAMPIS), should be reauthorized and fully funded to continue to support parenting students as they pursue higher education.

Fight to eliminate the pay gap.

The pay gap plays a major role in the student debt burden of women. That's why it's critical for lawmakers to commit to ending gender-based pay discrimination.

Close loopholes in the existing law. Congress should update the Equal Pay Act to close existing loopholes, including deterring discrimination by strengthening penalties for equal pay violations and prohibiting retaliation against workers who inquire about employers' wage practices or disclose their own wages. This would improve incentives for employers to follow the law, empower women to negotiate for equal pay, and strengthen federal outreach and enforcement efforts.

Discard salary history as a determinant of future pay. Several cities and states, including Philadelphia and Massachusetts, have passed legislation or are considering passing legislation that prohibits employers from using a prospective employee's salary history to determine pay. Discarding this practice would mean that prior discrimination would not follow an employee from job to job, and salaries would be determined by job qualifications and market pay scales.

Improve data collection and transparency.

As it stands, one of our primary federal data sources on higher education does not adequately represent some students and schools. First, the Integrated Postsecondary Education Data System (IPEDS) reports graduation rates or completion rates only for full-time first-time degree or certificate-seeking students who begin in the fall. This excludes many students. Second, students who complete their associate degrees or certificates before transferring to a four-year institution are counted as graduates, but are not included as a transfer student in the IPEDS data. Given the realities of how today's students pursue their educations, this oversight simply makes no sense.

The National Student Clearinghouse has improved data collection around transfer rates but does not disaggregate the information by gender or race and ethnicity. Without corrections to these data problems we may see a more negative or overly positive picture of a community college than is true, rendering that data less useful for all stakeholders. AAUW supports efforts to tackle some of these issues by ending the prohibition on a student unit record.

In 2015, Connecticut passed the Student Loan Bill of Rights aimed at helping bring more transparency and support to the borrowing process. The law creates the position of Student Loan Ombudsman—paid for by fees on loan servicers—to provide assistance to borrowers. The ombudsman will establish an educational course for student loan borrowers that must include key loan terms, documentation requirements, monthly payment obligations, income-based repayment options, loan forgiveness, and disclosure requirements. Additionally, the law requires loan servicers to be licensed by the state department of banking and to follow basic consumer protections.

RECOMMENDATIONS FOR INSTITUTIONS

Provide accurate financial aid information and guidance.

Researchers have found that students are often unsure whether they have loans or how much they owe (Andruska et al., 2014; Akers & Chingos, 2014). Institutional student aid offices should work to keep students informed about their student aid, both when they first apply for aid or request information about aid and as they continue to borrow. The objective is not to dissuade students from borrowing if loans are needed but to keep them informed about their debt and how to manage it after they leave college.

In addition to providing accurate information, college administrators can work to guide students toward the best resources available, with a mind toward avoiding unnecessary debt. Students should be guided toward federal, state, and institutional grants rather than loans, and when students do take on loans they should not be directed to private lenders until federal aid has been exhausted.

Support nontraditional students.

Students dropping out of college with debt is a much worse scenario than graduating with debt—these students are much more likely to default on their loans—and thus supporting students who are at risk of failing to complete their academic program is critical to managing student debt. Nontraditional students—older students, students who work full time, and students with dependent children—face particular difficulty in completing their degree programs. These students may have preferences that differ from those of traditional students: for instance, class schedules and requirements that accommodate those who may prefer evening or weekend classes. Nontraditional students are also usually not as well prepared as traditional students, and remedial classes mean a delay in completing progress toward a degree. Institutions should have a strategy for moving students through remedial education and into the classes required for graduation.

Students with dependent children make up about 26 percent of undergraduate students, and 71 percent of these student parents are women. These students benefit greatly from services that are oriented to their particular needs, notably child care. Child care located on campus at low or no cost for students can make the difference between completing a degree in a timely fashion and dropping out or taking out even larger loans to help pay for child care. Schools that do not have a child care center on campus can provide other services: resource and referral agencies, vouchers, or library babysitting while a student is studying can help students with children balance their child care needs with their education needs (Miller et al., 2011).

Low-income students—including students with dependent children and other nontraditional students—often cite financial difficulties as one of the main reasons they struggle to remain enrolled and complete their degree programs. Many community college students are food insecure, and some are homeless (Goldrick-Rab et al., 2017). Students struggling to make ends meet can benefit from institutional assistance in accessing government support, local resources, and institutional programs. Single Stop USA works on community college campuses to help students access the federal and state benefits for which they are eligible. The College and University Food Bank Alliance supports existing and new food banks on college campuses.

Institutional leadership and administrators can work to either provide these kinds of services directly or partner with other organizations, making college campuses places where low-income students are furnished with the resources they need to succeed.

Prepare students for successful careers.

Postsecondary institutions enroll varied student bodies and are guided by somewhat different philosophies, but even the most "ivory tower" among them must recognize that most students expect to enter the workforce after college if they are not already working full time. The preparation of college students for postcollege life should include career counseling and resources. AAUW's Start Smart is one example of a program that helps prepare college students for their careers by training them in salary negotiation. Because salary history follows workers across jobs, even a relatively small increase in women's first professional salary can mean an easier time paying off student loans and substantial improvements to earnings over the course of a career, helping to close the gender pay gap.

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