

An underwater photograph showing a dark blue, slightly murky water environment. Numerous small, light-colored bubbles are rising from the bottom towards the surface. A single, dark, rounded rock is visible in the center-left of the frame.

DROWNING IN DEBT:

Student loans weigh down
borrowers

*Borrowers without a bachelor's degree,
women, Black borrowers, and LatinX
borrowers are the most affected*

The logo for 'wgu labs' is located in the bottom right corner. It consists of the text 'wgu' in a lowercase, sans-serif font, followed by a white square, and then the text 'labs' in a lowercase, sans-serif font.

wgu labs

CONTENTS

03 INTRODUCTION

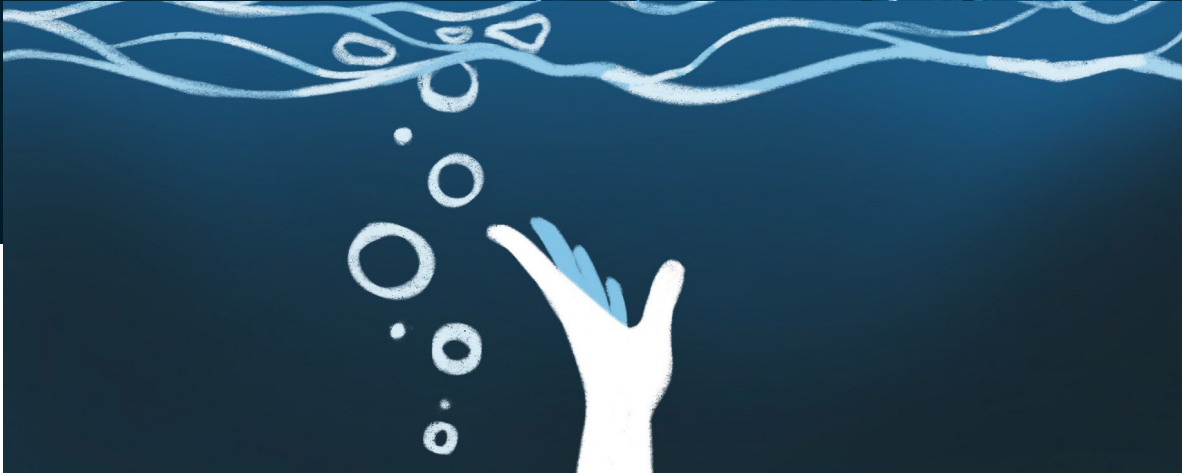
07 FINDINGS

- 07 FINDING #1:
43% of Borrowers Struggle to Repay Their Loans
- 12 FINDING #2:
Struggle Repaying Loans Leads to Regret, Stress, and Hopelessness
- 15 FINDING #3:
Student Loans Prevent Financial Milestones and the Accumulation of Financial Assets
- 18 FINDING #4:
Student Loans Delay Personal Milestones like Marriage, Children, and Further Education

23 RESCUING BORROWERS FROM A BROKEN SYSTEM: A CALL TO ACTION

- 24 CALL TO ACTION #1:
Educate Borrowers on Repayment
- 26 CALL TO ACTION #2:
Expand Employer Student Loan Benefits
- 30 LONG-TERM SYSTEMIC ACTION NEEDED:
The Student Loan System is Broken and in Need of Bold Solutions

32 APPENDIX



INTRODUCTION

Borrowers without a bachelor's degree, women, Black borrowers, and LatinX borrowers are the most affected

In the late 1950s and the 1960s, scholarship and loan programs were first implemented by the U.S. government to help low income individuals, and then middle and high income individuals, afford a college [degree](#). However, [political](#) and [economic](#) circumstances led to losses in higher education funding that in turn led to rises in tuition expenses. To keep up with rising tuition, students had to take on greater and greater amounts of student [debt](#). College degrees that were once touted as the [great equalizer](#) are now being achieved by students who are saddled with ever-increasing amounts of student loan debt.

At the same time as the burden of student debt has grown, the perceived value of higher education has fallen. The greater economic landscape has likely played a role in this shift. Median income has not kept pace with rising tuition [costs](#). Students who graduated in the recession of 2008 were met with the burden of paying off larger student loan debt with salaries that were no higher than [average](#), signifying that their college degrees did not offer the promised wage premium they anticipated. This disparity led to many personal changes in borrowers' lives. Many [older millennials](#) have delayed or foregone saving for a house or retirement, and [many borrowers](#) in general delayed getting married or welcoming a child into their household. Many also reported student debt having a negative impact on their [health](#) and [well-being](#).

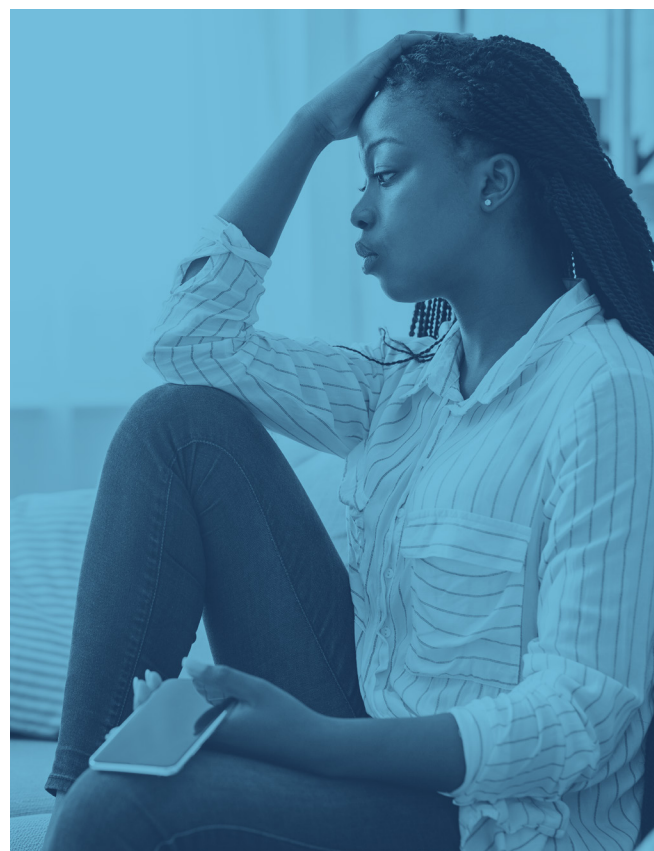
As higher education costs soared and the perceived value of education diminished, enrollment in higher education, unsurprisingly, started to decline. [NCES data](#) shows that total

undergraduate enrollment has been declining slowly but steadily since 2010, with significant drops during the pandemic years of 2020 and 2021.

The student loan crisis affects vast numbers of individuals across our country and has had a disproportionate impact on those who have [been least able to capitalize on higher education](#). In 2023, 44.3 million U.S. adults held student debt. Among those most impacted by student debt are those who hold debt but [haven't earned a bachelor's degree](#) and those who have historically faced discrimination in the workplace as well as wage disparity including [women](#), [African American and/or Black individuals](#)¹, and [Hispanic and/or LatinX individuals](#)².

Between 2020 and the fall of 2023, the federal government suspended repayment of student loans. For three years, our nation experienced what it would be like if recent college graduates were not saddled with loan repayment. Default rates plummeted as low as [2.3% in 2022](#), and borrowers had extra money in their budgets. More young adults [invested in retirement accounts](#). In October 2023, the Department of Education ended the payment pause bringing the burden of student loan payments back to borrowers' lives. Early reports suggest that this [burden was too great](#) for many borrowers. As of December, 2023, the Department of Education reported that [40% of borrowers](#) had not yet made payments on their student loans.

Last summer, as borrowers started to reckon with the end of the repayment pause, WGU Labs and Savi partnered, with the assistance of Gallup, to survey a nationally representative sample of 3,056 student loan borrowers aged 21 to 50 (See [Appendix](#) for a detailed description of the methodology). Our goal was to gauge their readiness for repayment and to capture their experience as borrowers, particularly the impact borrowing has had on their key personal, financial, and educational milestones. Our analysis reveals a bleak picture in which student loan borrowers — regardless of whether they had earned a credential — have seen their loans impact their mental health and ability to complete personal and financial milestones, and made them question the value of higher education overall.



- 1 In the course of this report, we will refer to African American and/or Black individuals as Black individuals in order to allow for easy access to our language and highlight our findings.
- 2 In the course of our report, we will also refer to Hispanic and/or LatinX individuals as LatinX individuals to once again retain clarity in our language and focus on our findings.



THESE DATA REVEALED FOUR FINDINGS:

1. FORTY-THREE PERCENT OF BORROWERS STRUGGLE TO REPAY THEIR LOANS

Struggle repaying student loans is all too common. Of all borrowers, 43% reported struggling with student loans before the payment pause (being behind on payments, in forbearance or deferment, or in default). Struggle was particularly high among Black and LatinX borrowers, borrowers without a bachelor's degree, and women.

2. STRUGGLE REPAYING LOANS LEADS TO REGRET, STRESS, AND HOPELESSNESS

Struggle goes hand in hand with higher levels of regret about taking out loans, stress about loan repayment, a sense of hopelessness when it comes to paying off loans, and a perception that their education was not worth the financial cost. Almost one-quarter of all borrowers reported regret, over 40% experienced stress, 20% reported hopelessness, and less than 40% said their education was worth the financial cost. Women, Black and LatinX borrowers, and those without a bachelor's degree experienced higher levels of regret, stress, and hopelessness, and perceived less worth in their education.

3. STUDENT LOANS PREVENT FINANCIAL MILESTONES AND THE ACCUMULATION OF FINANCIAL ASSETS

Student loans are delaying important financial milestones for borrowers, like saving for retirement, buying a home or car, and moving out of their parents' house, as well as the accumulation of financial assets, like a savings, investment, and retirement account, emergency fund, insurance, and home that contribute to financial security and wealth building.

4. STUDENT LOANS DELAY PERSONAL MILESTONES LIKE MARRIAGE, CHILDREN, AND FURTHER EDUCATION

Student loans delay personal milestones for many borrowers but not as much as they delay financial milestones. Borrowers with at least a bachelor's degree and men reported higher levels of delay. When asked about pursuing future education, borrowers showed a disparity between thinking that they needed more education and actually planning to pursue further education. Borrowers without a bachelor's reported a greater need to pursue further education, and Black borrowers, LatinX borrowers, and men reported that they were actually planning on pursuing further education.

As evidenced by our research and the continued national conversation, it is already quite clear that student loan debt has a large negative impact on individual borrowers' lives. And at a national level, the collective and potentially generational impact of student loan debt is, no doubt, having wide-reaching implications for national [economic growth](#) and [stability](#). We conclude our paper with policy and industry leadership-level recommendations to solve the structural challenges underpinning this crisis.



WE CONCLUDE WITH TWO CALLS TO ACTION.

1. EDUCATE BORROWERS ON REPAYMENT

Borrowers need better information on and support with loan repayment options, especially borrowers without a bachelor's degree. This responsibility must be shared by higher education institutions, borrower advocates, and, even, employers who play an important role in establishing their employees' long term financial wealth through their employee benefit programs.

2. EXPAND EMPLOYER STUDENT LOAN BENEFITS

Employers need to educate themselves about the number of their employees who are struggling with loans and educate their employees about existing repayment and forgiveness programs. Employers also need to understand how supporting their employees with loan repayment is good for employees as well as their organization's productivity, and performance.

