



Student Debt and the Racial Wealth Gap

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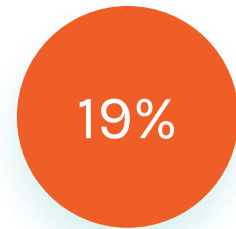
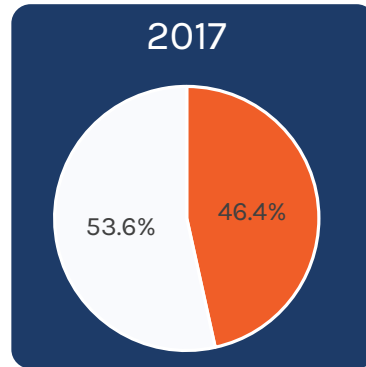
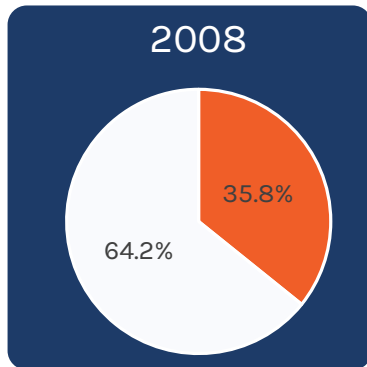
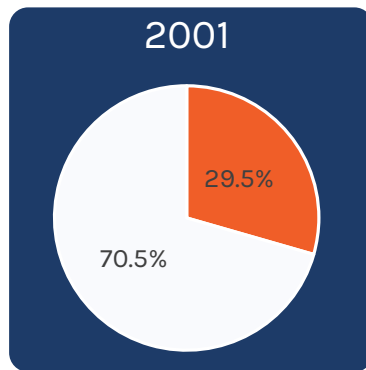
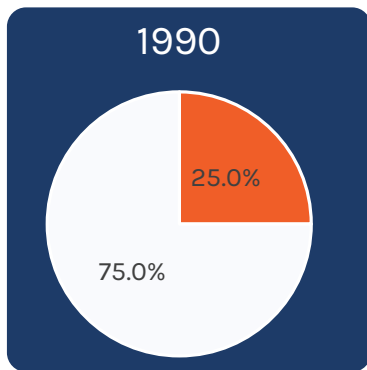
A \$1.6 TRILLION DEBT PROBLEM DIDN'T JUST COME OUT OF NOWHERE..



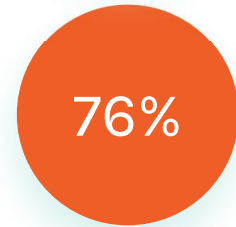
“We’re telling people that higher education is essential. But you’re asking us to take on so much debt, it feels like a trap.”

IT'S CAUSED BY DISINVESTMENT...

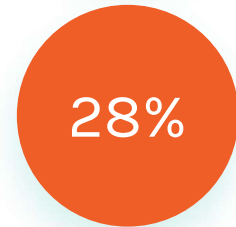
SHARE OF COLLEGE COSTS COVERED BY STATE SUPPORT VS. TUITION REVENUE



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



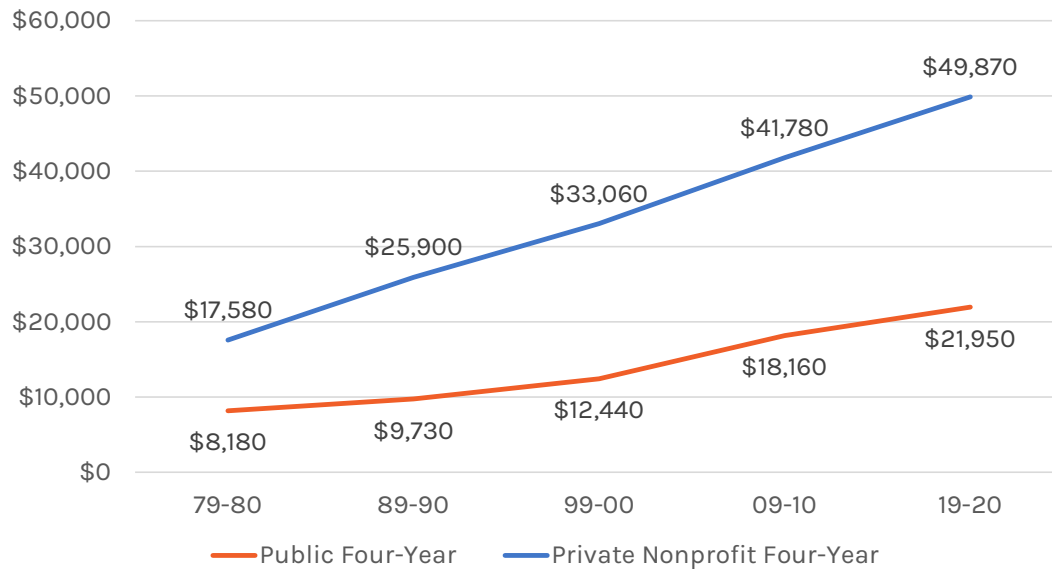
Percentage of college costs covered by the Pell Grant in the 1970s



Percentage of college costs covered by the Pell Grant today

... THE SKYROCKETING COST OF ATTENDANCE...

