

BRIDGING PROGRESSIVE POLICY DEBATES:

How Student Debt and the Racial Wealth Gap
Reinforce Each Other

REPORT BY **SUZANNE KAHN, MARK
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Introduction

Crisis-level student debt hinders economic progress in many ways, including reinforcing racial wealth inequality.

In order to finance higher education, Black families—already disadvantaged by generational wealth disparities—rely more heavily on student debt, and on riskier forms of student debt, than white families do. The additional risks Black students face when taking on student debt are exacerbated by other disparities in the higher education system, including predatory for-profit colleges that engage in race-based targeting. The disparities continue after these students leave school. Due to lower family wealth and racial discrimination in the job market, Black students are far more likely than white students to experience negative financial events after graduating—including loan default, higher interest rate payments, and higher graduate school debt balances. This means that while many Black families currently need to rely on debt to access a college degree and its resulting wage premium, the disproportionate burden of student debt perpetuates the racial wealth gap. **To fairly evaluate any higher education reform proposal, we must understand the ways that these dual burdens—less wealth and more debt—lead to worse outcomes for Black students than white students.**

In 2019, Americans collectively owe more than \$1.6 trillion in student debt,¹ and the number of families burdened has grown rapidly: One in five US households now has student loan debt, compared to one in 10 in 1989.² In the face of these overwhelming numbers, many policymakers have begun to offer their own tuition-free and debt-free college policy plans—and even debt cancellation proposals—as a way to reinvest in higher education and America’s students. These proposals have sparked a fierce debate about who ought to benefit from this endeavor or how new resources should be allocated. Too often, however, these conversations overlook the critical background context of who currently benefits and loses when much of the higher education system is financed through individual debt rather than upfront public investment.

To provide this context, this report compiles the research on racial disparities both in the use of student debt and in higher education outcomes, specifically focusing on disparities between white students and Black students. In order to do so, we bring together two streams

¹ Zack Friedman, “Student Loan Debt Statistics in 2019: A \$1.5 Trillion Crisis,” 25 February 2019, *Forbes*, <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/#63c388a2133f>.

² Venoo Kakar, Gerald Eric Daniels, Jr., and Olga Petrovska, “Does Student Loan Debt Contribute to Racial Wealth Gaps? A Decomposition Analysis,” 21 November 2018, *Journal of Consumer Affairs* (forthcoming), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3094076.



of research that are often siloed: research from experts on higher education access and success alongside research from economists, sociologists, and others who specialize in race inequality and, in particular, the racial wealth gap. These researchers tend to draw on different sets of data and focus on different outcomes, and thus often identify different problems—yet both are critical to designing meaningful reforms. When we bring these strands of research together, we get an increasingly clear picture: the racial wealth gap, high student debt levels, and unequal higher education access and outcomes for students of color—and particularly women of color—continuously reinforce each other.

This report highlights the need for higher education policies that get students of color both into and through college in order to realize the wage benefits of a college degree. It also underscores the need to take into account the structural inequalities and discrimination that shape every step of the experience of students of color both in college—from paying for college to accessing academic opportunities—and in the job market after leaving school with or without a postsecondary credential.

In Section 1 of this report, we describe how historic policy decisions, both in higher education and in the economy more broadly, have contributed to these structural racial inequities. In Section 2, we examine key findings across disciplines from researchers who have studied student debt with a racial lens. Then, we conclude by discussing what policy changes could help break the cycle connecting student debt and the racial wealth gap. This report is followed by an appendix that looks more closely at the data sets used by researchers in different disciplines and an annotated bibliography.



SECTION ONE

The Development of Racial Inequities in the American Higher Education System

Too often in policymaking, we view the inequities in our current system as natural and inevitable instead of as the consequence of deliberate policy choices. The American higher education system, however, is replete with examples of policies that directly exacerbate or create racial inequities. These can include:

- Policies designed to be explicitly racist or lock out people of color from part or all of the educational system;
- Seemingly race-neutral policies deliberately implemented to ensure racist outcomes (and, at times, crafted with this as the intended result); and
- Policies intended to be truly race-neutral that, when implemented within existing inequitable systems, perpetuate racial inequalities.

The racist structures that these policy choices built into the higher education system—in conjunction with similar structures throughout the American economy—have rippling effects today.

The relatively recent policy choice to ask individual students to access higher education through debt-financing has had a disproportionate impact on students of color. By first building a racially discriminatory system, then dismantling only the system's most overtly racist features, and finally turning student debt—rather than upfront public investment—as a means of broadening access, policymakers have created a system where inequality, discrimination, and structural barriers for black and brown people throughout the economy help determine the cost and the scale of the ultimate financial pay-off of going to college.

The higher education system, a resource intended to serve as a primary tool for economic mobility, is not equally accessible for Black and white families. Such inequality is manifest throughout the broader educational system and economy as well. In the United States, every key economic and social resource—from housing to banking to the K–12 education system—developed in a racist political context. All have inequities baked into their structures that limit economic mobility and Black families' ability to build wealth.³

³ Andrea Flynn, et al., "Rewrite the Racial Rules: Building an Inclusive American Economy," June 2016, The Roosevelt Institute, <https://rooseveltinstitute.org/wp-content/uploads/2016/06/Structural-Discrimination-Final.pdf>



K–12 EDUCATION

From kindergarten on, most students move through a deeply segregated system.⁴ The school-integration efforts that followed *Brown v. Board of Education* saw a reversal starting in the 1980s, when courts allowed state legislatures to unravel the structures put in place to desegregate schools. As a result, schools in many areas of the country have resegregated. By 1989, 83 percent of Black students attended majority-minority schools.⁵ Segregated schools have resulted in massive resource gaps; predominantly white districts receive nearly \$23 billion more in funding than nonwhite districts despite serving a similar number of students, leading to a persistent gap in white and Black graduation rates.⁶

THE RACIALLY INEQUITABLE EXPANSIONS OF AMERICAN HIGHER EDUCATION

The racist policy choices underlying the higher education system started with the earliest federal policies supporting the development of the public college and university system. Early federal investment in higher education—for example, the Morrill Act’s creation of land-grant colleges in the 19th century—gave federal funding and land to states with formally segregated higher education systems. Even after the passing of the Civil Rights Act, federal education dollars continued to fund states with segregated systems. At the end of the 1960s, 19 states still operated segregated universities and colleges.⁷ It was not until the 1970s that courts began to force states to desegregate their university systems.⁸

Prior to the court-ordered desegregation of state university systems, significant federal investments in the higher-education system—such as the GI Bill and the Higher Education Act of 1965—had very different impacts on Black and white students. Columbia political science professor Ira Katznelson shows that in order to win support from Southern members of Congress, the GI Bill allowed state and local administrators a great deal of

⁴ The Roosevelt Institute’s “Rewrite the Racial Rules: Building an Inclusive American Economy” explores this system, reporting that the average Black K–12 student attends a school that is 49 percent Black, and that “48 percent of all Black children attended high-poverty schools, as compared to only 8 percent of white children” (Flynn, et al. p. 35; see also: Richard D. Kahlenberg, Halley Potter, and Kimberly Quick, “A Bold Agenda for School Integration,” 8 April 2019, The Century Foundation, <https://tcf.org/content/report/bold-agenda-school-integration/>).

⁵ Flynn, et al., p. 38–41.

⁶ In 2016–2017, the four-year graduation rate for white students (89 percent) was 11 percent higher than it was for Black students (“Public High School Graduation Rates,” May 2019, National Center for Education Statistics, https://nces.ed.gov/programs/coe/indicator_coi.asp).

⁷ Edwin H. Litolff, III, “Higher Education Desegregation: An Analysis of State Efforts in Systems Formerly Operating Segregated Systems of Higher Education,” 2007, Louisiana State University Doctoral Dissertations, p. 13, https://digitalcommons.lsu.edu/cgi/viewcontent.cgi?article=4133&context=gradschool_dissertations.

⁸ Litolff, p. 15.

autonomy in implementing the program. State officials then made choices that prevented eligible Black GIs from accessing the full range of education benefits: Segregated colleges refused to accept Black GIs in numbers that accommodated all who were eligible; career-placement officers channeled Black GIs away from more lucrative job training programs and toward traditionally Black occupations; and GI bill administrators in some Southern states refused to approve many Black colleges and vocational schools' receipt of GI Bill benefits.⁹ In 1947, over 20,000 eligible Black veterans reported being unable to find a spot in a higher education institution.¹⁰ Because of the inequitable administration of the GI bill, Black institutions lacked the facilities and funding to meet demand. The disparity in funding for minority-serving institutions has continued to this day.

PRESENT-DAY FUNDING DISPARITIES

Disparities in state funding between two- and four-year public institutions and between flagship and satellite state campuses are prevalent throughout the higher education system. As a result of disparities that manifest in the K-12 system, as well as discrimination in admissions and other factors, students of color are more likely than their white counterparts to attend underfunded public institutions that spend less per student.¹¹ The disparities in funding among institutions extend to historically Black colleges and universities (HBCUs). One study found that in 2014, four traditionally white institutions received more in federal, state, and local contracts and grants than all 89 four-year HBCUs combined.¹² Even among public institutions, public HBCUs have fewer non-public resources: 54 percent of public, four-year HBCUs' revenue comes from government sources, while their predominantly white counterparts only rely on government sources for 38 percent of their annual revenue.¹³ And because alumni have less wealth, private HBCUs have

⁹ Ira Katznelson, *When Affirmative Action Was White* (New York: W.W. Norton & Company, 2005), p. 128-132.

¹⁰ Katznelson, 132. In 1946, in Southern states 51 percent of students at white higher education institutions were veterans, but at Black institutions, only 30 percent of students were veterans.

¹¹ Sara Garcia, "Gaps in College Spending Shortchange Students of Color," 5 April 2018, Center for American Progress, <https://www.americanprogress.org/issues/education-postsecondary/reports/2018/04/05/448761/gaps-college-spending-shortchange-students-color/>.

¹² Ivory A. Toldson, "The Funding Gap between Historically Black Colleges and Universities and Traditionally White Institutions Needs to be Addressed," *The Journal of Negro Education* 85, no. 2 (Spring 2016), https://www.jstor.org/stable/10.7709/jnegroeducation.85.2.0097?seq=1#page_scan_tab_contents.

¹³ Krystal L. Williams and BreAnna L. Davis, "Public and Private Investments and Divestments in Historically Black Colleges and Universities," January 2019, American Council on Education & UNCF Issue Brief, p. 3, <https://www.acenet.edu/news-room/Documents/public-and-private-investments-and-divestments-in-hbcus.pdf>.



smaller endowments and fewer resources.¹⁴ Despite this, HBCUs grant about 17 percent of all bachelor's degrees awarded to Black students and a full quarter of STEM degrees awarded to Black students.¹⁵

For communities of color, where many families saw their net worth cut nearly in half during the recession, we have added high costs and debt to family balance sheets that have not recovered from the crisis over a decade ago.

The racial effects of resource disparities in higher education have worsened over the past few decades as public funding per student has declined. During the Great Recession, many states slashed their higher education budgets. For the most part, the funding has never been recovered. In 2018, state funding for two- and four-year public colleges was over \$7 billion below what it was in 2008.¹⁶ As a result, tuition has skyrocketed, and academic and student support services have been cut. At the same time, federal support for low-income students has not kept pace with rising costs; the value of grant aid has diminished, requiring students to turn increasingly to loans.¹⁷ Notably, student debt was one of the few forms of unsecured credit to remain widely available during the Great Recession, when it became more difficult to open up a credit card or get a personal loan from a bank.¹⁸ For communities of color, where many families saw their net worth cut nearly in half during the recession, we have added high costs and debt to family balance sheets that have not recovered from the crisis over a decade ago.¹⁹

¹⁴ Morehouse College—a private HBCU—has an endowment of about \$66,000 per student compared to \$340,000 per student at Cornell University (Dylan Matthews, “Morehouse’s Students Loan Forgiveness Is an Incredibly Useful Economic Experiment,” 20 May 2019, Vox, <https://www.vox.com/future-perfect/2019/5/20/18632520/morehouse-college-graduation-class-size-robert-f-smith-billionaire>; Darrick Hamilton, et al., “Still We Rise: The Continuing Case for America’s Historically Black Colleges and Universities,” 9 November 2015, *The American Prospect*, <https://prospect.org/article/why-black-colleges-and-universities-still-matter>).