Based on our research, the impact of student loans has long-lasting — and potentially generational — financial, personal, and psychological effects on borrowers' lives, especially among particular groups of borrowers, such as Black and LatinX borrowers, women, and borrowers without a bachelor's degree. Previous attempts to ameliorate these effects have been unsuccessful, and there is an urgent need for a stronger, more impactful solution to this issue.



FINDINGS

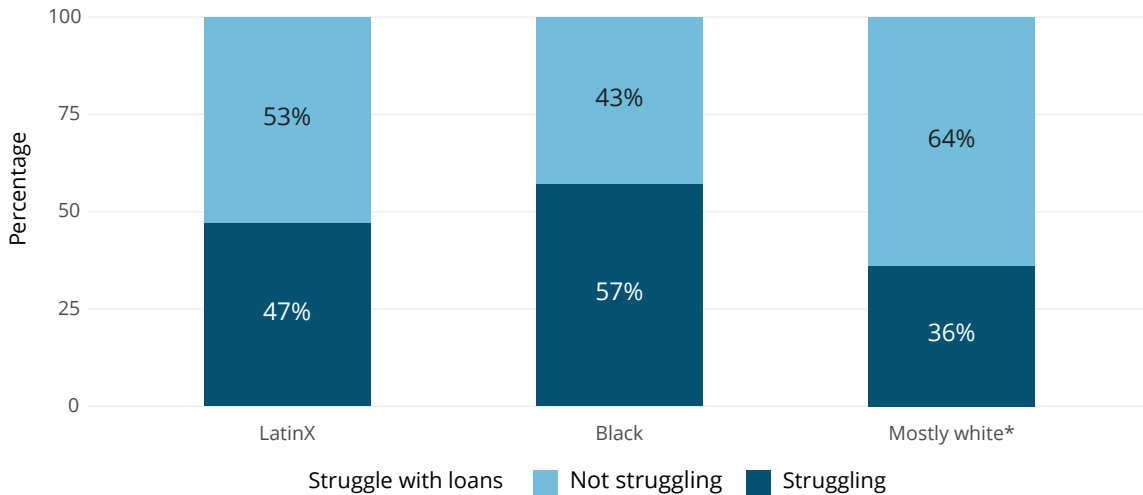
FINDING #1: 43% OF BORROWERS STRUGGLE TO REPAY THEIR LOANS

Struggle in repaying student loans is all too common. Of all borrowers, 43% reported struggling with student loans before the payment pause (being behind on payments, in forbearance or deferment, or in default). Struggle was particularly high among Black and LatinX borrowers, borrowers without a bachelor's degree, and women.

Having loans paused on forbearance or deferment (particularly [forbearance](#)), [falling behind](#) on student loan payments, and going into [default](#) are all signs of loan repayment struggle that carry financial consequences to borrowers. In every case, the burden of student loans is only deferred, not reduced or resolved.

Across all of our respondents, 43% indicated that they were struggling with their student loans. When we look at who is struggling the most, controlling for age, we see that as many as 57% of Black borrowers and 47% of LatinX borrowers are struggling, while only 36% of the respondent group that was mostly white reported struggling (**Figure 1**).

Figure 1. Race/ethnicity differences in struggle with loans



*This respondent group consisted of 90% white individuals and the rest were individuals of other races/ethnicities who did not identify as either Black or LatinX.

We also saw gaps between those who had earned their bachelor's degree and those who hadn't. Fifty-two percent of respondents who had not yet earned a bachelor's degree reported struggling with their loans, but only 34% of those with at least a bachelor's degree reported the same (**Figure 2**). We also found a significant gender difference in struggle. Women respondents were seven percentage points higher in reporting that they were struggling with their student loan repayments compared to men respondents (**Figure 3**).

Figure 2. Degree differences in struggle with loans

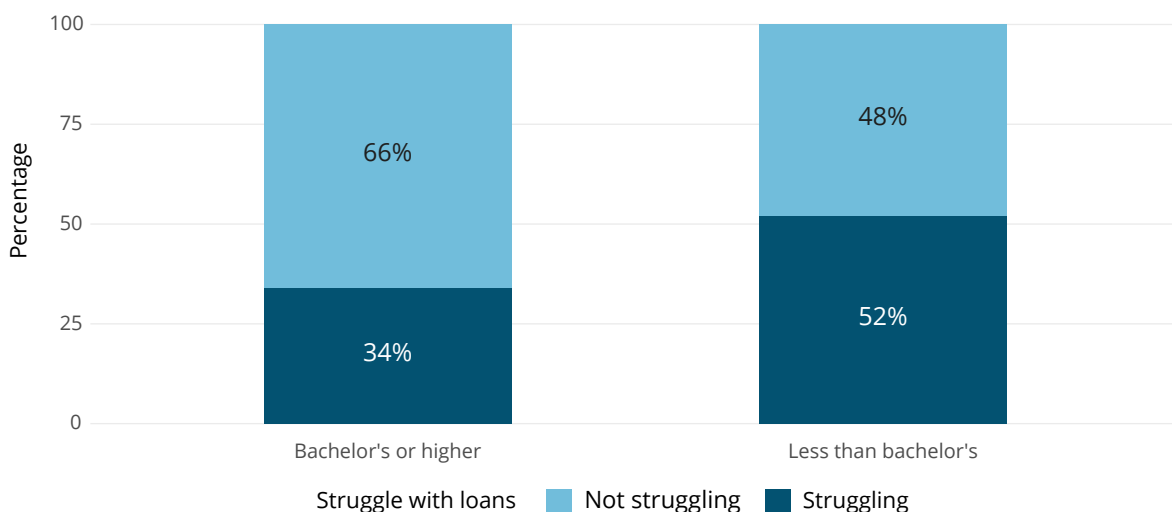
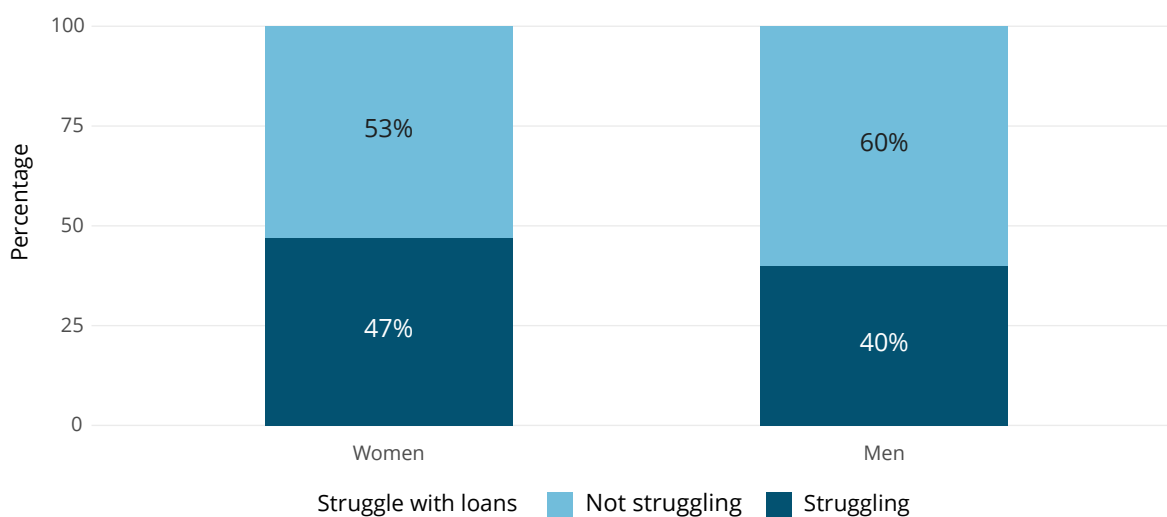


Figure 3. Gender differences in struggle with loans



Over 10% of all survey respondents reported being in default, with respondents without a bachelor's degree and Black respondents significantly more likely to be in default. Of the respondents in default, borrowers without a bachelor's degree were also less likely to report taking steps to get out of default.

Of all the ways borrowers reported struggling with their loans, default is the worst outcome for borrowers. Default can compromise an individual's credit rating and subsequently their ability to pursue many financial transactions including home purchase or rental, or the ability to take out future auto loans. Default can also affect borrowers' ability to apply for certain loan relief programs and for future financial [aid](#). It can also result in wage garnishment, court fees, and tax refund [withholding](#).

In the total sample of respondents, 13% of borrowers reported being in default. Respondents without a bachelor's degree reported a nearly three times higher rate of being in default compared to respondents with a bachelor's degree (**Figure 4**). Black respondents also reported a 4% higher rate of being in default compared to the respondent group that is mostly white. LatinX borrowers fell in between these groups and did not statistically differ from either (**Figure 5**).

Figure 4. Degree differences in default on student loans

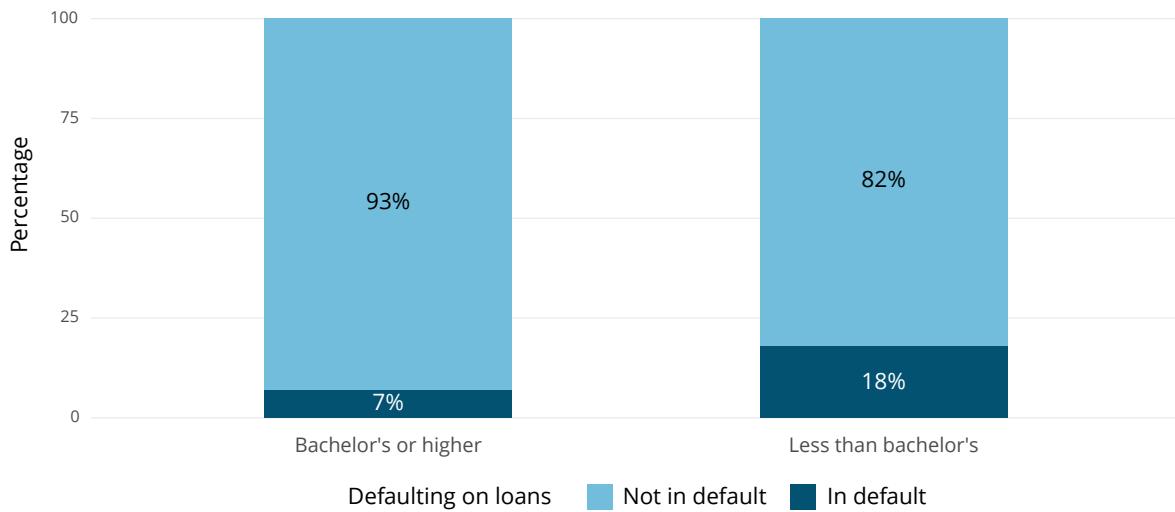
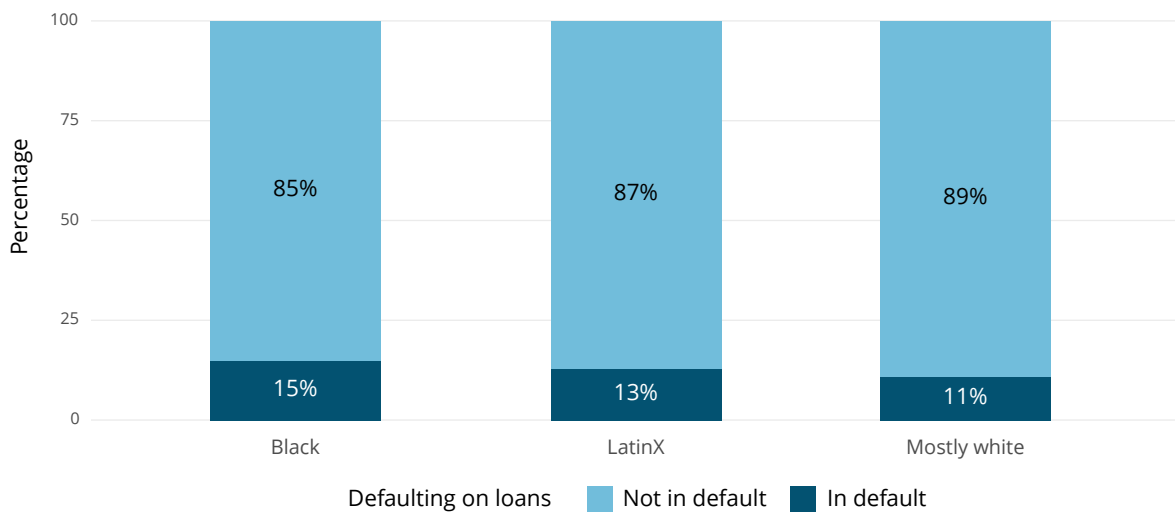


