Student Debt and the Racial Wealth Gap

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A $1.6 TRILLION DEBT PROBLEM DIDN’T JUST COME OUT OF NOWHERE...

“We’re telling people that higher education is essential. But you’re asking us to take on so much debt, it feels like a trap.”
IT’S CAUSED BY DISINVESTMENT...

**SHARE OF COLLEGE COSTS COVERED BY STATE SUPPORT VS. TUITION REVENUE**

- **1990**
  - State Support: 25.0%
  - Tuition Revenue: 75.0%

- **2001**
  - State Support: 29.5%
  - Tuition Revenue: 70.5%

- **2008**
  - State Support: 35.8%
  - Tuition Revenue: 64.2%

- **2017**
  - State Support: 46.4%
  - Tuition Revenue: 53.6%

- **19%**
  - Cut in per-student support for public higher education since 2001

- **76%**
  - Percentage of college costs covered by the Pell Grant in the 1970s

- **28%**
  - Percentage of college costs covered by the Pell Grant today

Source: State Higher Education Executive Officers; College Board
...THE SKYROCKETING COST OF ATTENDANCE...

Total Cost of Attendance, Inflation-Adjusted, 1980-2020

- **2.8x** Increase in Private College Costs since the late 1970s, after inflation
- **2.7x** Increase in Public College Costs since the late 1970s, after inflation

"My family took out a big loan not because we wanted to, but because there was no other way."

Source: College Board
... MORE STUDENTS ATTENDING, WAGES STAGNATING...

Total Fall Enrollment in Postsecondary Institutions and Real Hourly Wages of Bachelor's Recipients Age 21-24 Over Time

Sources: Economic Policy Institute; College Board

About when the student debt crisis becomes a thing.
... AND THE COSTS OF EVERYDAY LIFE, FROM RENT TO INSURANCE TO TRANSPORTATION TO CHILDCARE...

“Before I even think about going back to school, I need to make sure I can still put food on the table for my kid.”
IF RENT EATS UP YOUR BUDGET, HOW DO YOU PAY FOR SCHOOL?

HALF OF ATLANTA-AREA RENTERS ARE COST-BURDENED

Notes: Cost-burdened households are defined as paying more than 30% of income for housing; Severely cost-burdened households are defined as paying more than 50% of income in housing. Source: Harvard Joint Center for Housing Studies
BUT WE KNOW THESE THINGS ARE NOT FELT EQUALLY

**Housing and Rent**
For centuries, black families have been locked out of the ability to build wealth through homeownership, face greater levels of housing discrimination, and are more likely to be burdened by rising rent.

**Wage Inequality**
Nationally, the typical white household earns $29,000 more per year than the typical black household, and $19,000 more than the typical Latino household.

**Childcare Costs**
1 in 4 students are parents themselves. Daycare costs can make up over a quarter of a year’s income for Black and Latino Americans.
WHICH BRINGS US TO THE RACIAL WEALTH GAP

Median Net Worth by Race

- **White**: $171,000
  - 9% of white households have zero or negative net worth

- **Black**: $17,600

- **Hispanic/Latino**: $20,700

- **Other**: $64,800

19% of black households, 13% of Latino households, and 14% of other households have zero or negative net worth.

Source: Calculations from Federal Reserve Survey of Consumer Finances
**EDUCATION: THE GREAT EQUALIZER?**

Median Net Worth by Race and Education Level

- **$26,000**
  - Black households with a college degree have less wealth than white households with a high school degree.

- **$18,000**
  - Latino households with a college degree have less wealth than white households with a high school degree.

