

THE PERFECT STORM

How the Confluence of Generational Wealth Gaps, Gender and Racial Pay Gaps, and the COVID-19 Pandemic Exacerbated Student Loan Debt for Women of Color



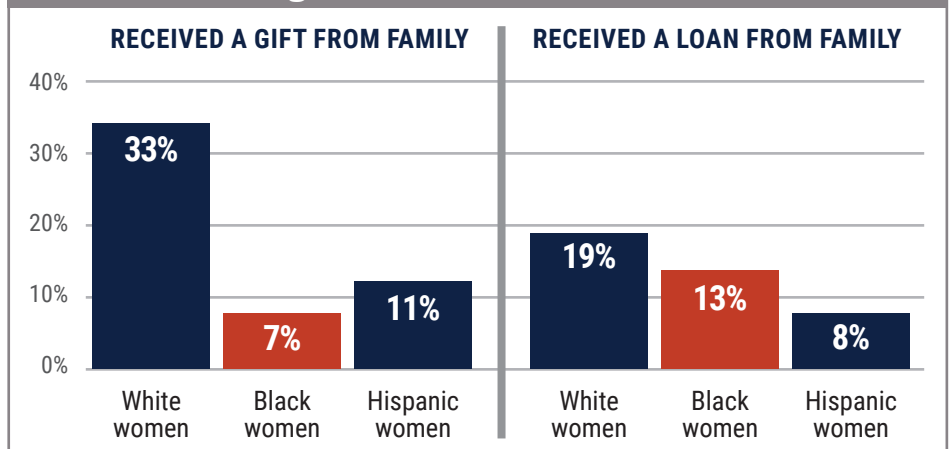
In the summer of 2021, the American Association of University Women (AAUW) contracted with the public opinion research firm Ipsos to investigate the impact of the pandemic on women’s economic insecurity¹ in New York City. That survey found that women were in a financially precarious position well before the pandemic pushed them over the edge. In April 2022, AAUW conducted another poll of 1,521 women in New York City to learn more about their experiences with student loan debt during the pandemic.² These results indicate glaring disparities in who accumulates student loan debt, with women of color encountering the greatest challenges due to the combination of wealth gaps, gender and racial pay gaps, and the economic instability caused by the pandemic.

During the COVID-19 pandemic, undergraduate enrollment dropped by nearly 10%.³ Yet those who are attending college are still shouldering a hefty financial burden. From 1980-2020, the cost of attending a four-year college full-time increased 180%.⁴ The cost varies widely based on institution type and location, but a student can now expect to spend somewhere between \$9,400 and \$37,000 per year on tuition and fees alone.⁵ The higher the cost, the larger the loans students must take on, with a particularly steep burden falling on students from lower-income backgrounds. How students come up with the funds to attend college impacts their accumulation of student loan debt—which in turn sets the course for their economic security over their lifetime. The unequal distribution of wealth in the U.S. means that some students have greater access to higher education than others. The median Black family has a mere 12.7% of the wealth that the median white family has.⁶ This results in white families having a

greater ability to invest in their children’s education.

The AAUW/Ipsos survey, representative of women in the five boroughs in terms of age, race, education, borough of residence, and income, found that white women in New York City who attend college are much more likely to receive financial help from family than Black or Hispanic women who attend college, either in the form of a gift or a loan.

FIGURE 1
Proportion of Women Who Received a Family Gift or Loan for College



Moreover, Black women (41%) and Hispanic women (43%) are far more likely to pay for school with federal student loans than white women (28%). After graduation, the combined effect of the gender wage gap and the racial wealth gap make it harder for Black women and Hispanic women to repay their loans. Interest accrues. Gaps widen.

These inequalities map to other markers of economic insecurity. A recent AAUW report⁷ highlighted that many women are trying to find room in their budget for student loan repayments on top of child-care costs—not to mention saving to buy a home or setting aside money for their children’s college educations.⁸ Our most recent poll with Ipsos revealed that, due to the cost of higher education for themselves or loved ones, about one in three (31%) New York City women is working more than they want to work. Roughly a quarter of respondents reported putting living expenses on a credit card (27%), delaying buying a home (22%) or buying less food (22%) because of education costs. This is true at a higher rate for Black and Hispanic women than white women: 27% of Hispanic women and 24% of Black women state that they are not buying as much food as they or their family need because they need those funds to pay for education, while just 14% of white women in New York City report the same.

