

Deeper In Debt

2021 Update

Americans now hold over \$1.7 trillion in outstanding student loan debt.¹ The skyrocketing cost of college has forced more students to borrow money to obtain a degree. Women take on greater debt than men to start, but when women graduate, loan payments collide with the gender pay gap. The compounding effect puts a tight squeeze on women's budgets.

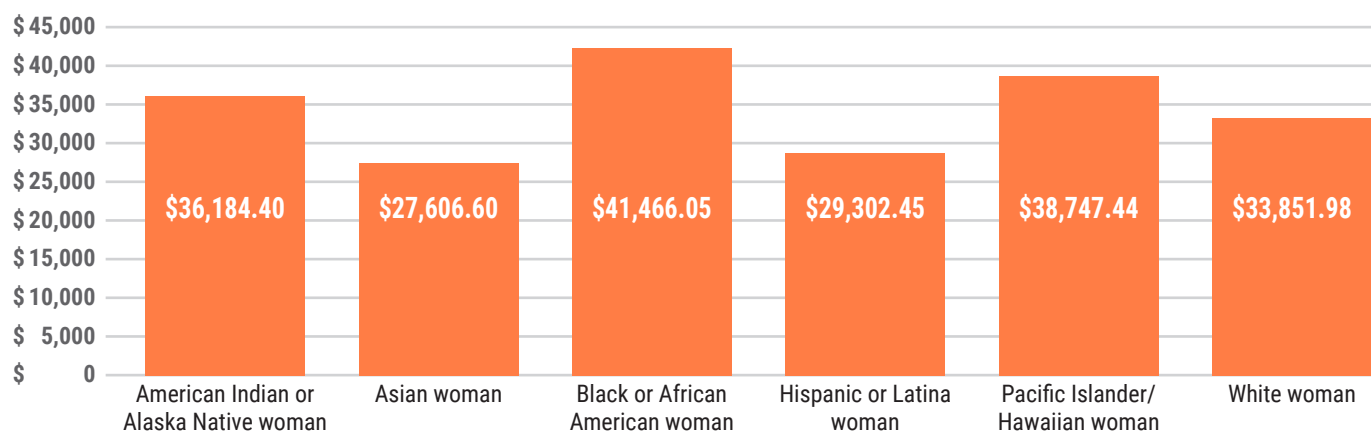
Over the past 40 years, the cost of college has increased dramatically. A generation ago, one year of four-year college cost 22% of the median household income. That number has soared to 43%.² This increase has forced more students to take on more debt: 68% of students borrow money to pay for their undergraduate education. Among those who take out loans, women—who borrow an average of \$31,276—take on more debt than men, who borrow an average of \$29,270.³ And many women of color borrow significantly more, with Black women taking on the most substantial debt burden.

While the amount of debt women initially take on compared to men is not huge, when women graduate, their

debt repayment collides with the gender wage gap and racial wealth gap to make it harder for them to repay their loans. Interest then accrues, further widening the debt burden. As a result, women hold nearly two-thirds of all outstanding loans.⁴

Even before the pandemic, women who graduated with a bachelor's degree expected to earn an average of \$35,338 their first year out of college—only 81% of what men expected to earn.⁵ And while we won't know the full effects of the pandemic on the student-debt crisis until the Department of Education releases updated data, we anticipate that women's disproportionate share of job losses will further undercut their ability to pay back their loans.

Cumulative debt on women's undergraduate loans, including principal and interest, one year after graduation by race/ethnicity.



Source: AAUW analysis of U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study

Taken together, the student-debt crisis and the gender wage gap make it difficult for women to get by—let alone get ahead. A year after college, women spent an average of \$920 per month on housing, \$396 per month on a car loans or leases and—for the 16.3% of women who have a child—\$520 on child care, according to the most recent data. When you factor in an average of \$307 per month on student loan payments,