Source: Calculations from Federal Reserve Survey of Consumer Finances

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**White**
- High School or Less: $94,500
- Some College, No Degree: $86,690
- Bachelor’s or Higher: $399,000

**Black**
- High School or Less: $10,910
- Some College, No Degree: $15,600
- Bachelor’s or Higher: $26,000

**Hispanic/Latino**
- High School or Less: $8,300
- Some College, No Degree: $14,100
- Bachelor’s or Higher: $18,000

**Other**
- High School or Less: $22,200
- Some College, No Degree: $29,000
- Bachelor’s or Higher: $102,000
THE RESULT: UNEQUAL DEBT

Percent of Public College Graduates with Debt, 2016

- **White**: 68% (Public 2-Year), 45% (Public 4-year)
- **Black or African American**: 82% (Public 2-Year), 58% (Public 4-year)
- **Hispanic or Latino**: 61% (Public 2-Year), 26% (Public 4-year)
- **Asian**: 42% (Public 2-Year), 19% (Public 4-year)
- **More than one race**: 73% (Public 2-Year), 39% (Public 4-year)
- **Never Received Pell**: 49% (Public 2-Year), 27% (Public 4-year)
- **Received Pell**: 81% (Public 2-Year), 50% (Public 4-year)

**6 in 10**
Black community college graduates take on debt.

**8 in 10**
Black public 4-year graduates take on debt.

Source: Calculations from National Postsecondary Student Aid Survey, 2016
THE RESULT: UNEQUAL DEBT

Cumulative Debt for Graduates, 2016

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Cumulative Debt for Graduates, 2016

Source: Calculations from National Postsecondary Student Aid Survey, 2016
IT’S NOT JUST THE AMOUNT OF DEBT...

<table>
<thead>
<tr>
<th>Race/Ethnicity and Gender</th>
<th>Percent of borrowers who started college in 2003-04 and defaulted on a loan within 12 years</th>
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<tbody>
<tr>
<td>American Indian or Alaska Native</td>
<td>Male: N/A</td>
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<tr>
<td>Asian</td>
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<tr>
<td>Black or African American</td>
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<tr>
<td>Hispanic or Latino</td>
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<td>White</td>
<td>Male: 21%</td>
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<tr>
<td>More than one race</td>
<td>Male: 43%</td>
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</table>

Over half of black men default on their student loans within 12 years of starting school.

Source: Calculations from National Center for Education Statistics, Beginning Postsecondary Students Survey 03-04, Second Follow-Up.
... It’s the ability to pay any of it off.

<table>
<thead>
<tr>
<th>Race/Ethnicity and Gender</th>
<th>Median Ratio of Original Balance Still Owed on Federal Loans, 12 Years after Beginning College</th>
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<tbody>
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<td>American Indian or Alaska Native</td>
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<tr>
<td>Male</td>
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<tr>
<td>Female</td>
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<tr>
<td>Male</td>
<td>76%</td>
</tr>
<tr>
<td>Female</td>
<td>80%</td>
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</tbody>
</table>

White men have paid off 44% of their debt. Black women have 13% more than they started with...

Source: Calculations from National Center for Education Statistics, Beginning Postsecondary Students Survey 03-04, Second Follow-Up
INTERGENERATIONAL WEALTH PLAYS A BIG ROLE
(OR, WHITE PEOPLE DO GREAT WITH THEIR PARENTS’ MONEY)

• White, college-educated families more likely to get large gifts (>10,000) and inheritances
• One-time safety net gifts (oh no, the rent is due!)
• Psychological impact of debt and debt aversion in black and brown communities
THE LESSON: STUDENT DEBT IS BOTH CAUSE AND CONSEQUENCE OF THE RACIAL WEALTH GAP
SO WHAT DO WE DO ABOUT IT?

**Targeted or Universal Debt Cancellation:** Forgive all debt for some, and some debt for all? Cancel debt for those in public benefit programs?

**Make Student Debt More Humane:** Reform bankruptcy laws, reform forgiveness programs, shield Social Security and other essentials from debt collection.

**Debt-Free College, but not in a vacuum.** Wage inequality is a student debt issue. Affordable housing is a student debt issue. Childcare is a student debt issue. Debt-free college needs to be holistic to be a policy with racial equity at its core.
We are a dynamic “think-and-do” tank that powers the movement for a just, inclusive, multiracial democracy.