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



Source: College Board

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.”

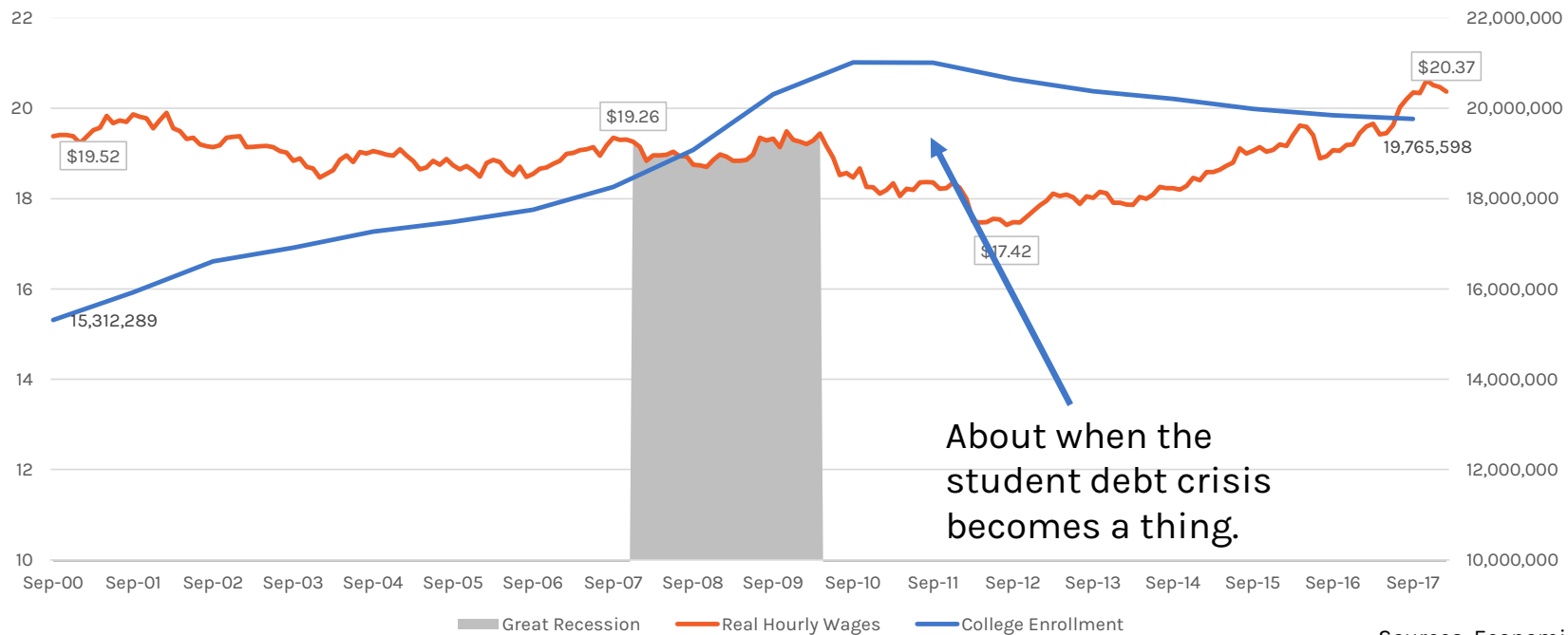


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... MORE STUDENTS ATTENDING, WAGES STAGNATING...

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



About when the student debt crisis becomes a thing.

