

Diversity, Equity, and Inclusion . . . and Student Loan Debt

Student Loan Debt . . . and Diversity, Equity, and Inclusion



It is estimated that more than 45 million people have student loans in the United States, collectively owing \$1.7 trillion. Over the past year, EBRI has engaged in a significant amount of research to identify the impact of student loan debt on the retirement and overall financial wellness of Black and Hispanic workers. In a recent roundtable, EBRI's Diversity, Equity, and Inclusion (DEI) Council addressed findings from the research of EBRI and others, including key takeaways and possible implications and solutions.

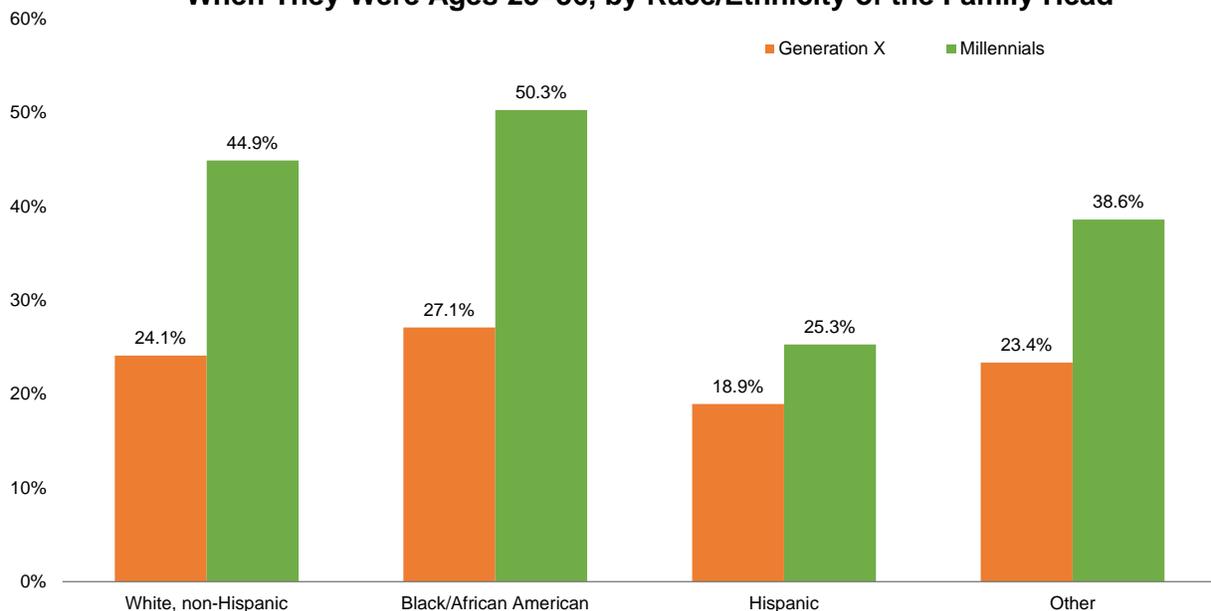
We thank the members of the DEI Council: Aon, Bank of America, Capital Group, Custodia Financial, Fidelity, FRTIB, Morgan Stanley, NEFE, TIAA, Vanguard, Voya, WEX Inc., and WTW.

EBRI Research

Millennials' Student Loan Debt Exceeds Other Generations'

In the *Issue Brief* "[Comparing the Financial Wellbeing of Baby Boom, Generation X, and Millennial Families: How Do the Generations Stack Up?](#)" EBRI found that one financial indicator that was universally higher for Millennial families compared with Generation X families at the same ages was the incidence of student loan debt. In some cases, the Millennial families were nearly twice as likely to have held student debt as the Generation X families. This higher likelihood of having student loan debt held true across each race/ethnicity of the families, with Black Millennial families having the largest difference relative to their Generation X counterparts (Figure 1).

