BRIEF LOOK

The Rising Burden of Education Debt on Older New Yorkers

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ATTAINING A COLLEGE DEGREE HAS LONG BEEN VIEWED AS A PATHWAY TO PERSONAL GROWTH AND ECONOMIC OPPORTUNITY IN THE UNITED STATES. But today, choosing that path can place an enormous burden on students and their families. The rising cost of higher education—paired with increasing enrollment—has meant that parents, grandparents, and spouses are taking on ever greater debt in order to finance their relatives' higher education. The rapidly increasing burden of education debt is now $1.6 trillion, including both federal and private education loans.[1]

For young adults, the costs associated with pursuing higher education are so high that their ability to sustain the burden alone is insufficient, pulling their older relatives into education-related borrowing. Although most education loan borrowers are younger adults between the ages of 18 and 39, those age 60 and older are the fastest-growing age segment of the education loan market. The number of people age 60 and older with education loan debt has quadrupled over the last decade in the United States, and the average amount they owe has also dramatically increased. In 2015, older adults owed an estimated $66.7 billion in education loans.

As parents and grandparents increase their reliance on borrowing to fund the education of their children and grandchildren, the total outstanding education related debt owed by those over 60 has increased dramatically.[2] Data from the Consumer Financial Protection Bureau reveals that in 2012 people age 60 and older in New York had $5.2 billion in outstanding education debt. By 2017, this amount increased by $4 billion (75 percent) to $9.2 billion. The data discussed in this report indicates that while some of these older adults are paying for their own education, the majority of debt incurred is for their children and grandchildren.

As a result, in New York and around the country, education debt is threatening the economic security of many families. Over a period of just five years, between 2012 and 2017, the number of adults age 60 and older with education debt increased by 44 percent from 181,000 to 260,000, and their total education debt balance increased by $4 billion. This is not always a story of grandparents who can afford to pay for their grandchildren; in many cases it is people who can ill afford the cost making significant sacrifices. Older Americans with outstanding education debt are, for example, more likely than those without such debt to report that they have skipped necessary health care needs such as prescription medicines, doctor's visits, and dental care because they could not afford it.[3]

The increased debt burden of grandparents has not decreased the burden on young students, but rather the debt for both groups is rising fast. Higher education has indeed been a path to increased earnings, professional opportunities and success, as promised, but the rising cost of colleges and universities have left millions of former students and graduates in deep debt despite increased earnings. The current system of families financing higher education so heavily through education loans also has an unequal impact on different communities, since Black and Hispanic households have just a fraction of the wealth of white households as a result of decades of being shut out of traditional ladders of economic opportunity.[4]

In New York State, the majority of graduates (59 percent) of both public and private nonprofit colleges in 2018 had education-related debt.[5] Students who graduate in New York borrow more than the average student; New York ranks 15th in the country for highest average debt of graduates. (According to The Institute for College Access and Success (TICAS), high education-debt states like New York are concentrated in the northeast, while low education debt states are mainly in the west.[6])

Education Debt is Squeezing Older New Yorkers

In New York State, the number of people age 60 and older with education loan debt increased by 44 percent from 181,000 in 2012 to 260,000 in 2017 (see Figure 1). The majority of older debtors' education loans are for their children's education.[7] The Bureau's analysis of survey data showed that in 2014, 73 percent of education loan borrowers age 60 and older report that their debt is owed for a child's (68 percent) and/or grandchild's (five percent) higher education. The remaining 27 percent of respondents reported that their debt is for their own or their spouse's education.

The Number of Borrowers Over 60 with Education Loan Debt Increased by 44 Percent in Five Years.

