

Perception is Reality: Attitudes and Experiences of Student Loan Borrowers

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Key Findings

- Feelings of stress and anxiety related to loans were common; 62 percent reported they had more student loan debt than expected, and 36 percent felt that their total debt was unmanageable.
- Many student borrowers struggled with their finances, with 87 percent reporting financial difficulties since starting college.
- Although discussions of canceling student debt have been prominent in recent years, 66 percent of borrowers were **not at all confident** that any of their debt would be forgiven.



The combination of rising college costs, escalating living expenses, inadequate wages, and other factors leaves many college students struggling to make ends meet. In earlier decades, it was possible to finance an undergraduate education by taking a full course load while working enough hours to cover living and education expenses. From 1966 to 1981, an undergraduate could have paid for a year of education, including tuition, fees, and cost of living, at a public four-year university by working just 24 hours a week at a minimum wage job. However, in 2020 to 2021, this same student would have had to work **75 hours every week of the year** to pay for two semesters at a Texas public four-year university.¹

Unsurprisingly, these trends lead many to borrow to pay for college. Approximately 30 to 40 percent of college students borrow federal student loans each year to meet their expenses.² Currently, there are 45 million postsecondary students with \$1.6 trillion in outstanding federal student loan debt. Further, undergraduates who graduated in 2019–2020 borrowed an average of \$28,400.^{3,4} However, the economic impact(s) of these student loans varies widely. For instance, students who “stop out” or leave college without a degree or credential are much more likely to experience adverse repayment outcomes. Half of defaulted borrowers have not completed a degree.⁵

This brief examines data from 19,934 students who reported taking out a student loan in Trellis’ Fall 2021 Student Financial Wellness Survey (SFWS), with special emphasis on their financial security and attitudes toward their loans, debt, and debt forgiveness. With conversations about loan forgiveness continuing in Washington D.C., it is critical to have a full understanding of borrowers’ perceptions and experiences.

¹ Fletcher, C., & Cornett, A. (2022). State of student aid and higher education in Texas: 2022. Unpublished manuscript.

² Urban Institute. (n.d.). Understanding college affordability: Borrowing. Retrieved from <http://collegeaffordability.urban.org/covering-expenses/borrowing/#/>

³ Fowers, A. & Douglas-Gabriel, D. (2022, May 22). Who has student loan debt in America? Washington Post. Retrieved from <https://www.washingtonpost.com/education/2022/05/22/student-loan-borrowers/>

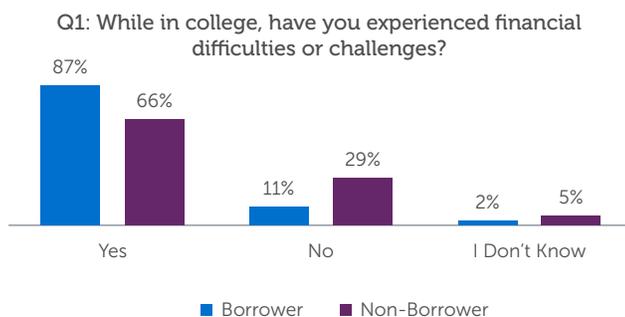
⁴ College Board. (n.d.). Trends in student aid: Highlights. Retrieved from <https://research.collegeboard.org/trends/student-aid/highlights>

⁵ The Brookings Institution. (2021, April 13). The student debt burden and its impact on racial justice, borrowers, and the economy. Retrieved from <https://www.brookings.edu/testimonies/the-student-debt-burden-and-its-impact-on-racial-justice-borrowers-and-the-economy/>



Financial Security

In SFWS, nearly all of the students with self-reported student loans (87 percent) had faced financial difficulties at some point during their college career. Although 39 percent of borrowers were working more than 40 hours a week, nearly four in five (78 percent) ran out of money at least once between January 1, 2021 and the time they took the survey (October-November 2021). Compared to those who did not borrow, student borrowers were significantly more likely to run out of money.



Challenges with basic needs security were also common among students with educational debt; nearly three-quarters (71 percent) had experienced one or more forms of basic needs insecurity (food insecurity, housing insecurity, or homelessness).

Attitudes Towards Student Loan Debt

Many borrowers expressed negative attitudes toward their student loan debt. Nearly two-thirds (62 percent) reported having more student loan debt than expected, and 36 percent did not feel that their total debt was manageable. Respondents were also uncertain of their ability to repay their loans—only 28 percent were confident to some degree that they will be able to pay off the debt acquired while in school.