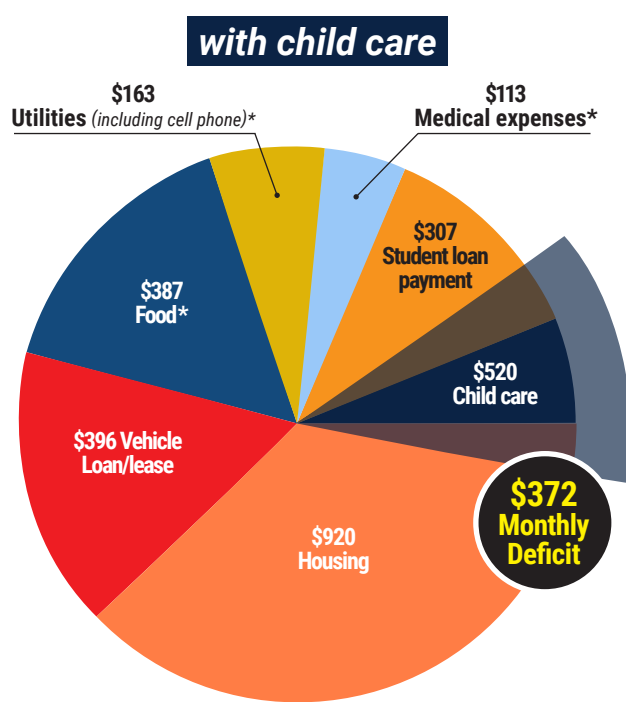
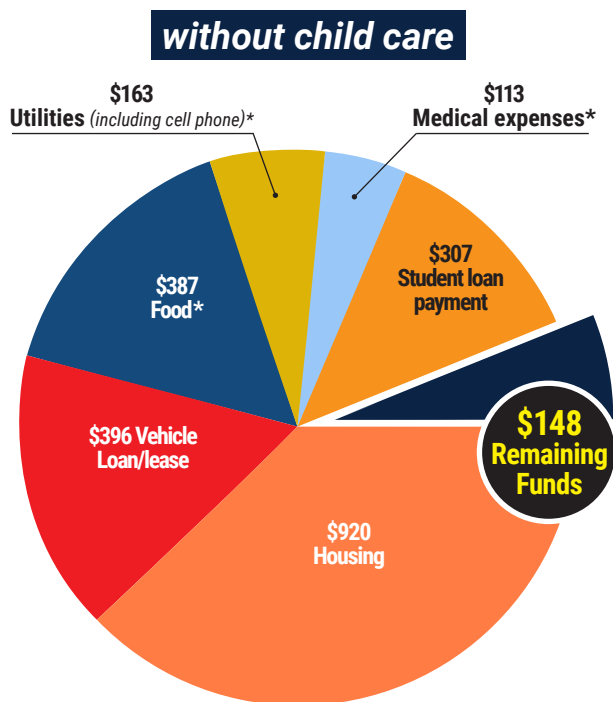
the numbers add up to an unsustainable budget.

The math is even harder for the 9.4% of women who report not having been employed in the year following graduation—a percentage that we expect to rise as more data from the COVID-induced recession become available. As they try to survive on this cramped budget, many women are putting off buying a home, getting married and having kids.⁶

Women's anticipated salary right after graduation, \$35,338

Annual average salary = **\$35,338** = **\$29,203** post-tax = **\$2,434/month**
(using a median state tax rate)

SAMPLE MONTHLY BUDGET



That leaves women with \$148 each month for other expenses, not including child care. **Adding child care costs results in a monthly deficit of \$372.**

These figures don't include other basic expenses, such as clothing, personal-care and household products, gas and tolls or emergency savings.

