

African Americans, Student Debt, and Financial Security

Over the past 15 years, states have made deep cuts to their funding for higher education, causing tuition to rise rapidly, and household incomes have failed to keep up. As a result, student debt has skyrocketed, quintupling from just \$240 billion in 2003 to more than \$1.3 trillion today. The burdens of this debt-based higher education system are being disproportionately borne by those with the highest hurdles to obtain higher educations: students of color and low-income students. The necessity for these students to go into debt for a degree affects them throughout the higher educational pipeline: it affects whether and where they enroll, whether they finish, and their financial security for the rest of their lives.

The good news is, despite these obstacles, millions of students of color are pursuing higher educations; the bad news is that the results of pursuing a higher education are mixed, due to higher debt burdens and lower returns to a degree. This factsheet provides key data on African Americans and student debt, depicting both the outsized effect of student debt on African Americans, and illustrating why reforming our higher education system to enable students to pursue a degree without mortgaging their futures is so important to young black Americans. Black Americans recognize its importance: 82 percent support returning to the days when students could pay for college by working part-time, and not take on debt.¹

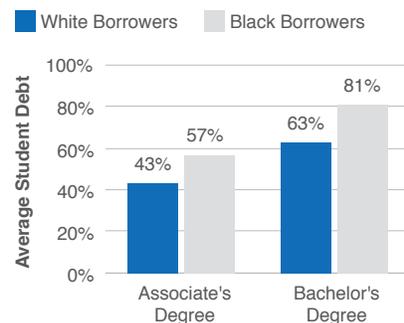
Millions of Black Americans Are Pursuing Higher Education

- 2,791,900 black students were enrolled at degree-granting institutions in 2014.²

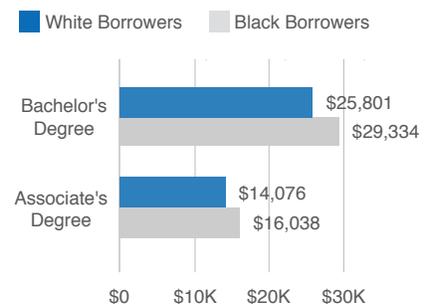
Most Black Graduates Have Student Debt, and Higher Student Debt Burdens³

- Black students borrow at higher rates and amounts because their families earn lower incomes, on average, than the families of white students.
- In 2012, **81 percent** of black students who graduated with a bachelor's degree from a public university borrowed for their degree, compared to the **63 percent** of white students who borrowed to get their bachelor's degree.
- Black students borrowed nearly **\$29,344** on average for a bachelor's degree at a public university in 2012, **\$3,500 more** than the average white student.

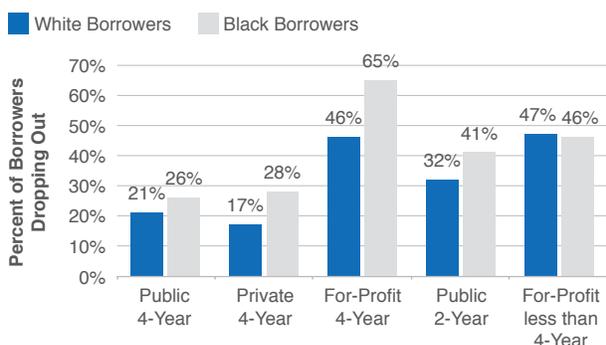
Share of Graduates with Student Debt, 2012



Average Student Debt, Indebted Graduates, 2012



Dropout Rates of Borrowers, by Institution Type and Race, 2009



Student Debt Makes Black Students More Likely to Drop Out

- Black borrowers are more likely to drop out, across institution types, because they or their families are more likely to face financial pressures than white borrowers.
- Overall, **39 percent** of black students with student debt dropped out of college in 2009 (the most recent data available).
- The gap between the dropout rates of white and black borrowers is greatest at private and for-profit 4-year schools, caused by the greater financial pressure exerted by these schools' hefty price tags.
- **Over two-thirds** of black students who did not finish their college degree cite high college costs.⁴

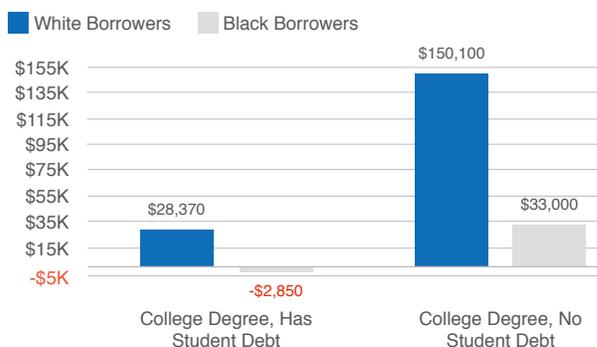
Higher Dropout Rates, Lower Incomes Cause Black Student Debtors to Have High Default Rates

- Black borrowers' higher dropout rates in turn cause black borrowers to have higher default rates, due to the pressures of loan repayment without the higher earnings from a degree.
- Of black borrowers in repayment on their student loans in 2014, **19 percent** were in **default** and another **33 percent** were **seriously delinquent** on their payments (90 days or more past due).⁵

Debt Diminishes Income and Wealth of Young College-Educated Black Households⁶

- The average indebted young black household with a college degree and student loan debt earns **\$54,564**, **\$10,000 less** than the average young debt-free black household with a degree. Both figures, however, are much lower than the incomes earned by comparable white households with college degrees.
- More than half (54 percent) of young black households ages 25-40 have student debt, yet just 34 percent of young black Americans have a post-secondary degree.
- On average, young black households with degrees and student debt have **negative net worth**; their **median wealth is -\$2,850**. This is about **\$35,000 less** than the median wealth of young debt-free black households with degrees, which was \$33,000 as of 2013.
- The median wealth of a young **debt-free** black household was just \$4,500 more than that of young **indebted** white households.

Median Wealth, Households Ages 25-40, By Debt and Race, 2013



Endnotes

1. Demos, *Voters Agree: It's Time to Address the College Affordability Crisis*.
2. National Center for Education Statistics, "Digest of Education Statistics, Table 306.20." 2015.
3. Source for all data, unless otherwise noted, is: Mark Huelsman, *The Debt Divide: The Race and Class Bias Behind the 'New Normal' of Student Borrowing*. Demos, 2015.
4. Julianne Hing, "The Student Aid Reform Victory Is A Win for Students of Color." Colorlines, 2010. <http://www.colorlines.com/articles/student-aid-reform-victory-win-students-color>.
5. Demos analysis of Experian credit record data, December 2014.
6. Demos analysis of 2013 Survey of Consumer Finances Data.