Figure 5. Race differences in defaulting on student loans



Given the wide-reaching impact of defaulting on a loan, taking steps to get out of default is a critical step to restoring financial wellness. Here again, we found differences in the extent to which respondents from different groups reported efforts to get out of default.

We learned that, among those who reported being in default, Black and LatinX respondents were between 23 and 25 percentage points more likely to be taking steps to get out of default (**Figure 6**) than all others. However, those without a bachelor's degree (who were considerably more likely to be in default) were substantially less likely to be taking steps to get out of default than those with at least a bachelor's degree (**Figure 7**).

Figure 6. Are borrowers in default taking steps to get out of default (race/ethnicity)

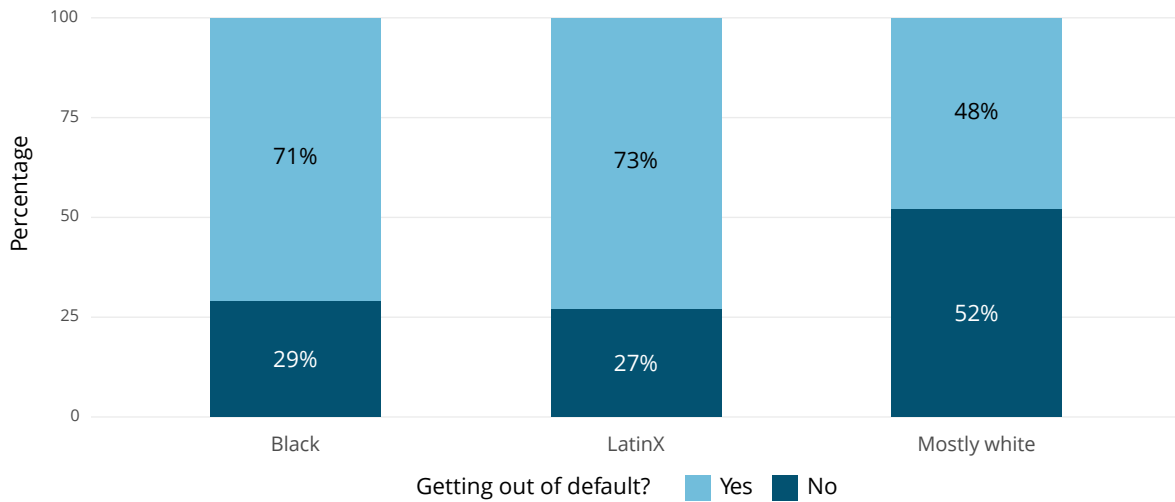
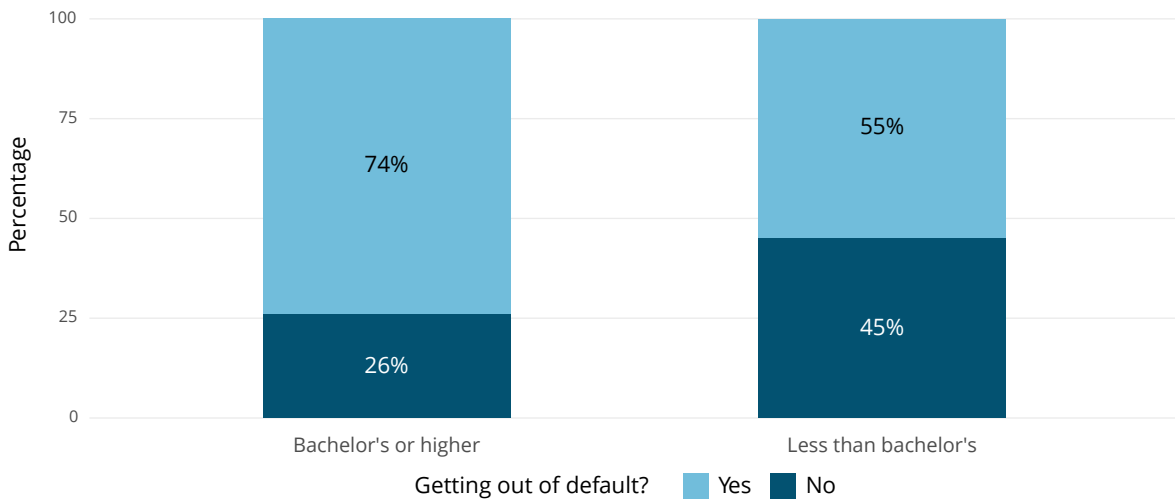
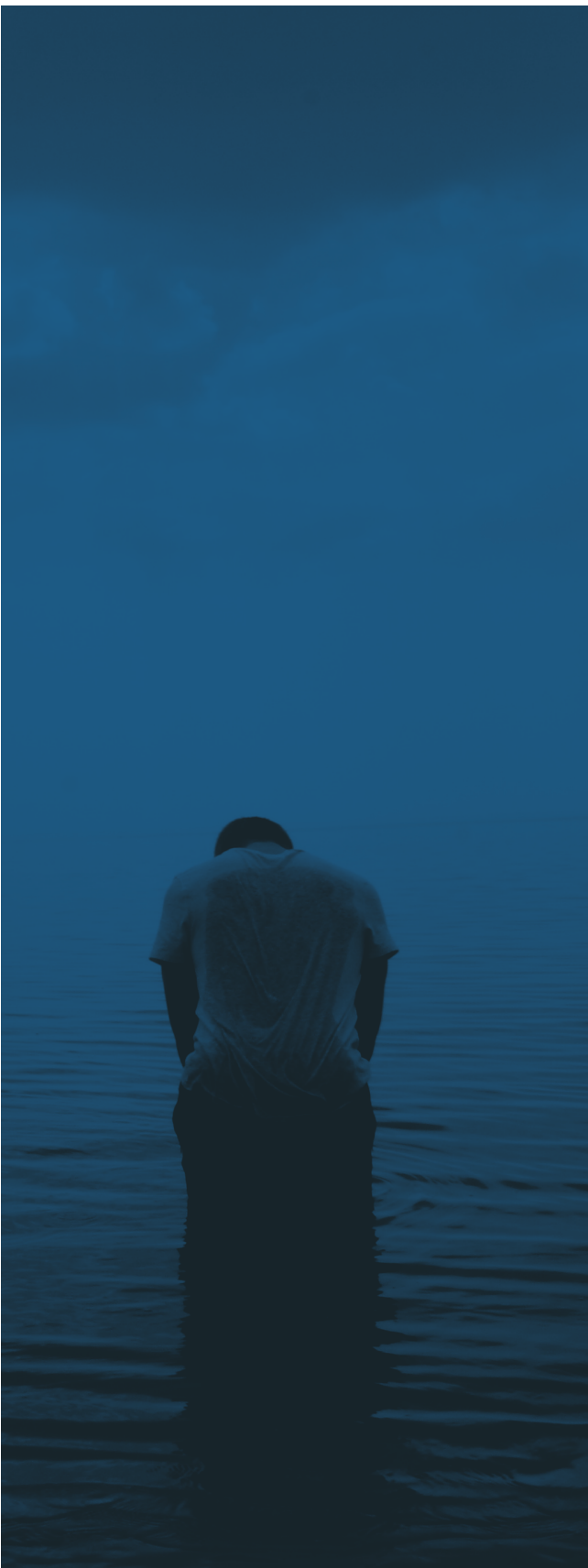


Figure 7. Are borrowers in default taking steps to get out of default (degree)



TAKEAWAY: Overall, a large portion of borrowers are struggling with student loan repayments. However, borrowers without a bachelor's degree, Black and LatinX borrowers, and women are even more impacted and more likely to struggle with their repayments.



FINDING #2: STRUGGLE REPAYING LOANS LEADS TO REGRET, STRESS, AND HOPELESSNESS

Struggle goes hand in hand with higher levels of regret about taking out loans, stress about loan repayment, a sense of hopelessness when it comes to paying off loans, and a perception that their education was not worth the financial cost. Almost one-quarter of all borrowers reported regret, over 40% experienced stress, 20% reported hopelessness, and less than 40% said their education was worth the financial cost. Women, Black and LatinX borrowers, and those without a bachelor's degree experienced higher levels of regret, stress, and hopelessness, and perceived less worth in their education.

Struggle with loans seems to be associated with a cascade of stress and frustration. In order to better understand the respondents' psychological outlook on student loan repayment, we probed four related factors:

- **Regret over taking out loans:** Those indicating that they felt **deep regret** over taking out student loans
- **Stressed about their loan:** Those reporting that they felt **very/extremely stressed** about their student loans

- **Hopelessness with loan repayment:** Those who indicated that they **did not know when they would pay off their loans** or that they **did not expect to ever pay off their loans** were interpreted as feeling hopelessness with regard to loan repayment
- **Questioning value of education:** Those indicating that they **strongly disagreed with the statement that their education was worth the financial cost** were interpreted as not finding their education worthwhile

[Stress](#) and [regret](#) can have wide-reaching negative physical and psychological impacts on a person's life. [Hopelessness](#), including perceiving the future as uncertain, has been diagnosed as a precursor to depression. These psychological factors can have a large impact on borrowers' mental and physical well-being. The more people [question the value of education](#), the less likely they will be to return to education, even when it will help them grow their career opportunity.