Figuring out how to pay student loans is an important piece of achieving economic security. Since the beginning of the pandemic, the median monthly student loan payment has dropped sharply for New York City women, decreasing from \$150 per month to \$2 per month. This is largely due to the federal government’s student loan payment pause. Yet, since March 2020, many women are reporting that they are defaulting on at least one loan (26%), cannot make their payments (16%), or are struggling to do so (24%). Women struggled with repayment prior to the pandemic, but these challenges worsened over the last two years and became more pronounced based on race.

This demonstrates another consequence of generational wealth. Higher borrowing rates for women of color lead to more debt and less ability to pay it off. Moreover, women of color are more likely to take out loans for someone besides themselves. Of the women in New York City who have student loans, 20% of Black women and 16% of Hispanic women carry loans for a child, grandchild or other relative, compared to only 9% of white women. This all adds up to more tenuous economic security over a lifetime, including retirement savings.

RECOMMENDATIONS

Despite these grim findings, there are clear steps that individuals and policymakers can take to reduce these burdens.

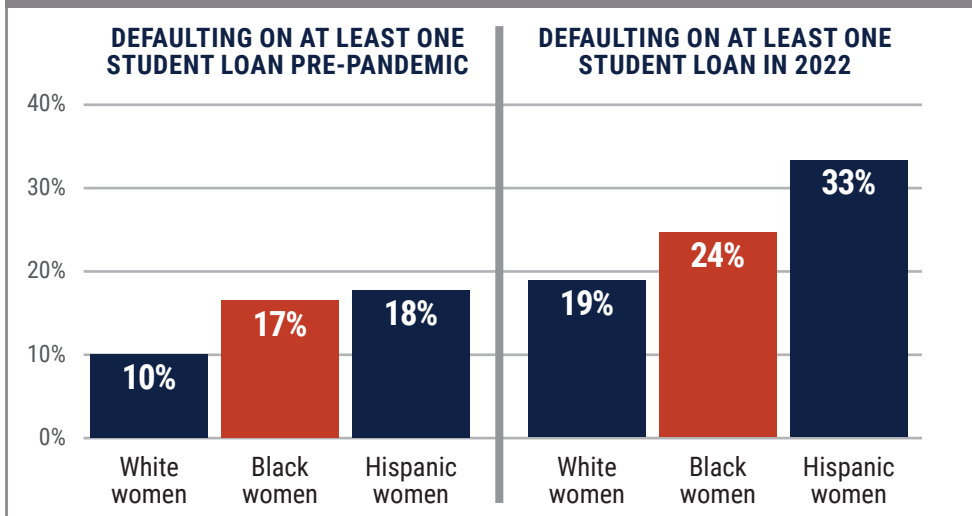
For those who lack sufficient funds to pay for their education, fellowships and grants—such as those offered by AAUW—can alleviate some of the costs.⁹ Since 1888, AAUW has been one of the largest funders of women’s graduate education, providing women with financial resources to increase access to education across disciplines and training to pursue a multitude of career paths.

After graduation, as women begin to tackle their student loan debt, they are immediately confronted with the gender pay gap in the workplace, and women of color bear the additional burden of a racial pay gap. While negotiation doesn’t eliminate discrimination, women can learn some tips and tricks to maximize their earnings. AAUW Work Smart and Start Smart¹⁰ salary-negotiation courses, in-person or online, teach individuals to successfully advocate for themselves.

