

# STUDENT DEBT: A CRITICAL CHALLENGE FACING PROFESSIONALS

## Highlights:

- In 2021, 42.9 million Americans owed approximately \$1.59 trillion in federal student loans, with an additional \$138 billion in private student loans owed to banks and other financial institutions.
- Among bachelor’s degree holders, women, Black, and Latinx students are more likely to have taken out student loans to finance their education, and they have higher average loan balances compared to other undergraduate borrowers.
- Unions of professionals are taking action to help solve the student debt crisis and increase access to flexible repayment and forgiveness programs, including Public Service Loan Forgiveness.

As the U.S. economy moved into the 21<sup>st</sup> century, higher education increasingly became a requirement for many in order to start their careers and access the nearly twelve million jobs in professional occupations that have been created over the last decade.<sup>1,2</sup> While bachelor’s or graduate degrees were required for 21 percent of all jobs before the great recession in 2006, they are now required for 28 percent of all jobs in the United States and jobs requiring bachelor’s, master’s, doctoral, or professional degrees are projected to continue growing faster than overall employment.<sup>3</sup>

But during this timeframe, the cost to attend private and public four-year colleges and universities has also increased dramatically. During the 1999-2000 school year, the average annual cost of attending a 4-year college or university (public or private), was \$10,697 in 2019 dollars. Twenty years later, average tuition and fees had increased to \$16,647.<sup>4</sup> At the same time, real median weekly earnings for college graduates only increased 5.25 percent.<sup>5</sup> This 56 percent increase in inflation-adjusted costs reflects a trend at both public and private institutions of higher education where tuition has skyrocketed, leading a majority of undergraduate students to take out many thousands of dollars in loans per year to finance their educations. As of March 31, 2021, the total outstanding federal student loan balance in the United States was \$1.59 trillion, reflecting an overall 80 percent increase in aggregate student debt in 10 years.<sup>6</sup>

Average Undergraduate Tuition and Fees, constant 2019-2020 dollars <sup>7</sup>					
Institution Type	2019-2020	2009-2010	1999-2000	% change over 10 years	% change over 20 years
Public, in-state, 4-year	\$ 9,349	\$ 7,972	\$ 5,088	17 %	84 %
Private, 4-year	\$ 32,769	\$ 26,430	\$ 22,208	24 %	48 %
Average, public and private, 4-year	\$ 16,647	\$ 14,722	\$ 10,697	13 %	56 %
Public, 2-year (Community College)	\$ 3,377	\$ 2,710	\$ 2,0486	25 %	36 %

## Demographics of Student Loan Borrowers

Student debt is a widespread problem in the United States and student loans make up the largest portion of non-housing consumer debt. However, it does not affect all demographic groups equally.

### Gender

Women are now a growing majority of college graduates and made up 57.8 percent of the graduating class of 2020-2021.<sup>8</sup> However, among bachelor's degree recipients, more women (71.1 percent) take out student loans to finance their undergraduate educations than men (63.9 percent) and their average undergraduate loan balance among those who borrowed to finance their undergraduate education is slightly higher as well (\$31,700 compared to \$29,400).<sup>9</sup>

However, female graduates in the class of 2015-2016 had a lower median monthly student loan payment (\$180) than men (\$200), and were slightly more likely (79.5 percent) to be in active repayment 12 months after graduating than men (79.1 percent).<sup>10</sup> Women report experiencing very high, high, or moderate levels of stress due to their education debt at an increased rate (77.9 percent) compared to men (65 percent), though it is important to note that a majority of all borrowers reported significant levels of debt-related stress.<sup>11</sup>

Four years after graduation, women are also less likely than men to have paid off their loans or had their balances forgiven. Of those who borrowed to finance their education in the class of 2008, 15.7 percent of men had their loans paid off or forgiven by 2012, while only 11.8 percent of women had done the same.<sup>12</sup> Women had also defaulted on their loans at a higher rate than men (3.7 percent vs. 3.3 percent) and more women were deferring payments on their loans (19.1 percent vs. 14.4 percent). It is important to note, however, that women's higher rate of deferment may in part be attributed to the higher percentage of women who enrolled in an additional degree program after graduating with their bachelor's degrees (46.6 percent vs. 39.4 percent).<sup>13</sup>

### *Race*

While the majority of bachelor's degree graduates hold some level of student debt, their experiences can vary significantly depending on their race. More Black and Latino graduates took out loans to finance their undergraduate educations than white or Asian American students, and Black students, on average, took out larger loan balances to pay for undergraduate tuition. Four years after graduation, Black and Asian American graduates had higher total student loan balances, which can be partially attributed to the fact that more Black and Asian American students pursued additional postgraduate education compared to their white and Latino peers.

