INSTITUTE FOR WOMEN'S POLICY RESEARCH

COLLEGE AFFORDABILITY

EDUCATION AND CAREER ADVANCEMENT

Federal Policy Solutions to Advance Gender Equity | February 2025

OVERVIEW

Research shows the economic benefits of postsecondary degree attainment, including higher earnings and lifetime wages. However, the full cost of college attendance is too high for most students even after receiving tuition assistance, such as grants and scholarships, making access to college inequitable, especially for low-income students and students of color. The rising college costs have outpaced inflation and income growth, widening the financial gap between the financial aid students receive and the full cost of attendance. States have also failed to adequately invest in postsecondary education in recent years following the recession.

Because of the high costs, many students rely on loans to pay for college, and as a result, one in four adults in the United States has student loan debt. Student loan debt has negative impacts on the short- and long-term financial stability and outlook for borrowers. Meanwhile, many students continue to experience some form of basic needs insecurity.

Policy solutions must look to provide equitable, affordable access to postsecondary education for all while also addressing the existing student debt burden for borrowers nationwide.

$1.6 TRILLION in federal student loans was owed by 42 million borrowers in 2024.

WHAT THE RESEARCH SAYS

- **The College Board reports that the cost of college education has increased substantially over the past three decades.** The average tuition and fees more than doubled at four-year public higher education institutions, increasing from $5,740 to $11,610 per year for in-state students. The average tuition and fees also increased for public two-year in-district students, from $2,780 to $4,050. These numbers do not account for additional necessary expenses, such as the cost of living, books, and supplies, making the real price of college much higher than the published amount.

- **The average federal student loan debt balance in the United States was $38,375 in 2024, according to the Education Data Initiative.** As of June 2024, federal data show about 42 million borrowers collectively owed just over $1.6 trillion in federal student loans—a staggering amount that does not include private loan debt.

- **College education plays a crucial role in driving economic mobility.** Research from the Georgetown University Center on Education and the Workforce found that median lifetime earnings are much higher for those with a bachelor's degree ($2,268,000) and an associate's degree ($1,727,000) than those with only a high school diploma ($1,204,000).

- **People of color experience the burden of student debt more acutely due to historic intergenerational wealth gaps.** Black students are more likely to use student loans to pay for college than White students (90 percent and 66 percent, respectively, according to the Student Borrower Protection Center). While Latino students borrow at lower rates, research from UnidosUS shows that they are more likely to struggle in repayment.

- **The federal Pell Grant was established in 1972 and has provided need-based aid to low- and moderate-income students since then.** However, due to the rising cost of college education, the Pell Grant currently covers the lowest share of college costs since it was established. The National Association of Student Financial Aid Administrators reports it is now only 26 percent of the cost of attendance at four-year public institutions, which is a decline from 75 percent in 1975–76.

- **A Trellis Strategies survey among postsecondary students found that 60 percent of respondents had experienced at least one form of basic needs insecurity**—food, housing, or homelessness—with 9 percent experiencing all three. Rates are even higher among HBCU students, with 46 percent experiencing food insecurity, 55 percent reporting housing insecurity, and 20 percent experiencing homelessness, according to one study.

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16% of borrowers reported in 2023 that they were behind on payments or in collection for a student loan, and those with lower income levels are most likely to be behind on payments.

WHY IT MATTERS

Analysis from Pew Research Center has suggested that student debt has major impacts on the economic lives of young families, with households headed by young adults with student debt accumulating wealth slower than those without student debt. Households with student debt also tend to owe higher levels of other debt as well, including credit card debt. According to data published by the Federal Reserve, about 16 percent of borrowers reported in 2023 that they were behind on payments or in collection for a student loan, and those with lower income levels are most likely to be behind on payments.

Data show that Black borrowers were more likely to carry higher balances on student loan debt. There is also evidence that some groups of borrowers—specifically Black, Native Americans, and lower-income student borrowers—make slower progress paying down the original principal amount of their student loan obligations than do other borrowers. The same data set also suggests that borrowers with larger initial loan amounts pay down the original principal amount more slowly. These factors have negative, long-term impacts on the financial decision-making, security, and stability of the borrowers and their families.

