

# Upwardly Immobile: Low-Income Borrowers and the High Cost of College Education

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Bill de Blasio  
Mayor

**Consumer and  
Worker Protection**

Lorelei Salas  
Commissioner

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# Acknowledgments

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# Acronyms

<b>ACE</b>	Accelerate Complete Engage
<b>ASAP</b>	Accelerated Study in Associate Programs
<b>CA4A</b>	College Access for All
<b>CARES</b>	Coronavirus Aid, Relief, and Economic Security Act
<b>CUNY</b>	City University of New York
<b>DCWP</b>	NYC Department of Consumer and Worker Protection
<b>ETA</b>	Enhanced Tuition Award
<b>FAFSA</b>	Free Application for Federal Student Aid
<b>GPA</b>	Grade Point Average
<b>HEA</b>	Higher Education Act
<b>IDR</b>	Income-Driven Repayment
<b>OFE</b>	Office of Financial Empowerment
<b>TAP</b>	Tuition Assistance Program

# Preface

Like *Unequal Burden*, the brief released prior to this one, *Upwardly Immobile* was written before the COVID-19 pandemic which has had a devastating effect on New Yorkers already at the economic margins: lost income; lost jobs. Signed into law in March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act has provided some relief, automatically suspending federal student loan payments, without interest or penalties, until September 30, 2020—with the end date extended twice, most recently to January 31, 2021 by the U.S. Department of Education. As this brief was set for release in late December 2020, it appeared that the federal government may have reached an agreement on another relief package; however, the plan that passed the House and Senate did not extend student loan relief—meaning that payments will restart on February 1, 2021 unless there is further federal action.

Vulnerable before the pandemic, low-income student loan borrowers face even greater challenges now. It is our hope that this brief may not only inspire discussion but also action.

# Introduction

In July 2020, the Department of Consumer and Worker Protection (DCWP) released *Unequal Burden: Black Borrowers and the Student Loan Debt Crisis*, the second of three briefs in our “vulnerable borrowers” series.

The series examines factors associated with student loan default, among them:

- attendance at a for-profit institution with a focus on veteran attendance (first brief);
- Black race/ethnicity (second brief);
- low income (final brief).

In this final brief, we once again dive deeper into what our research<sup>1</sup> revealed:

*New Yorkers from neighborhoods with low incomes are more likely to have student loan debt in collections.*

If higher education is to live up to its reputation as the path to the middle class, then the following must be attainable for low-income students who pursue a college education:

- on-time degree completion at an affordable school;
- minimal or no student loan debt; and
- sufficient post-college earnings to support both repaying any student loan debt and building wealth to achieve a stable financial future.

Reality too often falls short of this.

Students from families with low incomes borrow more while in college and take longer to repay, accruing more interest along the way. They are further hindered by lower completion rates, lower earnings, and lower loan repayment rates compared to students from wealthier families. What follows is the perpetuation of financial struggle resulting from the high cost of trying to access a college education on a low income.

At the same time, the current high levels of student loan debt are attributable to significant public disinvestment in higher education financing through budget cuts and the failure to keep up with rising costs. This disinvestment has hit low-income students

and their families hard. Preliminary research found that increased costs reduce the probability of college degree completion among credit-constrained students with lower incomes (Chakrabarti et al., 2020). Meanwhile, the income gains from a college degree have not kept up with the increasing higher education costs (Kovaci, 2019), creating a difficult situation for students who fund their higher education through debt.

In the sections that follow, we:

- examine the shift from public investment in higher education to private debt;
- explore the unmet need of low-income students and how unmet need leads to higher borrowing;
- analyze lower graduation rates among low-income students compared to higher-income students;
- analyze lower earnings among low-income students compared to higher-income students;
- analyze lower repayment rates among low-income borrowers compared to higher-income borrowers; and
- provide DCWP’s conclusions and a brief summary of the City’s work on student loan debt.

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<sup>1</sup> See *Student Loan Borrowing Across NYC Neighborhoods*, a collaboration with the Federal Reserve Bank of New York; *Student Loan Debt Distress Across NYC Neighborhoods: Identifying Indicators of Vulnerability*; *Student Loan Debt Distress Across NYC Neighborhoods: Public Hearing and Policy Proposals*.

# The Shift from Public Aid to Private Loans

The public role in higher education is long-standing:

- Signed into law in 1862 and 1890, the two Morrill Acts led to the establishment of public land grant universities, a testament to the new role of state and federal government in the provision of higher education (Baum et al., 2017).
- In 1965, the first Higher Education Act (HEA) was passed. Title IV of the HEA was added to provide equal opportunity to higher education by expanding access to students with lower incomes through grant aid.
- In 1972, the HEA was reauthorized for the third time, laying the groundwork for the current federal financial aid scheme by establishing a system in which students could take their aid to a college of their choosing.
- In 1978, Pell Grant eligibility was widened and subsidized student loans were added to the mix to provide financial assistance to students from middle-income backgrounds (Gladieux, 1995).

Today, however, the public sector's efforts to maintain equal access to higher education has diminished.

While low-income students are still offered federal grant aid, the purchasing power of this aid has declined significantly. In 1975, the maximum Pell Grant covered 80 percent of the average cost of college attendance at a public four-year college. By 2016, the value of the maximum Pell Grant had shrunk to less than a third, 29 percent, of the average cost of college (Protopsaltis and Parrott, 2017).<sup>2</sup> Major factors contributing to the decrease in the real value of student aid are soaring college and university tuition and fees, which have risen more rapidly than inflation (ibid).

The decline over time in the real value of need-based aid has left low-income students with an increasing gap between the cost of college, including living expenses, and the funding for college, which includes expected family contribution and grant aid that does not need to be repaid.

At the same time that financial support for college students has diminished, students from low-income families have come to constitute a larger share of the undergraduate population. A Pew Research Center report found that 31 percent of undergraduate students were in poverty in 2016, a full 10 percentage points higher than 20 years prior (Fry and Cilluffo, 2019).<sup>3</sup> Because unmet need is higher for students from families in the bottom half of the income distribution (Walizer, 2018), these students are particularly impacted by the decreasing real value of financial aid.