<b>Student Loan Statistics by Race</b>			
	Percent of new graduates who took out loans, Class of 2016 <sup>14</sup>	Average amount borrowed for bachelor's degree, Class of 2016 <sup>15</sup>	Average total borrowed for all education, 4 years after graduating with a bachelor's degree, Class of 2008 <sup>16</sup>
White	67.7 %	\$ 29,900	\$ 44,256
Black	86.3 %	\$ 39,500	\$ 58,487
Latino	70.1 %	\$ 28,200	\$ 44,675
Asian American	43.9 %	\$ 26,500	\$ 50,755

Additionally, Black and Latino graduates are more likely than other graduates to have defaulted on a federal or private student loan at some point during repayment, illustrating the greater challenges they face after graduation, including the racial wage gap. Other data shows how, over the long term, Black borrowers struggle to make a meaningful impact on their student debt load, with nearly two-thirds of Black borrowers still owing more than 100 percent of their original loan balance twelve years after starting school.

<b>Racial disparities in loan repayment status</b>		
	Ever defaulted on a loan, 10 years after graduation <sup>17</sup>	Percentage of borrowers who owe more than 100% of original balances, 12 years after starting school <sup>18</sup>
White	12.5 %	30.2 %
Black	34.4 %	65.5 %
Latino	26.6 %	36.1 %
Asian American	7.5 %	21.4 %

## **The Impact of High Levels of Student Debt**

### *Job Selection and Satisfaction*

High levels of debt can shift the way new graduates think about the job market and job satisfaction. Those with higher levels of debt are more likely to prioritize higher wages over job satisfaction and are more likely to start searching for new jobs while employed.<sup>19</sup> Data about job satisfaction points to higher levels of dissatisfaction among borrowers with more than \$30,000 in undergraduate loans (41 percent unsatisfied or slightly unsatisfied) when compared to all undergraduate borrowers (38 percent) and those without undergraduate loans (30 percent).<sup>20</sup>

While student loan assistance is a top priority for young adult job seekers (third behind health insurance and paid time off), only eight percent of employers report offering any type of aid to employees who are paying back loans.<sup>21</sup> Importantly, employers are now able to provide up to \$5,250 annually in tax-free student loan assistance to employees, thanks to a provision in the 2020 CARES act, extended through 2025 in the Consolidated Appropriations Act of 2021.<sup>22</sup>

### *Delaying Financial Goals*

With total student debt balances topping \$1.5 trillion, many Americans have been delayed from reaching milestones that could help them build financial stability. In a recent survey of Americans with student loan debt, 34 percent said they have delayed building emergency savings, 29 percent have delayed saving for retirement, and 27 percent are putting off payments on other forms of debt (including credit card debt). Additionally, 23 percent of borrowers said they were delaying buying a house, 10 percent said they were delaying having children, and nine percent said they were delaying marriage.<sup>23</sup>

## **The Government's Failure to Protect Borrowers**

The vast majority (92%) of student debt is held in the form of federal student loans.<sup>24</sup> These loans are funded by the Department of Education, but the responsibility for billing and collection is contracted out to private companies known as loan servicers. Loan servicers manage accounts, process monthly payments, manage repayment programs, and are the primary customer service contact for borrowers. But instead of helping borrowers, many report that these companies often make it harder for them to pay back their loans.

In 2015, the Consumer Financial Protection Bureau (CFPB), the Department of Education, and the Department of the Treasury launched an investigation of student loan servicing practices. More than 30,000 borrowers responded to a solicitation of public comments, detailing servicer practices that did not serve the best interests of borrowers. This included discouraging borrowers from enrolling in alternative repayment plans (such as income-driven repayment), poor customer service, and inaccurate payment processing.<sup>25</sup>

But despite the comprehensive list of reforms proposed in the CFPB report, federal policy has not changed significantly and loan servicers continue to poorly serve borrowers. A 2019 report from the

Department of Education Inspector General found that not only were loan servicers not following the rules governing the federal student loan program, but the Department of Education was not holding them responsible for noncompliance. The Department of Education's lack of enforcement has allowed all nine loan servicing companies to profit while failing to provide adequate services for borrowers and has not provided any incentive for these companies to change their practices.<sup>26</sup>

And though the Department of Education has programs to help graduates pay back their loans if they chose to work in certain fields, these programs have so far failed to help the vast majority of prospective beneficiaries. The Public Service Loan Forgiveness program (PSLF), created in 2007, promises to forgive the remaining balance on all federal student loans after a person works for 10 years for federal, state, or local governments or qualified 501(c)3 organizations and makes 120 regular payments on their loans. But when the first cohort of borrowers applied for loan forgiveness in 2018, less than one percent of them were approved by the Department of Education (96 out of 28,000 applications).<sup>27</sup>