¹⁵ Monica Anderson, “A Look at Historically Black Colleges and Universities as Howard Turns 150,” 28 February 2017, Pew Research Center: Fact Tank, <https://www.pewresearch.org/fact-tank/2017/02/28/a-look-at-historically-black-colleges-and-universities-as-howard-turns-150/>; Krystal L. Williams and BreAnna L. Davis, “Public and Private Investments and Divestments in Historically Black Colleges and Universities,” p. 2.

¹⁶ Michael Mitchell, “By Disinvesting in Higher Education, States Contributing to Affordability Crisis,” 4 October 2018, Center on Budget and Policy Priorities: Off the Charts, <https://www.cbpp.org/blog/by-disinvesting-in-higher-education-states-contributing-to-affordability-crisis>.

¹⁷ Mark Huelsman, “Debt to Society: The Case for Bold, Equitable Student Loan Cancellation and Reform,” 6 June 2019, Demos, <https://www.demos.org/research/debt-to-society#The-Destructive-Consequences-of-Debt-Financed-Higher-Education>.

¹⁸ <https://www.newyorkfed.org/newsevents/speeches/2015/mca150416.html>.

¹⁹ Aissa Canchola and Seth Frotman, “The Significant Impact of Student Debt on Communities of Color,” 15 September 2016, Consumer Financial Protection Bureau, <https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/>.

THE RISE OF PREDATORY INSTITUTIONS

Widespread reliance on federally backed debt to finance higher education has also allowed a predatory industry of for-profit colleges to arise and specifically target students of color and other vulnerable populations. Government-backed student loans were opened up to students at for-profit colleges in 1972 and quickly became integral to these schools' business models.²⁰ For-profit schools began to market themselves to students of color specifically by helping them navigate the federal student loan system.²¹ The ensuing influx of capital led to an expansion of the industry in the 1980s that continued into the 1990s, when many for-profit colleges grew into large, publicly-traded companies.²² Between 1990 and 2010, the percentage of bachelor's degrees coming from for-profit colleges increased sevenfold.²³ Today, Black students making up 21 percent of students at for-profit colleges but only 13 percent of students at public colleges.²⁴

For-profit schools' ability to attract students was given a significant boost by the 2008 recession, when young people sought refuge from a weak labor market in degree programs. Indeed, the for-profit college industry was one of the few to remain profitable during the financial collapse.²⁵ Greater demand for higher education is typical during a recession, but recent research argues that this trend was exacerbated in 2008 by a monopsonized labor market (i.e., a labor market dominated by too small a number of employers), in which employers could demand more credentials for the same jobs. This was particularly harmful

²⁰ Robert Shireman, "The For-Profit College Story: Scandal, Regulate, Forget, Repeat," 24 January 2017, The Century Foundation, <https://tcf.org/content/report/profit-college-story-scandal-regulate-forget-repeat/>; James Surowiecki, "The Rise and Fall of For-Profit Schools," 2 November 2015, *The New Yorker*, <https://www.newyorker.com/magazine/2015/11/02/the-rise-and-fall-of-for-profit-schools>.

²¹ Tressie McMillan Cottom, *Lower Ed: The Troubling Rise of For-Profit Colleges in the New Economy* (New York: The New Press, 2017), 82; Darrick Hamilton and William A. Darity, Jr. "The Political Economy of Education," *Federal Reserve Bank of St. Louis Review* 99, no. 1 (First Quarter 2017), <https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/the-political-economy-of-education-financial-literacy-and-the-racial-wealth-gap.pdf>.

²² Today, almost 74 percent of revenues at for-profit, Title IV-eligible schools come from federal student aid (William Beaver, "The Rise and Fall of For-Profit Higher Education," January-February 2017, American Association of University Professors, <https://www.aaup.org/article/rise-and-fall-profit-higher-education#.XMzU3dNKiqQ>; Vivien Lee and Adam Looney, "Understanding the 90/10 Rule: How Reliant are Public, Private, and For-Profit Institutions on Federal Aid," January 2019, The Brookings Institution, https://www.brookings.edu/wp-content/uploads/2019/01/ES_20190116_Looney-90-10.pdf; David J. Denning, Claudia Goldin, Lawrence F. Katz, "The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators," December 2011, National Bureau of Economic Research Working Papers, p. 9, <https://www.nber.org/papers/w17710.pdf>).

²³ Surowiecki, "The Rise and Fall of For-Profit Schools."

²⁴ "For Profit Colleges by the Numbers," February 29 2018, Center for Analysis of Postsecondary Education and Employment, <https://capseecenter.org/research/by-the-numbers/for-profit-college-infographic/>.

²⁵ Mark Huelsman, "Betrayers of the American Dream: How Sleazy For-Profit Colleges Disproportionately Target Black Students," 12 July 2015, *The American Prospect*, <https://prospect.org/article/betrayers-dream>.

for students of color, from whom employers *already* demanded higher credentials.²⁶

The consequences of debt-financing higher education and other trends in higher education policies have not fallen equally on Black and white families. Inequality and discrimination determine how much wealth a family has available to pay for college, the type of college a student attends, how much debt they take on to attend school, and how easy or difficult it is to pay down debt. In the next section, we explore research from higher education and racial wealth gap experts and discuss how these researchers' findings complicate the belief that student debt helps create equitable access to higher education.

²⁶ Julie Margetta Morgan and Marshall Steinbaum, "The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality: How the Current Student Debate Gets the Economics Wrong," 16 October 2018, Roosevelt Institute, <https://rooseveltinstitute.org/student-debt-crisis-labor-market-credentialization-racial-inequality/>; Alicia Sasser Modestino, Daniel Shoag, and Joshua Ballance, "Upskilling: Do Employers Demand Greater Skill When Workers Are Plentiful?" 4 June 2019, *MIT Press Journals*, https://www.mitpressjournals.org/doi/abs/10.1162/rest_a_00835.



SECTION TWO

Racial Disparities Endemic to Students' Educational Life Cycles: Recent Findings from Higher Education and Racial Wealth Gap Experts

Analyses from higher education researchers and racial wealth gap researchers often draw on different data sets and study different outcomes. When combined, these two bodies of work reveal racial disparities at every point in the educational and life cycles, making debt an inequitable means of financing education.

Those who study higher education tend to be engaged primarily with issues related to college access and completion, and to some extent the earnings outcomes of those programs as they relate to the debt incurred. In this regard, student debt policy is often evaluated in terms of whether it equalizes outcomes in access, persistence, and completion, and whether it diversifies enrollment at different institutions. For higher education researchers, outcome measures like loan defaults are often viewed in terms of what they reveal about the quality of an institution. Debt levels may also be measured, but typically as a “return on investment” for the earnings increase provided by the program.

In contrast, racial wealth gap experts are interested in student debt as one of many items on family balance sheets. Their work often asks what student loan debt and defaults tell us about market discrimination or overall asset building. They seek to understand what role student debt has played in creating a situation where the median white family has 10 times the wealth of the median Black family.²⁷

²⁷ Lisa J. Detting, et al., “Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances,” 27 September 2017, FEDS Notes, <https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm>.



THE BLACK-WHITE WEALTH DIVIDE HAS GROWN OVER THREE DECADES
U.S. MEDIAN WEALTH BY RACE, 1989 AND 2016

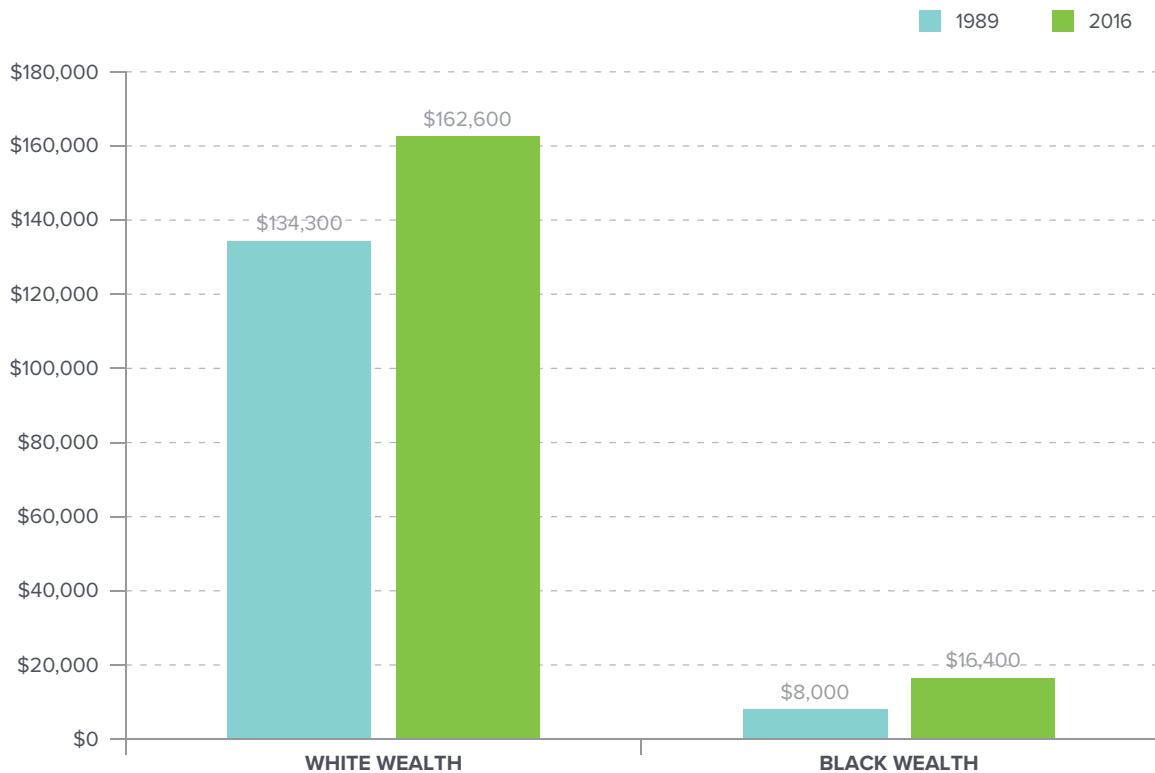


FIGURE 1 Source: https://www.stlouisfed.org/~media/files/pdfs/hfs/essays/hfs_essay3_2018.pdf?la=en

KEY FINDING: In order to finance higher education, Black families—already disadvantaged by generational wealth disparities—rely more heavily on student debt, and on riskier forms of student debt, than white families do.

Robust research on student debt highlights a core challenge: Within today’s higher education finance structure, Black students would be less able to pay for—and enroll in—college without loans. But while loans are the key to access in the current system, they do not create equitable access. For many of the reasons discussed above, debt is a tool that borrowers of color must rely upon more often compared to white students, potentially putting them at greater financial risk. Thus, the research also makes clear that moving from a debt-financed system to a public investment-financed system would be a significant benefit to Black families.

Debt is a tool that borrowers of color must rely upon more often compared to white students, potentially putting them at greater financial risk.

From the beginning of their time in the higher education system, Black students and white students have a different experience with student loans. Using longitudinal data disaggregated by race and released by the US Department of Education in 2017, Center for American Progress, Vice President for Postsecondary Education Ben Miller showed that 78 percent of Black students in the cohort that began college in 2003–2004 took out loans for their undergraduate education, compared to only 57 percent of white students.²⁸ Furthermore, in a 2014 study for the Wisconsin Hope Lab, higher education researchers Sara Goldrick-Rab, Robert Kelchen, and Jason Houle found that while “Black students have always borrowed more than white students, for as long as the federal government has tracked these things,” “the growth in take-up rates of federal student loans between 1995–96 and 2011–12 was also greater for Black students than white students.”²⁹ Black adults are almost twice as likely to have student debt than white adults.³⁰

PERCENTAGE OF STUDENTS WHO TOOK OUT FEDERAL LOANS FOR UNDERGRADUATE EDUCATION WITHIN 12 YEARS OF ENTERING					
	Total	Public four-year institution	Private non-profit four-year institution	Public two-year instituteion	Private for-profit institution
White	57	60	66	46	90
Black or African American	78	87	82	62	95
Hispanic or Latino	58	65	74	40	84
All students	60	62	68	48	89

FIGURE 2 Black students borrow to attend college much more often than their white counterparts do. *Source: Center for American Progress* *The Center for American Progress did not report figures for Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, or other race or ethnic groups.