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2 The federal government was not alone in its declining investment in higher education. States, too, have disinvested from higher education over the last decade, forcing students and their families to bear an increasing share of the cost of college (Mitchell, Leachman, and Saenz, 2019). While New York has not seen significant disinvestment from higher education, many states have, a factor contributing to student loan borrowing—and default—among low-income students (ibid). Inflation-adjusted per-student funding rose in New York and eight other states during the period 2008-2018 (ibid). Further, New York's Tuition Assistance Program (TAP) and Excelsior Scholarship have eliminated tuition costs for eligible low-income students, though these students still must cover living expenses.

3 According to the Pew report, the high rate of students in poverty is driven by the high share of independent students in poverty. The share of dependent students in poverty has also been increasing, but it started at a lower level and increased by a smaller amount (Fry and Cilluffo, 2019). This complicates matters, as independent students are older and more likely to have dependent children, work, and/or attend part time (IWPR, 2018); all of these factors are obstacles to on-time degree completion. Further, independent students are found to attend for-profit schools and two-year institutions at higher rates (ibid), the two sectors found to disproportionately contribute to the student loan debt crisis (Looney and Yannelis, 2018).

# Unmet Need Leads to Higher Borrowing

The high cost of college and waning public investment in making higher education affordable have resulted in the growth of unmet need for today’s college students. Nationally, nearly three out of every four students face unmet need (Walizer, 2018). This high rate of unmet need reflects the financial burden students face, and can lead to hard choices, such as increased borrowing (ibid).

Evidence that this burden is increasing is clear. In a report, the Center for Law and Social Policy found that, between 2012 and 2016, the unmet need gap for the average community college student grew by 23 percent, from \$4,011 to \$4,920 (ibid).

To understand the situation for low-income borrowers at the local level, we looked at data from the U.S. Department of Education’s College Scorecard to examine the net price for students from families with low incomes attending New York City schools, using families with income of \$30,000 or less as a proxy. The College Scorecard lists the “net price,” which represents the college’s “sticker price” for tuition and fees minus grant aid and institutional aid, i.e., aid

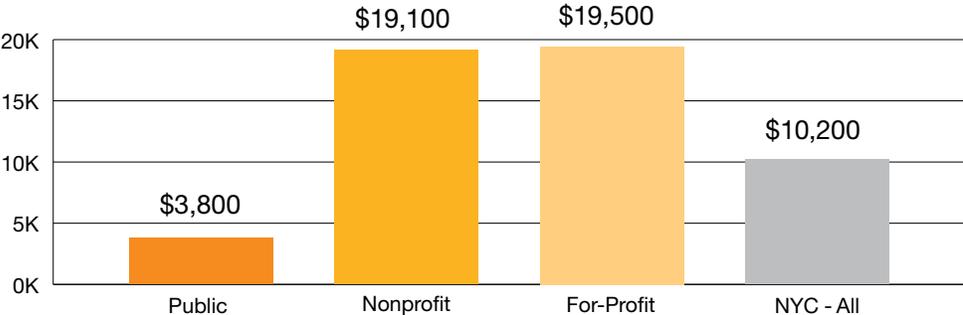
offered by the school the student is attending. Since students from families with low incomes will tend to have zero expected family contribution, the net price approximates unmet need for students with the lowest incomes.<sup>4</sup> See Figure 1 for our findings on the median net price at New York City institutions for students from families with low incomes.<sup>5</sup>

Citywide, the average net price for a student from the lowest income group is \$10,200. However, New York City students from this income group face a wide range of average net prices:

- \$19,500 at for-profit institutions;
- \$19,100 at nonprofit institutions; and
- \$3,800 at public institutions.

Put another way, the net price for students from the lowest income group attending nonprofit or for-profit institutions is approximately 5 times the net price they would pay to attend a public institution. The data shows that public institutions play a vital role by providing an affordable education to students from low-income families.

**Figure 1. Average Net Price Paid by Students with Low Incomes at New York City Higher Education Institutions in the 2017/2018 School Year, by School Type**



*Note: The average annual net price of attendance includes tuition and fees, books and supplies, and living expenses minus the average grant/scholarship aid. It is calculated for all full-time, first-time, degree/certificate-seeking undergraduates who receive Title IV aid.<sup>6</sup> For public institutions, this metric is limited to full-time, first-time, degree/certificate-seeking undergraduates who pay in-State tuition and receive Title IV aid. Figure 1 includes data from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Results are weighted by cohort size.*

*Source: DCWP Office of Financial Empowerment (OFE) Analysis of U.S. Department of Education College Scorecard 2017-2018 Academic Year data.*

4 Unmet need is not reported in the College Scorecard.  
 5 It should be noted that institution-level median net prices were higher for students from families in higher income ranges than for the lowest income range. Students with low incomes receive Pell Grants, and institutions, particularly public and nonprofit, often offer needs-based institutional grants; both reduce the net price for students with low incomes. While high net prices for higher-income families may, in some cases, also be problematic and may lead to borrowing in high amounts to cover these costs, our emphasis in this brief is on students least able to absorb such high costs.  
 6 Title IV is a term that refers to federal financial aid funds, which include both grants and loans.

Grant aid, including federal Pell Grants, state-funded grants, and institutional aid, can decrease the need for students from families with low incomes to take out student loans—but only if this grant aid is sufficient and available to students with low incomes. As of 2017, the maximum Pell Grant award covered less than one-third of the average cost of attending college (Reich, 2018).

Recently, many states have considered or moved forward with free tuition plans at community colleges and other public institutions. In New York, the Tuition Assistance Program (TAP) and the Excelsior Scholarship provide free in-State tuition at public institutions for families with low and middle incomes, and the Enhanced Tuition Award (ETA) provides a matched grant toward tuition at participating schools for students from households with incomes up to \$125,000.