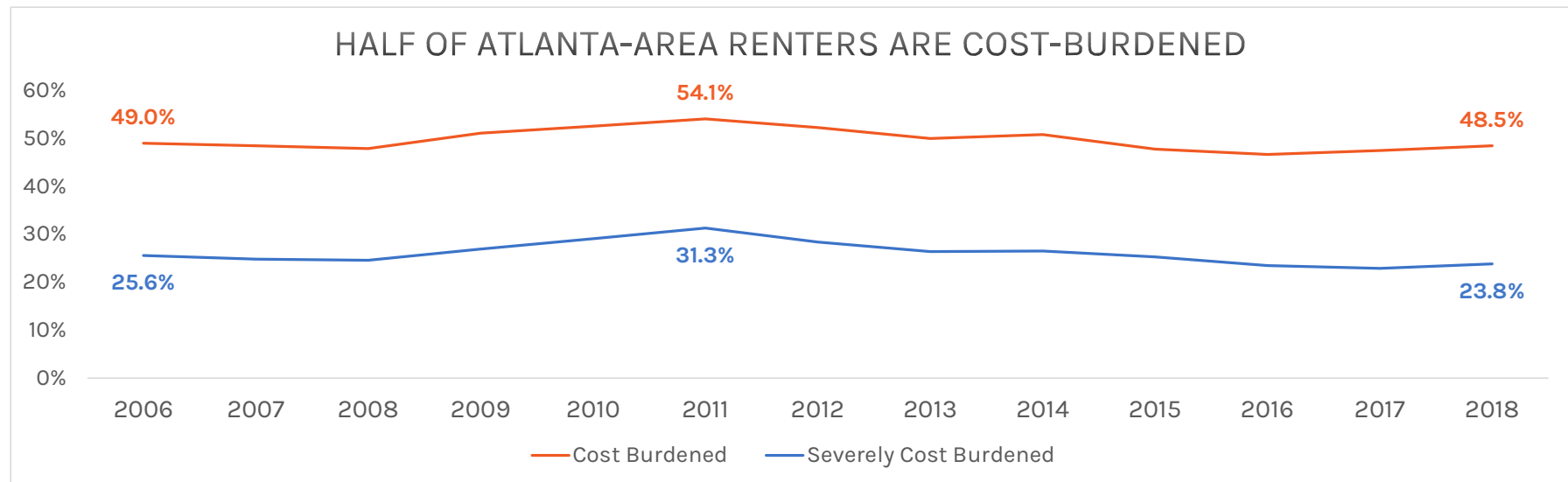


... AND THE COSTS OF EVERYDAY LIFE, FROM RENT TO INSURANCE TO TRANSPORTATION TO CHILDCARE...



“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?



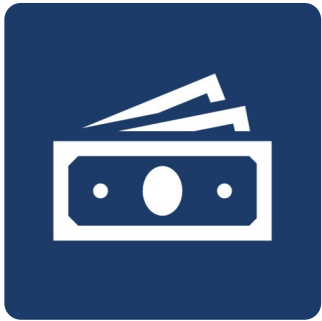
Notes: Cost-burdened households are defined as paying more than 30% of income for housing; Severely cost-burdened households are defined as paying more than 50% of income in housing. Source: Harvard Joint Center for Housing Studies

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.