Figure 1
Comparison of Generation X and Millennials' Student Loan Incidence When They Were Ages 25–36, by Race/Ethnicity of the Family Head

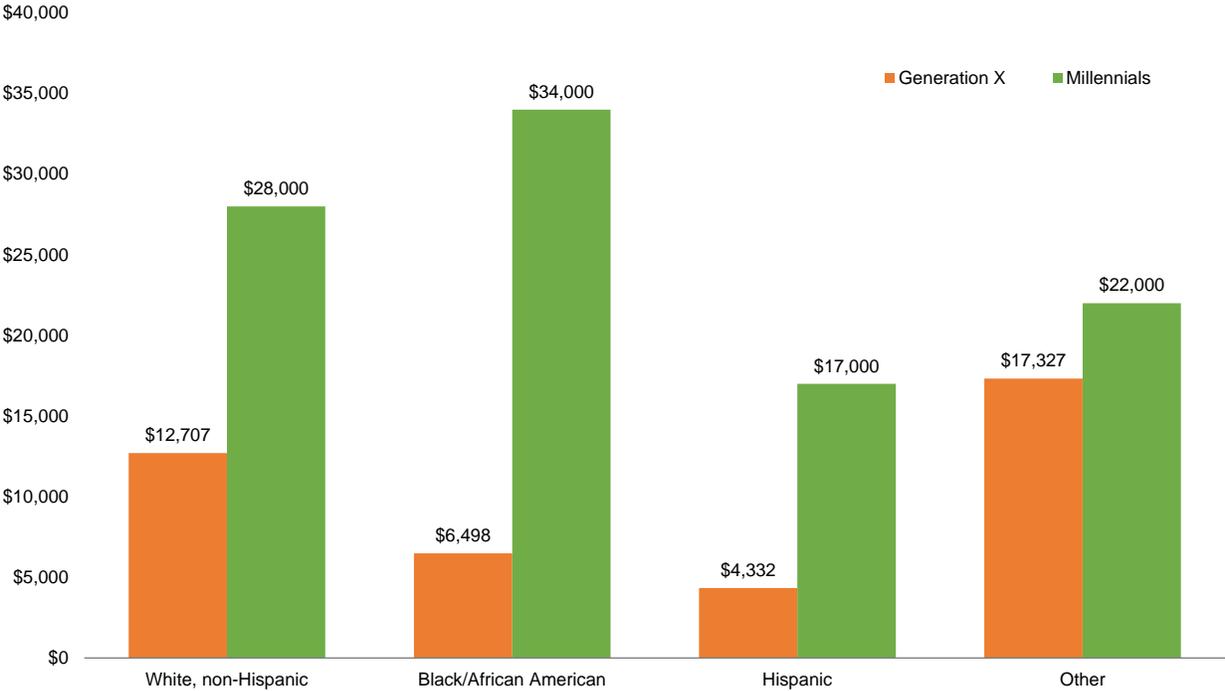


Source: Employee Benefit Research Institute estimates of the 2001 and 2019 Survey of Consumer Finances.

Further, the median student loan balances were also substantially higher across each race/ethnicity among the Millennial families (Figure 2). Black Millennial families showed the largest difference: The median student loan debt held by Black Millennial families was \$34,000 in 2019, compared with \$6,498 among the Black Generation X families at the same ages.