While New York State’s higher education funding is generous relative to other states’ grant-based aid, New York State higher education grant aid is, for the most part, limited to covering tuition and fees. Further, it is largely unavailable to or insufficient to meet the needs of part-time students (Gonzalez-Rivera, 2014; Crain, Lawton, and McElwaine, 2017) who make up approximately 34 percent of City University of New York (CUNY) students (Professional Staff Congress/ CUNY, 2018).

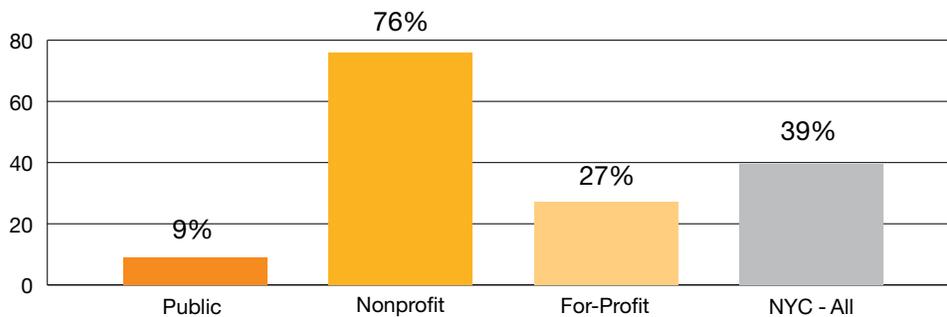
In addition, New York’s TAP comes with strict criteria on credits earned and a minimum Grade Point Average (GPA) to maintain eligibility for the award, criteria that do not allow much room for error. Running afoul of

these rules can result in the loss of thousands of dollars in aid, and getting back on track may require a struggling student to take on extra coursework. Not meeting these criteria may be particularly detrimental to students from low-income families as they are more likely to need to take remedial coursework (Hanford, 2016). Because remedial work is not counted toward the credit requirements at the institution but is counted toward the maximum TAP award, students from low-income families who take remedial coursework risk running out of TAP funding before attaining a degree.

It should also be noted that the commitment to free tuition is not the same as free college. A national study by the Urban Institute found that 57 percent of bachelor’s degree recipients from the lowest income backgrounds in the study (<\$27,900) paid zero net tuition, yet approximately two-thirds still borrowed, averaging \$20,000 per borrower, with 19 percent of borrowers owing \$30,000 or more (Baum & McPherson, 2019). In New York City, where housing costs are among the highest in the U.S. (Steinbarth, 2019), the cost of living undoubtedly keeps students from low-income backgrounds from graduating debt-free.

In Figure 2, we demonstrate how high net prices translate into higher borrowing for students from low-income families by showing the share of schools where Pell Grant recipients graduate with more student loan debt than non-Pell Grant recipients. We use receipt of a Pell Grant as a proxy for students from low-income backgrounds; conversely, higher-income students are students who did not receive Pell Grants.<sup>7</sup>

**Figure 2. Share of Schools Where Pell Grant Recipients Graduate with More Student Loan Debt than Non-Pell Grant Recipients**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Results are unweighted. Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2017-2018 Academic Year data.*

<sup>7</sup> Pell Grants are a federal grant awarded to students with high financial need. See Appendix A: Data and Methodology for more information about the proxies.

Across New York City, higher borrowing among Pell Grant recipients—low-income students—occurs at 39 percent of institutions. At New York City public institutions, the median borrowing for Pell Grant

recipients is more than their non-Pell Grant peers at only 9 percent of the institutions.<sup>8</sup> This number increases for for-profit institutions (27 percent) and nonprofit institutions (76 percent).

## Lower Graduation Rates for Low-Income Students

Although higher education is often billed as the “great equalizer,” research shows that disadvantaged<sup>9</sup> groups, such as low-income students and students of color, are less likely to reap the economic rewards of enrolling in college because they are at a higher risk of not finishing (Rothwell, 2015; Gewertz, 2018; Gladieux & Perna, 2005). In our 2018 report *Student Loan Debt Distress Across NYC Neighborhoods: Identifying Indicators of Vulnerability*, we highlighted non-completion as predictive of student loan default in New York City. In fact, non-completion has been shown to be among the leading causes of student loan default (Gross et al., 2010).

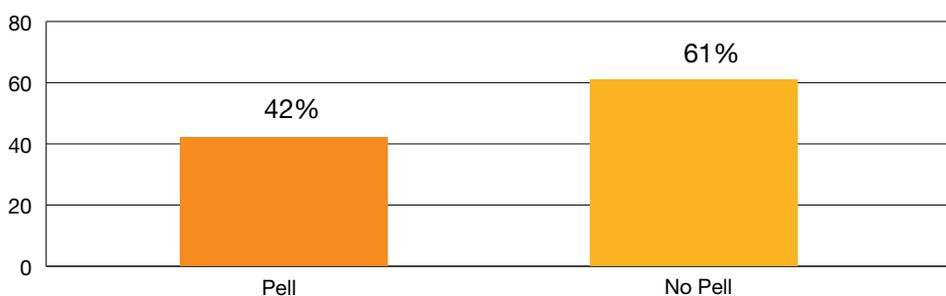
The connection between non-completion and default is intuitive when one considers that students who borrow to pay for college tuition and living expenses

but do not complete their degrees are often financially worse off than before they enrolled because they now have debt but no credential to enhance their earnings.

Figure 3 compares completion gaps between New York City students who received a Pell Grant and students who filled out the Free Application for Federal Student Aid (FAFSA) but did not receive a Pell Grant. As in Figure 2, we use receipt of a Pell Grant as a proxy for low-income students.

The difference in graduation rates between students at New York City schools is nearly 20 percentage points, with 42 percent of Pell Grant recipients (low income) completing their degree within 150 percent of normal time compared to 61 percent of non-Pell Grant recipients (higher income).