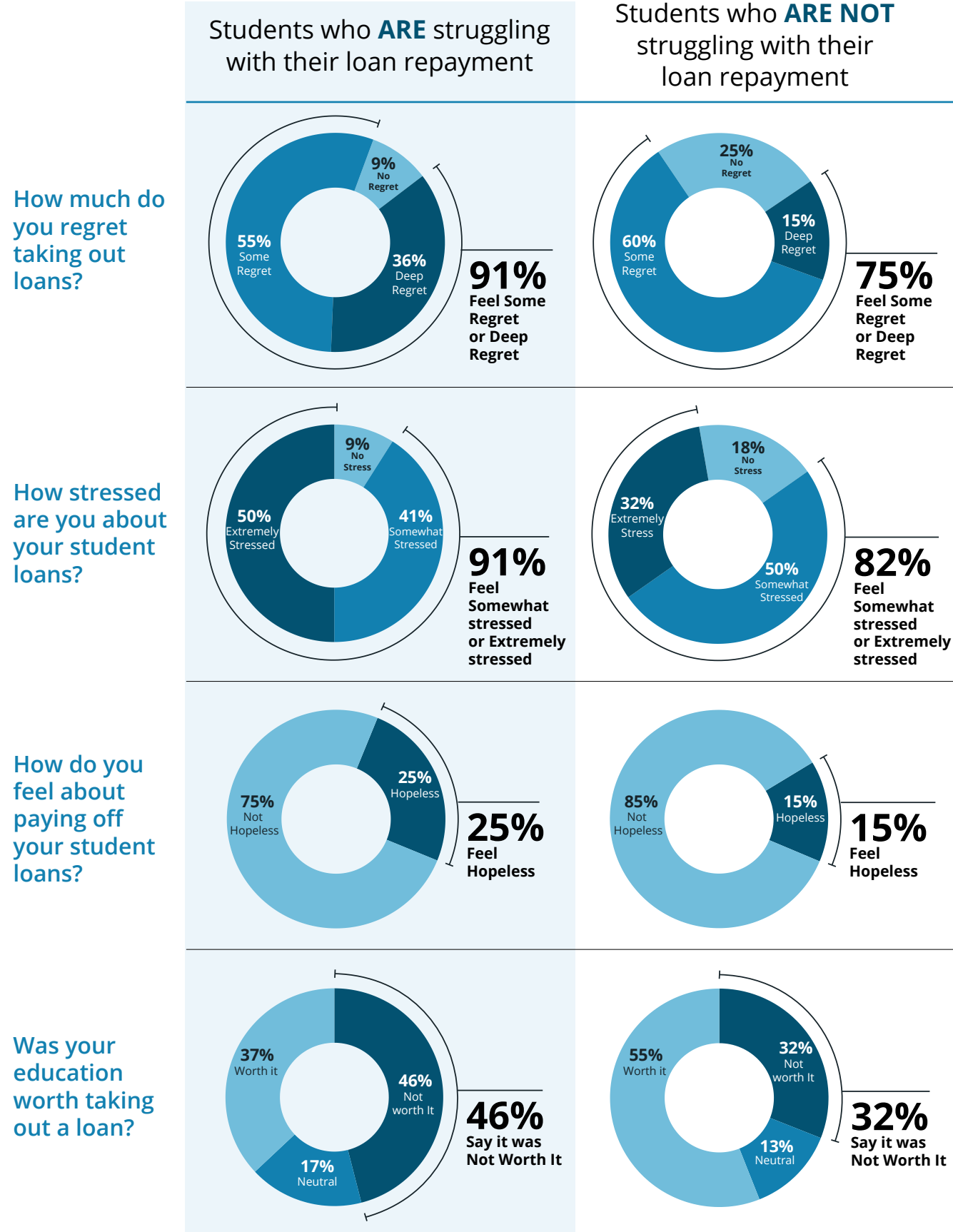
Borrowers struggling with their loans were the most likely to report experiencing all of the psychological stressors measured in the survey (**Figure 8**)³. Struggling respondents were twice as likely as to say they deeply regretted taking out loans, 18% more likely to carry stress over their loans, and 10% more likely to report hopelessness over repaying their student loans compared to respondents who were not struggling. Struggling respondents were also 19% less likely to believe their education was worth the financial cost compared to respondents who were not struggling.

Group differences in regret, stress, hopelessness, and a lower perceived value in their education largely tracked with the levels of struggle we noted in the previous section. Respondents without a bachelor's showed more signs of psychological distress compared to respondents with a bachelor's. This was also true of women respondents compared to men, and Black respondents compared to the respondent group that was mostly white, but not true of LatinX respondents.

TAKEAWAY: *The psychological distress related to loan repayment is felt particularly strongly by borrowers who are also struggling with their student loan repayments, as well as borrowers without a bachelor's degree, women, and Black borrowers.*

3 Because mental health and experiences with loans may change over an adult's life, these analyses controlled for age.

Figure 8. Survey responses comparing students who are struggling with their student loan repayment to student who are not struggling with their student loan repayment





FINDING #3: STUDENT LOANS PREVENT FINANCIAL MILESTONES AND THE ACCUMULATION OF FINANCIAL ASSETS

Student loans are delaying important financial milestones for borrowers, like saving for retirement, buying a home or car, and moving out of their parents' house, as well as the accumulation of financial assets, like a savings, investment, and retirement account, emergency fund, insurance, and home that contribute to financial security and wealth building.

People achieve financial security through saving and investment over a long period of time. The longer it takes to start building wealth, the harder it is to do so.

To capture their financial health, borrowers were asked

- Whether student loans were delaying key financial milestones (saving for retirement, buying a home or car, or moving out of the house of their parent/s or guardian/s), and
- Whether they possessed key financial assets (savings account, emergency fund that was separate from their savings account, retirement account, investment account that was separate from their retirement account, insurance, persistent credit card debt that they could not pay by the next cycle, and ownership of their home)

There was a significant disparity in the financial assets that borrowers reported holding. As expected, younger respondents reported fewer assets than older respondents. Also, respondents without a bachelor's, Black and LatinX respondents, and women — who have historically faced [wage discrimination](#) and still, on average, earn less than [respondents with a bachelor's](#), [white individuals](#), and [men](#), respectively — reported fewer financial assets.

We also learned that borrowers felt their ability to build financial assets was meaningfully impacted by the fact that they hold loans.

Many respondents indicated that student loans have delayed key financial milestones for them:

- Over half of all respondents (55%) reported a **delay in saving for retirement**
- Over half of all respondents (52%) reported a **delay in buying a home**
- Over 40% of respondents reported a **delay in buying a car**
- Finally, 36% of respondents reported a **delay in moving out of the house of their parent/s or guardian/s**

After controlling for age, we found few group differences in borrowers' perception of whether student loans were delaying them from saving for retirement. The groups that reported the most delay in saving for retirement were:

- Respondents in the group who were mostly white compared to Black respondents (LatinX respondents did not significantly differ from either group)
- Respondents with a Bachelor's
- Men

When we compared the assets held by borrowers and non-borrowers who have a bachelor's degree, it appears that holding a loan is associated with holding fewer financial assets. To draw this comparison, we surveyed individuals who held at least a bachelor's degree but had never taken out loans to finance their education. Respondents who never took out student loans were more likely to have a retirement account, investment account, insurance, savings account, and emergency fund, and less likely to have persistent credit card debt compared to respondents who had an equivalent education but had taken out student loans.

(**Figure 9**).

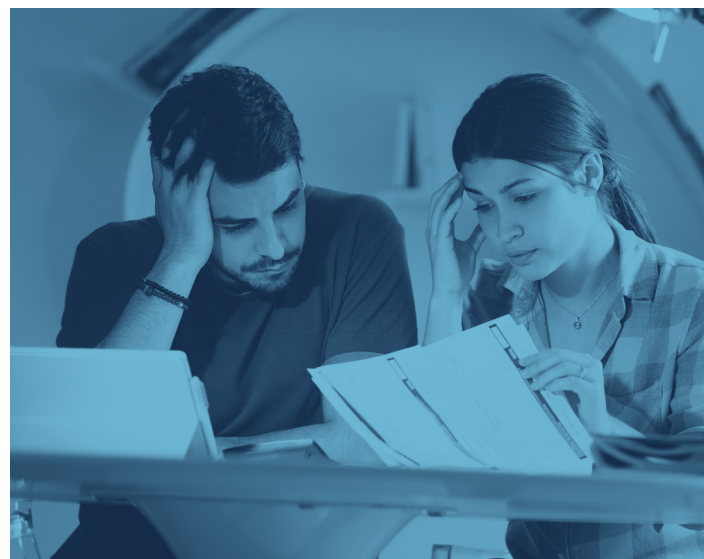
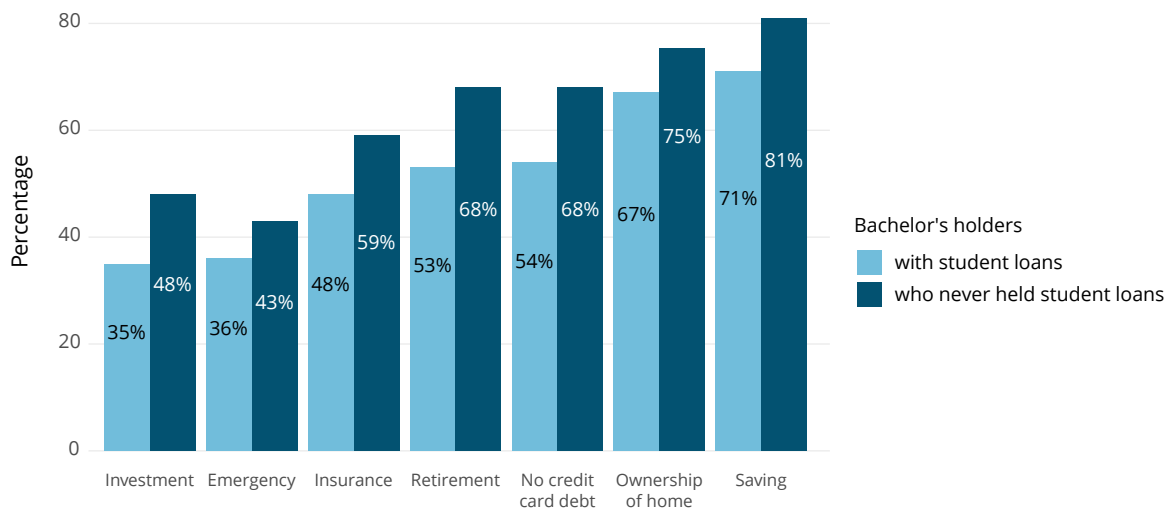


Figure 9. *Graduates with and without student loans - Financial assets*



Though other factors like family wealth may help to explain why these gaps exist between borrowers and non-borrowers who have otherwise similar education, the fact that borrowers report that they are delaying financial milestones on account of their loans suggests that at least some of this gap in building financial assets could be associated with holding loans.

TAKEAWAY: *Although student loans are meant to help individuals afford college, in reality they can become a lifelong anchor that weighs borrowers down with decades-long payments that limit their opportunity to reap the financial security their degree should offer.*



FINDING #4: STUDENT LOANS DELAY PERSONAL MILESTONES LIKE MARRIAGE, CHILDREN, AND FURTHER EDUCATION

Student loans delay personal milestones for many borrowers but not as much as they delay financial milestones. Borrowers with at least a bachelor's degree and men reported higher levels of delay. When asked about pursuing future education, borrowers showed a disparity between thinking that they needed more education and actually planning to pursue further education. Borrowers without a bachelor's reported a greater need to pursue further education, and Black borrowers, LatinX borrowers, and men reported that they were actually planning on pursuing further education.