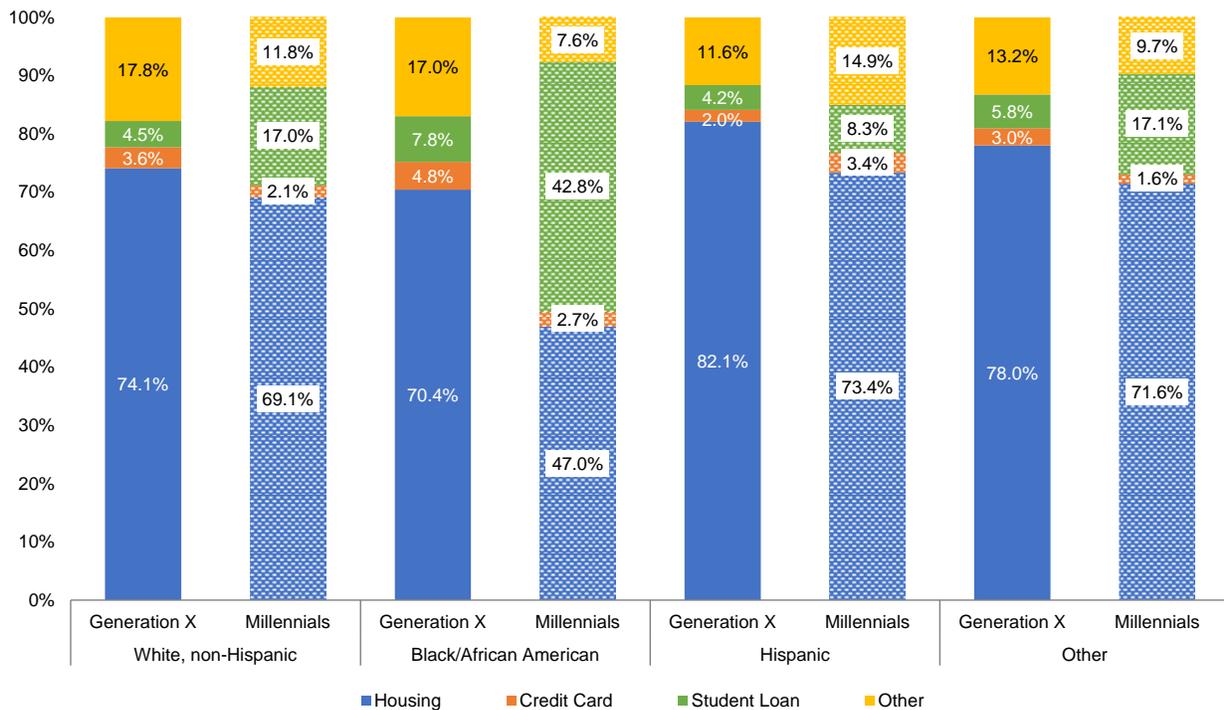
By race/ethnicity, student loan debt was also consistently higher for the Millennial families than for the Generation X families (Figure 3). However, the share of Black Millennial families' student loan debt stands out: Black Millennial family student loan debt comprised 42.8 percent of their debt, or more than five times that of the proportion that student loan debt represented for Black Generation X families at the same ages in 2001. Furthermore, the student loan debt share of Black Millennial families was 2.5 times greater than that of the White, non-Hispanic Millennial families.

Figure 2
Comparison of Generation X and Millennials' Median Student Loan Balances
When They Were Ages 25–36, by Race/Ethnicity of the Family Head



Source: Employee Benefit Research Institute estimates of the 2001 and 2019 Survey of Consumer Finances.

Figure 3
Comparison of Generation X and Millennials' Distribution of Debt Sources When They Were Ages 25–36, by Race/Ethnicity of the Family Head



Source: Employee Benefit Research Institute estimates of the 2001 and 2019 Survey of Consumer Finances.

Minorities' Student Loan Debt Has Significantly Increased

In the *Issue Brief* "[Student Loan Debt: Who Has It and How Much?](#)," EBRI found that families with minority heads saw significantly higher percentage increases in their average student loan debt held from 1992 to 2019 than did families with White, non-Hispanic heads — 461 percent for families with Black/African American heads and 334 percent for families with "other" heads vs. 190 percent for families with White, non-Hispanic heads.

Yet for those families whose head obtained a college degree, the assets accumulated were higher than for the families whose head had not obtained a college degree. As such, obtaining a student loan and getting a college degree can pay off over the family's entire lifetime. And from a policy perspective, it is important to recognize that two-thirds of student loan debt is held by families with incomes or net worths in the top half of their respective categories. Thus, EBRI concluded, a universal student loan forgiveness program, which has been discussed in some policy circles, would be of greater benefit to those with higher incomes. A targeted forgiveness program — or one that pinpoints individuals most in need of help — could focus the help on those most in need. Furthermore, lowering the cost up front may be more effective in helping individuals from families with lower resources to be able to afford college, instead of having these individuals face significant debt when they graduate (or don't graduate), which may scare them away from a college education altogether.

Student Loan Debt and LGBTQ Workers

According to the [2022 Workplace Wellness Survey](#), LGBTQ workers were more likely than non-LGBTQ workers to report that monthly bills and student loan repayments were the financial issues causing the most stress. However, LGBTQ workers were less likely than non-LGBTQ workers to report that they were offered a financial wellness program. LGBTQ workers were also less likely than non-LGBTQ workers to report that financial wellness programs were extremely useful: 17 percent of LGBTQ workers reported that they were extremely useful compared with 27 percent among non-LGBTQ workers.