**Figure 3. Completion Rate within 150% of Normal Time, Pell Grant Recipients versus Non-Pell Grant Recipients**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Figure is for most recent cohort year, which varies based on institution type. Results are weighted by cohort size.*

*Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2017-2018 Academic Year data.*

<sup>8</sup> The Rockefeller Institute of Government estimated that 79 percent of CUNY students graduate debt-free: <https://rockinst.org/blog/a-deeper-look-at-student-loan-debt-in-new-york-state/>. Missing from this discussion is the borrowing rate of CUNY students who do not complete a degree. CUNY discourages student loan borrowing at their community colleges by not including federal student loan amounts on award letters, allowing students to borrow by request only (BMCC). Recent research on community college borrowing has found that increased borrowing has a positive impact on students' GPA and the number of credits completed (Marx and Turner, 2019), and efforts to promote reduced borrowing can have unintended consequences, such as lower academic performance and a greater likelihood of student loan default (Barr, Bird, and Castleman, 2019).

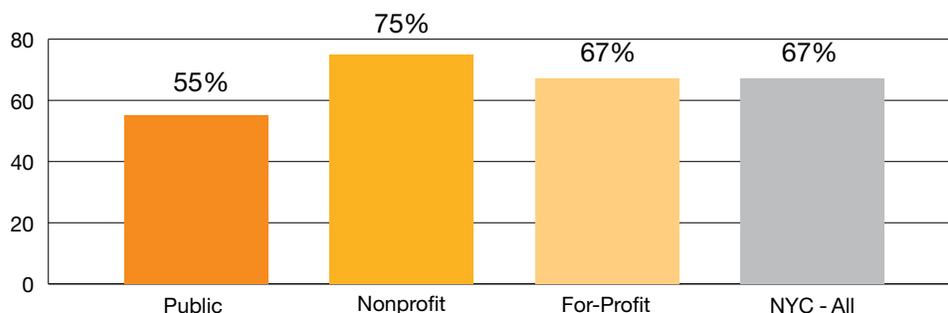
<sup>9</sup> What we are calling “vulnerable” populations in this series.

Across New York City, approximately two-thirds of institutions have lower graduation rates for borrowers from lower income backgrounds than compared to student borrowers from higher income backgrounds. See Figure 4.

Breaking out completion gaps by institution type, we find that:

- 75 percent of nonprofit schools have lower graduation rates for Pell Grant recipients—the highest share of schools with income-based completion gaps.
- 67 percent of for-profit schools have a graduation disparity by income.
- 55 percent of public institutions have a graduation disparity by income.

**Figure 4. Share of Schools Where Pell Grant Recipients Complete Their Degrees at a Lower Rate than Non-Pell Grant Recipients**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Figure is for most recent cohort year, which varies based on institution type. Results are unweighted.*

*Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2017-2018 Academic Year data.*

## Lower Earnings for Low-Income Students

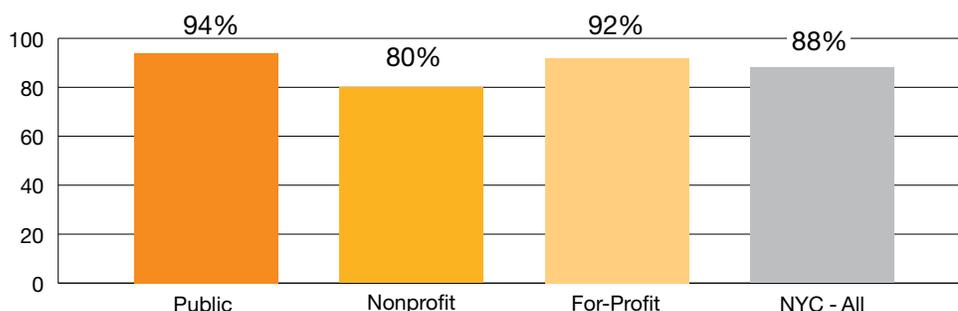
The much-hyped “college earnings premium” has led educators and policymakers to promote college-going as a guaranteed path to financial stability. Overlooked in this hype is the fact that the college earnings premium is lower for low-income individuals.

A 2016 Brookings report found that college graduates from families with low incomes earn 91 percent more over the course of their careers than those in the same income group who have a high school diploma only. By contrast, graduates from families with higher incomes earn 162 percent more over the course of their careers than those from families with similar incomes who earn just a high school diploma (Hershbein, 2016). Low-income students gain less of an earnings premium for going to college than wealthier students.

Not only do students from families with low incomes earn a lower premium for their college degree, they also earn less over time than students with higher incomes. In fact, the same 2016 Brookings report found that students from low-income families who earn a bachelor’s degree start their post-degree careers earning a third less than graduates with the same degree but with higher family income. This gap widens over time and, by midcareer, degree holders from low-income families earn half as much as their peers from higher-income families (Hershbein, 2016).

Evidence of this class-based earnings gap among students who attended New York City schools is shown in Figure 5 on page 11.

**Figure 5. Share of Schools Where Graduates from Low-Income Families Earn Less than Graduates from Higher-Income Families**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Results are unweighted. Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2014-2015 Academic Year data.*

Citywide, at over 88 percent of higher education institutions, attendees from low-income families (using as a proxy borrowers from families making less than \$30,000) had a lower median income 10 years after starting their program than their higher-income peers (using as a proxy students from families earning over \$75,000 per year). Across institution types, the share of schools with lower median earnings for low-income students—earnings gaps—remains high:

- 94 percent of public institutions;
- 92 percent of for-profit schools; and
- 80 percent of nonprofit schools.

The total earnings gap between students from low- and higher-income families is not attributable to schools alone. Significant earnings gaps also exist across school types, with students from low- and higher-income families sorting into different schools based on access and affordability. The result is the tendency for students from higher-income families to attend more selective colleges; whereas, a greater share of students from low-income families either do not pursue higher education or concentrate in open-enrollment four-year and two-year degree programs (Cahalan et al., 2018) that tend to yield lower earnings (Chakrabarti & Jiang, 2018; Baum, 2014).

