

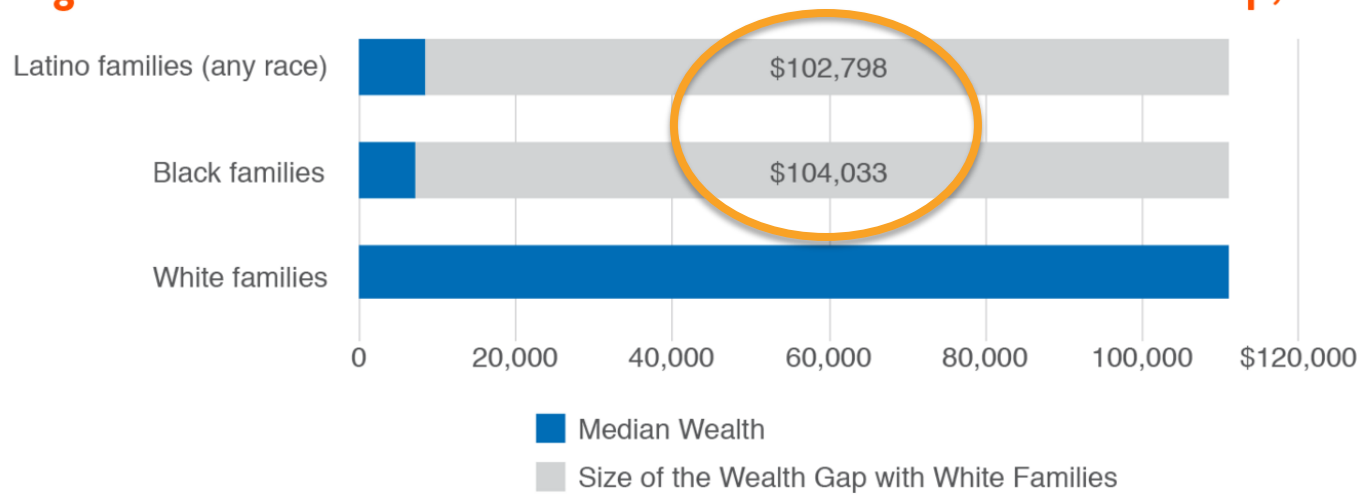
COLLEGE AFFORDABILITY, STUDENT DEBT, EQUITY: WHAT WE KNOW

Mark Huelsman
Senior Policy Analyst

Dēmos
AN EQUAL SAY AND AN
EQUAL CHANCE FOR ALL

Mind the Racial Wealth Gap

Figure 1. Wealth Accumulation and Size of the Racial Wealth Gap, 2011



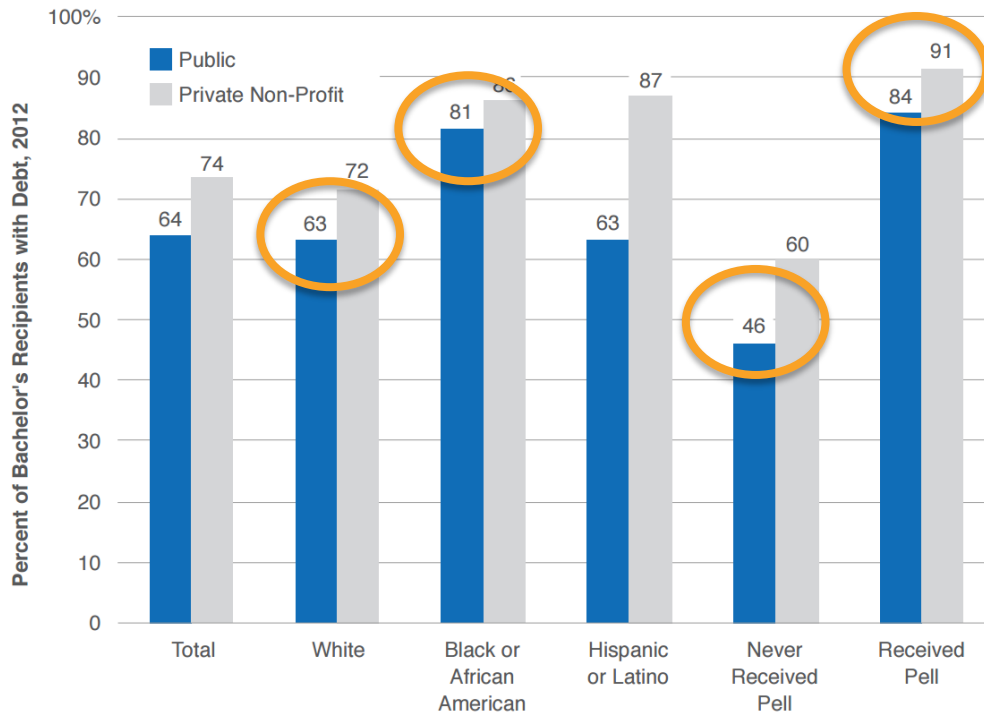
Source: Survey of Income and Program Participation (SIPP), 2008 Panel Wave 10, 2011