Minorities Less Likely to Participate in Student Loan Debt Relief

In the [2021 Workplace Wellness Survey](#), EBRI found that lower- and higher-income Black and Hispanic workers were less likely than lower- and higher-income White workers to participate in student loan debt relief/repayment, with no differences among middle-income groups. Tuition reimbursement displays the same pattern.

Minorities Feel They Have Been Treated Unfairly

While most Americans suggest that they have received fair treatment by financial services companies, the [2021 Retirement Confidence Survey](#) showed that Black Americans of all ages were equally likely to feel that they were treated unfairly by financial service companies, while older Hispanic Americans were more likely to feel unfairly treated than younger Hispanic Americans. Hispanic Americans in the lower two income groups were more likely to disagree that they were treated fairly than White Americans, whereas Black Americans in the higher two income groups were more likely to feel this way relative to White Americans.

Minorities and LGBTQ Individuals Prefer Some Connection to Those Providing Financial Advice

Further, Black and Hispanic Americans prefer some connection to those providing them financial advice: either working with an advisor who has had a similar upbringing or experiences, is affiliated with their employer in some way, has a similar racial/ethnic background as them, or is the same gender as them. As such, Black and Hispanic workers would benefit from greater diversity among individuals providing financial help in the workplace and beyond. Also, Black and Hispanic workers express interest in one-on-one, personalized advice that builds on their comfort with having a connection to those providing them advice.

EBRI's "[Retirement Confidence Survey and the LGBTQ Community](#)" showed that in choosing or considering a financial advisor, the criteria that LGBTQ Americans are more likely to say are important are working with an advisor who has had a similar upbringing or life experiences as them, working with an advisor who is the same gender as them, and working with an advisor who is an ally of the LGBTQ+ community. Roundtable participants pointed out that being given advice that's from the point of view of a straight, White male can be perceived as applying to only straight, White, married people.

Insights From the DEI Roundtable:

Biden Student Loan Debt Relief

The roundtable started by discussing why concerns about student loan debt and wealth inequality are relevant even in the face of President Biden's potential student loan debt forgiveness package. Roundtable participants cited research focusing on federal government loans eligible for forgiveness — with total outstanding balances of \$1.38 trillion as of December 31, 2021. Forgiving balances of \$10,000 per borrower would eliminate a total of \$321 billion of federal student loans, wiping out the entire balance for 11.8 million borrowers (31.1 percent) and canceling 30.5 percent of loans delinquent or in default prior to the pandemic forbearance.¹ While this is significant, it is clear that even in the event that the student loan debt relief moves forward, quite a bit of student loan debt will remain. For those individuals who continue to have student loan debt, assistance from the employer will still be necessary.

Also of concern was the potential for the Biden program — should it move forward — to provide license for higher educational institutions to raise their tuitions even more. This would potentially add to student loan debt over the long term. Further, the roundtable wondered to what extent future student loan borrowers might be incentivized to take large loans in anticipation that they would be forgiven, when there is no guarantee that will be the case.

In sum, the roundtable believed that student loan debt remains a threat to diverse workers' financial stability that merits ongoing employer focus.

Student Loan Debt and the Wealth Gap

A key reason that student loan debt remains a relevant concern for diverse workers is that it has an enormous impact on the wealth gap between minority and other workers. For example, one study featured interviews of 45 low-income students at a four-year commuter university in Detroit. The study highlighted the difference between students who ended up dropping out of college and those who did not. Those who dropped out were more commonly low-income minority students who demonstrated a high level of debt aversion. In contrast, the students who stayed in college and persisted through their post-secondary career more commonly expressed a belief that they were investing in their

¹ <https://libertystreeteconomics.newyorkfed.org/2022/04/who-are-the-federal-student-loan-borrowers-and-who-benefits-from-forgiveness/>

future. For the former group, this is essentially a self-fulfilling prophecy, as those who take student loans but then do not graduate are likely to experience lower future incomes to pay down their student loan debt.²

Further, other studies suggest that even among those who do get the degree and the higher income, within Black and Brown communities, many times these individuals might be the first generation to be very gainfully employed. For them, paying down student loans faster, or even saving for retirement, might take a back seat to helping out friends and family.

Cultural differences also play a role. In focus groups, Asian and Indian American participants were more likely to say that they heard specific advice about saving and solid finances growing up. In contrast, Hispanic participants were more likely to say that their parents worked very hard but also lived more for the present and may not have a lot saved.