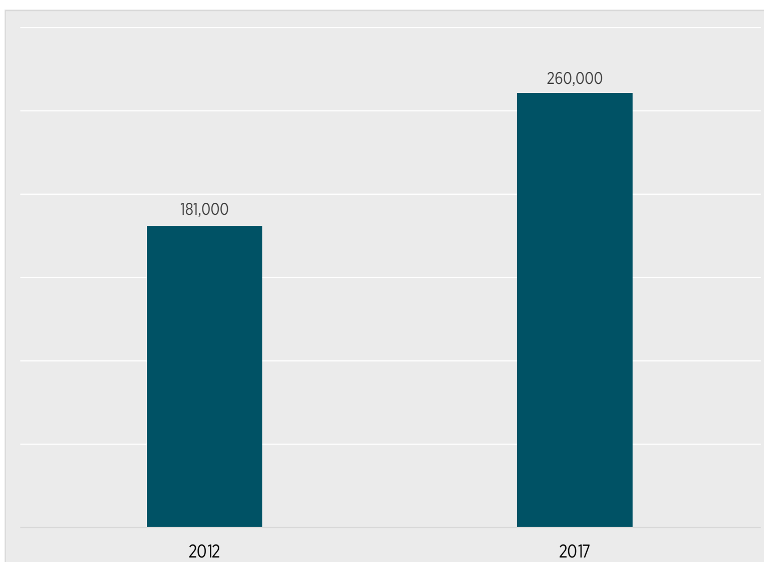

FIG. 1 Source: FPI analysis of Consumer Financial Protection Bureau, 2017, Older Consumers and Student Loan Debt by State

It can be hard for older borrowers to meet the demands of financing education, and if they fall behind, they risk losing Social Security benefits. Consequently, they may also struggle to meet basic needs. The proportion of older borrowers in delinquency in New York State increased moderately from 11 percent in 2012 to 13 percent in 2017.[8] A growing number of older education loan borrowers had their Social Security benefits reduced because of unpaid education loans.[9] The federal government can reduce a person's wages and may reduce a portion of tax refunds and many government benefits for failing to repay federal education loans.[10]

Total Education Loan Balance for People Over 60 Increased by $4 Billion Over Five Years

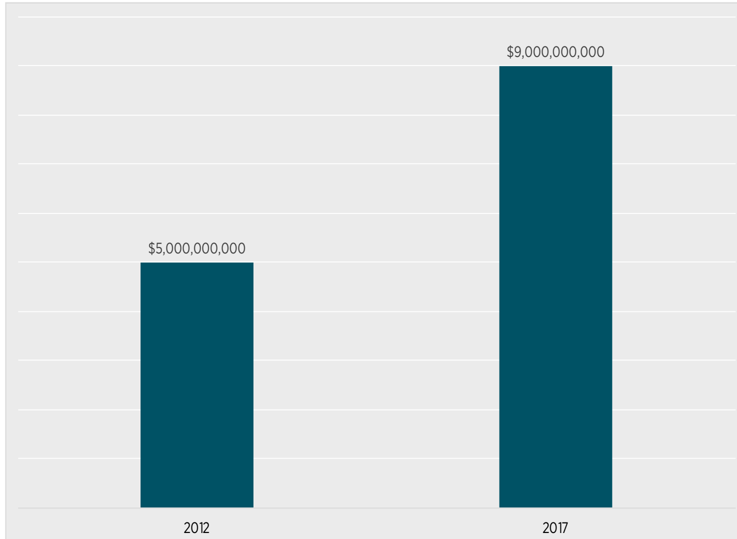

FIG. 2 Source: FPI analysis of Consumer Financial Protection Bureau, 2017, Older Consumers and Student Loan Debt by State

Across the Country Education Debt is Squeezing Older Americans

National trends parallel those in New York. In the United States as a whole, people hold more education-related debt and have higher education loan debt balances than any point in history, and the number of those age 60 and older with outstanding education loan debt has risen to record highs. Around the country, the number of people 60 and older with education debt increased from around 600,000 in 2004 to over four times as many, totaling 3.2 million in 2017 (see Figure 3). This fourfold increase makes Americans over 60 years old the fastest growing

Education Debt Holders Age 60 and Older Steadily Increased Between 2004 and 2014 in the US