²⁸ Ben Miller, “New Federal Data Show a Student Loan Crisis for African American Borrowers,” 16 October 2017, Center for American Progress, <https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/>.

²⁹ Sara Goldrick-Rab, Robert Kelchen, Jason Houle, “The Color of Student Debt: Implications of Federal Loan Program Reforms for Black Students and Historically Black Colleges and Universities,” 2 September 2014, Wisconsin Hope Lab, p. 12, <https://news.education.wisc.edu/docs/WebDispenser/news-connections-pdf/thecolorofstudentdebt-draft.pdf?sfvrsn=4>.

³⁰ Sara Goldrick-Rab, Robert Kelchen, Jason Houle, “The Color of Student Debt: Implications of Federal Loan Program Reforms for Black Students and Historically Black Colleges and Universities,” p. 11.

Sociologists Fenaba Addo and Jason Houle find that differences in parental wealth are a key factor in driving the greater use of student loans to finance education by Black students (and the greater difficulty Black students have paying off their loans, discussed later).³¹ Research show differences in borrowing between low-income and moderate-income Black and white families,³² but interestingly, Addo and Houle’s study finds racial disparities in student loan debt highest among students with the wealthiest parents. Addo and Houle theorize that this is explained by the different forms in which Black and white families hold their wealth, suggesting that Black families hold what wealth they do have in less liquid forms than white families.³³ For example, in the highest-income quintile, Black parents hold roughly 16 percent of their wealth in liquid financial assets, whereas white parents hold 21 percent of their wealth in this form.³⁴ While the Free Application for Federal Student Aid (FAFSA) takes into account liquidity of assets when calculating expected family contribution, fewer than 2 percent of students receive scholarships and grants fully covering the cost of their education.³⁵ When families have to step in to make up the difference between expected family contribution and the total cost of school post-financial aid, white families are often able to cover the remainder with liquid assets, while Black families must often turn to loans.

³¹ As will be discussed later in the paper, differences in enrollment patterns—and particularly the disproportionate concentration of Black students at for-profit schools—also play a key role in differences in borrowing levels by Black and white students (Fenaba Addo, Jason Houle, and Daniel Simon, “Young Black and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt,” *Race and Social Problems* 8, no 1 (2016) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6049093/#R36>).

³² Michal Gristein-Weiss, et al., “Racial Disparities in Education Debt Burden Among Low- and Moderate- Income Households,” *Children and Youth Services Review* 65, June 2016, <https://www.sciencedirect.com/science/article/pii/S0190740916301220>.

³³ Fenaba Addo, Jason Houle, and Daniel Simon, “Young Black and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt.”

³⁴ Fenaba Addo, “Parents’ Wealth Helps Explain Racial Disparities in Student Loan Debt,” 29 March 2019, Federal Reserve Bank of St. Louis, <https://www.stlouisfed.org/publications/in-the-balance/2018/parents-wealth-helps-explain-racial-disparities-in-student-loan-debt>.

³⁵ Michelle Singletary, “Your Child Probably Won’t Get a Full Ride to College,” 16 October 2019, *The Washington Post*, https://www.washingtonpost.com/business/2018/10/16/odds-your-child-getting-full-ride-college-are-low/?utm_term=.438e46e27798.



AMONG THE WEALTHY, BLACK FAMILIES HOLD THEIR WEALTH IN LESS LIQUID FORMS

Holdings	Average Amount (\$)			% of wealth in type of holding		
	White	Black	Difference	White	Black	Difference
Home Equity	\$154,627	\$92,555	\$62,072	39%	31%	8%
Retirement Accounts	\$116,960	\$91,915	\$25,045	30%	31%	-1%
Financial Assets	\$81,827	\$46,579	\$35,248	21%	16%	5%
College Savings Account (CSA)	\$12,323	\$14,023	(\$1,700)	3%	5%	-2%
Other Assets	\$30,374	\$51,655	(\$21,281)	8%	17%	-10%

FIGURE 3 Source: <https://www.stlouisfed.org/publications/in-the-balance/2018/parents-wealth-helps-explain-racial-disparities-in-student-loan-debt>. ** Data on parents wealth in highest quintile group.

Although Black parents have less wealth with which to support their children, economists Darrick Hamilton and William Darity, Jr. have found that Black families are actually more likely to contribute financially to their children’s higher education at all income levels.³⁶ This eagerness to support their children’s education in the face of unequal labor and credit markets has led many parents of Black students to take on expensive and risky forms of debt themselves. For example, a report by Rachel Fishman at the New America Foundation shows that low-income Black families are particularly likely to rely on Parent PLUS Loans, which have no limits up to the full cost of attendance—an amount that goes well beyond tuition to include living expenses. PLUS loans were designed to help middle- and upper- income borrowers, but data shows that among Black borrowers the largest share of borrowers taking out Plus loans have an adjusted gross income of under \$30,000 a year.³⁷ This is concerning because like other student loans, Parent PLUS Loans cannot be discharged in bankruptcy, but unlike student loans, they are not eligible for income-based

³⁶ William Darity, Jr, et al., “What We Get Wrong About Closing the Racial Wealth Gap,” April 2018, Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development, https://socialequity.duke.edu/sites/socialequity.duke.edu/files/site-images/FINAL%20COMPLETE%20REPORT_.pdf; Yunju Nam, et al., “Bootstraps are for Black Kids: Race, Wealth and the Impact of Intergenerational Transfers on Adult Outcomes,” September 2015, Insight Center for Community and Economic Development, <http://www.insightcced.org/wp-content/uploads/2015/07/Bootstraps-are-for-Black-Kids-Sept.pdf>.

³⁷ Rachel Fishman, “The Wealth Gap Plus: How Federal Loans Exacerbate Inequality for Black Families,” May 2018, *New America*, <https://www.newamerica.org/education-policy/reports/wealth-gap-plus-debt/part-i-intergenerational-higher-education-debt/>.

repayment.³⁸ While the literature on parental debt is limited, research confirms that Black parents are more likely to have child-related debt than white parents.³⁹

Parent PLUS Loans are not the only risky form of student debt that Black families have turned to in order to fund higher education. Addo and Houle have also found that Black students and their families are more likely to take on private loans, which carry higher and more variable interest rates and have fewer consumer protections.⁴⁰ Rajeev Darolia and Dubravka Ritter, a visiting scholar and a fellow at the Federal Reserve Bank of Philadelphia respectively, have shown that access to these loans increased when they became riskier for borrowers. They found that the passage of a 2005 law making private student loans non-dischargeable in bankruptcy led to an expansion in the private student loan market.⁴¹

In a report for the Samuel DuBois Cook Center on Equity and the Insight Center for Community Economic Development, Hamilton, Darity, Jr., et al., report that when unsecured debt levels are compared across racial demographics and debt categories white families actually report holding slightly more unsecured debt (e.g., debt not backed by property or credit cards) than Black families do.⁴² But, when the unsecured debt is broken down by type, Black families hold significantly more student and medical debt than white families.

³⁸ The extent to which Black parents have come to rely on Parent PLUS Loans was revealed in 2012 when the Department of Education tried to tighten access to the Parent PLUS Loan program. As we have seen, HBCUs are historically underfunded and cater to students with less access to funding. These students and their parents rely heavily on debt to make up for what they and their schools lack in wealth. When the Parent PLUS Loan program tightened their lending requirements, HBCUs found their revenue stream dramatically cut—so much so that they successfully lobbied to reverse the policy changes and ensure that families with bad credit records still had access to PLUS loans. This activism helped maintain the availability of a program that gives students from low-income families access to higher education but did nothing to reduce the risks the program poses for these families (Fishman, “The Wealth Gap Plus”).

³⁹ Katrina Walsemann and Jennifer Ailshire, “Student Debt Spans Generations: Characteristics of Parents Who Borrow to Pay for Their Children’s College Education,” *The Journals of Gerontology: Series B*, 72 (6), November 2017: 1084–1089.

⁴⁰ Jason Houle and Fenaba Addo, “Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class,” *Sociology of Race and Ethnicity* (2018), <https://doi.org/10.1177/2332649218790989>.

⁴¹ Dubravka Ritter and Rajeev Darolia, “Working Paper No. 17-38: Strategic Default Among Private Student Loan Debtors: Evidence from Bankruptcy Reform,” 2017, Federal Reserve Bank of Philadelphia, <https://www.philadelphiafed.org/-/media/research-and-data/publications/working-papers/2017/wp17-38.pdf?la=en>.

⁴² William Darity, Jr, et al., “What We Get Wrong About Closing the Racial Wealth Gap.”



KEY FINDING: The gap in Black and white students’ degree attainment, which exacerbates the risks of student loans for Black students, is higher than it was when the Higher Education Act was passed in 1965.

Black students take out more debt than their white counterparts but, as a result of a wide variety of factors, are less likely to finish their degrees. According to the United Negro College Fund (UNCF), the high dropout rate among Black college students “is partially due to the fact that 65 percent of African American college students are independent”—these students have to work full-time and care for families while trying to complete their degrees. Another compounding factor is the K-12 system. “Only 57 percent of Black students have access to the full range of math and science courses necessary for college readiness.”⁴³ While the college enrollment gap has narrowed in recent years, the completion gap has not.⁴⁴ The four-year degree attainment gap between Black and white students is greater today than it was when the Higher Education Act was passed in 1965.⁴⁵

Using 2017 Department of Education data, Robert Kelchen examined Black and white graduation rates at 499 colleges with at least 50 Black and 50 white students in their graduating cohorts. He found that while 59 percent of white students at the schools graduated, only 45.5 percent of Black students did. This 13.5 percent gap was larger than the 7.8 percent gap between students with Pell Grants and those without.⁴⁶ As discussed above, inequities in college preparation and admissions make Black students far more likely to enroll in less selective, and often under-resourced, colleges that have lower overall college graduation rates.⁴⁷

The gap in graduation rates is paralleled among borrowers: 39 percent of Black borrowers drop out of college (compared to 29 percent of white borrowers),⁴⁸ and those who do not

⁴³ Brian Bridges, “African Americans and College Education by the Numbers,” 29 November 2018, UNCF, <https://www.uncf.org/the-latest/african-americans-and-college-education-by-the-numbers>.

⁴⁴ Kavya Vaghul and Marshall Steinbaum, “How the Student Debt Crisis Affects African Americans and Latinos,” 17 February 2016, Washington Center for Equitable Growth, <https://equitablegrowth.org/how-the-student-debt-crisis-affects-african-americans-and-latinos/>.

⁴⁵ “Growing Gaps in College-Attainment Rates,” 2 May 2017, Federal Reserve Bank of St. Louis: On the Economy Blog, <https://www.stlouisfed.org/on-the-economy/2017/may/growing-gaps-college-attainment-rates>.

⁴⁶ Robert Kelchen, “A Look at Pell Grant Recipients’ Graduation Rates,” 25 October 2017, Brookings: Brown Center Chalkboard, <https://www.brookings.edu/blog/brown-center-chalkboard/2017/10/25/a-look-at-pell-grant-recipients-graduation-rates/>; Robert Kelchen, “Downloadable Dataset of Pell Recipient Graduation Rates,” 27 October 2017, robertkelchen.com, <https://robertkelchen.com/tag/ipeds/>.

⁴⁷ Rachel Baker, Daniel Klasik, Sean F. Reardon, “Race and Stratification in College Enrollment Over Time,” 28 January 2018, AREA Open, <https://doi.org/10.1177/2332858417751896>.