In Figure 6 on page 12, we present some evidence of this sorting.

We divided schools into quartiles based on their share of students who are Pell Grant recipients, with a higher

share of Pell Grant recipients serving as an indicator of a low-income-student-serving institution. We then calculated the share of schools in these groups that are 1) for-profit or 2) less-than-four-year institutions, two school types that tend to be open enrollment, as are most CUNY community colleges and many of the for-profit institutions in New York City.<sup>10</sup>

We find that schools serving the highest compositions of Pell Grant recipients are more likely to be a for-profit school: 48 percent compared to 29 percent of schools serving the smallest compositions of Pell Grant recipients.

The same pattern follows for less-than-four-year institutions: Approximately 68 percent of the institutions with the highest compositions of Pell Grant recipients are two-year degree-granting institutions or certificate-granting institutions compared to only 39 percent of schools serving the smallest compositions of Pell Grant recipients.

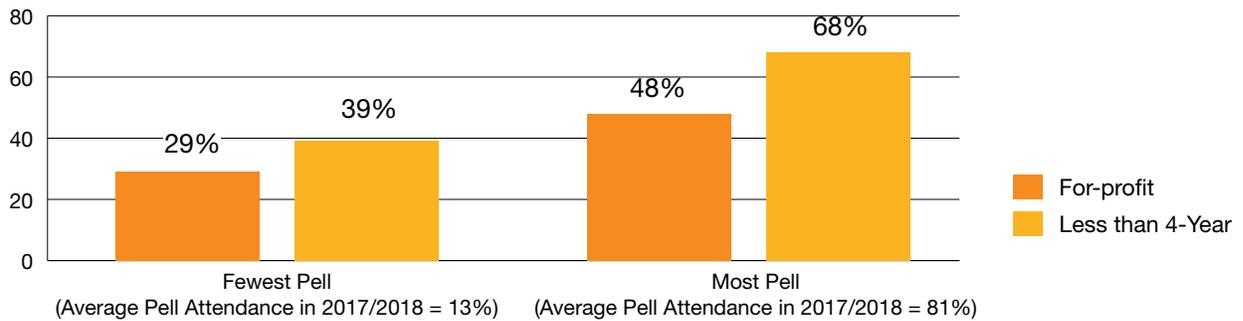
Relative disparities in earnings aside, a minimum threshold that the school should surpass to be deemed a good investment is that students earn more money as a result of attendance than they would have if they had not enrolled. Yet, at 17 percent of schools in New York City,<sup>11</sup> the median earnings of a first-time student from a low-income family 10 years after entry fall below the median earnings of a high school degree holder with no college.<sup>12</sup>

<sup>10</sup> See <https://www.collegecalc.org/colleges/new-york/open-admissions/> for a list of open admissions schools in New York State.

<sup>11</sup> DCWP OFE analysis of U.S. Department of Education College Scorecard 2014-2015 Academic Year data.

<sup>12</sup> The equivalent high school graduate earnings, i.e., the earnings of a person with a high school degree only the same number of years after high school graduation, is \$28,000, an approximation commonly used by the U.S. Department of Education College Scorecard.

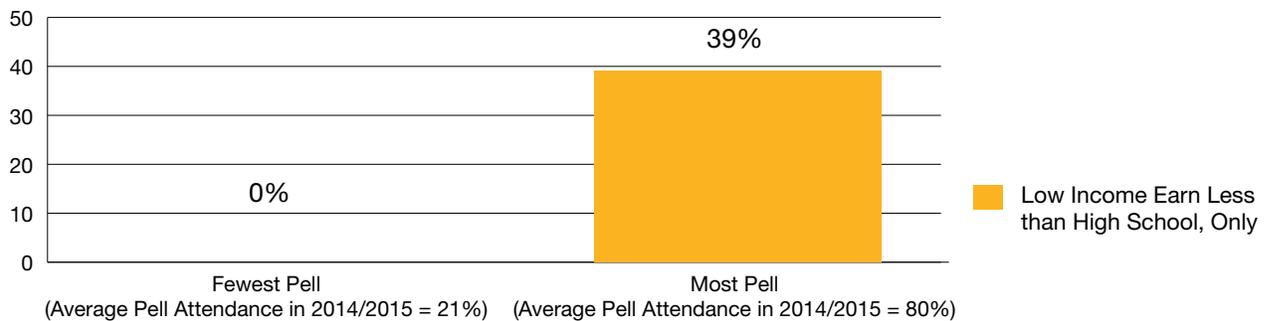
**Figure 6. Share of Schools That are For-Profit or Less-than-Four-Year Institutions, by Top and Bottom Pell Grant Quartile**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. For-profit schools and Less-than-Four-Year institutions are not mutually exclusive designations. Average Pell Attendance results are weighted by cohort size. Share of Schools results are unweighted.*

*Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2017-2018 Academic Year data.*

**Figure 7. Share of Schools Where Graduates from Low-Income Families Earn Less than Equivalent Workers with High School Diploma Only, by Top and Bottom Pell Quartile**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Average Pell Attendance results are weighted by cohort size. Share of Schools results are unweighted.*

*Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2014-2015 Academic Year data.*

In Figure 7, we put this in context for low-income students. As in Figure 6, we divided schools into quartiles based on their share of students who are Pell Grant recipients.

Among schools serving the smallest compositions of Pell Grant recipients, no schools have median earnings below those of a high school degree holder. At the other end of the spectrum, at schools serving the highest compositions of Pell Grant recipients, nearly 39 percent have median earnings that are below the equivalent worker with only a high school degree.