IWPR's research has highlighted that some student populations, such as student parents, face particular challenges around student debt: They are both more likely to take out educational loans and have more difficulty paying them off than students without children. The research has found that student mothers struggle more with loan repayment than student fathers and that Black student parents are more likely to take out loans to pay for their degrees and to struggle with student loan repayment. Loans also have ongoing consequences for student parents in particular: They were much more likely than non-parenting students to report missing a monthly payment, putting loans into deferment or forbearance, defaulting on their student loans, and delaying large purchases such as a home.

POLICY SOLUTIONS

Policymakers must act to make higher education accessible and affordable for all, including by finding opportunities to reduce the cost of education, offering improved financial assistance for students, and addressing existing student debt obligations. **This includes:**

Pursue opportunities to provide two years of tuition-free postsecondary education, especially for students who come from low-income families. This includes proposals to make two years of community college free for all students, calls for the creation of federal-state partnerships to fund community college or other postsecondary institutions education, and efforts to provide free access to postsecondary education for students from households with incomes under a certain threshold. Ultimately, ensuring that every student has access to at least some postsecondary education free of charge is a critical step toward promoting equity and access to higher education, as well as creating pathways to better jobs for more students.

Increase funding for direct financial assistance to students, including Pell Grants. Policymakers should increase annual appropriations for Federal Pell Grants and double the maximum award of these grants. Going forward, Pell Grants can be further improved by ensuring ongoing adjustment to the maximum award based on inflation and by eliminating taxation on the use of Pell Grant funding for costs beyond tuition. Policymakers could also look to expand access to Pell Grants to all students, including undocumented students.

Simplify financial aid processes to improve access and transparency in the application process. This includes improving the Free Application for Federal Student Aid (FAFSA) process, addressing the technical issues and delays that have plagued the recent FAFSA overhaul, and expanding FAFSA to support the needs of more students. Options to improve the FAFSA process also include promoting universal completion by all graduating high school students and efforts to improve FAFSA data-sharing access across state entities.

Ensure that students' basic needs are met through improved access to public benefit programs. Policy analysis has highlighted the positive impacts of COVID-19-era policies that not only provided direct support to colleges and universities but also granted increased flexibility to use these funds to provide emergency assistance to students. This assistance helped students stay in school, afford school materials, and stay healthy.

Address the student loan crisis by providing ongoing relief for existing borrowers. This includes fully exploring, implementing, and expanding all pathways to debt cancellation within the Higher Education Act, particularly for individuals experiencing financial hardship and instability, as well as pursuing new legislation to expand options to offer debt relief to more borrowers. Policymakers should bolster the Public Service Loan Forgiveness (PSLF) program, which offers loan forgiveness for many public sector employees, and continue to implement improvements to the program that ensure all eligible workers can fully utilize it.

Expand funding and initiatives for students from historically marginalized backgrounds. This includes increasing investments in minority-serving institutions such as historically black colleges and universities (HBCUs) and tribal colleges and universities (TCUs). Policymakers should also increase funding for programs for women and in women's colleges, particularly initiatives that promote women's advancement in the STEM fields and other male-dominated career paths.

KEY LEGISLATION

Pell Grant Preservation and Expansion Act: Legislation to make a number of key reforms to Pell Grant accessibility, including doubling the maximum award and indexing it to inflation.

Degrees Not Debt Act: A bill that would double the maximum Pell Grant award to $14,800 per year and would index the maximum award to inflation after the 2025–2026 school year.

Tax-Free Pell Grant Act: A bipartisan proposal to improve coordination between Pell Grants and the federal tax code to ensure that students can take full advantage of the program. The bill removes financial barriers to utilizing Pell Grants and related tax credits, including by fully excluding the grants from taxable income.

Community and Technical College Investment Act of 2023: Legislation to offer tuition-free community and technical college access, together with wraparound support services for students, through the establishment of a grant program at the Department of Education.

Debt-Free College Act: Legislation to establish a state-federal partnership that invests federal funds in a 1:1 match for state funding for public colleges, as well as federal grants for HBCUs, helping to ensure that students can pay for the full cost of college without having to take on debt.

America's College Promise Act: A bill that establishes a partnership between the federal government and states to waive tuition and fees for two years of community and technical college programs, as well as federal grants to waive or significantly reduce two years of tuition at an HBCU.

College for All Act: Legislation to guarantee tuition-free community college for all students and allow students from families earning under $125,000 a year to attend public colleges and universities tuition-free and debt-free.

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