⁴⁸ Mark Huelsman, “The Racial and Class Bias Behind the ‘New Normal’ of Student Borrowing,” Demos (2015) [https://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20\(SF\).pdf](https://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20(SF).pdf).

complete their degree face steeper challenges with debt. Failing to complete a degree program is correlated with increased risk of default on student loans. Recent studies have found that 45 percent of students in the 2003–2004 cohort who dropped out of college and never attained a credential have defaulted on their student loans.⁴⁹

Given the current debt-financed higher education system, a few studies have asked whether loans help or hurt Black students in completing degrees. Specifically, they have asked whether federal student loans (1) increase the number of Black students who complete degrees and (2) have similar effects on completion rates for Black and white students. The results of these studies have varied enough to be inconclusive. One study found that for Black students, taking out loans correlated with staying in school longer and having a better chance of completion; another found that student loans widened disparities in Black and white completion rates.⁵⁰

KEY FINDING: The additional risks Black students face when taking on student debt are exacerbated by other disparities in the higher education system, including predatory for-profit colleges that engage in race-based targeting.

Research shows that racial disparities throughout the higher-education system shape how Black students experience student debt. For example, studies find that a disproportionate number of Black students attend for-profit colleges. This is the result of both active recruiting by for-profits and the ways in which for-profits deliberately exploit the failures of the nonprofit higher education system—from the byzantine financial aid processes to recruitment practices that rarely reach high schools where the majority of students are people of color—for their own gain.⁵¹

Students at for-profit colleges have some of the highest drop-out rates and worst experiences with student debt: 53 percent of borrowers at four-year for-profit programs drop out, including 65 percent of Black borrowers and 67 percent of Latinx borrowers; in

⁴⁹ Jennie H. Woo, et al., “Repayment of Student Loans as of 2015 Among 1995-96 and 2003-04 First Time Beginning Students,” October 2017, U.S. Department of Education, NCES 2018-410, <https://nces.ed.gov/pubs2018/2018410.pdf>.

⁵⁰ Brandon Jackson and John Reynolds, “The Price of Opportunity: Race, Student Loan Debt, and College Achievement,” 2013, Florida State University Libraries, Department of Sociology, Faculty Publications, <https://fsu.digital.flvc.org/islandora/object/fsu:210550/datastream/PDF/view>; Dongbin Kim, “The Effects of Loans on Students’ Degree Attainment: Differences by Student and Institutional Characteristics,” *Harvard Educational Review* 77, no. 1 (Spring 2007), <https://eric.ed.gov/?id=EJ765963>.

⁵¹ Cottom, *Lower Ed*, p. 21-22, 82-83, 124-131; Genevieve Bonadies, et al., “For-Profit School’s Predatory Practices and Students of Color: A Mission to Enroll Rather than Educate,” 30 July 2018, Harvard Law Review Blog, <https://blog.harvardlawreview.org/for-profit-schools-predatory-practices-and-students-of-color-a-mission-to-enroll-rather-than-educate/>.

contrast, only one in five borrowers at public four-year colleges and one in three borrowers at community colleges do not complete.⁵²

Using a unique set of data matching federal student loan records to US Treasury data, economists Adam Looney and Constantine Yannelis argue that the locus of rising default rates include students at for-profit colleges, two-year schools and nonselective colleges, which encompasses a high number of students of color. These students, according to Looney and Yannelis, are “nontraditional,” in that they tend to be older, independent from their parents, and part-time.⁵³ According to Looney and Yannelis’s data, “Of all the students who left school, started to repay federal loans in 2011, and had fallen into default by 2013, about 70 percent were non-traditional borrowers.” Looney and Yannelis observe that these “non-traditional borrowers” numbers exploded during the Great Recession, representing almost half of all new borrowers in the student loan market.⁵⁴

In another study, sociologists Louise Seamster and Raphael Charron-Chenier find that the proportion of Black households taking on educational debt doubled between 2001 and 2013 and increased from 6 percent of total household debt burden for Black households to 20 percent (the percent of debt coming from student debt only doubled for white households, from 4 percent to 8 percent). The authors suggest that the growth of the for-profit sector and the growth in private lending during that period—rather than racial differences in income, assets, and family structure—may be drivers of this disproportionate increase.⁵⁵ Seamster and Charron-Chenier argue that this growth is a form of “predatory inclusion,” whereby “members of a marginalized group are provided with access to a good, service, or opportunity from which they have historically been excluded but under conditions that jeopardize the benefits of access.”⁵⁶

⁵² Huelsman, “Betrayers of the American Dream”.

⁵³ Adam Looney and Constantine Yannelis, “A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions they Attended Contributed to Rising Loan Defaults,” Fall 2015, Brookings Papers on Economic Activity, <https://www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf>, p. 1.

⁵⁴ Looney and Yannelis, “A Crisis in Student Loans?”, p.2.

⁵⁵ Louise Seamster and Raphael Charon-Chenier, “Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap,” *Social Currents* 4, no. 3 (2017), https://www.researchgate.net/publication/315114639_Predatory_Inclusion_and_Education_Debt_Rethinking_the_Racial_Wealth_Gap/citation/download.

⁵⁶ Seamster and Charon-Chenier, “Predatory Inclusion and Education Debt.”

KEY FINDING: Due to lower family wealth and racial discrimination in the job market, Black students are far more likely than white students to experience negative financial events after graduating—including loan default, higher interest rate payments, and higher graduate school debt balances.

After they leave school—whether with a BA or not—Black student borrowers continue to have very different experiences with their loans than white student borrowers. A recent Demos paper showed that more than half of Black male borrowers who started college in 2003-2004 had defaulted on a loan within 12 years of starting school.⁵⁷ At the Brookings Institution, Judith Scott-Clayton found that Black BA graduates “default at five times the rate of white BA graduates (21 versus 4 percent)” even after adjusting for differences in degree attainment, college GPA, post-college employment, and institution type. Strikingly, Black BA holders are “more likely to default than white dropouts.”⁵⁸

BORROWERS OF COLOR EXPERIENCE DEFAULT AT ALARMING RATE

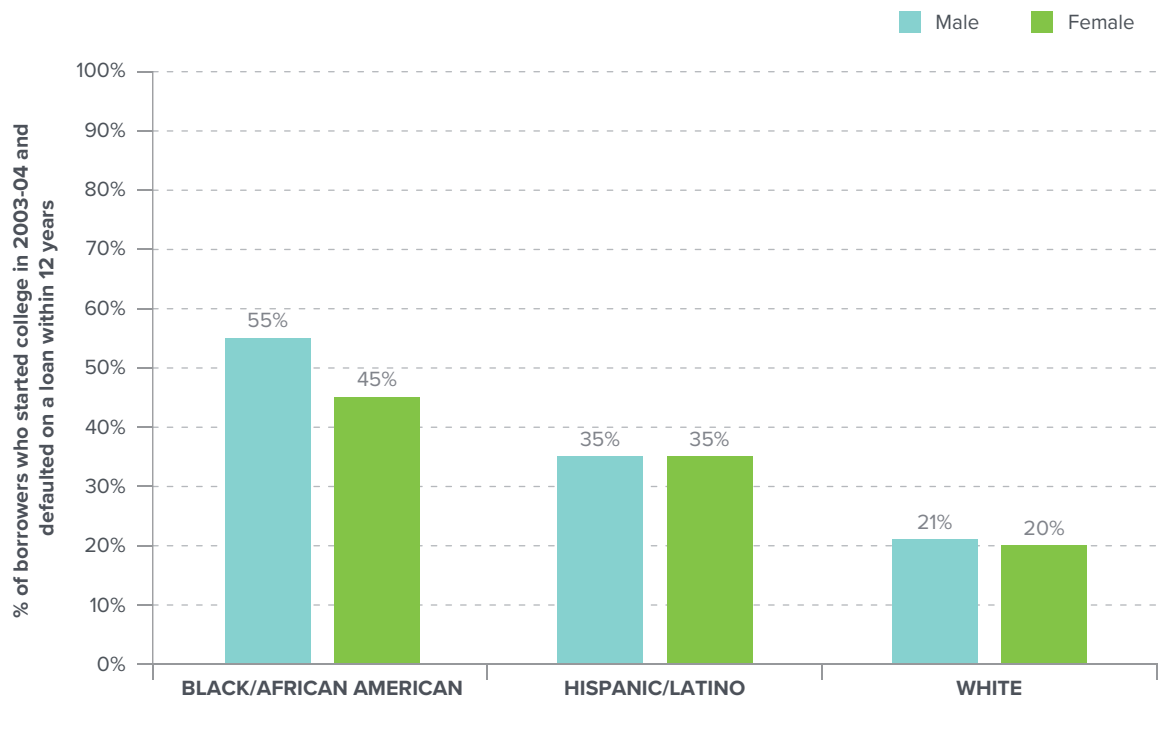


FIGURE 4 Demos did not report data for some borrowers including Asian male, Native American Male, and Pacific Islander borrowers due to sample size issues or unstable estimates. Source: <https://www.demos.org/research/debt-to-society#The-Destructive-Consequences-of-Debt-Financed-Higher-Education>

⁵⁷ Huelsman, “Debt to Society.”

⁵⁸ Judith Scott-Clayton, “What Accounts for Gaps in Student Loan Default and What Happens After,” 2018, Economic Studies at Brookings, https://www.brookings.edu/wp-content/uploads/2018/06/Report_Final.pdf.



Default is not the only measure of trouble for student borrowers. In a study for the Center for American Progress, Ben Miller showed that 12 years after entering college, the median Black borrower had made no progress in paying down their loans; in fact, the balance had actually increased. A Demos report by Mark Huelsman disaggregated this data by gender and found that in the 12 years after starting college, the typical Black female borrower's student loan balances grew by 13 percent.⁵⁹ In contrast, the median white borrower owed only 60–65 percent of their original loan at that point, and, 12 years out, Latinx borrowers who began school in 2003 owed only 80 percent of their original loans.⁶⁰ Roosevelt Fellows Julie Margetta Morgan and Marshall Steinbaum showed distress in another way: the growing number of Black borrowers reporting having debt while making no payments. This subset of borrowers is either in default, delinquent, or using a forbearance or income-based repayment program. In all cases, they are not earning enough to pay off their debt.⁶¹

A discriminatory job market that reduces the impact of the college wage premium and lack of family liquidity both contribute to these unequal outcomes. In a recent paper, Seamster and Charron-Chenier point out that the student loan products that Black students and their families often rely on are made more dangerous by the fact that college is less likely to result in a high-wage job for Black Americans.⁶² At every degree level, Black graduates earn less on average and thus have less money with which to pay back their loans.⁶³ In addition, a 2013 report by economist John Schmitt and Janelle Jones at the Center for Economic and Policy Research showed that 12.4 percent of Black college graduates between 22 and 27 were unemployed—twice the unemployment rate for college graduates as a whole. Furthermore, they concluded that over half of employed Black graduates were underemployed.⁶⁴

When they do not earn enough to pay back their loans, Black graduates often do not have the family resources to fall back on that many white graduates in this position do. Recent research on inheritance and the racial wealth gap by researchers at the Brandeis' Institute on Assets and Social Policy, Tatjana Meschede and Joanna Taylor, find that 13 percent of college-educated Black families receive an inheritance of over \$10,000 compared to 41 percent of college-educated white families. Moreover, white families receiving above this inheritance on average receive more than three times what Black families do.⁶⁵ Scott-

⁵⁹ Huelsman, "Debt to Society."

⁶⁰ Miller, "New Federal Data Show a Student Loan Crisis for African American Borrowers," 16.

⁶¹ Margetta Morgan and Steinbaum, "The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality: How the Current Student Debate Gets the Economics Wrong," p. 22.

⁶² Seamster and Charon-Chenier, "Predatory Inclusion and Education Debt," p. 200.

⁶³ "Median Weekly Earnings by Educational Attainment in 2014," 23 January 2015, Bureau of Labor Statistics, The Economics Daily, <https://www.bls.gov/opub/ted/2015/median-weekly-earnings-by-education-gender-race-and-ethnicity-in-2014.htm>.