Personal milestones — committing to a life partner, building a family, pursuing a career that you're passionate about — are the milestones that bring us joy, fulfillment, and opportunity. But we know that financial matters can often stand in the way of our personal choices ([1,2](#)). We asked borrowers the extent to which they felt their student loans delayed them in:

- Getting married or getting registered as domestic partners
- Starting or expanding their family
- Pursuing a career that they are passionate about

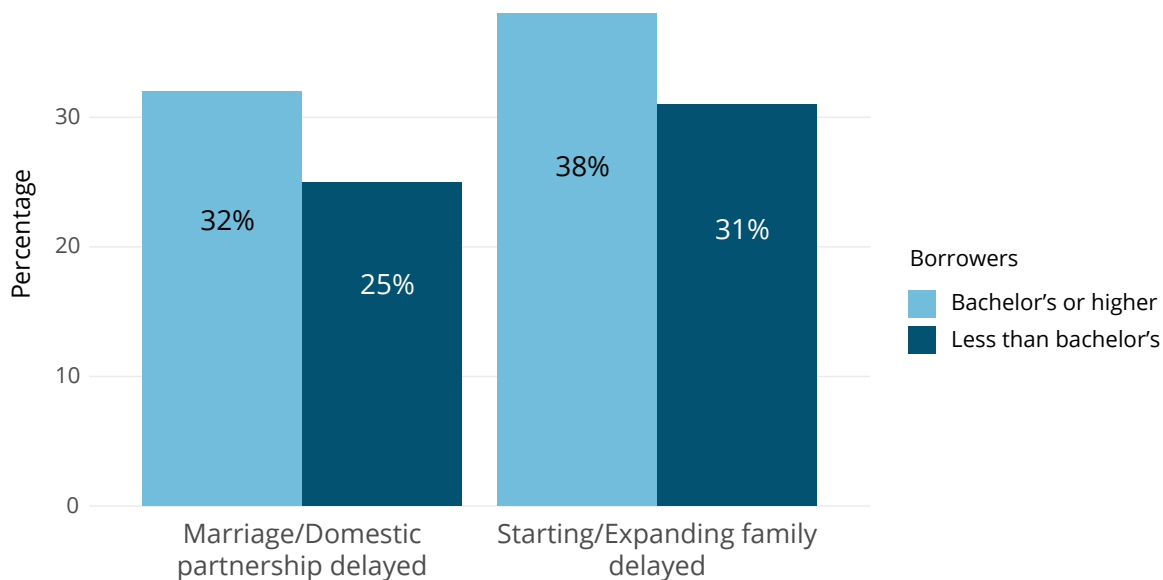
On a positive note, personal milestones were not delayed for as many survey respondents as financial milestones were. However, 39% of respondents did report student loans delaying them from pursuing a career they were passionate about, 34% were delayed in starting or expanding their family, and 29% were delayed in getting married or registering as domestic partners.

Younger borrowers reported more delay in their personal milestones compared to older borrowers.

When controlling for age, respondents with a bachelor's degree reported greater delay in getting married or registering as domestic partners as well as starting or expanding their family, compared to respondents without a bachelor's degree (**Figure 10**).

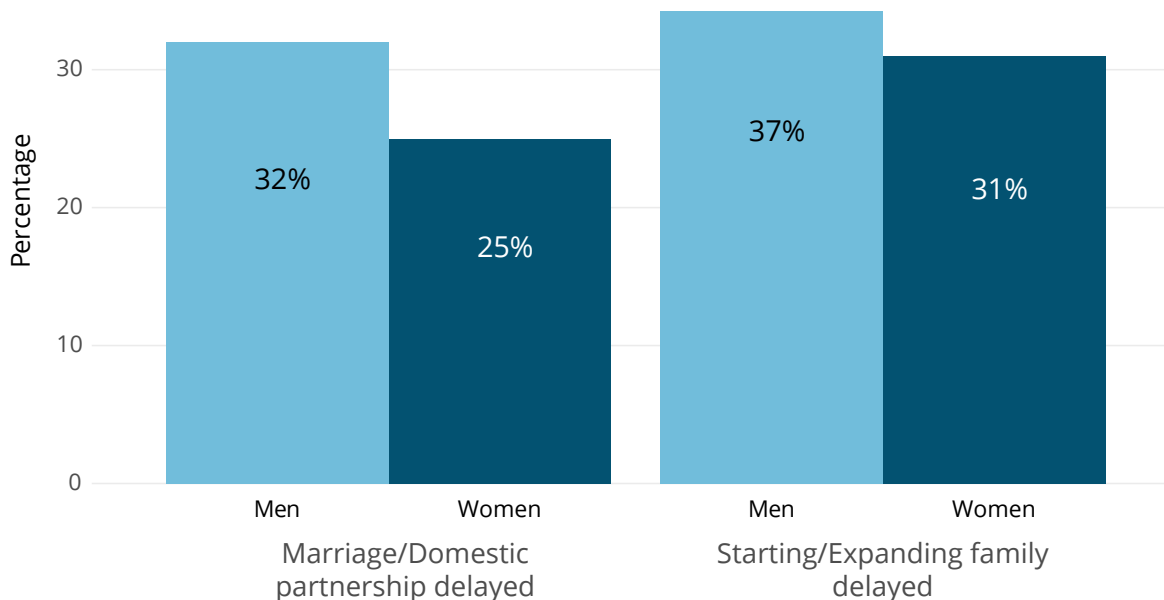


Figure 10. Degree differences in personal milestones that student debt has delayed



Men also reported more delay in getting married or registering as domestic partners and starting or expanding their family compared to women, when controlling for age (**Figure 11**).

Figure 11. Gender differences in personal milestones that student debt has delayed



Pursuing further education is also an important personal goal and milestone that is tied to a host of positive [mental](#) and [physical](#) health benefits, as well as improvements in earning [potential](#). Whether it is completing an unfinished degree, pursuing a higher degree, or getting a new credential for work, education unlocks career and personal growth.

We gauged survey respondents' interest in further education by asking two questions:

- Whether respondents believe they have the highest degree needed for their career, or if they believe they need a more advanced degree than what they currently have to advance in their career
- How likely respondents say they are to pursue further education within the next five years

Of all borrowers, 46% reported that a higher degree would be needed to advance their career (e.g., having a bachelor's currently, but thinking that they needed a Master's to advance in their career), but only 26% of the total sample indicated that it was very likely they would return to education within the next five years.

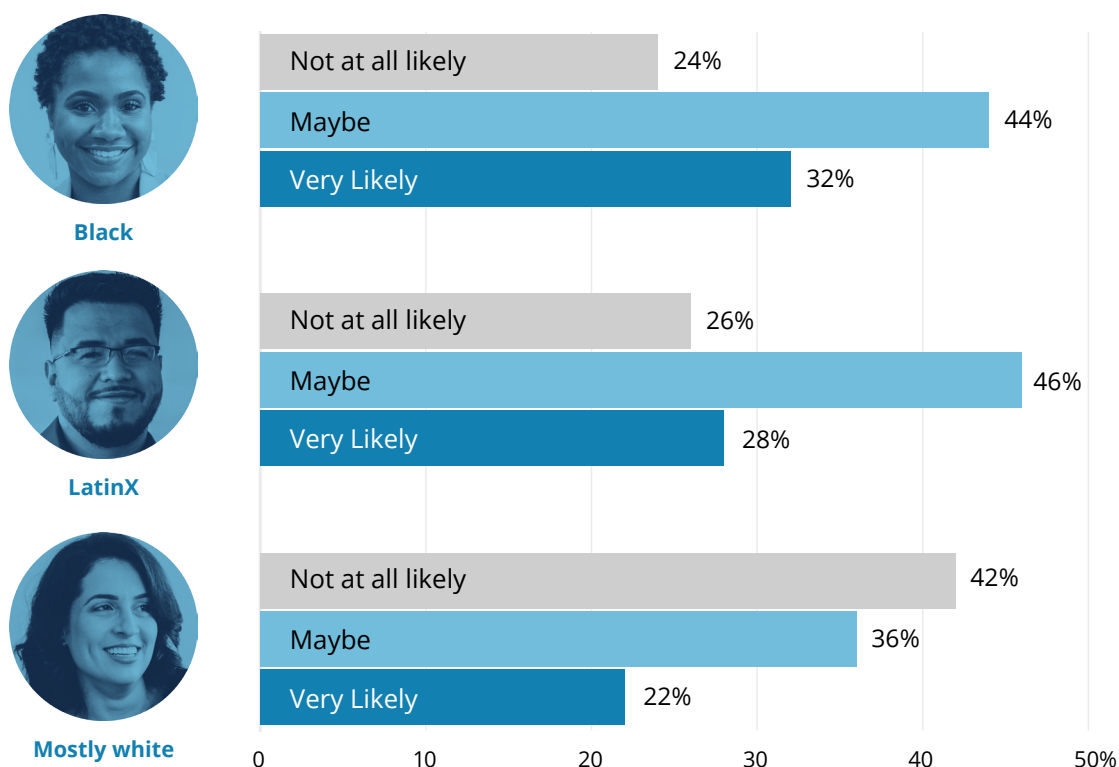
This difference was the most stark among respondents without a bachelor's, of whom 74% reported needing a higher degree to advance in their career, but only 23% reported being very likely to pursue further education within the next five years. Respondents without a

bachelor's indicated a 49% higher need to pursue the next degree compared to respondents with a bachelor's, but showed no higher intent to pursue further education. This finding is concerning given that this subsection of our respondents are arguably the most in need of further education.

Homing in on the likelihood of returning to education, younger borrowers were more likely to consider returning to education within the next five years in comparison to older borrowers.

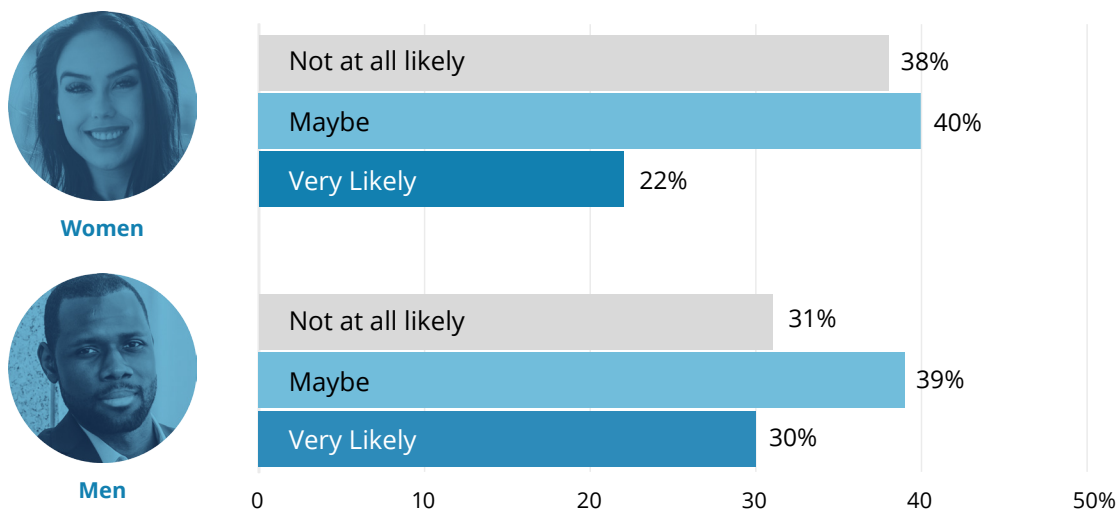
Black and LatinX respondents were more willing to return to education compared to the respondent group that was mostly white, when controlling for age (**Figure 12**).