Our research shows that students from low-income families who attend New York City higher education institutions are earning less and are attending schools

with lower median earnings than their peers from higher-income families. It should be noted that, in addition to institution attended, other factors, such as peer networks and the financial ability to accept unpaid or low-paying internships, may be behind some of the earnings gaps between students from low- and higher-income families. Considering these factors, alongside the sorting described previously, one could deduce that the same systems of privilege and social capital that make it easier for more advantaged students to access high-quality institutions of higher education make it easier for those individuals to access higher-wage jobs and other opportunities.

# Lower Loan Repayment Rates for Low-Income Borrowers

When students borrow to fund their higher education, they do so with the expectation that they will earn enough money to repay the debt they accrue along the way. Unsurprisingly, given the disparities in completion, earnings, and borrowing, a repayment gap exists between low- and higher-income student borrowers. Nationally, three years after graduating, low-income students who received a Pell Grant have a repayment rate of 42 percent compared to 62.5 percent for higher-income students who did not receive a Pell Grant (Barrett, 2017). This inequitable outcome, a roughly 20 percentage point difference in repayment rates between low-income and higher-income students, will serve to increase income and wealth inequality.

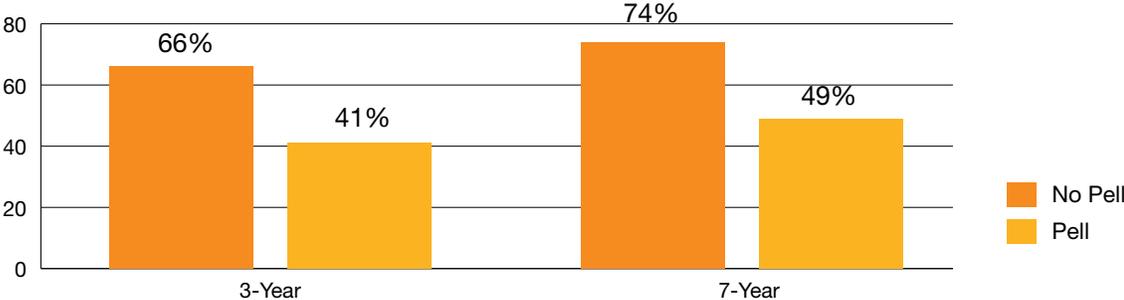
To determine whether repayment rates in New York City reveal similar inequities as those seen nationally, in Figure 8, we present repayment rates between students from low-income families and students from higher-income families. Because three years is a short period of time to establish a career and because it can be assumed that students from higher-income families will begin their career with a financial leg up over their low-income peers, we present both the three-year and

seven-year repayment rates for a cohort of students who entered repayment in Fiscal Year 2009 and Fiscal Year 2010.<sup>13</sup>

Once again using the receipt of a Pell Grant as a proxy, we found that three years after their student loans went into repayment, approximately 66 percent of borrowers from higher-income families were not in default and had succeeded in repaying at least some of their debt.<sup>15</sup> Borrowers from low-income families, i.e., students who received a Pell Grant, had a repayment rate of 41 percent, approximately 25 percentage points lower.<sup>16</sup>

At the seven-year repayment mark, we find that low-income borrowers are unable to catch up. Higher-income borrowers with no Pell Grant improved their repayment rate, increasing to 74 percent. Meanwhile, the share of low-income borrowers who received a Pell Grant and were able to pay at least one dollar of their student loan principal increased to 49 percent, leaving the percentage point gap between low- and higher-income borrowers the same at 25 percentage points.

**Figure 8. Average Repayment Rate for Pell Grant Recipient Borrowers and Non-Pell Grant Recipient Borrowers 3 and 7 Years into Repayment<sup>14</sup>**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Results are weighted by cohort size. Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2012-2013 Academic Year data for the 3-year estimates and 2016-2017 for the 7-year estimates.*

13 After an initial grace period, students enter repayment when they stop attending or when they drop below half-time status. Thus, data includes both graduates and students who did not complete and are no longer attending.  
 14 The individual included in the institution calculation of the three-year and seven-year repayment rates may vary depending on whether borrowers have continued their studies or have received a disability or death discharge, as both scenarios would remove them from the sample.  
 15 i.e., paid at least \$1 of the principal of the debt.  
 16 Numbers may differ due to rounding.

As shown, average costs, borrowing rates, completion rates, and earnings outcomes vary across school type. Knowing that these factors contribute to a borrower's ability to repay, in Figure 9, we present seven-year repayment rates by school type.

Nonprofit institutions in New York City have the highest repayment rates for both groups: 81 percent and 64 percent, respectively, for Non-Pell Grant (higher income) and Pell Grant (low income) borrowers. The smallest repayment gap between low- and higher-income borrowers, 11 percentage points, occurred for borrowers who attended public institutions, 55 percent and 66 percent, respectively. The lowest repayment rates for both low- and higher-income borrowers, and the largest gap in repayment between these two groups, were found at for-profit institutions. In New York City, the average seven-year repayment rate at a for-profit institution is 35 percent for a Pell Grant recipient borrower and 62 percent for a non-Pell Grant recipient borrower, a 27 percentage point gap.

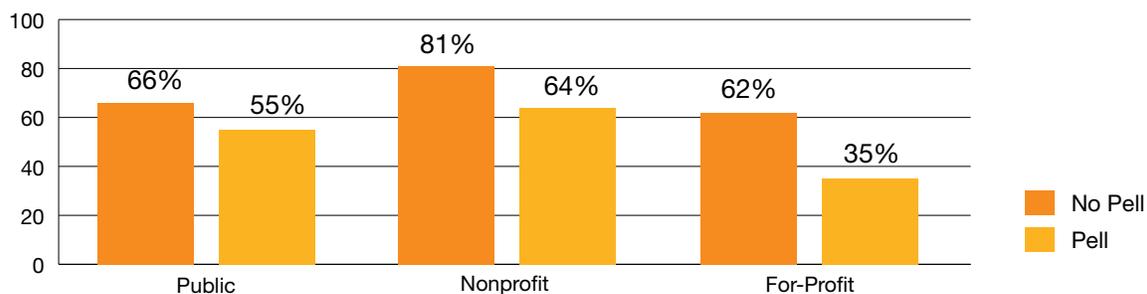
It is concerning that about half of all Pell Grant borrowers and 65 percent of Pell Grant borrowers who attended a for-profit institution in New York City were either in default or unable to repay even one dollar toward the principal of their loan seven years after entering repayment. A repayment history with no progress is an indication that the borrower is struggling to make payments and has used

forbearance, deferment, or one of the income-based repayment plans available to borrowers.