⁶⁴ Janelle Jones and John Schmitt, "A College Degree is No Guarantee," May 2014, Center for Economic and Policy Research, <http://cepr.net/documents/black-coll-grads-2014-05.pdf>.

⁶⁵ Adam Harris, "White College Graduates are Doing Great with their Parents Money," 20 July 2018, *The Atlantic*, <https://www.theatlantic.com/education/archive/2018/07/black-white-wealth-gap-inheritance/565640/>.

Clayton’s analysis shows that student-family background, including parental wealth, can account for about half of the gap in Black-white default rates. To explain the rest, Scott-Clayton calls attention to differences in loan counseling and servicing. While there has not been significant research on this issue in relation to student loans, we know racial disparities in loan counseling impact other forms of consumer credit. We need significantly more research and data regarding how these factors affect student debt.⁶⁶

Black college graduates are both more likely to attend graduate school and more likely to have to borrow to do so.

Scott-Clayton has also conducted research showing that disparities in college graduates’ labor market outcomes may be responsible for Black graduates’ greater enrollment in subsequent education programs; this, in turn, leads to Black graduates carrying more debt. She shows that the debt gap widens quickly in the post-graduate years. While Black students start out with about \$7,400 more in debt than their white counterparts, four years after graduation, that gap widens to \$25,000. At that point, on average black graduates hold almost twice as much debt as their white counterparts. A quarter of this widening gap comes from differences in repayment. The majority of the remainder (45 percent) comes from different rates of borrowing for graduate school; Black college graduates are both more likely to attend graduate school and more likely to have to borrow to do so.⁶⁷

Both the number of Black students enrolled in graduate programs and the size of loans taken out to finance this graduate education have risen in recent years. Forty-seven percent of Black students who received a BA in 2008 enrolled in graduate degree programs within four years, compared to 38 percent of white 2008 BA recipients. In 1993, 38 percent of black BA holders and 35 percent of white BA holders enrolled in graduate school, a much narrower gap.⁶⁸ The loan volume for Black graduate students has also skyrocketed. Robert Kelchen showed that between 2000 and 2016, the percentage of Black graduate students with over \$100,000 in debt went from between 1 and 2 percent to roughly 30 percent, the largest increase among all racial and ethnic groups.⁶⁹

⁶⁶ Scott-Clayton, “What Accounts for Gaps in Student Loan Default and What Happens After”.

⁶⁷ Judith Scott-Clayton and Jing Li, “Black-White Disparity in Student Loan Debt More than Triples After Graduation,” 20 October 2016, Brookings, <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation>.

⁶⁸ Scott-Clayton and Li, “Black-White Disparity in Student Loan Debt More than Triples After Graduation.”

⁶⁹ Robert Kelchen, “Examining Trends in Graduate Student Debt by Race and Ethnicity,” 15 May 2018, robertkelchen.com, <https://www.higheredtoday.org/2018/05/29/analysis-traces-trends-graduate-student-debt-race-ethnicity/>.

Scott-Clayton’s research shows that one-quarter of Black graduate-school enrollees attend for-profit institutions (as opposed to 9 percent of white graduate students)—the only sector that has seen differential growth by race, and a sector that, as Looney’s research shows, produces worse outcomes.⁷⁰ And according to the American Council on Education, nearly half of all Black students pursuing doctoral study are enrolled in for-profit colleges, with an average debt of over \$128,000.⁷¹

KEY FINDING: The disproportionate burden of student debt on Black families perpetuates racial wealth inequalities.

Though policymakers often tout education as a key to reducing inequality, research by William Darity, Jr. and Darrick Hamilton shows that increased education does not close the racial wealth gap. The average Black family whose head-of-household has a college diploma has less wealth than a white family whose dominant earner did not finish high school. Only Black families whose predominant earner has post-graduate education have wealth levels comparable to white households headed by someone with partial college education.⁷²

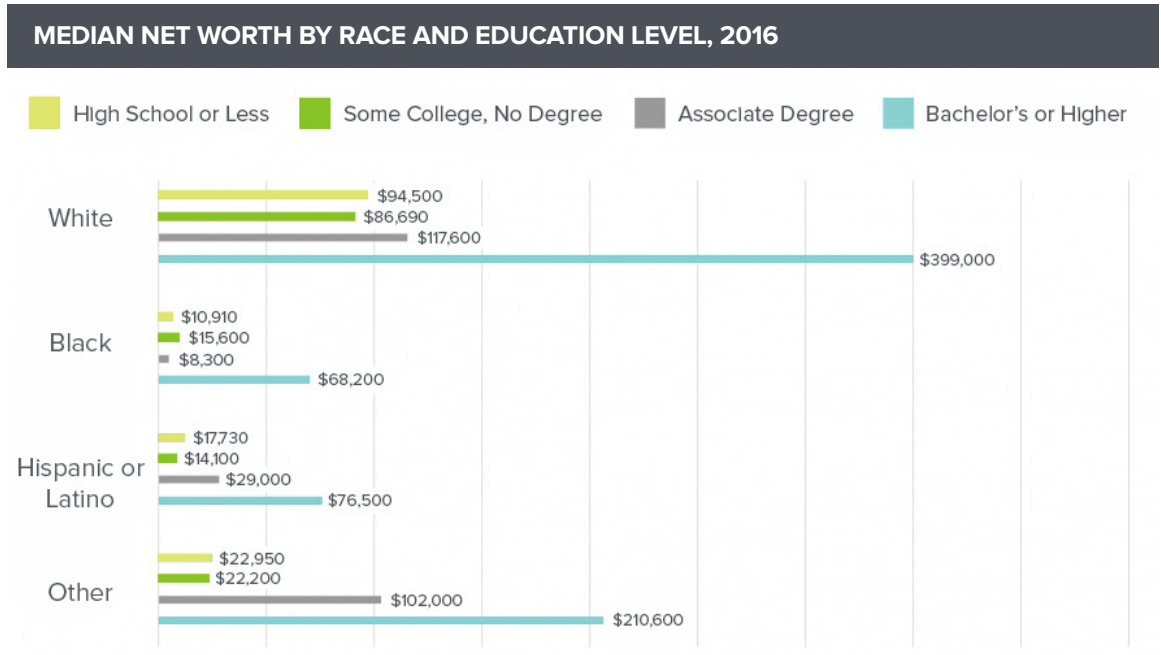


FIGURE 5 The Federal Reserve defines “other” to include Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other race, and all respondents reporting more than one racial identification.” *Source: 2016 Survey of Consumer Finances*

⁷⁰ Scott-Clayton and Li, “Black-White Disparity in Student Loan Debt More than Triples After Graduation.”
⁷¹ Lorelle L. Espinosa, et al., “Race and Ethnicity in Higher Education: A Status Report,” 2019, American Council on Education, <https://www.equityinhighered.org/>.
⁷² William Darity, Jr. et al., “What We Get Wrong About Closing the Racial Wealth Gap”; Darrick Hamilton, et al., “Umbrellas Don’t Make it Rain: Why Studying and Working Hard Isn’t Enough for Black Americans,” April 2015, The New School, Duke Center for Social Equity, Insight Center for Community and Economic Development, http://www.insightcced.org/wp-content/uploads/2015/08/Umbrellas_Dont_Make_It_Rain_Final.pdf.

The wealth gap is magnified for women of color. The Insight Center’s Jhumpa Bhattacharya and Anne Price show that college also fails to provide the same wealth gains to Black women that it does to white women. Single Black women in their 30s with a college degree average \$0 in wealth (having spent the past decade \$11,000 in debt on average).⁷³ Meanwhile, median wealth for white women in their 30s with a college degree is \$7,500.⁷⁴ The difference in wealth between Black college graduates and white high-school dropouts is a striking sign that the debt-financed higher education system may actually be contributing to the racial wealth gap.

The difference in wealth between Black college graduates and white high-school dropouts is a striking sign that the debt-financed higher education system may actually be contributing to the racial wealth gap.

Student debt accounts for a measurable minority of the wealth gap between Black and white young adults.⁷⁵ Addo and Houle find that the racial wealth gap begins to emerge as early as age 25 and then continues to widen.⁷⁶ They conclude that “student loan debt may be a new mechanism by which racial economic disparities are inherited across generations.”⁷⁷ In a recent paper, economists Venoo Kakar, Gerald Daniels Jr., and Olga Petrovska find that “differences in student loan use account for 5 percent of the mean wealth gap between [all] Black and white households.” The authors conclude that student debt has its greatest adverse impact on the Black-white wealth gap at the median of the wealth distribution.⁷⁸ Researchers at Brandeis’s Institute on Assets and Social Policy, Thomas Shapiro, Tatjana Meschde, and Sam Osoro, reach a similar conclusion. They find that a college degree yields 5 percent more wealth for white families than for Black families, positing it is likely due to unequal access to quality K–12 education and to disparate reliance on student debt.⁷⁹

⁷³ Jhumpa Bhattacharya, et al. “Women, Race & Wealth,” January 2017, Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development, http://www.insightcced.org/wp-content/uploads/2017/01/January2017_ResearchBriefSeries_WomenRaceWealth-Volume1-Pages.pdf.

⁷⁴ Jhumpa Bhattacharya, Anne Price, Fenaba Addo, “Clipped Wings: Closing the Wealth Gap for Millennial Women,” 2019, Asset Funders Network, https://assetfunders.org/wp-content/uploads/AFN_2019_Clipped-Wings_Brief.pdf.

⁷⁵ Houle and Addo, “Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class.”

⁷⁶ Addo, “Parents’ Wealth Helps Explain Racial Disparities in Student Loan Debt.”

⁷⁷ Addo, Houle, and Simon, “Young Black and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt.”

⁷⁸ Kakar, Gerald Eric Daniels, Jr., and Olga Petrovska, “Does Student Loan Debt Contribute to Racial Wealth Gaps? A Decomposition Analysis.”

⁷⁹ Thomas Shapiro, Tatjana Meschde, Sam Osoro, “The Roots of the Widening Racial Wealth Gap.: Explaining the Black-White Economic Divide, February 2013, Institute on Assets and Social Policy, <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf>.

The ways in which student debt can perpetuate the racial wealth gap mean that current loan policies do not sufficiently account for all outcomes related to financial security. Students and their families too often get stuck in a cycle where lack of wealth leads them to turn to debt-financing for higher education, which in turn keeps them from building wealth after they leave school.



Conclusion

Many Americans now expect to take out loans to finance their higher education. This was not inevitable; rather, it is the result of policy choices. Those choices were made in the context of a broader education system and economy in which Black students' and families' experiences are defined by structural racism. For many years, however, the racial segregation and discrimination that determine Black students' access to higher education and post-school outcomes went largely unacknowledged by policymakers, who instead built policies based on race-blind or race-neutral assumptions about the effects of a debt-financed higher education system. **As a result, the findings discussed in this report show that student debt is both more necessary and riskier for Black families than for white families; and, therefore, perpetuates racial wealth inequality.** At a moment when policymakers are reconsidering the structure of higher education, we cannot make the same mistake of ignoring the structural racism embedded in the American higher education system and economy at large.

For many years the racial segregation and discrimination that determine Black students' access to higher education and post-school outcomes went largely unacknowledged by policymakers, who instead built policies based on race-blind or race-neutral assumptions about the effects of a debt-financed higher education system.

As politicians come forward with new proposals to reform the American higher education system, we should look for policies that seek to decrease racial disparities throughout the system. Some commentators have already begun to do this—debating whether universal debt cancellation or bold and targeted debt relief does more to narrow the racial wealth gap.⁸⁰ While the racial wealth gap is an incredibly important signal on the overall fairness and health of our economy, the research reviewed in this paper should encourage us to look

⁸⁰ Marshall Steinbaum, "Student Debt and Racial Wealth Inequality," 7 August 2019, Jain Family Institute, https://phenomenalworld.org/content/2-higher-education-finance/1-student-debt-racial-wealth-inequality/student_debt_and_racial_wealth_inequality_final_7-19-19.pdf; Louise Seamster, "How Should We Measure the Racial Wealth Gap? Relative vs. Absolute Gaps in the Student Debt Forgiveness Debate," 27 July 2019, Scatterplot, <https://scatter.wordpress.com/2019/07/27/how-should-we-measure-the-racial-wealth-gap-relative-vs-absolute-gaps-in-the-student-debt-forgiveness-debate/>.

beyond any single measure of inequality and evaluate how any free college and/or student debt cancellation proposal will affect each point in the cycle of racial inequality and higher education access.