Figure 12. Race/Ethnicity differences in returning to education in the next five years



Women were also less likely to indicate being interested in returning to education compared to men. This is an interesting finding given that women were also less likely to believe that their education was worth the financial cost. Thus, women may feel that they are getting less for their money in pursuing a degree and are therefore less interested in pursuing further education (**Figure 13**).

Figure 13. Gender differences in returning to education in the next five years



TAKEAWAY: Student loans also affect borrowers in their personal lives, becoming a factor that borrowers must consider when making decisions that are deeply personal to them, including marriage, having children, pursuing a career they are passionate about, and pursuing further education.



RESCUING BORROWERS FROM A BROKEN SYSTEM: A CALL TO ACTION

The data presented above paint a stark picture of a broken student loan system. The student loan system was meant to create access to opportunity but has grown into a system that anchors down borrowers and undermines the financial and personal well-being of many, particularly those who carry the debt but not a degree.

Despite the Biden Administration's best efforts to forgive debt and provide new ways to help borrowers manage their debt burden, we've already reported that borrowers continue to be unaware of their options and not reap the benefits of these changes. Moreover, these efforts are largely backward looking and side step the root cause of the debt crisis. They help those who hold debt today but do nothing to mitigate the debt burden of students in the future.

Our nation needs policy leaders, student advocates, higher education institutions, and even employers to help current borrowers out and create avenues to support future borrowers. This will not only benefit borrowers but will lift a heavy anchor that has affected our nation's finances and the productivity of our workforce. We also need serious leaders who aren't afraid to surface the root causes of this crisis and imagine and advance radical proposals to address them.

There is no doubt a massive amount of work to do to remedy this crisis. We offer two specific calls to action.



CALL TO ACTION #1: EDUCATE BORROWERS ON REPAYMENT

Borrowers need better information on and support with loan repayment options, especially borrowers without a bachelor's degree. This responsibility must be shared by higher education institutions, borrower advocates, and, even, employers who play an important role in establishing their employees' long term financial wealth through their employee benefit programs.

Our survey shows just how serious and long-lasting the effects of carrying student debt can be on the emotional, financial, and personal well-being of individuals. In the last year, the Biden Administration has rolled out many new [programs](#) and [loan repayment options](#) to borrowers in the hope of alleviating the stress and impact of carrying loans. Though well-meaning and reasoned, these programs can be difficult for borrowers to understand and access.

In a [report](#) that we published in September 2023 using data from the same survey sample in this report, we found that many borrowers faced a significant information gap about repayment support and options. Significantly, those without a bachelor's degree seem to be particularly in the dark. Relative to those who have earned a bachelor's degree, those without one were:

- Less likely to know their student loan servicer
- Less likely to find their loan servicer trustworthy

- More likely to not know any of their alternative repayment options (e.g., Graduated, Extended, and Income-Driven Repayment plans)
- More likely to have used none of the alternative repayment plans

Without good information or guidance from loan services, borrowers can easily find themselves in a repayment plan that is harder to manage or may ultimately cost them more money, which only adds to the burden borrowers, as we report above, are clearly feeling. As an example, 31% of all respondents in our survey reported working for the local, state, or federal government, or in health, education, or law enforcement. These borrowers likely qualify for Public Service Loan Forgiveness (PSLF), which would allow them to have their remaining loan amounts forgiven in full after roughly 10 years of eligible [payments](#). However, only 24% of this group who were likely eligible⁴ reported taking advantage of PSLF. Similarly, 34% of all respondents fell into the range of low household income (less than \$50,000), which increases their chances of qualifying for \$0 monthly payments on their student loans through government Income Driven Repayment ([IDR](#)) options like the new SAVE program. Among these individuals, only 33%, however, reported being on an IDR plan. A further 26% of these individuals reported having their loans paused on deferment or forbearance instead, which is a [less helpful option](#) than being on an IDR plan. Both Public Service Loan Forgiveness and IDR have historically been underutilized due to lack of awareness and challenges in navigating the application process.

Educating borrowers on the potential long-term impact of carrying loans on their finances, the options that they can access for debt repayment, and the sources that they can consult in accessing these options is [vital](#). This kind of education and support can not only empower borrowers to manage their payments and repay their loans, it will protect them from being led astray by servicers who steer borrowers to the easiest process repayment models, even if these aren't the best models for the [borrower](#). This responsibility must be shared by higher education leaders, policy makers, borrower advocates, and even, employers.



4 Since borrowers need to make 120 qualifying payments to qualify for PSLF, we limited the age of respondents to over 31 years when assessing how many of those working in the public sector had applied for PSLF.



CALL TO ACTION #2: EXPAND EMPLOYER STUDENT LOAN BENEFITS

Employers need to educate themselves about the number of their employees who are struggling with loans and educate their employees about existing repayment and forgiveness programs. Employers also need to understand how supporting their employees with loan repayment is good for employees as well as their organization's productivity, and performance.

Supporting employees with their student loan debt can benefit employers and reduce voluntary turnover expenses. Federal programs allow employers to do more than educate their employees on student loan repayment. Federal policies give employers a tax incentive to assist with their employee's loan repayment. Public sector and non-profit employers can certify their employees as eligible for loan forgiveness, and soon employers will be able to accept their employees' student loan payments as the match payment for their retirement account, allowing borrowers to build retirement by paying back their student loan.

However, we found that, [despite improvements in recent years](#), few employers, particularly those with low wage workforces, offer debt repayment as an employment benefit. In addition, [record-keeping issues](#) by the Department of Education lead to many eligible employees in the non-profit and public sector not qualifying for federal loan forgiveness plans.

Workplace student loan repayment benefits are a valuable but underutilized remedy for borrowers struggling

to repay loans. Employers that don't currently offer this benefit would be well-served to reconsider. Chances are, employers, particularly those with a large proportion of service sector workers, have more employees with student debt than they realize. Surveys show that younger employees are looking for these benefits when taking [jobs](#) and are likely thinking of these benefits when deciding to stay in [jobs](#).

Generally, employers can assist their employees with three broad types of student loan benefits:

1. **Loan Program Navigation:** Provide education and support in navigating existing student loans, including support in applying for available government repayment and forgiveness programs, like IDR and PSLF. These programs can immediately lower monthly payments and are most likely to benefit low and moderate income workers and public sector workers.
2. **Employer Match:** Contribute directly to helping pay down employees' student loans over time, typically by making payments on top of employees' regular monthly payments up to a specific amount.
3. **Secure 2.0:** Support employees' retirement savings by counting student loan payments toward the calculation of employees' retirement match.

As mentioned before, we found that concerning few employees in public service sectors like government, non-profit, education and healthcare were taking advantage of PSLF. Employer support in both educating their employees and certifying their employment as public service workers is critical and can increase public service workers' ability to take advantage of a more favorable forgiveness plan. Similarly in the private sector, many low and middle income employees with student debt may be eligible to substantially lower their monthly student loan payments on an IDR plan but are not enrolled in one. Private sector employers can help make sure that all of their employees, particularly those most at financial risk, are able to access these critical benefits.

Employers can also offer to pay up to \$5,250 of an employee's student loans, [tax free](#). This amount would cover [21% or more](#) of the outstanding debt held by half of student loan debt holders⁵.



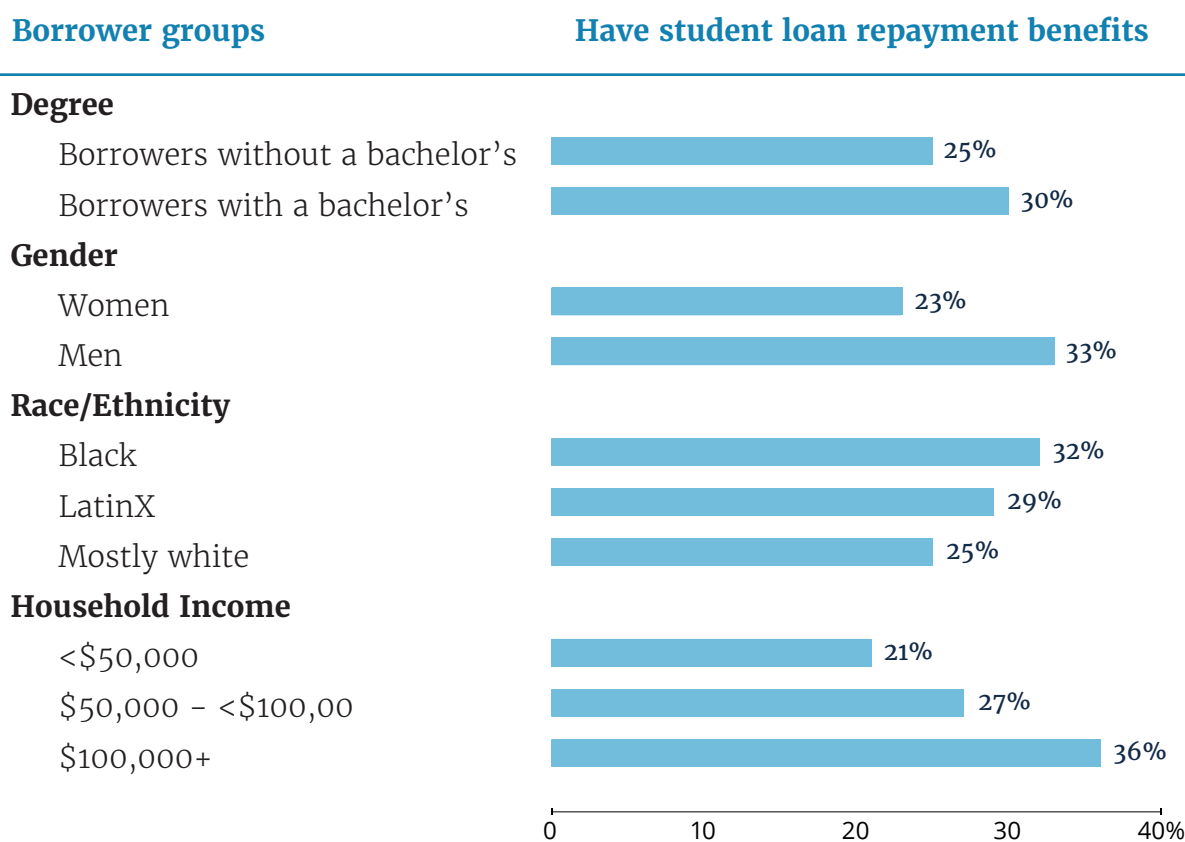
5 The median outstanding debt owed by student loan borrowers is between \$20,000-\$24,999

Only 21% of our respondents overall reported that their employers provided student loan repayment benefits. These benefits were less likely to be available to borrowers (see [Table 1](#)):

- Without a bachelor’s degree
- Who identify as women
- Who were in the respondent group that was mostly white compared to Black respondents (LatinX respondents did not significantly differ from either group)

We also found that individuals in households that earned less than \$50,000 were substantially less likely to have access to loan repayment benefits than those in households earning more than \$100,000. This is despite the fact that a great many individuals working in low-wage jobs hold student debt. For example, the Equifax Workforce Financial IQ report shows that 18% of workers in the construction industry hold student debt and pay, on average, \$334 a month. Twenty percent of accommodation and food services industry employees have student loans and pay, on average, \$236 per month.

