

Two Paths to the American Dream: CSA On Ramp to the Asset Empowerment Path

The Debt Dependent Path (PART 2)

by William Elliott

Story two in this three-part series depicts the *Debt Dependent Path* the poor are often forced to take.

Willie grew up poor, homeless at different periods, and eventually dropped out of high school. His father had an 8th grade education, and his mom had a high school diploma.

Willie's school district was high poverty. Teachers and administrators focused more on his football prowess than on his learning. Therefore, as is the case for many low-income students of color, Willie was not encouraged to take college-preparatory, Advanced Placement, or college entrance exam prep classes.

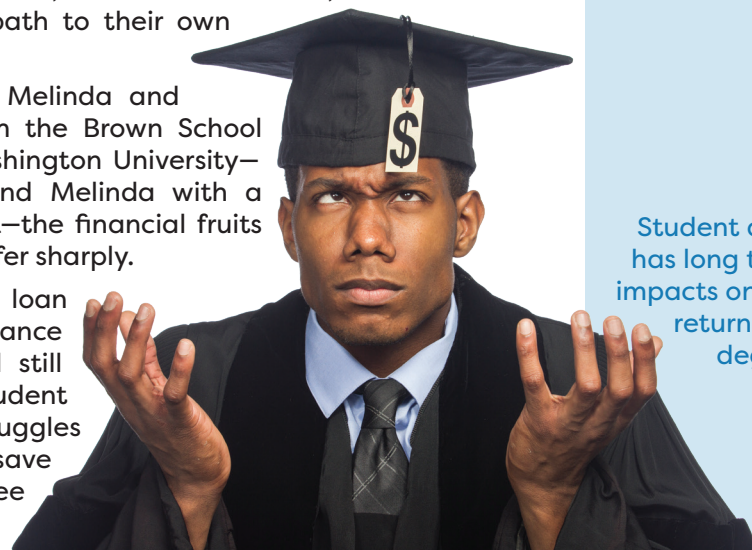
As a result of growing up in poverty, not only did he enter college behind academically, but his family had few financial resources to help pay for college. Consequently, he relied heavily on student loans, the only way he could afford college. He ended up graduating with a bachelor's degree and \$40,000 in debt. After paying off his undergrad loans in the military, he went on to graduate school.

The merit aid package offered to Willie as a graduate student was not enough to meet his full financial need. As a result, he had to work close to 40 hours a week as a research assistant. He bridged the resulting gap with student loans once again, tore rapidly through his doctoral studies, and graduated with over \$100,000 in student debt.

Willie's story is an example of upward mobility. From a childhood spent entirely in or near poverty to his current standing as a well-regarded scholar at a prestigious public university. His children enjoy a standard of living far higher than his own. They go to better-performing schools, live in a nicer home, and have a clearer path to their own future careers.

However, while both Melinda and Willie graduated from the Brown School of Social Work at Washington University—Willie with a PhD, and Melinda with a Master of Social Work—the financial fruits of their credentials differ sharply.

Years of student loan deferment and forbearance mean that Willie will still face five-figure student debt in his 50s. He struggles to figure out how to save enough for his three children's education.



Holding a bachelor's degree is an exclusive club

8X
By age 24, high-income children are 8X more likely to get a bachelor's degree than low-income children

Parents' education level increases chances of child being poor

86%
of children with parents who have less than a HS degree are low-income, 67% of children with parents with a HS degree only, and 31% of children with at least one parent with some college or additional education

Poor schools place barriers in the path of poor kids reaching college

High-poverty schools are less likely to offer math and science courses that most public 4-year colleges expect students to take in high school

Assets and scholarships for the wealthy, student debt for the poor

53%
of high-income college graduates have outstanding student loans vs. **76% of low-income college graduates**

The return on a degree is unequal

Even the small amount of \$10,000 in student loans is associated with a **16% decrease** in the rate of achieving median net worth
Bachelor's degree holders from low-income families start their careers earning about **1/3 less** than those from higher income families
Black heads of households with a college degree have about **33% less wealth** than white families whose heads dropped out of high school

Student debt has long term impacts on the return of a degree

About 21% of borrowers avoid delinquency by using deferment or forbearance
Average time to repay student loans is between **20 and 30 years**
Almost **9 million** Americans 50 and older have student debt of their own or from their kids' education