There are some concrete actions that can help narrow the inequitable effects of our current higher education system. For example, policymakers could:

- Bring down the cost of college to reduce reliance on debt: When the federal loan and grant system was created in the 1960s, college cost a fraction of what it does today. Average tuition at a public institution has risen 12-fold since 1978.⁸¹ Reducing the cost of college would allow our higher education finance system to function more like it was originally intended.
- Take steps to dismantle segregation in enrollment and racial disparities in completion rates.
- Crack down on predatory, for-profit schools that have historically preyed on students of color.
- Alleviate the burden of existing student debt: Cancelling at least some would automatically build wealth for Black families.

Policymakers also need to rethink our higher education system more broadly. As long as racism pervades the economy and access to a large portion of the higher education system is mediated through high levels of individual loans, neither access to higher education, nor the returns to a degree or credential, will be equitable. To build a higher education system that fosters the mobility and equality of progressive ideals, policy debates must come together to address the unequal risks that our economy creates for Black families. Given its economic and social value, higher education should be seen as a public good, and we must recognize that public investment can build a dynamic, well-rounded, innovative population that benefits all of us. A comprehensive, race-conscious higher education policy cannot be complete without a universally accessible, public higher education system.

To build a higher education system that fosters the mobility and equality of progressive ideals, policy debates must come together to address the unequal risks that our economy creates for Black families.

⁸¹ Michelle Jamrisko and Ilan Kolet, “Cost of College Degree in U.S. Soars 12 Fold: Chart of the Day,” 15 August 2012, *Bloomberg*, <https://www.bloomberg.com/news/articles/2012-08-15/cost-of-college-degree-in-u-s-soars-12-fold-chart-of-the-day>.

Higher education policy alone cannot close the racial wealth gap. Narrowing racial wealth inequalities requires a range of economic policies to help Black families build wealth, including reassessing how we finance higher education. It is vital that researchers, policymakers, and practitioners appreciate the ways in which racial inequality in our economy shows up in the higher education system—and just as vital that those focused on reducing and eliminating racial wealth inequality help guide higher education policy to help achieve that goal.



APPENDIX I: Data Sets Available for Research on Student Debt and Racial Disparities

Researchers select their data based on the question they are trying to answer and the racial disparities they are trying to measure. For higher education researchers, that often means looking at student debt in relation to enrollment numbers, completion rates, and defaults. For researchers interested in the racial wealth gap, it has meant looking at student debt's place in Black and white families' budgets.

To answer their questions, higher education researchers have relied predominantly on student loan data released by the US Department of Education. The Department of Education has a variety of different data sets including:

- **Integrated Postsecondary Education Data System (IPEDS):** Since 1986 the Department of Education's Integrated Postsecondary Education Data System (IPEDS) has collected yearly surveys from all higher education institutions that accept Title IV federal student loan funding.⁸² IPEDS surveys cover a wide range of topics, including enrollment and completion numbers, use of student aid, and student body demographics.
- **National Postsecondary Student Aid Study (NPSAS):** NPSAS is a national survey of both higher education institutions and students that asks about how students and their families pay for education.⁸³ Currently, NPSAS is conducted every two years.⁸⁴

While both of these surveys offer researchers a regular picture of enrollment, completion, and borrowing rates for undergraduates, they are less able to provide a picture of what happens to students after they graduate.⁸⁵ As a result, research using only these data sets is more likely to focus on things like student loan uptake and school completion rates and less on long-term employment outcomes.

Higher education researchers who are interested in long-term outcomes often turn to the Federal Reserve's Survey of Consumer Finance (SCF), a self-reported survey of families that attempts to capture family balance sheets—income, costs, and debt. Unfortunately, this survey has significant limitations for the study of student debt, because SCF data come

⁸² Aida Aliyeva, Christopher A. Cody, and Kathryn Low, "The History and Origins of Survey Items for the Integrated Postsecondary Education Data System," March 2018, U.S. Department of Education, NPEC 2018-023, https://nces.ed.gov/ipeds/pdf/NPEC/data/NPEC_Paper_IPEDS_History_and_Origins_2018.pdf.

⁸³ "Surveys & Programs," National Center for Education Statistics, <https://nces.ed.gov/surveys/SurveyGroups.asp?Group=2>.

⁸⁴ "National Postsecondary Student Aid Study," National Center for Education Statistics, <https://nces.ed.gov/surveys/npsas/about.asp>.

⁸⁵ There have been some spinoff surveys from NPSAS that look at particular cohorts' employment outcomes, including the Baccalaureate and Beyond Survey, which interviews BA recipients at the time of graduation, one year after graduation, four years after graduation, and 10 years after graduation (<https://nces.ed.gov/datalab/index.aspx>).

exclusively from families. Young people burdened by debt are often unable to form families recognized by the survey and thus are inherently excluded from the SCF data. To show how this affects SCF data, in a recent paper, Julie Margetta Morgan and Marshall Steinbaum compared the levels of outstanding student debt reported in the SCF to the Federal Reserve Board of New York’s tabulation of the same. They found that the SCF has consistently reported lower levels of outstanding student debt and that the gap between the two numbers has widened over time, as younger people have become less likely to form independent households.⁸⁶ The Federal Reserve Board data, however, has its own limitations, including that it does not include indicators for race.

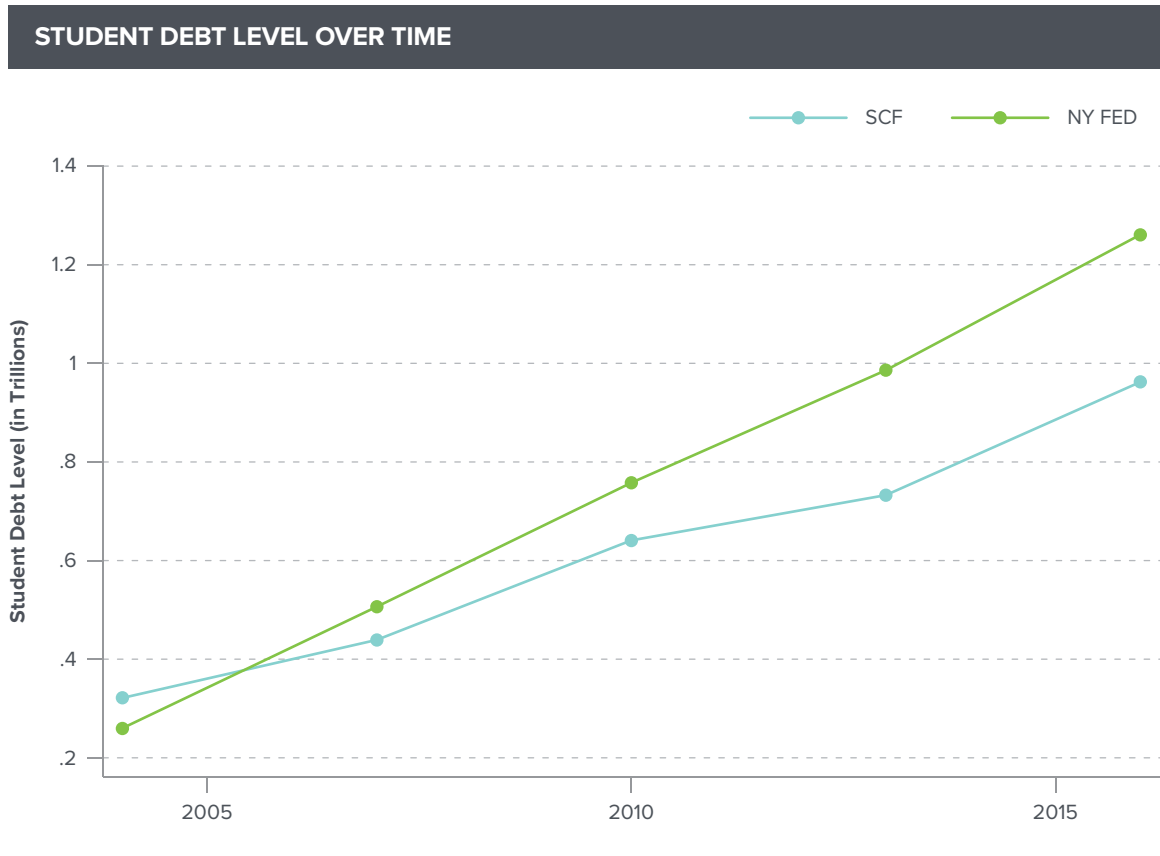


FIGURE 6 Total amount of student debt outstanding, according to the Federal Reserve Bank of New York and the Survey of Consumer Finances. The divergence between the two series illustrates the extent to which the SCF is less and less representative of the student debt problem as borrowers become less and less likely to appear in independent households. This is likely, in part, because their student debt is reducing household formation rates, hence student debtors represented in SCF data are likely to be more affluent than the true population of student debtors.

⁸⁶ Margetta Morgan and Steinbaum, “The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality: How the Current Student Debate Gets the Economics Wrong,” 14.

In the last five years, higher education researchers have also had access to some unique sets of data that have sparked bursts of research on long-term outcomes by race. First, in 2015, the Brookings Institution’s Adam Looney got a one-time data set that matched data from the Department of Education’s Office of Student Aid, which records every federal loan made by the Department, with records on employment and income from the Treasury Department. Second, in 2017, the Department of Education released a significant new set of longitudinal data disaggregated by race.

Higher education researchers have also used creative approaches to try and better understand the long-term racial dynamics of student debt. One strategy is mapping delinquency data by zip code. The Washington Center for Equitable Growth’s Mapping Student Debt Project found that “zip codes with higher shares of African Americans or Latinos show much higher delinquency.” This was true even when researchers controlled for income levels.⁸⁷ Other researchers have done similar geographic work in New York and San Francisco and found similar results.⁸⁸

While higher education researchers have been dissecting Department of Education data, researchers investigating the racial wealth gap have looked elsewhere as they have tried to understand student debt’s role in the racial wealth gap. These researchers have turned to data sets that let them compare student debt levels with other forms of debt held by families and individuals. For example:

- Panel Study of Income Dynamics: a long-running study of 18,000 individuals in the United States and their descendants, begun in 1968.
- The Current Population Survey: a survey by the Census Bureau and Department of Labor.
- The National Longitudinal Study of Youth, 1997 cohort: an ongoing survey of Americans born between 1980 and 1984.

All of these data sets include indicators on race and allow researchers to more closely examine how race affects the interaction between student debt, other forms of debt, income, and wealth.

⁸⁷ Vaghul and Steinbaum, “How the Student Debt Crisis Affects African Americans and Latinos.”

⁸⁸ “Press Release: New Yorkers’ Student Loan Outcomes Vary Widely by Neighborhood,” 15 December 2017, Federal Reserve Bank of New York, <https://www.newyorkfed.org/newsevents/news/research/2017/rp171215>; <https://www1.nyc.gov/assets/dca/downloads/pdf/partners/Research-StudentLoanDebtDistressAcrossNYCNeighborhoods.pdf>; Bina Patel Shrimali, Jacob DuMez, and Sarika Abbi, “At What Cost? Student Loan Debt in the Bay Areas,” April 2018, San Francisco Office of Financial Empowerment and Federal Reserve Bank of San Francisco, <https://protectborrowers.org/wp-content/uploads/2019/04/student-loan-debt-in-the-bay-area.pdf>.

In addition, researchers from the Institute on Assets and Social Policy at Brandeis have developed a framework, the Racial Wealth Audit, to model the effect of certain policy interventions on the racial wealth gap. In 2015, they used this tool to examine student debt policy proposals using data from the Survey of Consumer Finances.⁸⁹

⁸⁹ Mark Huelsman, et al., “Less Debt, More Equity: Lowering Student Debt While Closing the Black-White Wealth Gap,” 24 November 2015, Demos, <https://www.demos.org/research/less-debt-more-equity-lowering-student-debt-while-closing-black-white-wealth-gap#Appendices>.