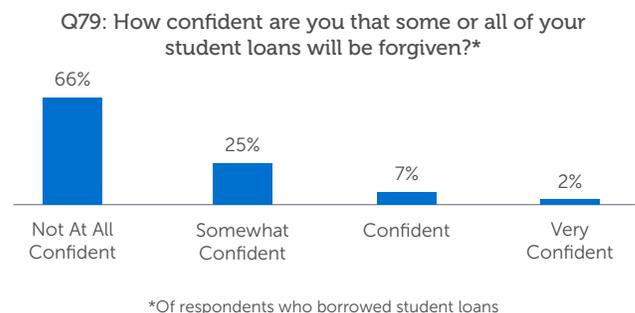
These findings are consistent with other research (see Markle, 2019) that suggests some borrowers are stressed, overwhelmed, and perhaps even fearful of their student

loan debt.⁶ However, many students in the same study perceived their debt as a necessary step to facilitate going to college, graduating with a degree, and pursuing a career.⁷

The growing portion of college students who are parents, non-white, and older are significantly more likely to characterize their debt in a negative light when compared to white students.⁸ These perceptions and fears of student loan debt have real-life impacts on students' mental health, academic performance, and persistence.^{9, 10, 11}

Perceptions of Loan Forgiveness

Many factors, including borrowers' struggles with financial security, resulted in then-presidential candidate Joe Biden to say he would support canceling a minimum of \$10,000 of student loans for borrowers.¹² During his first year in office, President Biden cancelled \$15 billion of student loans for 675,000 borrowers, the most of any president.¹³ President Biden has also called upon Congress to cancel up to \$10,000 of student loans, and extended the student loan repayment pause several times, relieving students from having student loans accumulate interest during the COVID-19 pandemic.



Despite these efforts, nearly two-thirds of student borrowers surveyed in the SFWS (66 percent) **were not at all confident** that any portion of their student loans would be forgiven.

⁶ Markle, G. (2019). Crushing debt or savvy strategy? Financial literacy and student perceptions of their student loan debt. *Journal of Student Financial Aid*, 49(1), Article 4. Retrieved from <https://ir.library.louisville.edu/cgi/viewcontent.cgi?article=1651&context=jsfa>

⁷ Ibid.

⁸ Baum, S., & O'Malley, M. (2003). College on credit: How borrowers perceive their education debt. *Journal of Student Financial Aid*, 33(3), Article 1.

⁹ Walsemann, K.M., Gee, G.C., & Gentile, D. (2015). Sick of our loans: Student borrowing and the mental health of young adults in the United States. *Social Science and Medicine*, 124, 85-93.

¹⁰ Britt, S.L., Mendiola, M.R., Schink, G.H., Ribbetts, R.H., & Jones, S. (2016). Financial stress, coping strategy and academic achievement of college students. *Journal of Financial Counseling and Planning*, 27(2), 172-18.

¹¹ Britt, S.L., Ammerman, D.A., Barrett, S.F., & Jones, S. (2017). Student loans, financial stress, and college student retention. *Journal of Student Financial Aid*, 47(N1), 25-37.

¹² Friedman, Z. (2022, January 27). No, Biden didn't promise to cancel your student loans. *Forbes*. Retrieved from <https://www.forbes.com/sites/zackfriedman/2022/01/27/no-biden-didnt-promise-to-cancel-everyones-student-loans/?sh=44fe20c16929>

¹³ Friedman, Z. (2022, January 26). Biden has cancelled \$15 billion of student loans. *Forbes*. Retrieved from <https://www.forbes.com/sites/zackfriedman/2022/01/26/biden-has-cancelled-15-billion-of-student-loans/?sh=3553c58d7fa5>



Conclusion

While student loans may be necessary for covering college and cost-of-living expenses while enrolled, borrowing also entails financial risks and potential consequences to students' emotional and mental health.^{14, 15} In Trellis' Student Financial Wellness Survey, students indicated regret regarding their current levels of debt, and their confidence in their ability to repay their loan was alarmingly low. Respondents also expressed strong doubts regarding the likelihood of having any amount of their loan(s) forgiven or canceled.



When students are provided financial aid packages that fail to meet their full need, they must consider other sources of funding, including working longer hours, seeking student loans, and sometimes engaging in risky forms of credit (like payday and auto title loans). Students with large unmet need are significantly less likely to persist and stay in school, leading many to "stopping out" without a degree or credential, often with significant student loan debt.^{16, 17} Institutions of higher education should strive to meet a student's full need.

One way this can be accomplished is by engaging with internal and external partners to establish "last-dollar" scholarships; these partnerships can facilitate granting funds of \$1-\$500 to cover any remaining costs after all Pell grants and other institutional, state, or federal aid is applied. This is one way to help ensure that smaller financial barriers do not derail student progress.

Measures

Financial Security, Attitudes Toward Loan Debt, & Perceptions of Loan Forgiveness

- Q1: While in college, have you experienced financial difficulties or challenges? [Yes, No, I don't know]
- Q24: Student loan(s) I have taken out for myself - Do you use any of the following methods to pay for college? [Yes, No]
- Q41: Would you have trouble getting \$500 in cash or credit in order to meet an unexpected need within the next month? [Yes, No, I don't know]
- Q43: Since January 1, 2021, approximately how many times did you run out of money? [Never, One time, Two times, Three times, Four times, Five times, Six times, Seven times, Eight or more times]
- Q75: To what extent do you agree with this statement: I have more student loan debt than I expected to have at this point. [Strongly disagree, Disagree, Neutral, Agree, Strongly agree]
- Q76: How confident are you that you will be able to pay off the debt acquired while you were a student? [Not at all confident, Somewhat confident, Confident, Very confident]
- Q78: To what extent do you agree or disagree with this statement: The amount of total debt I have right now is manageable. [Strongly disagree, Disagree, Neutral, Agree, Strongly agree, I do not have other debt]
- Q79: How confident are you that some or all of your student loans will be forgiven? [Not at all confident, Somewhat confident, Confident, Very confident]