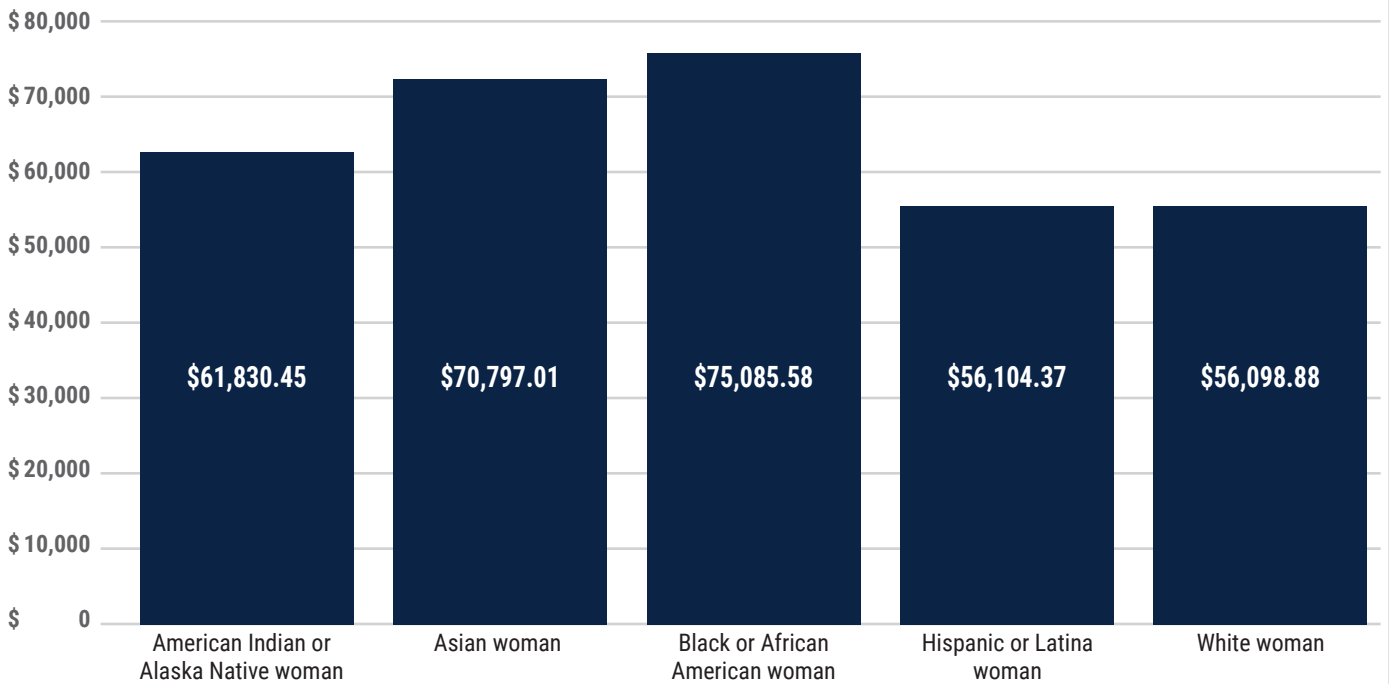
Charts represent approximate sample budget based on two data sets. Housing, vehicle loan/lease, student loan payment and childcare figures are from the National Center for Education Statistics B&B:17 Baccalaureate and Beyond Longitudinal Study and represent women students one year post graduation.

*Food, utilities and medical expenses are drawn from the U.S. Bureau of Labor Statistics, Consumer Expenditure Surveys 2016-17 and represent all people under age 25.

Those who attend graduate school hold even more debt. A recent study estimated that 40% of jobs in the workforce will require at least a bachelor's or master's degree by 2027.⁷ Aware of this job market, 74% of women students report that they expect to continue

their education beyond a bachelor's degree.⁸ When they do, the debt they accrue is astounding: Women borrow an average of \$51,035 for graduate school; with interest, that number grows to an average of \$61,626 a year after graduation.⁹

Cumulative debt on women's graduate loans, including principal and interest, one year after graduation by race/ethnicity.



Source: AAUW analysis of U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study

This growing crisis requires two responses: helping those who have untenable outstanding debt and putting the right support into place to stem the accrual of such massive debt in the first place.

Help current debt-holders.

CANCEL STUDENT LOAN DEBT IN AN EQUITABLE WAY. Rising higher education expenses mean that students, notably women and especially women of color, are responsible for significantly greater out-of-pocket expenses that are not covered by grant aid. Several executive and congressional proposals for student debt forgiveness would help those who are struggling, but any debt cancellation plan must be intentional and equitable. Forgiveness should extend to all borrowers, without regard to income, default status, repayment plan, industry sector

or institution attended. This will ensure that the neediest borrowers, low-income and low-wealth individuals, are not inadvertently excluded.¹⁰

SIMPLIFY REPAYMENT APPROACHES. Income-driven repayment (IDR) plans are crucial to customize loan repayments to reflect borrowers' economic circumstances. The myriad programs, however, can be confusing to navigate. Streamlining IDR programs and making it easier for individuals to enroll would improve outcomes for women who are struggling to repay their loans.

ELIMINATE THE PAY GAP. The pay gap plays a major role in the student debt burden on women. Policymakers must commit to ending gender-based pay discrimination by passing and updating laws, such as the Paycheck Fairness Act, to close existing loopholes. This would deter discrimination by strengthening penalties for equal pay violations, banning the use of salary history in the hiring process, and prohibiting retaliation against workers who inquire about employers' wage practices or disclose their

ANY DEBT FORGIVENESS PLAN MUST BE EQUITABLE, ENSURING THAT THE NEEDIEST BORROWERS—LOW-INCOME AND LOW-WEALTH STUDENTS—ARE NOT EXCLUDED.