Who Holds Student Loan Debt

The roundtable turned to the topic of *who* holds student loan debt. They noted that women hold about two-thirds of the \$1.7 trillion in student loan debt, with Black women being more than twice as likely as White men to owe more than \$50,000 in undergraduate student loan debt.³ The group noted that this seems to be a function of how differently families save for their daughters' educations vs. their sons' educations. Obviously, with a disproportionate amount of student debt accruing to women, this can lead to poor financial outcomes longer term. Further, women are more likely to enter fields that do not tend to pay as much. This is potentially compounded by the lost years of income they may experience because of their role as caregivers.

In fact, Black women are more prone to seeing student loan balances *grow* over time. Research shows that while the typical White man has paid off about 44 percent of student loan debt 12 years after beginning college, the typical Black female borrower has seen her balance *grow* by an additional 13 percent.⁴

Additionally, one survey found that LGBTQ respondents had about \$112,607 in student loan debt, higher than the general population.⁵ Not only does this cohort leave college with more debt than the average student, but it is also more likely to engage in job hopping as they face discrimination and may therefore earn less than their non-LGBTQ counterparts. And so, LGBTQ workers not only have more student loan debt, but they may have less ability to pay down this debt.

There is also a generational component to the distribution of student loan debt. More than 3 million Americans ages 60 and older had more than \$86 billion in unpaid student loans collectively.⁶ Further, a large majority of American adults (84 percent) report that student loans are negatively impacting the amount they are able to save for retirement, with nearly 3 out of 4 borrowers reporting they are putting off maximizing their retirement savings. Among those who are not saving for retirement at all, more than one-quarter (26 percent) point to the need to pay off student loan debt as the reason.⁷

Much of this is driven by people who are near retirement and who are borrowing not on their own behalf, but on behalf of children and grandchildren. Another survey found that almost two-thirds of parents with student debt in their families (debt held either by themselves, their spouse/partner, or their children) were very worried about the student loan debt repayment pause ending, with half saying that when it does, they will likely find it difficult to meet basic family needs.⁸

Student Loan Debt and Social Mobility

The group noted that the narrative around student loans is that they are "good debt" that will ultimately fund themselves. Student loan debt is commonly viewed as a path to bettering oneself, achieving upward mobility, and

² <https://www.tandfonline.com/doi/full/10.1080/13676261.2021.2010692>

³ Bama, Christelle, Sunny Glottmann, and Juan Ramon Riojas, "Resilient But Deeper in Student Debt: Women of Color Faced Greater Hardships Through COVID-19." Center for Responsible Lending, June 2022.

⁴ <https://www.demos.org/sites/default/files/2019-06/Debt%20to%20Society.pdf>

⁵ <https://studentloanhero.com/featured/survey-lgbtq-student-borrowers-regret-loans/>

⁶ <https://www.insider.com/americans-over-60-paying-student-loans-2019-5>

⁷ <https://tiaa.new-media-release.com/mit-agelab/pages/fullrelease.html>

⁸ Parents Student Loan Debt Survey. ParentsTogether Action, August 2022.

having a higher lifetime salary that comes with higher education. However, this differs dramatically along race and ethnicity lines, as well as gender and other factors. Indeed, over the past two decades, more of the student loan debt increases have accrued to people who lack wealth within their family as a cushion to help pay it back.

So, the system that is meant to enhance social mobility can have the opposite effect. Twenty years after student loan debt origination, the median White borrower has paid back 94 percent of that loan. In contrast, 20 years after student loan debt origination, the median Black borrower still owes 95 percent of that loan, creating decades-long debt overhangs that limit borrowers' ability to build equity through homeownership, to save for emergencies, and to save for retirement. One concerning statistic is that more than half of all student loan debt at present is held by households with zero or negative net worths.⁹

Further, student loan debt can take its toll on the mental health of those carrying it. According to one study, 1 in 14 such borrowers experience suicidal ideation.¹⁰ For those single women with student loan debt earning less than \$50,000 annually, that number goes up to 1 in 6.

Nearly 1 in 7 adults between the ages of 25 and 64 have taken some college courses but not completed a degree, and Black adults are the most likely to have some college education but no degree.¹¹

Ideas for Creating an Inclusive Environment of Financial Help

Employers: Tackling the topic of ways to address the issue of student loan debt among minority workers, the roundtable started with the role of the employer. They pointed out that numerous studies show that for Black and Hispanic Americans, the workplace figures much more prominently when it comes to a source of financial help compared with White counterparts. However, when Black and Hispanic employees are offered student loan debt help, they were less likely to take advantage of it because they tend to believe that it doesn't meet their specific needs.