**As college prices rise,
family wealth matters
even more to stave
off debt, put students
on sound footing.**

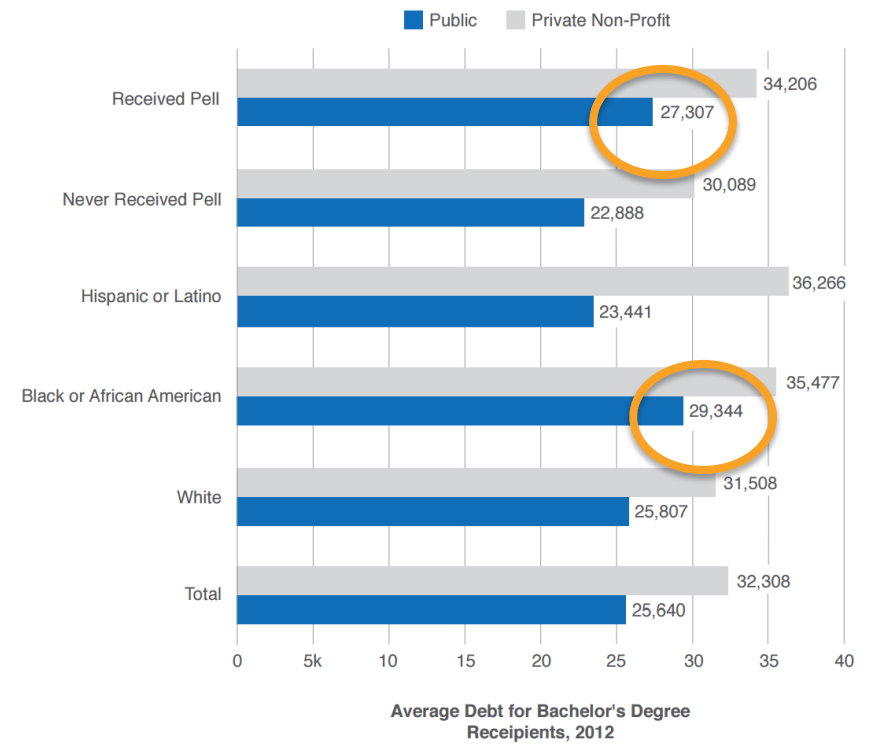
The Debt Divide

The Racial and Class Bias Behind the “New Normal” of Student Borrowing