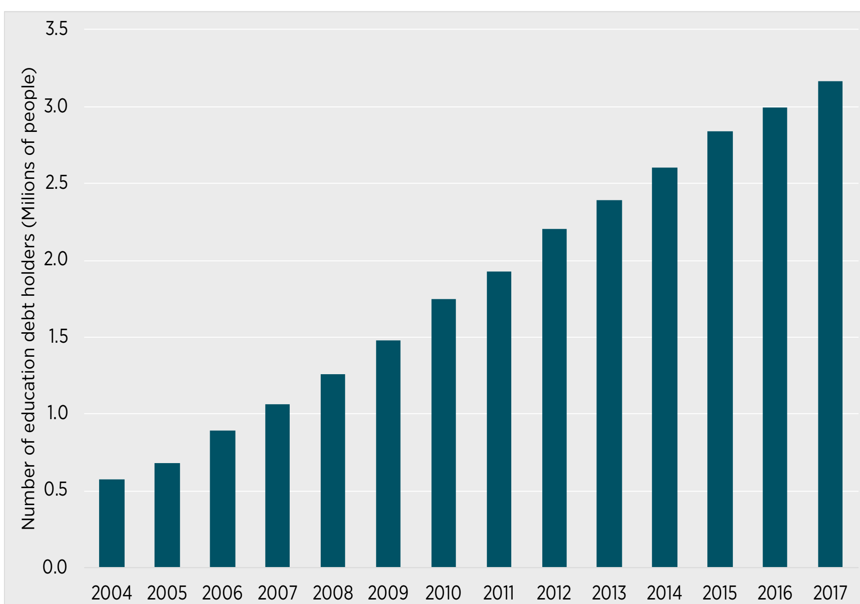

FIG. 3 Source: Federal Reserve Bank of New York Consumer Credit Panel/ Equifax

age cohort in the student loan market.[11]

Although most people who borrow to finance their education related needs are young adults below 30 years old, people over 60 are the fastest-growing age cohort.[12] While the number of young adults under 30 who took out loans for their education increased by 11 percent between 2012 and 2017, people over 60 saw a staggering 43 percent increase during the same time period (see Table 1). Borrowers over 60 represent the highest increase in the number of borrowers of any age cohort.

Borrowers Over 60 are the Fastest Growing Age Cohohort

Years	Under 30	30-39	40-49	50-59	60+
2004-2017	48%	117%	131%	148%	453%

Table 1 Source: Federal Reserve Bank of New York Consumer Credit Panel/ Equifax

The Consumer Financial Protection Bureau found the number of older Americans over age 60 increased by at least 20 percent in every state in the nation including the District of Columbia and Puerto Rico, and the number of people with education loan debt increased by 46 percent or more in half of all states.[13]

There is a widely held misconception about who is burdened by education debt. The term "student" loans paints the picture of college aged students with this debt, however using this term distracts us from seeing the wider net of people who are caught in this trap. In the United States as a whole, the last time education debt holders under 30 were the majority of all education borrowers was in 2004. Since 2004, this age cohort has seen a decline in the share of borrowers. The share of people under 30 with education loans decreased by 12

Borrowers under 30 dropped by twelve percentage points from being half of all borrowers since 2004. Meanwhile, shares of every other age group