Policymakers can and should work to provide meaningful debt relief and make college more affordable. According to our survey, for those New York women who are currently not making monthly student loan payments, the vast majority (83%) attribute it to the federal government’s pause

on student loan repayments. Clearly, government action helps, but borrowers need permanent solutions. Most borrowers are not in a position to resume payments.¹¹ New York state and New York City have several different programs to assist borrowers with cancellation. However, the unknowns surrounding the status of the federal repayment pause make it difficult for individuals to plan effectively. The Biden Administration and future administrations must take steps toward addressing significant broad-based student debt cancellation¹² and the extending, expanding and coordinating loan

FIGURE 2
Proportion of Women Defaulting on Student Loans
Pre-Pandemic and in 2022



repayment programs.¹³ In addition, the income-driven repayment formula should be reconfigured to protect a greater portion of a borrower's income, and the discretionary income threshold should be increased to 400% of the federal poverty level. Until these measures are put in place, the payment pause should continue.

In addition to debt relief, policymakers should act to make college more affordable to all. The federal Pell Grants are critical to many students' success in higher education, but the program's purchasing power is the lowest it has been

in decades. Congress must ensure that the maximum Pell Grant is doubled and indexed to inflation to ensure that aid covers a greater share of the total cost of college attendance.

These actions at the individual, state and federal levels will help stem the impact of generational wealth inequities and pay discrimination, allowing the most vulnerable populations—women of color, and low-income and low-wealth individuals—to have a better chance of achieving a financially secure future.

Endnotes

¹ "Women in NYC Were Already Feeling Economically Pinched. Then the Pandemic Hit." (Washington, D.C.: American Association of University Women, 2022), https://www.aauw.org/app/uploads/2022/01/NY-Survey-Report_Final-3.0.pdf.

² Polling in the field occurred between March 28 – April 15. The margin of error was 5.4 percentage points.

³ Stephanie Saul, "College Enrollment Drops, Even as the Pandemic's Effects Ebb," May 26, 2022, <https://www.nytimes.com/2022/05/26/us/college-enrollment.html>.

⁴ Brianna McGurran and Alicia Hahn, "College Tuition Inflation: Compare The Cost Of College Over Time," March 28, 2022, <https://www.forbes.com/advisor/student-loans/college-tuition-inflation/#:~:text=How%20College%20Prices%20Ballooned%20Over,total%20price%20increased%20to%20%2428%2C775>.

⁵ "Fast Facts: Tuition Costs of College and Universities," National Center for Education Statistics, accessed August 12, 2022, <https://nces.ed.gov/fastfacts/display.asp?id=76>.

⁶ "Eliminating the Black-White Wealth Gap is a Generational Challenge" (Washington, D.C.: Center for American Progress, 2021), <https://www.americanprogress.org/article/eliminating-black-white-wealth-gap-generational-challenge/>.

⁷ "Deeper in Debt: 2021 Update" (Washington, D.C.: American Association of University Women, 2021), https://www.aauw.org/app/uploads/2021/05/Deeper_In_Debt_2021.pdf.

⁸ "Women in NYC Were Already Feeling Economically Pinched."

⁹ "Fellowships & Grants," American Association of University Women, <https://www.aauw.org/resources/programs/fellowships-grants/>.

¹⁰ "Work Smart & Start Smart: Salary Negotiation," American Association of University Women, <https://www.aauw.org/resources/programs/salary/>.

¹¹ Student Debt Crisis Center, "Inflation Forcing Americans with Student Debt to Skimp on Everyday Necessities Ahead of Payments Resuming, Survey Finds," February 23, 2022, <https://studentdebtcrisis.org/student-debt-covid-19-survey-5/>.

¹² Student Borrower Protection Center, "550+ Organizations Tell President Biden to Cancel Student Debt Immediately," June 26, 2022, <https://protectborrowers.org/550-organizations-tell-president-biden-to-cancel-student-debt-immediately/>.

¹³ Student Borrower Protection Center, "130+ Groups Send Letter to White House Calling for Extension and Expansion of Public Service Loan Forgiveness and Income-Driven Repayment Student Debt Relief Programs," July 21, 2022, <https://protectborrowers.org/130-groups-send-letter-to-white-house-calling-for-extension-and-expansion-of-public-service-loan-forgiveness-and-income-driven-repayment-student-debt-relief-programs/>.