Table 1. *Availability of employer-provided student loan repayment benefits*



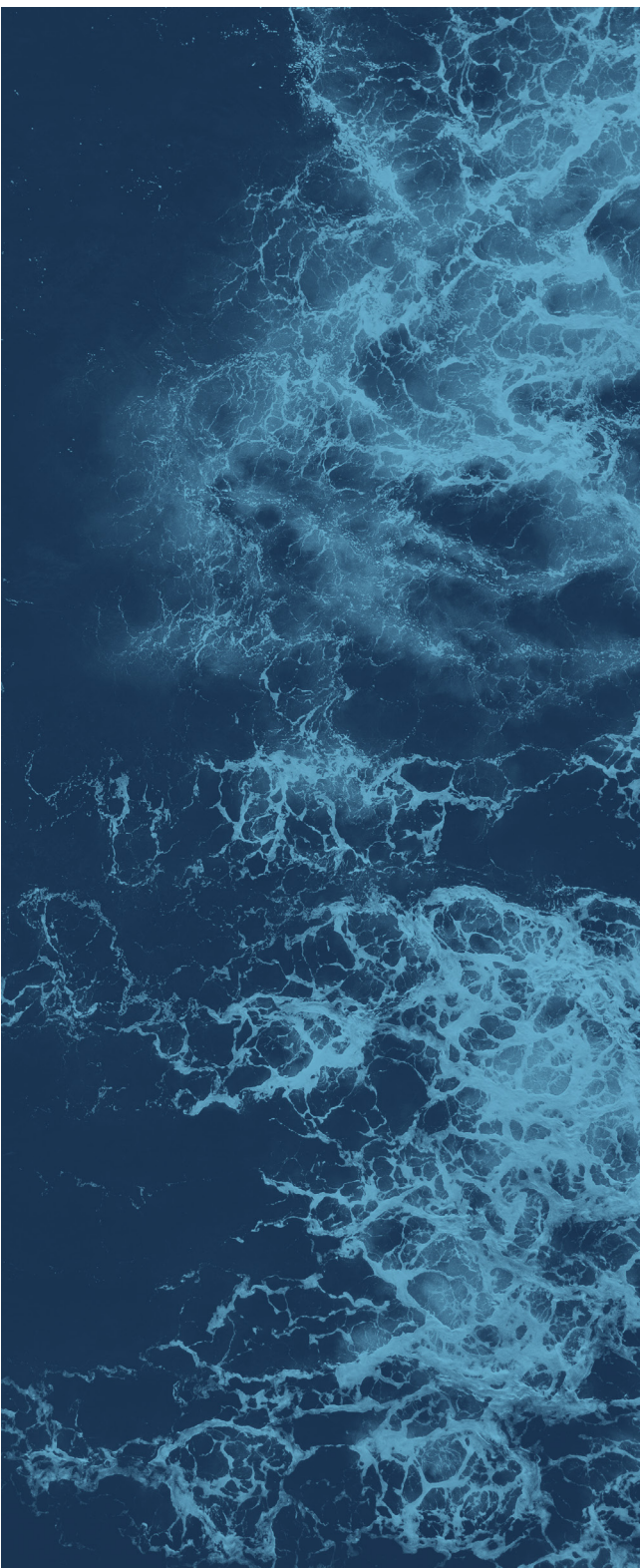
In early 2024, the [SECURE 2.0 Act of 2022⁶](#), a new federal act aimed at boosting personal retirement accounts, will allow employers to match an employee's student loan repayment with a contribution to their employer sponsored retirement account. For example, if the employee makes a \$236 payment for their student loan, their employer can count that payment in their retirement match calculation and provide \$236 into the employee's retirement account (up to the retirement match limits set by the employer). Employees with limited resources would no longer need to push off retirement savings while repaying their student loans as long as their employer has a retirement match program.

There are good reasons for employers — particularly employers in low-wage sectors — to help their workers manage their student loans. A [stressed workforce is a less productive workforce](#) and, as we've shown above, student debt generates a great deal of stress for individuals. Workers with student loan debt are less likely to [remain in a job](#), and voluntary turnover expenses cost U.S. businesses [a trillion dollars every year](#). More and more employers are [recognizing their responsibility to help](#), not only to support their workers but also to improve their bottom line. Loan repayment support may be a powerful retention tool to mitigate the [high and costly turnover of employees](#), especially in low-wage occupations.

As Andy Hooper, CEO of Hart House, a fast food restaurant chain, explains:

“Employers should be proactively investing in the financial health of their employees, including on student debt. Financial precarity has a direct impact on engagement and job performance; addressing those concerns is not only the right thing to do, it’s smart business, improving results while also serving as a key differentiator for attracting and retaining great talent. We are excited to offer a student loan benefit for our employees.”

6 The SECURE 2.0 Act of 2022 was signed into law by President Biden in late 2022. The intention of SECURE 2.0 was to get workers to save more toward retirement, improve retirement rules, and lower the employer cost of setting up a retirement plan. Section 110 of this law concerns the employer retirement contribution match based on employees' contributions to their student loans and will go into effect at the beginning of January, 2024.



LONG-TERM SYSTEMIC ACTION NEEDED: THE STUDENT LOAN SYSTEM IS BROKEN AND IN NEED OF BOLD SOLUTIONS

The negative impact of student loans on borrowers continues to be documented by research and came through loud and clear in the responses to our survey. A troubling share of borrowers are struggling with their loans; they are stressed and feel hopeless about them; they regret taking out the loans and are questioning the value of the education they received; and they are showing surprising reluctance to continue their learning (even though a great many think it will advance them professionally). The impact of loans is long and deep, steering people away from pursuing their passions and diverting them from key financial and personal milestones. The disproportionate impact across nearly all of these factors further fuels economic, racial, ethnic, and gender disparities.

Higher education is still strongly associated with economic prosperity though it is getting harder for graduates to feel the benefits in their day to day lives. A 2021 report shows that the median lifetime earnings of those with some college and no degree is \$1.9 million and \$2.0 million for those with an associates degree. In contrast, for those with a bachelor's degree, median lifetime earnings reach \$2.8 million and \$3.2 million for those with a master's degree.

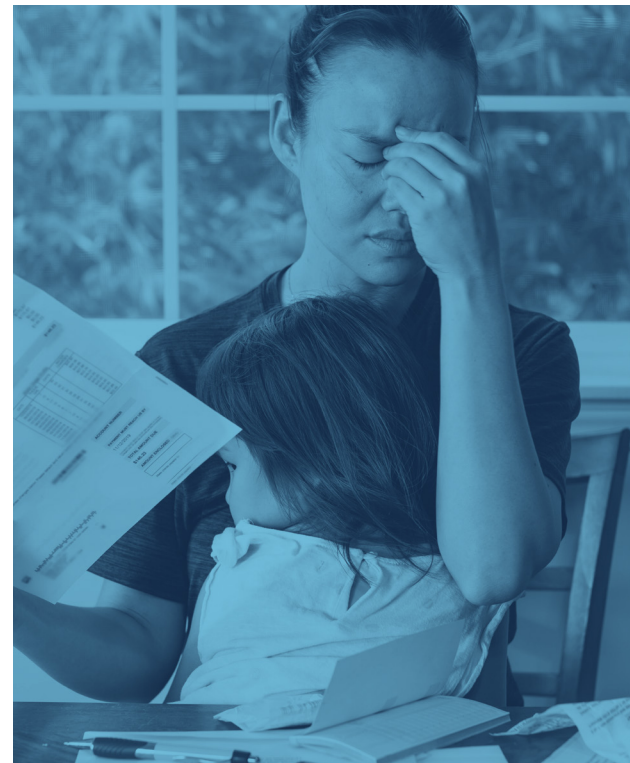
As wage growth lagged behind costs for basic goods, services, and housing, more and more households, even those with degrees, are finding it hard to make ends meet, making it very difficult to see how a degree pays off. Student debt holders are making hard choices, ones that our survey suggests too often

hold them back from reaching the key milestones and foundations of adult life — moving out on their own, building savings, buying a home, and pursuing a job they're passionate about. And it is not mere perception that borrowers are falling behind compared to their peers who never took out student loans. The data from our respondents revealed that bachelor's degree holders with student loans are indeed lagging in the accumulation of all types of financial assets we asked about, in comparison to bachelor's degree holders who never took out student loans.

Solving a crisis of the scale and gravity of the student loan crisis is almost beyond comprehension. Current solutions that include forgiving debt and offering new repayment plans, and even the solutions we propose — boosting borrowers' knowledge and expanding employer benefit programs — will help many current borrowers today, but will do nothing to stop future students from accruing mountains of debt.

We need more ambitious solutions that address the root causes of this crisis, including (but undoubtedly not limited to) the unaffordability of college, the high cost of living as a college student (rent, food, books, fees, and much more), and underperforming institutions that accept students and then fail to support their successful completion. Higher education policy desperately needs problem solvers who are willing to take bold swings, who are willing to propose solutions that challenge our core assumptions about student loans, and who can stand up to the powerful counterbalance of the status quo.

Student loans are weighing on the lives of 40 million Americans. This impact is not experienced in a vacuum; the financial and personal milestones delayed by student loans are felt by parents, children, siblings, relatives, and others in the borrower's network. We can assume that these highly visible challenges are also impacting countless others' lives and feelings toward higher education. To begin working toward an equitable society where individuals can pursue the education, career, and lifestyle they desire with far-reaching intergenerational benefits, the crisis of student loan debt must be resolved. Who is willing to roll up their sleeves?



APPENDIX

NOTE ON TIMING OF THE SURVEY

Gallup administered the survey between June 1 and June 20, 2023. Within this timeframe, borrowers already knew that the Biden administration's debt repayment pause was not going to be extended, and that their student loans would resume at some point in 2023. The exact date was not decided on until the survey began, so some borrowers responding to the survey may not have known the exact date repayments would commence. However, all borrowers who took our survey, provided that they were tracking the news, would have known that their repayments were going to start again in the near future.

Separately, but relevant to loan repayment, the Supreme Court issued its ruling striking down the Biden administration's plans to forgive up to \$20,000 of student loan debt on June 30th. The fate of loan forgiveness was not resolved until after the survey closed.

METHODOLOGY

On behalf of WGU Labs, Gallup conducted a web-based survey of US adults ages 21 to 50 to understand how student loans have impacted their lives, including their financial choices and their decisions to pursue additional postsecondary education.

The survey was administered to a non-probability, opt-in panel sample and demographic quotas were used to ensure the sample of respondents was broadly representative of the adult US population. Respondents were able to complete the survey on a desktop computer, tablet, or mobile device.

Gallup administered the survey to the following three subgroups of U.S. adults:

1. 350 Bachelor's degree holders (and above) with no student loans
2. 1,520 Bachelor's degree holders (and above) with student loans, including an oversample of 350 Hispanic and 350 Black borrowers
3. 1,536 adults with either an Associate's degree or some college credit but no Bachelor's with student loans, including an oversample of 350 Hispanic and 350 Black borrowers

FIELDWORK

Fieldwork was conducted between June 1, 2023 and June 22, 2023.