The roundtable noted that it is important to consider equity when it comes to being able to adopt available debt solutions. For example, those who work in roles where they do not have access to a computer or have free time to peruse the benefit site could be at a disadvantage for using available benefits. Employers need to consider this as well as deliverability of messages: If all messaging about available student loan debt help is coming through email, there are likely to be cohorts who will not benefit. Employers will do well to consider multiple ways that information can be disseminated, including text messages, one-on-one benefits advocates, or workplace champions.

Relating to the latter, a roundtable participant relayed the story of an athlete within a sports organization who wanted to help his fellow teammates with their financial situation. His employer realized the value of having a trusted source of such information among the teammates, even though the athlete himself didn't have all the knowledge he needed. The employer provided intensive financial coaching to the athlete so that he could knowledgeably talk to his teammates. In short, employers may want to consider recruiting trusted financial champions from their work force to help employees navigate student loan debt help.

Roundtable participants noted the value of leveraging affinity groups within the organization and within the community to help with messaging, coaching, and creating an environment of authenticity, cultural context, and trust.

Advisors: Some of the aforementioned lessons for employers can also translate into how advisors might better work with their diverse clients. Does the advisor understand the situation and circumstances of the individual with whom they're talking? Can they convey this to the individual in order to create a trusting relationship? Or are they speaking a language (figuratively or literally) that the individual does not understand, and therefore does not resonate?

However, the group generally agreed that one-on-one financial counseling is a valuable way to help workers navigate the daunting "maze of benefits" — including student loan debt help — they often face.

Providers: The roundtable agreed that there are several key ways that providers could help employers and their employees with student loan debt. Again, referring back to the "maze of benefits," it was suggested that providers could do more to harness technology in order to better direct workers to benefits they most need. This could include

⁹ <https://www.brookings.edu/essay/student-debt-cancellation-should-consider-wealth-not-income/>

¹⁰ <https://www.studentloanplanner.com/mental-health-awareness-survey/>

¹¹ <https://ticas.org/wp-content/uploads/2021/07/quick-facts-on-college-completion.pdf>

employing artificial intelligence to create a more leverageable financial coaching solution that would help direct workers to the appropriate financial help for their situation. But even low-tech solutions could be useful: One participant noted the potential value of an annual questionnaire that would ask workers to identify their most pressing financial — or other — stressors. The questionnaire could then include links to the benefits site, or other directions geared to help link workers to the help they need.

Policy and Regulation: The roundtable pointed out that recent proposed legislation could expand on permissible help. SECURE 2.0, for example, would codify guidance in terms of employer matching contributions based on qualified student loan repayments. This would build on the IRS private letter ruling that allowed this for one employer.

The roundtable noted that employers can also make improvements through exercises as simple as reviewing their tuition reimbursement policy. They noted that some employer tuition reimbursement policies have not been reviewed in 20 years. The roundtable agreed that expanding these programs could be a tremendous opportunity for employees to be able to take advantage of some of these dollars. However, tuition reimbursement can also be a budget buster for a benefits team. Taking all of this into consideration, President Biden's student loan forgiveness program could either have a cooling effect on employers' interest in tuition reimbursement (if employers believe it renders tuition reimbursement unnecessary), or it could have an energizing effect (if employers believe it makes tuition reimbursement more affordable).

Conclusion

By delving into the nuances of student loan debt and diverse workers, the roundtable was able to demonstrate how student loan debt can be a double-edged sword: Navigated well, student loan debt can provide diverse workers with a path to greater income and wealth; navigated poorly, it can exacerbate wealth gaps. The roundtable found that President Biden's potential student loan debt relief program is unlikely to be a panacea. However, there is much beyond this program that employers, providers, advisors, peers, and policymakers can do to level the playing field to help workers assume appropriate levels of student loan debt and pay it down effectively. Importantly, the roundtable also pointed to the importance of taking a focused approach that identifies and targets for help those who are most likely to struggle to repay student loan debt, such as individuals who assume student loan debt but do not obtain a college degree.