Percent Borrowing, Average Debt for Bachelor’s Degree



Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

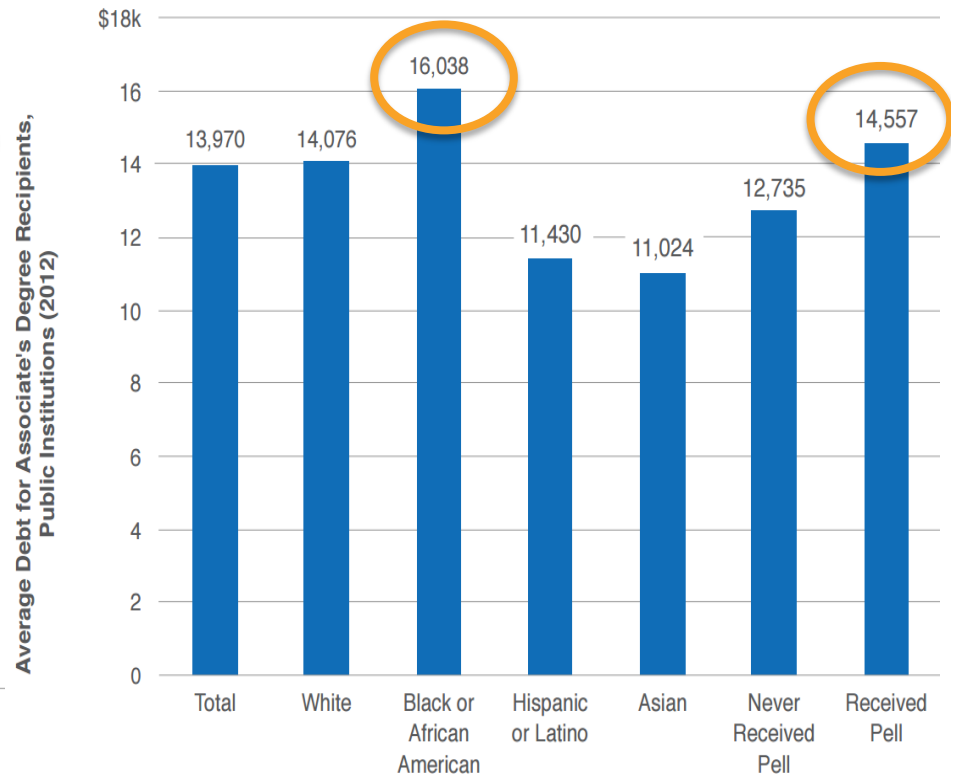
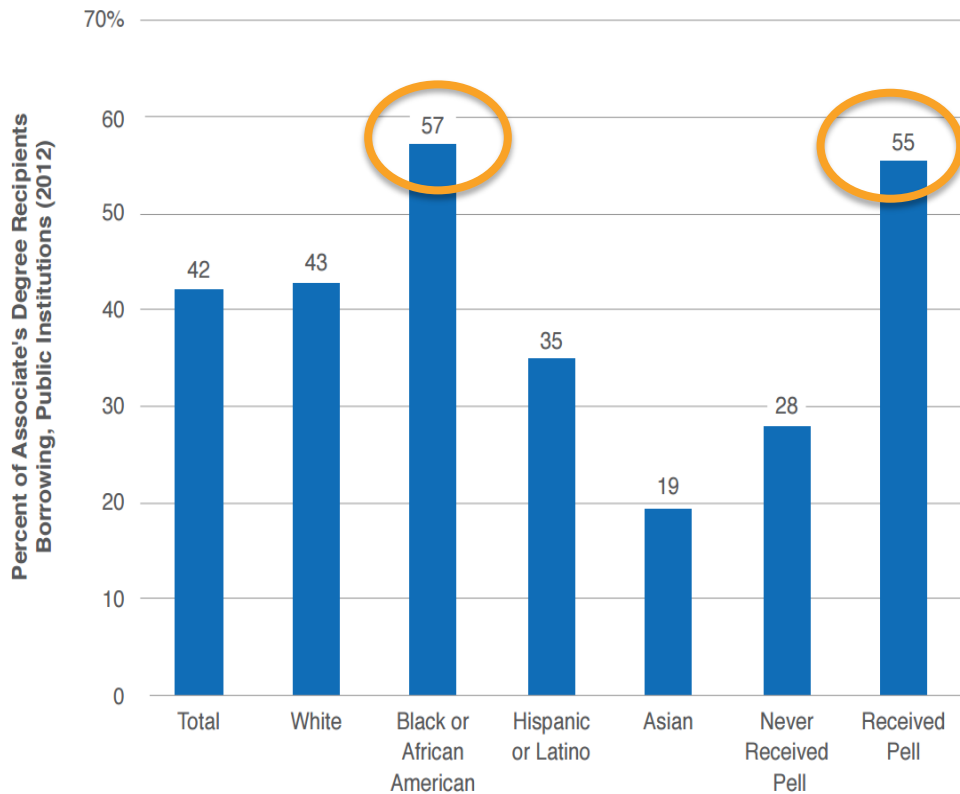


Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

The Debt Divide

The Racial and Class Bias Behind the
“New Normal” of Student Borrowing

Percent Borrowing, Average Debt for Associate Degree



Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

Wealthy Families Send Kids to Public College Debt-Free

A Leg Up: How a Privileged Minority Is Graduating Without Debt

Table 3. Debt-Free Graduates Come from Wealthier Families (Dependent Students)

	Median Family Income	Proportion at 200% of Poverty or Below	Percent from Families Making Below \$25,000	Percent from Families Making Below \$50,000	Percent from Families Making Over \$100,000
Graduated Debt-Free	\$96,287	17.45%	8.80%	20.22%	46.71%
Graduated with Debt	\$69,257	29.10%	14.59%	35.44%	31.94%

Source: Author's Calculations from the U.S. Department of Education National Postsecondary Student Aid Survey 2012 (NPSAS:12)

The Social Safety Net is Not Enough

A Leg Up: How a Privileged Minority Is Graduating Without Debt

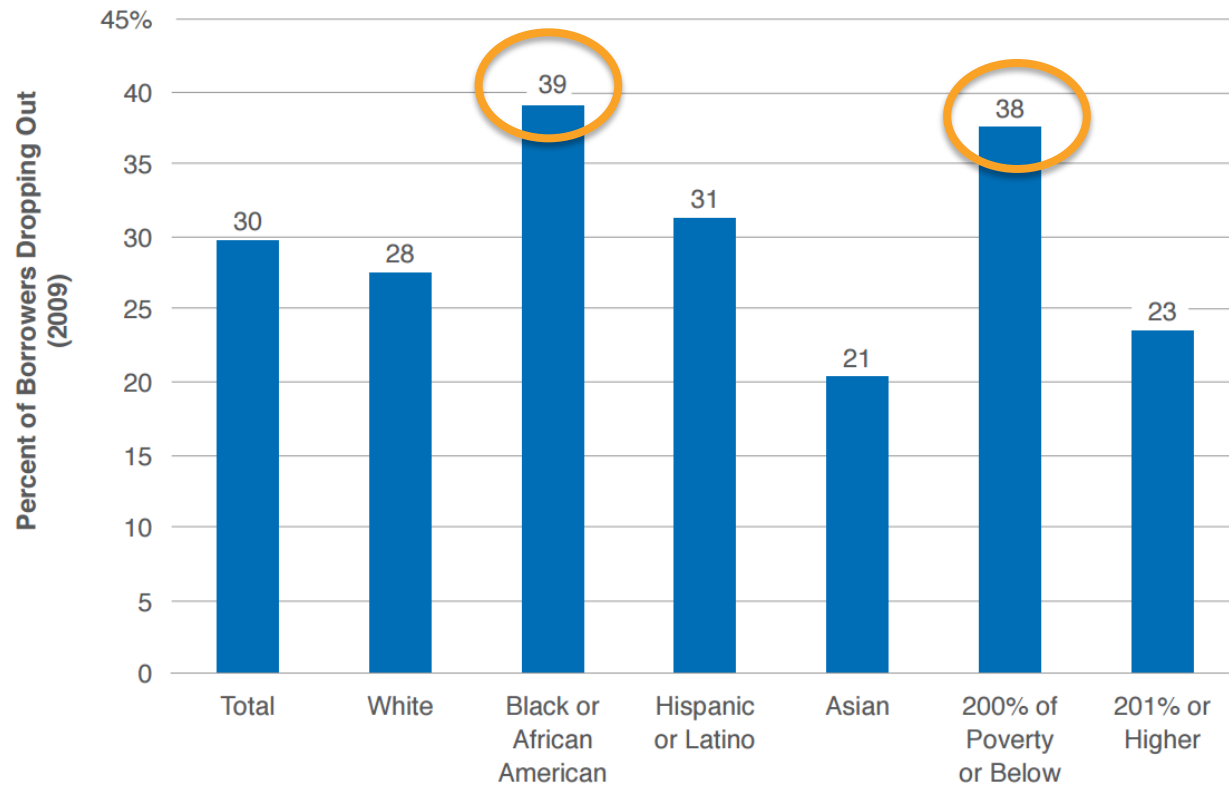
Table 4. Debtors Are More Likely to Have Received Pell Grants and Other Means-Tested Benefits