- Under deferment and forbearance, borrowers are likely accruing interest and watching their student loan debt grow while not making any payments.
- Alternatively, if borrowers use an income-driven repayment (IDR) plan, they may have a more affordable payment but may pay more in interest over the course of their loan and, worst case, may see their debt burden grow when unpaid interest capitalizes. IDR users who are unable to adequately reduce their student loan principal will have student loan payments for at least 20 years, the minimum number of years to gain eligibility for loan forgiveness. But even if borrowers successfully reach loan forgiveness, they may be subject to a hefty tax bill once forgiveness is granted.

Ultimately, low-income students' inability to reduce the loan principal can mean paying more in the long term compared to higher-income peers who do not borrow, borrow less, or can repay student loan debt more quickly.

**Figure 9. Average Pell Grant and Non-Pell Grant Recipient Borrower Repayment Rate 7 Years after Entering Repayment, by Institution Type**



*Note: Data is from four-year, two-year, and less-than-two-year institutions in New York City for which data was available. Results are weighted by cohort size. Source: DCWP OFE Analysis of U.S. Department of Education College Scorecard 2016-2017 Academic Year data.*

# Conclusion

Student loan debt has traditionally been referred to as good debt. This designation is quickly becoming a misnomer, as debt burdens have climbed and wage growth has slumped. While a college degree can aid in income mobility (Chetty et al., 2017), this brief demonstrates that a sizable gap in affordability—and, therefore, accessibility—exists in New York City between student borrowers from low-income families and those from higher-income families, a pattern that aligns with national-level findings.

At New York City higher education institutions, we found that, when compared to higher-income peers, student borrowers from low-income families:

- are less likely to complete their degrees or certificates;
- earn less;
- often borrow more; and
- repay their loans at lower rates.

This is the irony of the student loan debt crisis:

*When students from families with low incomes need to borrow more for school than their higher-income peers—as students do at nearly three-quarters of all New York City nonprofit institutions and half of for-profit institutions—rather than leveling the playing field for students of all backgrounds, a college education perpetuates wealth and opportunity gaps.*

While calling into question the power of the current higher education system as a leveling force in society, our findings also indicate a need to help borrowers from families with low incomes manage their student loan debt, accrue savings, and build wealth that can be passed on to the next generation. New Yorkers who struggle with student loan debt do not have the same ability to accumulate assets as New Yorkers who either did not borrow for college or can more easily afford their student loan payments. The burden of student loan debt is keeping too many low-income New Yorkers from achieving the solid financial footing enjoyed by New Yorkers who are more advantaged.

The student loan debt crisis demands three things to make sure students are not left with unsustainable debt after enrolling in schools that do not set them up for repayment success:

- increased accessibility;
- increased affordability; and
- increased accountability.

New York City and New York State have programs to help students; programs include:

- **College Access for All (CA4A)**  
Understanding that access to college must start with the awareness of opportunity, the NYC Department of Education created CA4A, part of Mayor Bill de Blasio’s ambitious “Equity and Excellence” agenda to ensure all New York City students succeed in their postsecondary path. CA4A seeks to ensure that every high school will have the resources they need to create a college- and career-ready culture that enables all students to develop a meaningful postsecondary plan. CA4A’s goal is to raise the bar of achievement for every student, shifting the focus from high school graduation to postsecondary success, and graduating students with the skills, mindsets, and long-term planning abilities required to thrive in the postsecondary pathway of their choice.
- **Accelerated Study in Associate Programs (ASAP)**  
To improve timely graduation rates for students by reducing the impact of multiple stresses, such as affordability and cost of living, the City of New York and New York State, along with the generous support of several foundations, fund ASAP, CUNY’s highly successful academic program offered at nine CUNY colleges. ASAP helps students to stay on track and graduate by providing a range of financial, academic, and personal supports, including personalized advisement, career counseling, tutoring, waivers for tuition and mandatory fees, MTA MetroCards, and additional financial assistance to cover the cost of textbooks.

- **Accelerate Complete Engage (ACE)**

An adaptation of the ASAP model that supports baccalaureate students, ACE is available at John Jay College and Lehman College.

- **NYC Financial Empowerment Centers and Student Loan Debt Tips**

Beginning in 2018, DCWP coordinated student loan debt clinics in neighborhoods with high default rates where borrowers could get free one-on-one financial counseling with an NYC Financial Empowerment Center counselor and free consultation with a legal aid professional. Beyond the clinics, Centers provide free financial counseling to thousands of New Yorkers each year. Center counselors are trained in the nuances of student loan repayment and can help New Yorkers who have defaulted on their loans or are at risk of doing so. Center clients can also work with counselors on managing other forms of debt, and on building savings. In addition to promoting the clinics and Centers more broadly, DCWP developed comprehensive student loan debt tips to help New Yorkers shop around for an affordable education, understand their student loan options, and repay their student loan debt.

It is clear more action is needed.

To help remedy inequities, DCWP's Office of Financial Empowerment (OFE) calls on policymakers at the federal and State levels to take action in the following ways:

#### **Federal Action**

- To eliminate the burden of student loan debt for today's struggling borrowers, DCWP supports federal legislation aimed at forgiving student loan debt in some form for all borrowers.
- To make higher education more affordable and accessible for future scholars, broad-based federal reforms are needed, such as reducing or eliminating tuition and fees for all students at community colleges and for working- and middle-class students at four-year public institutions.