APPENDIX II. Annotated Bibliography

Addo, Fenaba, Jason Houle, and Daniel Simon. “Young Black and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt.” *Race and Social Problems* 8, no 1 (2016) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6049093/#R36>

Using data from the National Longitudinal Survey of Youth, Addo and Houle study why young Black Americans carry significantly more student debt on average than their white counterparts. They conclude that one explanation for this difference is parental wealth, which protects young white students from taking on debt and from defaulting on debt they do have. As a result, the racial wealth gap emerges as early as 25. A summary of the findings by Addo for the St. Louis Fed can be found here: Addo, Fenaba. “Parents’ Wealth Helps Explain Racial Disparities in Student Loan Debt.” St. Louis Fed (2018) https://www.stlouisfed.org/~media/publications/in-the-balance/images/issue_19/itb19_march_2018.pdf.

Ash, Carolyn, et al. “The Problem(s) with Obama’s Community College Plan – and an Alternative.” *Washington Post* (2015) https://www.washingtonpost.com/news/answer-sheet/wp/2015/02/08/the-problems-with-obamas-community-college-plan-and-an-alternative/?utm_term=.5b8bc3bd730e

The authors argue for a greater investment in Pell Grants as opposed to policy proposals to make community college free. They express concern that free community college programs will lead to a further tiered and segregated higher education system.

Bhattacharya, Jhumpa, et al. “Women, Race & Wealth.” Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development (2017) http://www.insightcced.org/wp-content/uploads/2017/01/January2017_ResearchBriefSeries_WomenRaceWealth-Volume1-Pages.pdf

Using the Panel Study of Income Dynamics, the authors investigate not just racial but also gender dynamics of the wealth gap. They conclude that single women of all races without a college degree “are just one financial crisis or job loss away from catastrophe,” but wealth differences between Black and white women persist across all family structures.

Bhattacharya, Jhumpa, Anne Price, and Fenaba Addo. “Clipped Wings: Closing the Wealth Gap for Millennial Women.” Asset Funders Network (2019) https://assetfunders.org/wp-content/uploads/AFN_2019_Clipped-Wings_Brief.pdf

This brief shows that millennial women are 37 percent more likely to live below the poverty line than Gen Xers. The authors argue this is the result of coming of age during the Great Recession, an era of mass incarceration, rising student debt levels, and changing labor markets. They show how each of these factors has reduced millennial women’s wealth and break down the gender dynamics within this cohort.

Blagg, Kristin. “Underwater on Student Debt.” Urban Institute (2018) https://www.urban.org/sites/default/files/publication/98884/underwater_on_student_debt_0.pdf

Blagg studies how student loan default rates relate to borrowers’ credit profiles. She finds that lower credit scores and previous defaults are correlated with default on student debt. She concludes that policymakers should “do more to help borrowers manage their debts, rather than to limit access to loans.”

Canchola, Aissa and Seth Frotman. “The Significant Impact of Student Debt on Communities of Color.” Consumer Financial Protection Bureau (2016) <https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/>

A brief analysis of why and how rising student debt levels disproportionately affect students of color.



Center for Responsible Lending, “Quicksand: Borrowers of Color & the Student Debt Crisis,” Center for Responsible Lending (2019) <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-quicksand-student-debt-crisis-jul2019.pdf>

This paper reviews existing research on how student debt has affected different slices of the student population, including Black students, Latinx students, women students, and older students. It ends by calling for improved repayment options, better loan servicing, and reinvestment in higher education to make college more affordable for all Americans.

Cooper, Melinda. *Family Values: Between Neoliberalism and the New Social Conservatism*. Brooklyn: Zone Books, 2017

Cooper’s book attempts to understand how neoliberals and cultural conservatives came together to form the contemporary Republican Party. Cooper’s analysis includes a discussion of the shift towards debt-financing for higher education and how the choice grew out of both a neoliberal belief in human capital theory and social conservatives’ reaction to the student activism of the 1960s.

Cottom, Tressie McMillan. “No, College Isn’t the Answer. Reparations Are.” *The Washington Post* (2014) https://www.washingtonpost.com/posteverything/wp/2014/05/29/no-college-isnt-the-answer-reparations-are/?utm_term=.1ff761b13d1e

Cottom forcefully argues that education, while a critical public good, cannot be our answer to racial inequality.

Cottom, Tressie McMillan. *Lower Ed: The Troubling Rise of For-Profit Colleges in the New Economy*. New York: The New Press, 2017.

Cottom examines the many dimensions of the for-profit college industry, showing how the industry is structured to exacerbate social and racial inequality. Cottom situates both the rise of the for-profit college industry and individual students’ choices to attend these schools in the context of the Great Recession, a changing labor market that demands more and more academic credentials for the same jobs, and the historical legacies of racism.

Darity, Jr., William, and Darrick Hamilton. “What We Get Wrong About Closing the Racial Wealth Gap.” Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development (2018) https://socialequity.duke.edu/sites/socialequity.duke.edu/files/site-images/FINAL%20COMPLETE%20REPORT_.pdf

This myth-busting document takes on a number of claims about how to close the racial wealth gap, including increasing Black and African Americans’ educational attainment, rates of homeownership, and financial literacy. It concludes that while these commonly referred to strategies for closing the racial wealth gap focus on individual actions Black Americans could take, “Blacks cannot close the racial wealth gap by changing their individual behavior. . . For the gap to be closed, America must undergo a vast social transformation.”

Denning, David, et al. “The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?” NBER (2011) <https://www.nber.org/papers/w17710.pdf>

Using data from the Beginning Postsecondary Students Longitudinal Survey, the authors evaluate the student body composition at for-profit colleges and the outcomes that these students experience. They show that for-profit colleges serve a disproportionate number of minority students of color, as well as returning students. They also find that students at for-profit colleges are more likely to face unemployment and low-earnings, and default on their student debt.



Elliott, William and Melinda Lewis, “Student Loans are Widening the Wealth Gap: Time to Focus on Equity,” Assets & Education Initiative, University of Kansas School of Social Welfare (2013) https://www.researchgate.net/profile/William_Elliott5/publication/260780939_STUDENT_LOANS_ARE_WIDENING_THE_WEALTH_GAP_TIME_TO_FOCUS_ON_EQUITY/links/0c9605323141739a61000000.pdf

This report offers children’s savings accounts (CSAs) as an alternative solution to student loans as a financing option for higher education, arguing that CSAs can help remove the disadvantages that lower-wealth families have had while seeking to pay for college. Elliot and Lewis describe what such a CSA-based system could look like at the national level.

Elliott, William and Emily Rauscher. “When Does My Future Begin? Student Debt and Intragenerational Mobility.” *Sociology Mind* 8 (2018) http://repository.embuni.ac.ke/bitstream/handle/123456789/1984/SM_2018050313585975.pdf?sequence=1&isAllowed=y.

This study uses the 1979 National Longitudinal Survey of Youth’s data on student loan, net worth, and income data to determine how long it takes debt-holding college graduates to reach median income and net worth. The authors find that student loans slow progress towards reaching median income. However, the authors note that differences in borrowing between Black students do not have a significant relationship to how long it takes Black graduates’ to reach median income.

Fishman, Rachel. “The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families.” New America Foundation, (2018) <https://www.newamerica.org/education-policy/reports/wealth-gap-plus-debt/>

Fishman looks at how the Parent PLUS loan program (which makes federal student loans to parents instead of directly to students) became, for Black families, a predatory loan program. As a result, Fishman shows, the PLUS program has helped perpetuate the racial wealth gap.

Flynn, Andrea, et al. “Rewrite the Racial Rules.” Roosevelt Institute (2016) <http://rooseveltinstitute.org/wp-content/uploads/2016/06/Structural-Discrimination-Final.pdf>

This report looks at key aspects of America’s society and economy and analyzes how the laws, policies, and practices governing American institutions—from schools to banks—have created and reinforced racial inequality.

Flynn, Andrea. “Justice Doesn’t Trickle Down: How Racialized and Gendered Rules are Holding Women Back.” Roosevelt Institute (2017) http://rooseveltinstitute.org/wp-content/uploads/2017/05/Gender-Inequality-Report_051717.pdf

In this report, Flynn uncovers the barriers women of color face in the economy, as well as the health and safety issues women of color experience as a result of the American health, criminal justice, and education systems. Flynn concludes that in order to sufficiently address the needs of women of color a progressive women’s agenda cannot focus narrowly on wage and workplace issues.

Goldrick-Rab, Sara, Robert Kelchen, and Jason Houle. “The Color of Student Debt: Implications of Federal Loan Program Reforms for Black Students and Historically Black Colleges and Universities.” Wisconsin Hope Lab (2014) <https://news.education.wisc.edu/docs/WebDispenser/news-connections-pdf/thecolorofstudentdebt-draft.pdf?sfvrsn=4>

Goldrick-Rab, Kelchen, and Houle examine racial disparities in student borrowing and argue that any attempts to rein in student borrowing need to be mindful of not cutting off access to funds in ways that limit access to higher education for students of color. They call for adjusting the federal needs analysis formula to allow for a “negative expected family contribution,” increasing transparency in the borrowing process, and creating an income-based repayment option for Parent PLUS loans.



Hamilton, Darrick, et al. “Still We Rise.” *The American Prospect* (2015) <https://prospect.org/article/why-black-colleges-and-universities-still-matter>

Hamilton and his co-authors examine the important role historically Black colleges and universities (HBCUs) play for African American students and the unique financial challenges these institutions face.

Hamilton, Darrick and William Darity, Jr. “The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap.” Federal Reserve Bank of St. Louis Review, 99 (1) <https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/the-political-economy-of-education-financial-literacy-and-the-racial-wealth-gap.pdf>

This article addresses the persistent narrative that the racial wealth gap is the result of individual financial and/or educational choices by people of color. It argues that in reality, it is a lack of wealth—which results from the political and economic structures of American society—that constrains the educational and financial choices of Black Americans.

Huelsman, Mark. “The Racial and Class Bias Behind the ‘New Normal’ of Student Borrowing.” Demos (2015) [https://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20\(SF\).pdf](https://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20(SF).pdf)

Huelsman’s report examines how the policy choice to make higher education access contingent upon individual debt has shaped the choices of students of color and students with different levels of wealth. The paper looks at how debt impacts choices to attend school and what schools to attend, completion rates, and decisions that typically follow higher education (for example, buying a house).

Huelsman, Mark. “Betrayers of the Dream: How Sleazy For-Profit Colleges Disproportionately Targeted Black Students.” *The American Prospect* (2015) <https://prospect.org/article/betrayers-dream>

Huelsman offers an analysis of the for-profit college sector, its expansion over the final decades of the 20th century, and the increased regulatory scrutiny for-profit schools faced during the Obama administration. Huelsman shows that for-profit schools remained profitable throughout the Great Recession due to the countercyclical nature of demand for higher education and readily available student loan funding. Furthermore, he points out that for-profits are “a response to the unwillingness of states or the federal government to meet the demand for education with a supply of affordable public colleges.” Huelsman argues that regulatory oversight of for-profits should take a civil rights approach alongside the consumer protection approach that has dominated thus far.

Huelsman, Mark. “Debt to Society: The Case for Bold, Equitable Student Loan Cancellation and Reform.” Demos (2019) <https://www.demos.org/sites/default/files/2019-06/Debt%20to%20Society.pdf>

Huelsman lays out a case for a race-forward, comprehensive debt relief plan that acknowledges the failings of the debt-financed American higher education system. It discussed a variety of different relief options and how they would affect existing racial disparities.

Houle, Jason, and Fenaba Addo. “Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class.” *Sociology of Race and Ethnicity* (2018) <https://journals.sagepub.com/doi/abs/10.1177/2332649218790989>

Using data from the National Longitudinal Survey of Youth, Houle and Addo show that the wealth gap between Black and white young adults grows in early adulthood and that a substantial minority of this growth is due to racial inequities in student debt.