	Cost of Attendance as Percent of Income	Unmet Need (Final Year in College)	Received Pell Grants in College	Received Any Means Tested Federal Benefit (SNAP, TANF, WIC, SSI, Free or Reduced Price Lunch)
Dependent Students				
Graduated Debt-Free	27.73%	\$6,197.39	16.23%	5.04%
Graduated with Debt	38.79%	\$8,478.55	47.34%	10.11%
Independent Students				
Graduated Debt-Free	57.66%	\$8,389.34	30.18%	7.74%
Graduated with Debt	69.97%	\$10,045.84	81.49%	16.16%

\$5,000 in Pell Grant? Still 3x as likely to have debt.

More Important than Loan Balance? Indebted Non-Completers

Figure 7. Black and Low-Income Borrowers Are More Likely to Drop Out



Source: Author's Calculations from the U.S. Department of Education 2003-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:04/09).

But student Debt and College Completion are NOT Mutually Exclusive

Student Debt is positively correlated with graduation up to \$10,000, and *negatively* correlated with completion above \$10,000.

Reminder: Average debt for a bachelor's degree is \$30,000.

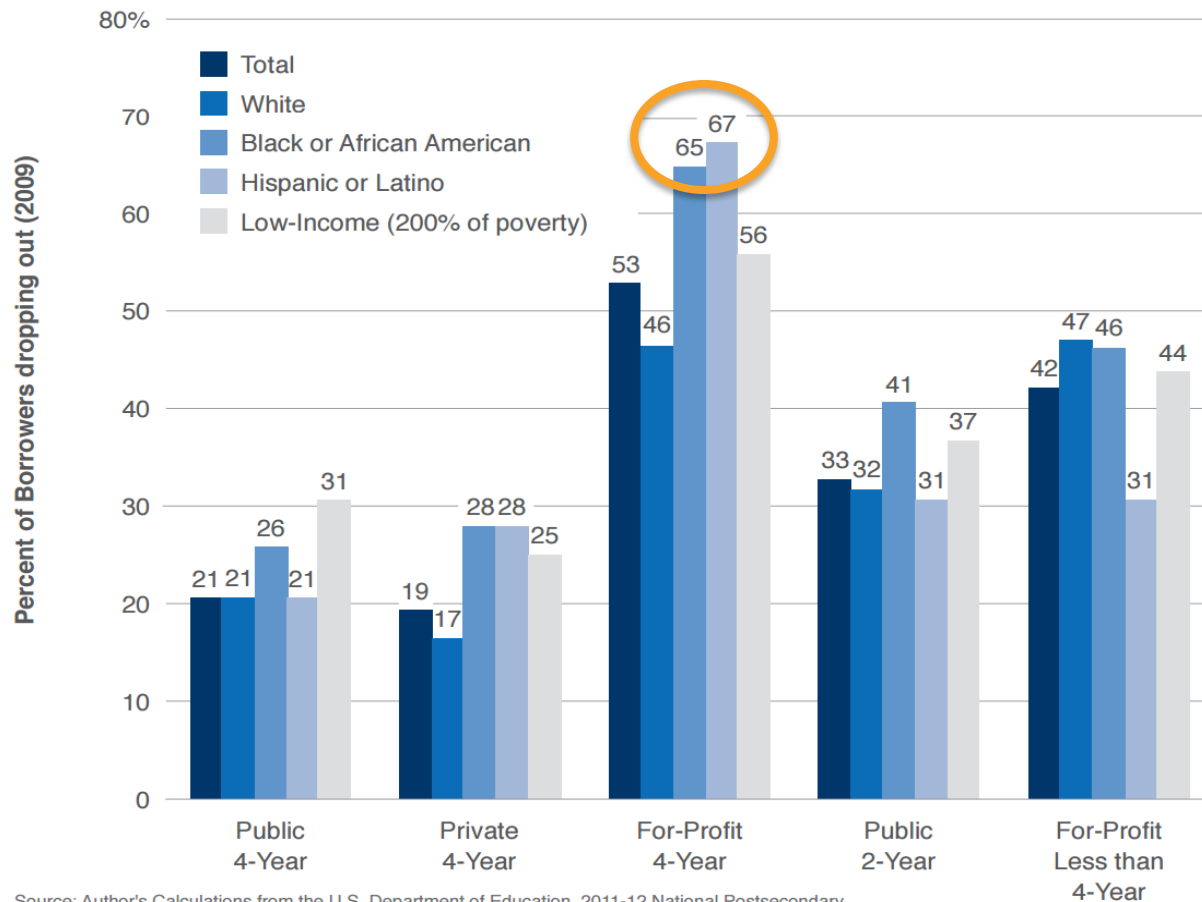
White students who do not attend or complete are more likely to cite “lack of interest” rather than expenses, family responsibilities, or work as reasons.