¹⁴ Webster, J., Fletcher, C., Cornett, A., & Knaff, C. (2021). Student financial wellness survey report: Fall 2020. Trellis Company. Retrieved from: <https://www.trelliscompany.org/wp-content/uploads/2021/12/SFWS-Report-Fall-2020.pdf>

¹⁵ Markle, G. (2019). Crushing debt or savvy strategy? Financial literacy and student perceptions of their student loan debt. *Journal of Student Financial Aid*, 49(1), Article 4. Retrieved from <https://ir.library.louisville.edu/cgi/viewcontent.cgi?article=1651&context=jsfa>

¹⁶ Walizer, L. (2018, December). When financial aid falls short. CLASP. <https://www.clasp.org/publications/report/brief/when-financial-aid-falls-short>. Retrieved 4/21/2020.

¹⁷ The Brookings Institution. (2021, April 13). The student debt burden and its impact on racial justice, borrowers, and the economy. Retrieved from <https://www.brookings.edu/testimonies/the-student-debt-burden-and-its-impact-on-racial-justice-borrowers-and-the-economy/>



About the Data/Methodology

The Student Financial Wellness Survey (SFWS) is a self-reported, online survey that seeks to document the well-being and student success indicators of post-secondary students across the nation. While not nationally representative, responses were weighted to reflect the total student composition at participating institutions. The survey opened on October 25, 2021 and closed on November 15, 2021. One hundred four (104) institutions participated in the survey—71 two-year colleges, 20 public four-years, and 13 private not-for-profit four-years. A total of 715,545 undergraduate students were invited to take the survey, of whom 63,751 responded, yielding a 9.0 percent response rate.

Recent Trellis Research publications

Hungry minds: Student awareness and use of food pantries at 91 colleges and universities

Cornett, A. (2022). Hungry minds: Student awareness and use of food pantries at 91 colleges and universities. Trellis Company. Retrieved from: https://www.trelliscompany.org/wp-content/uploads/2022/05/71646-Research-Brief-MAY2022_FINAL.pdf

Transportation barriers and school loyalty: Results from Trellis' Fall 2021 Student Financial Wellness Survey

Fletcher, C., & Knaff, C. (2022). Transportation barriers and school loyalty: Results from Trellis' Fall 2021 Student Financial Wellness Survey. Trellis Company. https://www.trelliscompany.org/wp-content/uploads/2022/04/71646-Research-Brief-APRIL-2022_FINAL.pdf

No food for thought: Insights on basic needs insecurities and mental health challenges from Trellis' Fall 2020 Student Financial Wellness Survey.

Cornett, A., & Fletcher, C. (2022). No food for thought: Insights on basic needs insecurities and mental health challenges from Trellis' Fall 2020 Student Financial Wellness Survey. Trellis Company. Retrieved from: <https://www.trelliscompany.org/portfolio-items/no-food-for-thought-insights-on-basic-needs-insecurities-and-mental-health-challenges/>

Student Financial Wellness Survey report: Texas community colleges

Fletcher, C., Cornett, A., Knaff, C., & Webster, J. (2022). Student Financial Wellness Survey report: Texas community colleges. Trellis Company. Retrieved from: <https://www.trelliscompany.org/portfolio-items/student-financial-wellness-survey-texas-community-colleges-fall-2021/>

State of student aid and higher education in Texas

Webster, J., Fletcher, C., Cornett, A., & Knaff, C. (2021). Student Financial Wellness Survey Report: Fall 2020. Trellis Company. Retrieved from: <https://www.trelliscompany.org/wp-content/uploads/2021/12/SFWS-Report-Fall-2020.pdf>

About Trellis Company and Trellis Research Services

Trellis Company ([trelliscompany.org](https://www.trelliscompany.org)) is a nonprofit 501(c)(3) corporation focused on helping people leverage the power of post-secondary education and learning to improve their quality of life and the communities where they live.

Trellis Research ([trelliscompany.org/research](https://www.trelliscompany.org/research)) provides colleges and policymakers insight into student success through the lens of higher education affordability. With more than three decades of experience studying key issues such as student debt, student loan counseling, and the financial barriers to attainment, our research team explores the roles of personal finance, financial literacy, and financial aid in higher education.

Interested in collaborations or need research expertise? Trellis Research welcomes opportunities to inform policymakers and help organizations address their analytical needs. For more information, please contact Trellis Research at Trellisresearch@trelliscompany.org or visit us on Twitter ([@TrellisResearch](https://twitter.com/TrellisResearch)).

The Student Financial Wellness Survey is a free national survey offered by Trellis Company that explores the connections between student finances, academic success, and more. Interested in participating in the Fall 2022 implementation of SFWS? Learn more here: www.trelliscompany.org/SFWS-get-started

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