- To address the problem of unmet need and reduce borrowing rates and overall borrowing costs among students from low-income families, the federal government should increase the purchasing power of Pell Grants and pass legislation that forgives student loan balances after 20 or 25 years on an IDR plan tax-free.
- To increase the accountability of institutions that are eligible for federal student aid yet offer substandard programs, the U.S. Department of Education should reverse its repeal of the Obama-era Gainful Employment rule that protected students by cutting off the flow of federal funds to schools with demonstrably poor outcomes.

#### **New York State Action**

- The State should expand access to higher education grant funds by increasing the dollar value of State grant aid and expand its use beyond tuition; for example, to cover room and board, which many New York City students struggle to afford. Moreover, the State should expand aid for part-time students and relax credit restrictions. Students who need to attend school part time due to work and/or family obligations should not be at a financial aid disadvantage relative to their peers who can afford to attend full time.

However, access and affordability alone will not level the playing field between families of varying means, and more must be done to address completion and earnings gaps between low- and higher-income students.

- To increase the accountability of institutions, the State should tie taxpayer-funded aid to outcomes, such as degree completion or graduates' debt-to-income ratio.
- To help students and their families identify institutions that combine affordability with high completion and repayment rates, the State should adopt regulations to require the disclosure of key program metrics to prospective and current students.

Confronting the student loan debt crisis is a strategic priority for DCWP. In our pursuit of solutions, we wanted to understand who is most impacted, and why—the basis of our “vulnerable borrowers” series. Over the three briefs we have shown how for-profit schools target veterans and how systemic inequities disadvantage Black and low-income borrowers. Our research has already informed—and will continue to inform—our programmatic interventions and policy advocacy to increase the affordability and accountability of higher education institutions and to correct inequities in New York City.

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# Appendix A: Data and Methodology

This brief uses national-level research to frame the issue and uses institution-level data to provide the New York City perspective on the changing student loan debt landscape. To add context and highlight equity issues raised by the data, we compare outcomes for students from families with low incomes and their peers from families with higher incomes.<sup>17</sup> Where applicable, we disaggregate the data by institution type to better inform discussions around school performance.

All DCWP estimates in this brief use data from the U.S. Department of Education College Scorecard data set.<sup>18</sup> The sample includes all public, nonprofit, and for-profit institutions ranging from four-year undergraduate to less-than-two-year undergraduate institutions operating in the U.S. We limited the sample to undergraduate institutions only.

The data collected by the Scorecard represents students at the reporting institutions that received a Title IV federal student loan or grant. The wealthiest families who pay entirely out of pocket are not included among Title IV applicants and recipients, and the gap between students from these families and families with low incomes is likely to be even larger than the gaps we identify in this brief.

One important limitation is the Scorecard lists data points as “PrivacySuppressed” in cases where the privacy of individuals is a concern. In other cases, schools are listed as “NULL.” Based on communications with the College Scorecard Data Help Desk, we learned that data listed as “NULL”:

“may result from the institution having no cohort (institution not in operation, institution not Title IV at cohort initiation point, institution doesn’t participate in loans [only grants]), from OPEID<sup>19</sup> changes (cohort year OPEID and current OPEID do not match), or other scenarios that result in a lack of data” (email communication, September 25, 2018).

As a result of both suppressed data and null data, our sample size fluctuated from data point to data point discussed in this brief. Further, data availability was not consistent across all data points. Each chart lists the year of the data set used, i.e., the most recently available at the time of the analysis. For consistency, we limited schools included in the analysis using older data sets to those schools that were included in the most recent data set (2017-2018).

In Table 1, we list an observation count by variable and observation level.

**Table 1: Sample Count by Data Point**

	Data Set	Pell Net Price	Completion Rate and Completion Disparity	Earnings Disparity	Earn Less than High School Only	Debt Disparity	Repayment
NYC - Public	22	20	20	16	20	22	20
NYC - Nonprofit	82	65	32	20	27	33	27
NYC - For-profit	57	54	39	13	27	44	26
NYC - All	161	139	91	49	74	99	73

17 Due to data limitations, for some data points we proxy students from families with low incomes as students from families with incomes of \$30,000 or less and students from families with higher incomes as students from families with incomes over \$75,000. In other cases, we proxy students from families with low incomes as those students receiving a Pell Grant, a non-loan educational grant available to students with exceptional financial need, and students from families with higher incomes as non-Pell Grant students, defined as anyone who receives a Title IV federal student loan or grant but does not receive a Pell Grant. Note that the wealthiest families who pay entirely out of pocket are not included among Title IV recipients, and the gap between students from these families and low-income families is likely to be even larger than the gaps we identify in this brief.

18 For more information about the College Scorecard Data, see the Data Documentation Report: <https://collegescorecard.ed.gov/assets/FullDataDocumentation.pdf>

19 OPEID is the identification (ID) number used by the U.S. Department of Education’s Office of Postsecondary Education (OPE) and Federal Student Aid Office (FSA) to identify institutions that have Program Participation Agreements (PPA) so that its students are eligible to participate in Federal Student Financial Assistance programs under Title IV regulations.

For the reasons mentioned, schools will fall out of the sample if they have:

- a small share of the student body;
- a small student body from families with low incomes; or
- a small share of students from families with higher incomes.

Thus, institutions included in the data set are more likely to be the larger institutions and institutions that are serving students from families with low incomes.

In Table 2, we show the percentage of undergraduate students represented by institutions included in each data point. With this in mind, we feel that, even though our results are not representative of all schools, the patterns found are strong enough to provide indicative support for our conclusions.

**Table 2: Share of Undergraduate Students Represented by Institutions Included in Sample for Each Data Point**

	<b>Pell Net Price</b>	<b>Completion Rate and Completion Disparity</b>	<b>Earnings Disparity</b>	<b>Earn Less than High School Only</b>	<b>Debt Disparity</b>	<b>Repayment</b>
<b>% of All NYC Undergraduates</b>	99	96	86	95	97	95

For descriptions of data points used, see each section respectively.