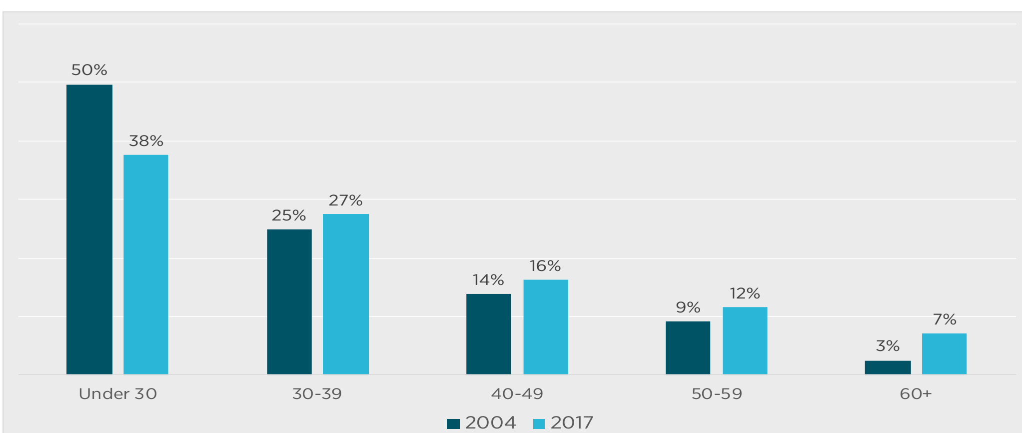

FIG. 4 Source: Federal Reserve Bank of New York Consumer Credit Panel/ Equifax

percentage points between 2004 and 2017 (see Figure 4).

Education debt holders over 60 are the smallest but also the fastest-growing group- growing from three percent to seven percent of all borrowers. The percentage change in the share of young borrowers has declined while the shares of all other age groups has increased. This may be due to people carrying debt for longer, going to school later, or helping younger relatives to pay for their own education.

This crisis is fueled by rising tuition fees and an increased demand for college degrees. While the majority of students who attend and graduate from colleges and universities incur debt, the degree of indebtedness and a person's ability to pay off their loans differs dramatically between age groups and by demographic factors such as race and ethnicity. National data on education debt has revealed that Black students are most likely to take out loans to fund their education. For Black students receiving a bachelor's degree, 85 percent graduate with education debt, while 69 percent of white, 66 percent of Hispanic, and 45 percent of Asian students graduate with education debt.[14] The benefits of earning a college degree are widely known, including gaining social capital and the opportunity for social mobility with increased earnings potential. Families who borrow to finance their education are being unequally burdened for pursing a better future. Black graduates are disproportionately burdened with education debt, which is one factor that perpetuates the racial wealth gap as debt payments after attendance or graduation constitute a larger portion of family incomes and budgets.[15]

Education debt impacts young and older adults, graduates and former students, parents and grandparents. There is mounting evidence that the burden of these loans is stifling economic security for families across the country.[16] This is a growing crisis that can be devastating to our future if ignored.

While the world is in the midst of the COVID-19 pandemic, millions are being laid off or are unable to go to work. The current public health crisis requires a full-scale recovery that will free families from financial burdens so that they are given time to heal. Although it is our position that any federal recovery plan should include relief for education loans, this may or may not be included. Canceling all debt would be beneficial and has the ability to unleash the economic potential of millions of New Yorkers and Americans. Currently, there is a one-size-fits-all approach to financing higher education. During this time of economic uncertainty, New York State should offer solutions to make this crisis more bearable for families burdened by education debt.

Recommendations

- End the garnishment of social security benefits to pay federal student loans. This program provides support to disabled adults, and children, as well as people age 65 and older who are not disabled but have limited income and resources. This relief should be extended to this population and extended throughout the economic recovery from the current recession.
- At a time when interest rates are low, the interest on education loans should be canceled, and the loans should be refinanced at zero percent interest.
- Public policy on education debt would be improved by the release of data on the ethnicity, gender, and race of education debt holders. Knowing how the burden of debt is distributed by these demographics would better inform the policy response to this crisis.
- Cancelling all education debt is a bold option that centers public wellbeing and will, therefore, stimulate the economy which has been stunned by the global pandemic. Instead of making payments on education loans, debtors, especially those over 65, will be able to pay for their health care needs and make purchases from business that have been strained due to pandemic mitigation policies.

By Shamier Settle

Shamier Settle is a State Policy Fellow with the Fiscal Policy Institute.

This report was produced under the guidance of Jonas J.N. Shaende, PhD, Chief Economist of the Fiscal Policy Institute.

The Fiscal Policy Institute is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. FPI's Immigration Research Initiative looks at immigration issues in New York State, and around the country.

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[12] FPI analysis of Federal Reserve Bank of New York Consumer Credit Panel/ Equifax data. In 2017 people under 30 made up 38 percent of all education loan holders, age 30-39 (27 percent), 40-49 (16 percent), 50-59(12 percent), and over 60 (7 percent).

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