69% of African Americans who enrolled in college but did not finish said that they left college because of high student loan debt.

43% of white students cited the same reason.

Non-Completers with Debt are Exceedingly Common at For-Profits

Figure 8. Borrowers of Color, Low-Income Borrowers More Likely to Drop Out



Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

Institution Type Matters

Delinquency Rate by School Sector and Degree Completion

Sector Type	With Degree	With No Degree
Public 4-year	10.3%	40.9%
Public 2-year	16.6%	46.4%
Private 4-year. not-for-profit	11.6%	32.8%
Private, for-profit	26.5%	54.3%
Total	11.9%	43.5%

Source: Federal Reserve Board of Governors, 2015

Institution Type Matters

Black students disproportionately enroll at for-profit institutions.

49% of students who went to a for-profit school say that they would have attended a different school if they could make their educational decisions again. (28% for private non-profit, 21% for public)

Default rate on student loans for black students is nearly **six** times higher than that of white students.

The Result: Lower Educational Attainment, Higher Borrowing Rate among Young Black Households (25-40)

	White	Black	Latino
With at Least High School Diploma	93%	86%	68%
At Least Started College	62%	52%	32%
At Least 2 Years of College	56%	42%	27%
At Least 4 Years of College	38%	23%	13%
Graduate School	20%	9%	5%
Attended College, No Degree (Some College)	19%	25%	14%
College Starters Who Did Not Graduate	30%	48%	42%
With Student Loans, Total	39%	54%	21%

Source: IASP Analysis of 2013 Survey of Consumer Finances Data

The Result: High Borrowing Rates Among Low-Income Households

Table 2. Percent of Young Households (25-40) with Student Debt, by Income

	White Families	Black Families
With Student Loans, Total	39.1%	54.4%
With Student Loans and Household Income \$50,000 or Below	15.6%	35.9%
With Student Loans and Household Income \$25,000 or Below	5.5%	15.8%

Source: IASP Analysis of 2013 Survey of Consumer Finances Data

So, less college, more debt, lower returns?

The Result: Black, Latino Borrowers More Likely to Struggle in Repayment

Race/Ethnicity	Percent of 2004 College Starters in Default, Deferment, Forbearance by 2009
White	18.4%
Black or African American	31.6%
Hispanic or Latino	27.9%
Asian	12.1%
More than one race	33.4%

Source: Calculations from the Beginning Postsecondary Students Survey 2009 (BPS 04:09). Data for Native American, Pacific Islander unavailable due to sample size

It's the Debt, but It's More Structural than That

After 3 years, black female college graduates are paying off an average of 9%, and Latino female college graduates are only paying off an average of 3%, of their total student debt. ***White women pay off 37% of their loans over the same time period (AAUW)***

Black women, now the most educated group in the nation, struggle the most to repay their loans: ***55% of black female borrowers in repayment are in default or seriously delinquent on their loans. (Demos calculations of Experian data)***

Having \$10,000 or more in student debt is associated with an 11 percentage point lower probability of owning a home for young black adults.

The relationship between student debt and

.....

It's the Debt, but It's More Structural than That

Median wealth for Black families with a college-educated head of households is **two-thirds** the median wealth of white families whose head dropped out of high school. (Hamilton and Darity, 2015)

Black workers with an associate degree or “some college” have **higher** unemployment rates than white high school dropouts.

THANKS!

Mark Huelsman
mhuelsman@demos.org
@markhuelsman

Dēmos
AN EQUAL SAY AND AN
EQUAL CHANCE FOR ALL