Fieldwork Management

As a standard procedure, Gallup sets “soft quota” targets on key demographics for population samples to ensure a good balance of responses from different groups of people and to reduce bias. Additionally, soft quotas control for subgroups who are more likely to respond quickly, thus giving late responders (who are more likely to be from harder-to-reach subgroups) more time to complete the survey. These soft quotas are a critical tool when administering surveys to opt-in web panels, where respondents tend to be older and have higher education and income levels.

Gallup used the 2021 Survey of Household Economics and Decisionmaking (SHED) data set from the Federal Reserve to develop soft quotas for our target population of US adults ages 21 to 50. Gallup set quotas for gender and region within each subgroup described above.

Gallup monitored the demographic composition of respondents throughout the fieldwork period to bolster the representativeness of the sample.

Quality Assurance (QA) and Quality Control (QC) Procedures

Gallup employed a variety of QA/QC procedures to ensure the highest data quality, including reviewing the following metrics on a daily basis during the fielding period as well as at the close of fieldwork:

- **Speeding:** Identifies respondents who are moving too quickly through the survey to provide quality responses. Gallup removed cases that were one-third below the median survey length.
- **Straightlining:** Identifies respondents who provide the same response to most or every item within a battery of questions when such responses are not plausible. Gallup also looks across items to see if respondents are selecting the same response options across multiple sets of items (e.g., if a respondent straightlines across more than one battery of items). For this study, Gallup identified some potential straightlining in the L19 battery (that measured the extent to which borrowers trusted a series of sources for information about debt repayment) but opted to retain those cases as, given the question wording, it was plausible for a respondent to select the same response option for each question in the battery. Gallup also confirmed that respondents did not select only the top or bottom responses across the questionnaire.
- **Consistency/logic checks:** Identifies respondents who provide inconsistent responses across items. Gallup also compared distributions of items that may lead to more satisficing from respondents and flagged extreme outliers.

Throughout the fieldwork period, Gallup checked all cases that met one or more of the criteria above. Gallup automatically removed any case that had at least two quality concerns associated with it and investigated other cases that had one instance of potentially fraudulent or inattentive behavior.

Weighting

Gallup conducted post-stratification weighting on the final samples for each subgroup and the sample overall, constructing five weights in total.

Variable Name	Description	Stratification Variables	Use
group1_weight	Weight for BA+ no loan scaled to the sample size	race, age and income*	When comparing group specifically
group2_weight	Weight for BA+ with loan scaled to the sample size	race, age, region, income and gender	When comparing group specifically
group3_weight	Weight for Associates some college with loan scaled to the sample size	race, age, region, income and gender	When comparing group specifically
proj_weight	Weight for BA+ no loan scaled to the US population	race, age, region, income and gender	When wanting to project to the national prevalence
total_weight	Weight for all cases scaled to total sample	race, age, region, income and gender	When wanting to analyze the entire sample without needing to incorporate weighting effects

*Due to small sample sizes within this subgroup, region and gender were omitted for stratification.

The post-stratification variables included race, age, income, gender, and region. Gallup constructed these demographic targets using the SHED data set. Gallup conducted post-stratification using a raking procedure, ranking multiple times with different trimming options and choosing the option with the best tradeoff between variance introduced from weighting and how closely the data matched the national demographic targets.

Finally, Gallup conducted an audit of the weighting procedure to assure that the weighting process was properly implemented.

Descriptive statistics for the sample

The tables below describe the weighted make-up of the sample. The sample is divided into three groups by debt category:

1. Student loan borrowers with a Bachelor's degree or higher
2. Student loan borrowers with an Associates degree or some credit for a Bachelor's degree but no Bachelor's degree
3. Individuals with a Bachelor's degree or higher who never took out student loans

The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of borrowers with a Bachelor's degree or higher.

Count of how many individuals were in each of the three debt category groups

Debt category group	Count	Percentage
Borrowers with Bachelor's degree or higher	1686.14	49.50%
Borrowers with less than a Bachelor's degree	566.49	16.63%
Individuals with Bachelor's degree or higher and no loans	1153.37	33.86%

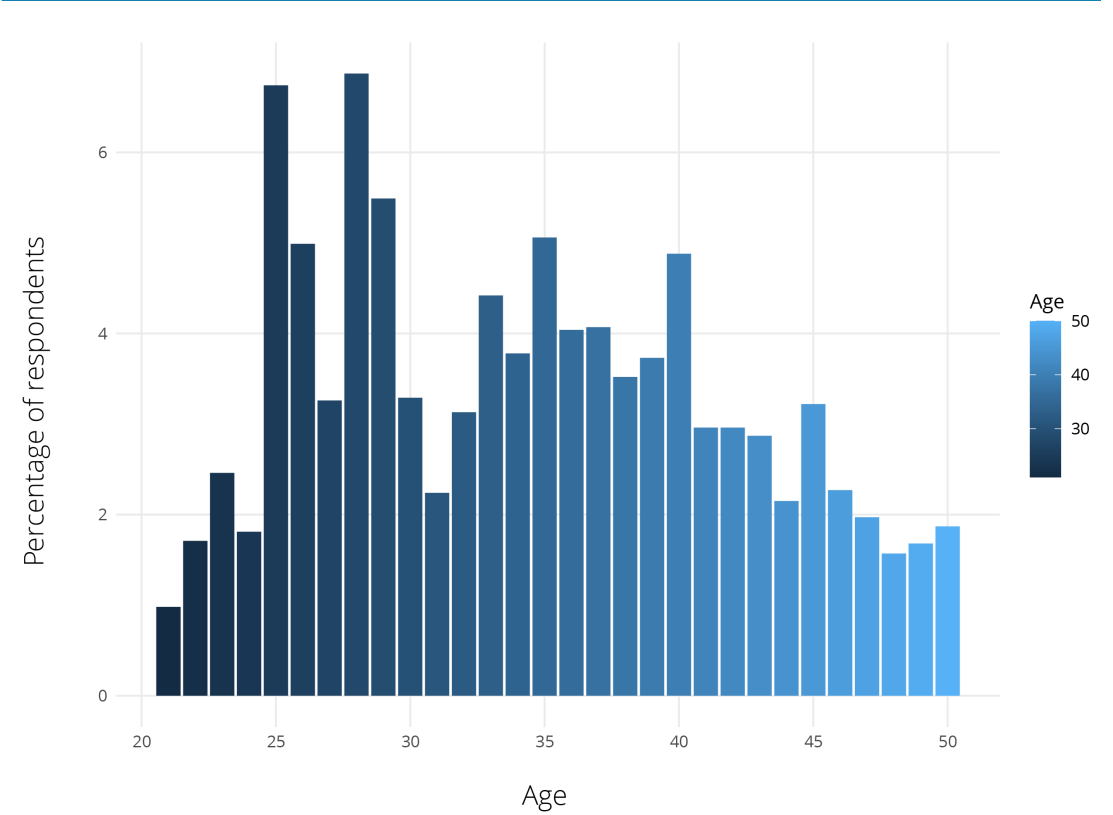
STATISTICS FOR STUDENT LOAN BORROWERS WITH A BACHELOR'S DEGREE OR HIGHER

The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of borrowers with a Bachelor's degree or higher.

Race/ethnicity group	Count	Percentage
Black or African American borrowers	170.22	11.20%
Hispanic or Latina/o/x borrowers	166.97	10.98%
Other borrowers (mostly white)	1182.81	77.82%

Gender breakdown	Count	Percentage
Women	837.81	55.32%
Men	668.13	44.11%
Non-binary folk	8.58	0.57%

Age breakdown



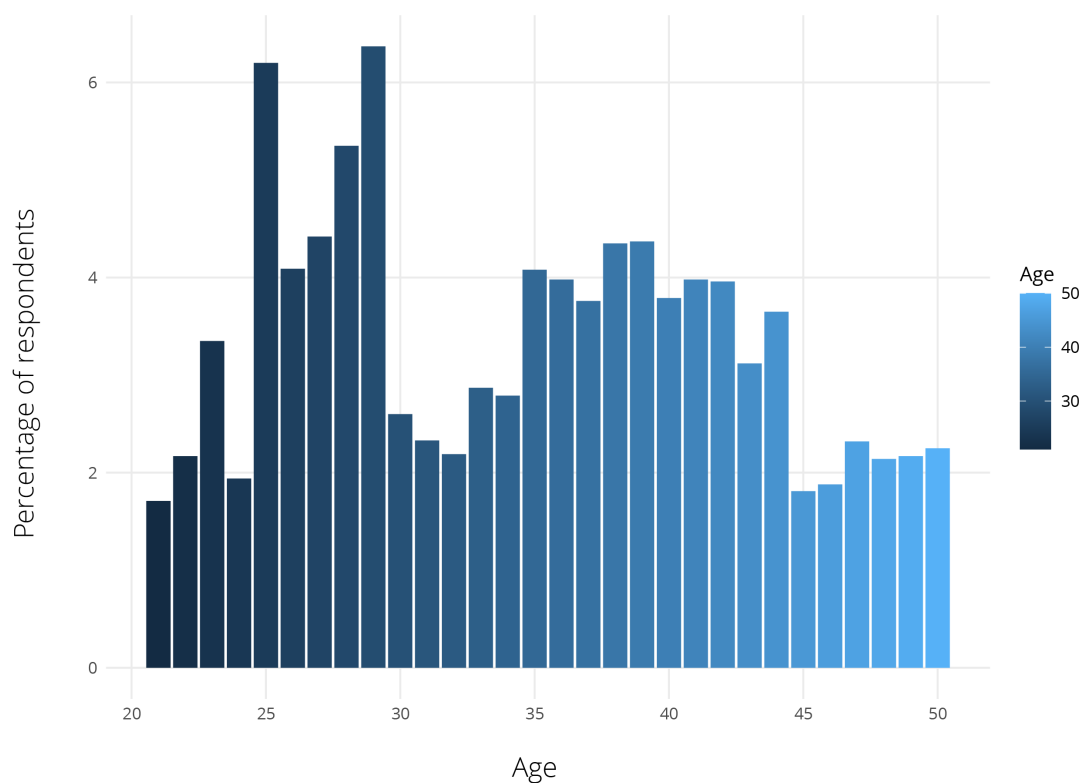
Statistics for Student loan borrowers with less than a Bachelor's degree

The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of borrowers with less than a Bachelor's degree.

Race/ethnicity group	Count	Percentage
Black or African American borrowers	326.76	21.27%
Hispanic or Latina/o/x borrowers	314.71	20.49%
Other borrowers (mostly white)	894.53	58.24%

Gender breakdown	Count	Percentage
Women	842.6	55.28%
Men	666.58	43.73%
Non-binary folk	15.17	1.00%

Age breakdown



Statistics for Student loan borrowers with less than a Bachelor's degree

The following tables contain the weighted counts and percentages of the race/ethnicity, gender, and age breakdown of borrowers with less than a Bachelor's degree.

Race/ethnicity group	Count	Percentage
Black or African American borrowers	19.36	5.53%
Hispanic or Latina/o/x borrowers	42.45	12.13%
Other borrowers (mostly white)	288.19	82.34%

Gender breakdown

	Count	Percentage
Women	197.59	56.49%
Men	152.17	43.51%
Non-binary folk	0	0.00%

Age breakdown