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. Moreover, curbing the financial impact of occupational segregation, which undervalues and underpays work traditionally done by women and workers of color, would assist women in paying off debt more quickly.

Support future borrowers.

EXPAND AND INCREASE PELL GRANTS. The federal Pell Grants are critical to many students' success in higher education, but the program's purchasing power is the lowest it's been in decades. Congress must ensure that eligibility is expanded to include more families, and the maximum Pell Grant is doubled and indexed to inflation to ensure aid covers a greater share of the total cost of college attendance.

PASS THE CHILD CARE ACCESS MEANS PARENTS IN SCHOOLS (CCAMPIS) ACT. More than one in five

college students are parents, and 1.7 million women in college are single mothers. These parents are navigating the challenging demands of college work with the demands of providing care for their children. The CCAMPIS program provides vital support for the participation and success of low-income parents in postsecondary education through the provision of subsidized child care, which is widely recognized as one of the most important supports for parenting college students.

INVEST IN PUBLIC EDUCATION. Dramatic tuition increases are partially attributable to deep cuts in state funding for colleges and universities. This was particularly true after the Great Recession, and higher education budgets have not recovered, placing the burden on the backs of students and their families.¹¹ States need to prioritize investments in higher education, with a focus on lowering college cost for low- and moderate-income students. Critically, federal dollars must be used to supplement, not supplant, state investments.

STATES NEED TO PRIORITIZE INVESTMENT IN HIGHER EDUCATION, WITH A FOCUS ON LOWERING COLLEGE COST FOR LOW- AND MODERATE-INCOME STUDENTS.

Endnotes

¹ AAUW analysis of "U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study," n.d., <https://nces.ed.gov/datalab/index.aspx>.

² In 1985-6, one year of 4-year college cost 5,504 in current dollars compared to a median household income of \$24,897. In 2017-18, it cost 27,357 in current dollars compared to median household income of \$63,179. Median income numbers from "Household Income: HINC-01," United States Census Bureau: Current Population Survey Tables for Household Income, accessed April 29, 2021, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc.html>; tuition costs from "Tuition Costs of Colleges and Universities," National Center for Education Statistics, accessed April 29, 2021, <https://nces.ed.gov/fastfacts/display.asp?id=76>.

³ AAUW analysis of "U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study."

⁴ AAUW estimate. See Kevin Miller, *Deeper in Debt: Women and Student Loans* (Washington, D.C.: American Association of University Women, 2017), 35-36.

⁵ AAUW analysis of "U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study." Expected earnings varied widely by race and ethnicity. American Indian or Alaska Native women expected to earn \$37,690, Asian women expected to earn \$36,163, Black women expected to earn \$39,082, Latina women expected to earn \$36,136, Pacific Islander/Hawaiian

women expected to earn \$26,849, and white women expected to earn \$34,588.

⁶ 34.2% of women reported that their undergraduate student loan debt caused them to delay buying a home, 21.7% said it caused them to delay marriage, and 22.6% said it led them to delay having children. AAUW analysis of "U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study."

⁷ Goldie Blumenstyk, "By 2020, They Said, 2 Out of 3 Jobs Would Need More Than a High-School Diploma. Were They Right?," *The Chronicle of Higher Education*, January 22, 2020, <https://www.chronicle.com/newsletter/the-edge/2020-01-22>.

⁸ AAUW analysis of "U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study."

⁹ AAUW analysis of "U.S. Department of Education, National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study."

¹⁰ The Leadership Conference on Civil and Human Rights, "Civil Rights Principles for Student Loan Debt Cancellation," April 18, 2021, <https://www.aauw.org/app/uploads/2021/04/Civil-Rights-Principles-for-Student-Loan-Debt-Cancellation041821.pdf>.

¹¹ Center on Budget and Policy Priorities, "State Higher Education Funding Cuts Have Pushed Costs to Students, Worsened Inequality," October 24, 2019, <https://www.cbpp.org/research/state-budget-and-tax/state-higher-education-funding-cuts-have-pushed-costs-to-students>.