Jackson, Brandon, and John Reynolds, “The Price of Opportunity: Race, Student Loan Debt, and College Achievement,” Department of Sociology, Florida State University (2013). <https://fsu.digital.flvc.org/islandora/object/fsu:210550/datastream/PDF/view>

This article uses the 1995–96 Beginning Postsecondary Student longitudinal study (and follow-up surveys from 1998 and 2001) to examine student loan use, cumulative loan debt, enrollment



persistence, degree attainment, and loan default in relation to parents' socioeconomic status. Jackson and Reynolds find that loan-taking has a larger positive benefit for Black students than white students on college persistence and completion (although they note that there is marginal significance and promote further research to validate this finding).

Jones, Janelle, and John Schmitt, "A College Degree is No Guarantee." Center for Economic and Policy Research (2014) <http://cepr.net/documents/black-coll-grads-2014-05.pdf>

Jones and Schmitt examine the Great Recession labor-market experiences of Black recent college graduates. They conclude that while the Great Recession hurt all college graduates, it was harder on Black recent graduates. While a degree improved Black graduates' chances in the labor market relative to peers without a degree, in 2013, the unemployment for recent Black graduates was more than twice the rate for all college graduates, and over half of recent Black graduates were underemployed.

Kakar, Venoo, Gerald Eric Daniels, Jr., and Olga Petrovska, "Does Student Loan Debt Contribute to Racial Wealth Gaps? A Decomposition Analysis." https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3094076

The authors do a decomposition analysis of data from the 2013 and 2016 Survey of Consumer Finance to determine how much student debt can explain the racial wealth gap. Their findings suggest that student loan debt can explain between 3 and 7 percent of the racial wealth gap across the wealth distribution.

Katznelson, Ira. *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America*. New York: W.W. Norton & Co, 2005.

Katznelson's monograph looks at how government programs in the 1930s and 1940s—the New Deal and GI Bill—channeled economic resources to white Americans and away from Black Americans. Katznelson's examination of the racist implementation of the seemingly race-neutral GI bill is of particular value to higher education researchers.

Kelchen, Robert. "A Look at Pell Grant Recipients' Graduation Rates." Brookings (2017) <https://www.brookings.edu/blog/brown-center-chalkboard/2017/10/25/a-look-at-pell-grant-recipients-graduation-rates/>

Kelchen uses IPEDS data to compare the graduation rates of Pell Grant and non-Pell recipients, as well as Black and white students at four-year colleges.

Looney, Adam, and Constantine Yannelis. "A Crisis in Student Loans?" Brookings (2015) <https://www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf>

Using a unique data set that matched records from the Department of Education's Office of Student Aid with records on employment and income from the Treasury Department, Looney and Yannelis look at rising default rates to argue that most of the increase in default rates is occurring among students at two-year and for-profit schools.

Miller, Ben. "New Federal Data Show a Student Loan Crisis for African American Borrowers." Center for American Progress (2017) <https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/>

Miller uses Department of Education data that broke down long-term outcomes for student loan borrowers by race to show how Black students have interacted with the student loan system. Among other striking findings, Miller shows that "12 years after entering college, the typical African American student who started in the 2003–04 school year and took on debt for their undergraduate education owed more on their federal student loans than they originally borrowed."



Morgan, Julie Margetta and Marshall Steinbaum. “The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality.” The Roosevelt Institute (2018) (<http://rooseveltinstitute.org/student-debt-crisis-labor-market-credentialization-racial-inequality/>)

Morgan and Steinbaum challenge the narrative that by increasing access to education, student loan debt ultimately leads to higher earnings. Instead, they argue that in recent years employers have demanded more degrees for jobs and pay that used to require fewer. This has forced would-be employees to take on student loan debt for degrees they did not formerly need. As Morgan and Steinbaum note, these trends have been particularly hard on young people of color.

Nam, Yunju, et al. “Bootstraps are for Black Kids.” Insight Center (2015) <http://www.insightcced.org/wp-content/uploads/2015/07/Bootstraps-are-for-Black-Kids-Sept.pdf>

This report uses the Panel Study of Income Dynamics to study how parental economic resources affect children’s long-term economic success. The authors find that Black parents with limited economic resources are more likely to help fund their children’s education than white parents of similar means, but white adult children receive more help from their parents for higher education, homeownership, and other purposes.

Nichols, Andrew, and J. Oliver Schack. “Broken Mirrors: Black Student Representation at Public State Colleges and Universities.” The Education Trust (2019) <https://edtrust.org/resource/broken-mirrors-black-representation/>

The authors show that throughout the public higher education system, student body demographics do not reflect states’ overall demographics. In addition to being underrepresented at flagship schools, Black students were underrepresented at all four-year public institutions in 37 out of 41 states examined in this report. The authors also found that in only three out of 41 examined states did Black students hold a share of bachelor’s degrees at a rate that was equitable given state demographics.

Paul, Mark, et al. “Making College Free Could Add a Million New Black and Latino Graduates.” *Dissent Magazine* (2016) https://www.dissentmagazine.org/online_articles/bernie-sanders-free-college-plan-black-latino-graduates

This piece considers how the College for All Act could meaningfully reduce the racial wealth gap as a result of expected improvements to graduation rates, student debt levels, student loan interest rates, income, and unemployment rates among people of color. The authors recommend additional policies beyond the College for All Act to reduce racial disparities in wages among workers with equal education performing the same jobs.

Price, Anne, Darrick Hamilton, William Darity, Jr. “Umbrellas Don’t Make It Rain.” Insight Center (2015) http://www.insightcced.org/wp-content/uploads/2015/08/Umbrellas_Dont_Make_It_Rain_Final.pdf

Price, Hamilton, and Darity contest the common narrative that economic success stems directly from educational effort and use data to show that wealth and economic well-being are poorly explained by education alone. The authors use data on wealth, disaggregated by education and race, to show that a large wealth gap persists by race at every level of educational attainment, employment, and family income. They recommend universal child trust accounts to directly address the racial wealth gap.

Ritter, Dubravka, and Rajeev Darolia. “Working Paper No. 17-38: Strategic Default Among Private Student Loan Debtors: Evidence from Bankruptcy Reform.” Federal Reserve Bank of Philadelphia (2017) <https://www.philadelphiafed.org/-/media/research-and-data/publications/working-papers/2017/wp17-38.pdf?la=en>

This study considers the effects of bankruptcy reform in 2005, which limited debtors’ ability to discharge private student loans through bankruptcy. It uses a national sample of private loan borrowers to determine whether the reform changed borrower behavior and concludes that borrower behavior was unaffected by the change, suggesting that there was little opportunistic bankruptcy filing prior to the law. The study suggests that the 2005 reform increased access to private student loans for borrowers with riskier profiles, while making these loans more personally dangerous.



Scott-Clayton, Judith, and Jing Li. “Black-White Disparity in Student Loan Debt More than Triples After Graduation.” Brookings Institution (2016) <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>

This report utilizes data from the Department of Education’s Baccalaureate & Beyond 1993/97 and 2008/12 surveys to determine how race is related to the amount of debt held by students in the years following undergraduate graduation. The authors find that, four years after graduation, Black borrowers average about \$25,000 more debt than white graduates, and nearly half owe more than they did at graduation (compared to 17 percent of white borrowers). The authors’ findings underscore the role of graduate school in racial student debt disparities—45 percent of the gap between Black and white borrowers is attributable to graduate school debt. These differences emerge when students are differentiated by race, but not when differentiated by parental income or education.

Scott-Clayton, Judith. “The Looming Student Loan Default Crisis is Worse Than We Thought.” Brookings Institution (2018a) <https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf>

In this report, Scott-Clayton uses the Department of Education’s Beginning Postsecondary Student survey and administrative student debt data to examine long-term outcomes for students who entered college in 1995–96 and 2003–04. Scott-Clayton projects that the percentage of borrowers who entered college in 2003–04 and eventually default on their loans may reach 40 percent by 2023. Long-term default rates are highest for Black, non-Hispanic borrowers, with more than 70 percent of Black borrowers in the 2003–04 cohort projected to default by 2023.

Scott-Clayton, Judith. “What Accounts for Gaps in Student Loan Default and What Happens After.” Brookings Institution (2018b) https://www.brookings.edu/wp-content/uploads/2018/06/Report_Final.pdf

Using the same data source as Scott-Clayton (2018a), this study examines variations in student loan default rates by race and by institution sector, considering what other factors explain the significantly higher default rates among Black borrowers and for-profit graduates. After taking into account all other available factors besides race—including the wealth and income of the student and their family, the student’s degree attainment, college GPA, and post-college income and employment—an 11-percentage point disparity between Black and white borrowers’ default rates remains. Similarly, a 10-percentage point difference in default rates remains between borrowers from for-profit institutions and others.

Seamster, Louise, and Raphael Charon-Chenier. “Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap.” *Social Currents* 4, no. 3 (2017) <https://journals.sagepub.com/doi/abs/10.1177/2329496516686620>

Using data from the Survey of Consumer Finances, Seamster and Charon-Chenier show that, between 2001 and 2013, student loan debt was the only major form of debt for which racial disparities in use grew over the course of the Great Recession. To explain this phenomenon, Seamster and Charon-Chenier propose the concept of “predatory inclusion,” in which members of a marginalized group (in this case, African Americans) are provided access to an economic good mainly through terms that put the benefits of the access at risk and that mainly deliver profits to those already in power.

Steinbaum, Marshall. “Student Debt and Racial Wealth Inequality,” Jain Family Institute (2019) https://phenomenalworld.org/content/2-higher-education-finance/1-student-debt-racial-wealth-inequality/student_debt_and_racial_wealth_inequality_final_7-19-19.pdf

This study compares the likely effects of student debt cancellation plans put forward by presidential candidates Bernie Sanders and Elizabeth Warren on the racial wealth gap. Steinbaum’s analysis differs from many other examinations of the racial wealth gap because he measures the racial wealth gap as the ratio of wealth of white households at a given quintile to the wealth of Black households at the same quintile; many other studies simply compare Black and white wealth at the median of the wealth distributions. Using this measure and data from the Survey of Consumer Finances, Steinbaum finds that greater cancellation of student debt leads to a greater decrease in the racial wealth gap. The Sanders



plan thus does more to reduce the racial wealth gap, although the Warren plan would match the gains of the Sanders plan if it did not cap loan forgiveness at \$50,000.

Shapiro, Thomas, Tatjana Meschede, and Sam Osoro. “The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide,” Institute on Assets and Social Policy (2013). <http://health-equity.lib.umd.edu/4120/1/racialwealthgapbrief.pdf>.

This study uses data from the PSID to examine which factors drive the racial wealth gap. The authors find that similar college degrees yield more wealth for white graduates, and this difference explains 5 percent of the racial wealth gap.

Vaghul, Kavya, and Marshall Steinbaum, “How the Student Debt Crisis Affects African Americans and Latinos.” Washington Center for Equitable Growth (2016) <https://equitablegrowth.org/how-the-student-debt-crisis-affects-african-americans-and-latinos/>

In this study, Vaghul and Steinbaum find a strong relationship between a zip code’s African American and Latinx population and its student loan delinquency rate. Their analysis finds that the relationship between a community’s percentage of minority residents and its loan delinquency rate is strongest in middle-class communities. The authors attribute this to the fact that middle-class students of color have a high rate of enrolling and then leaving college without a degree, whereas many low-income people of color do not enroll in college at all, and students of color with higher-income backgrounds are more likely to complete their degrees. To explain the differences in loan delinquency by race, the authors consider the racial wealth gap, discrimination in the labor market, poor credit in communities of color, and the unequal effects of the Great Recession on people of color.

Walsemann, Katrina, and Jennifer Ailshire, “Student Debt Spans Generations: Characteristics of Parents Who Borrow to Pay for Their Children’s College Education,” *The Journals of Gerontology: Series B*, 72 (6), 1084–1089, 2017 <https://doi.org/10.1093/geronb/gbw150>

Using the 1979 National Longitudinal Survey of Youth, this study explores loans taken on by parents to pay for their children’s education. Among other findings, it argues that Black parents are more likely to report child-related educational debt.





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