To fix this problem and fulfill the promise of PSLF, in October 2021, Education Secretary Michael Cardona announced a widespread overhaul of the Public Service Loan Forgiveness program designed to lower the barriers that had led many borrowers' forgiveness applications to be rejected, including a temporary one-year waiver to allow borrowers to count payments on loans that otherwise would not qualify towards credit for forgiveness.<sup>28</sup> In November 2021, the Department of Education announced that 30,000 borrowers would be immediately receiving approximately \$2 billion in forgiveness thanks to these changes, with many more likely to benefit in the future.<sup>29</sup>

### **How Unions Are Addressing the Student Debt Crisis**

As student loan assistance has become a top priority for young adult job seekers, unions are also responding to the growing debt crisis by advocating for change, educating and engaging their membership, and bargaining for employer-provided relief.

#### *Advocating for Change*

Partly because of the high rates of student debt among their membership and partly because of their members' role in the education system, the American Federation of Teachers (AFT) has taken an active role in legal and legislative advocacy to help student loan borrowers, especially those eligible for Public Service Loan Forgiveness (PSLF).

Thanks in great part to the advocacy of AFT, the American Federation of Government Employees (AFGE), and other unions, the Department of Education's overhaul of PSLF will help thousands of union members secure immediate loan forgiveness, or greatly lessen the time to reach forgiveness.<sup>30</sup> These unions are working to educate their members about the temporary PSLF waiver that ends in October 2022, so that as many members as possible can benefit from the opportunity to enroll in this important program.

AFT, as well as many other unions, have also endorsed legislative solutions for widespread loan forgiveness proposed by Senators Bernie Sanders (I-VT), Elizabeth Warren (D-MA), and others.

#### *Educating Union Members*

Unions have also been playing an important role in educating their members about the resources available to them as student loan borrowers. Multiple unions in the arts and entertainment industries, such as SAG-AFTRA and Actors' Equity, have held workshops on managing student debt, with an eye to the unique circumstances their members face as creative professionals. AFT's student debt clinics emphasize the importance of PSLF and give tips to members for enrolling in the program and eventually receiving debt forgiveness. AFT also sponsors [ForgiveMyStudentDebt.org](https://www.forgivemystudentdebt.org) in order to share information about PSLF with the broader community of public service professionals.

### *Bargaining for Repayment Assistance*

While many union contracts contain provisions ensuring employers help pay for additional education that professionals may be required or encouraged to pursue, a new demand by some unions is to make loan repayment assistance available to employees who already completed either their undergraduate or graduate degrees. For example, Office and Professional Employees International Union (OPEIU) Local 8 members who work at the Northwest Justice Project (a legal aid organization) negotiated for loan repayment assistance for staff attorneys who make under a certain salary threshold and members of the Nonprofit Professional Employees Union, IFPTE Local 70 at the nonprofit Every Texan negotiated for a stipend of up to \$200 per month to help individual union members make the required monthly payments on their loans for up to five years.<sup>31</sup> In healthcare, AFT members at Natchaug Hospital in Connecticut negotiated for up to \$3,000 of student loan repayment assistance for registered nurses in their second and third years of service. And in the federal sector, some bargaining units of the AFGC and International Federation of Professional and Technical Engineers (IFPTE) have enshrined the Office of Personnel Management's student loan repayment program into their collective bargaining agreements in order to create a role for the union to ensure the program is applied fairly.

### *Looking to the Future*

Without large-scale federal legislation, the student debt crisis in the United States is not likely to go away anytime soon. Professionals will continue to need accurate advice and guidance with regard to their student loans, and union professionals will likely look to their unions for assistance. **Unions looking for resources on how to bargain for student loan repayment assistance and other ways to assist members with their student debt can contact DPE.**

For more information on professional and technical workers, check DPE's website: [www.dpeaflcio.org](http://www.dpeaflcio.org).

The Department for Professional Employees, AFL-CIO (DPE) comprises 24 national unions representing over four million people working in professional and technical occupations. DPE's affiliates represent teachers, physicians, engineers, computer scientists, psychologists, nurses, university professors, actors, technicians, and others in more than 200 professional occupations.

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<sup>1</sup> Bureau of Labor Statistics. "Household Data 2010 Annual Averages: Table 9. Employed persons by occupation, sex, and age." 2010. [https://www.bls.gov/cps/cps\\_aa2010.htm](https://www.bls.gov/cps/cps_aa2010.htm)

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