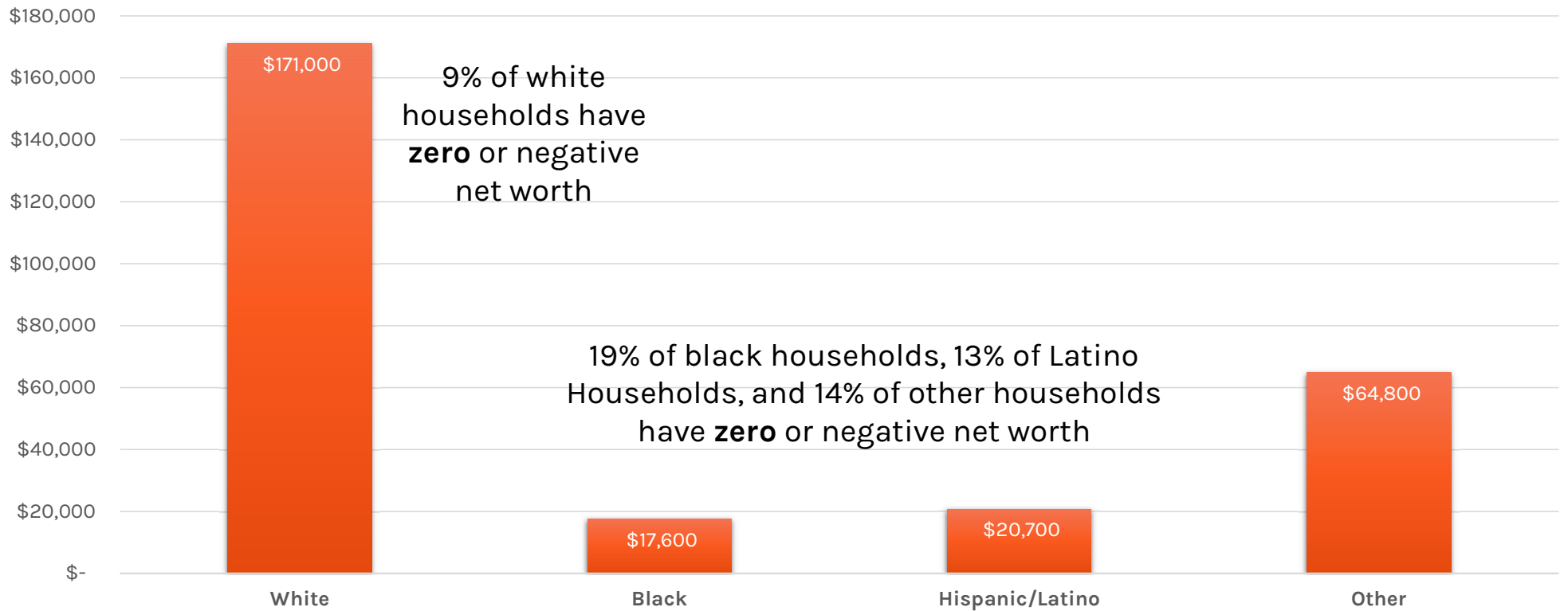


Childcare Costs

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

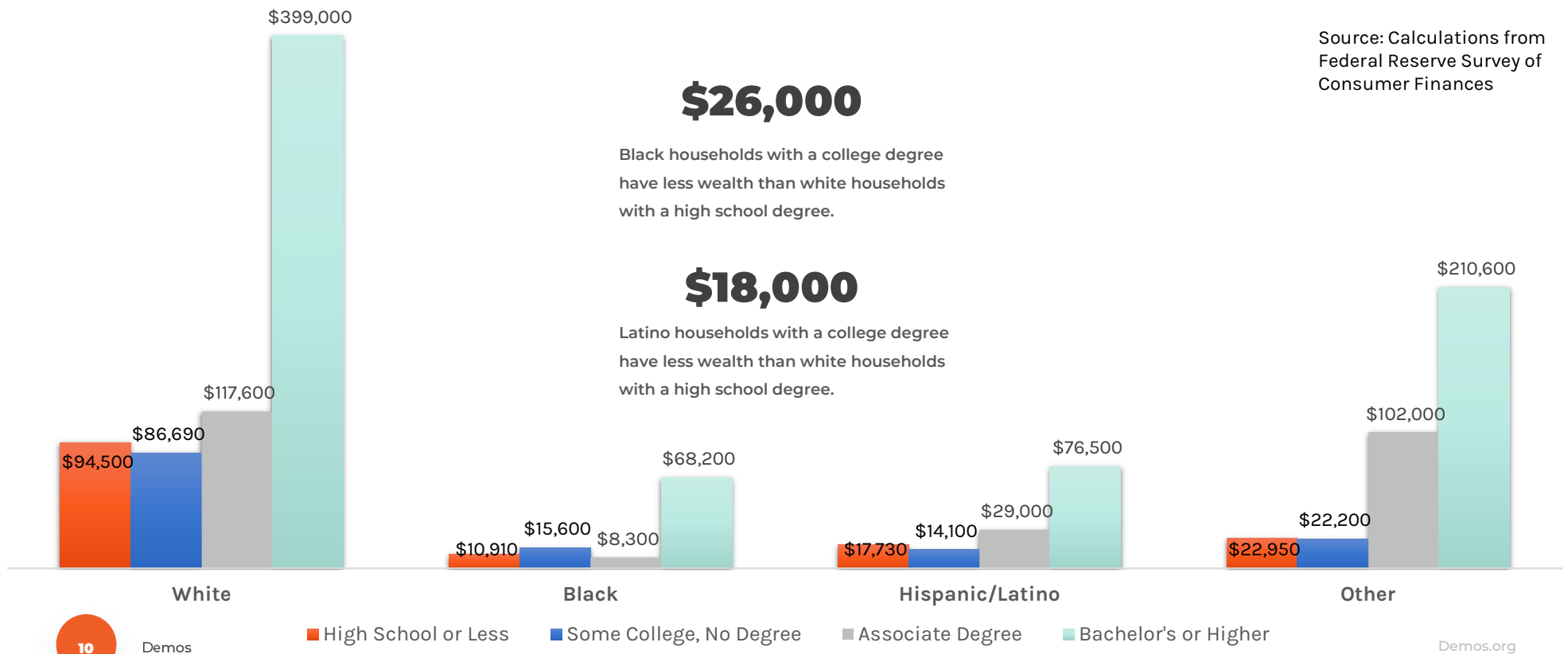
Median Net Worth by Race



EDUCATION: THE GREAT EQUALIZER?

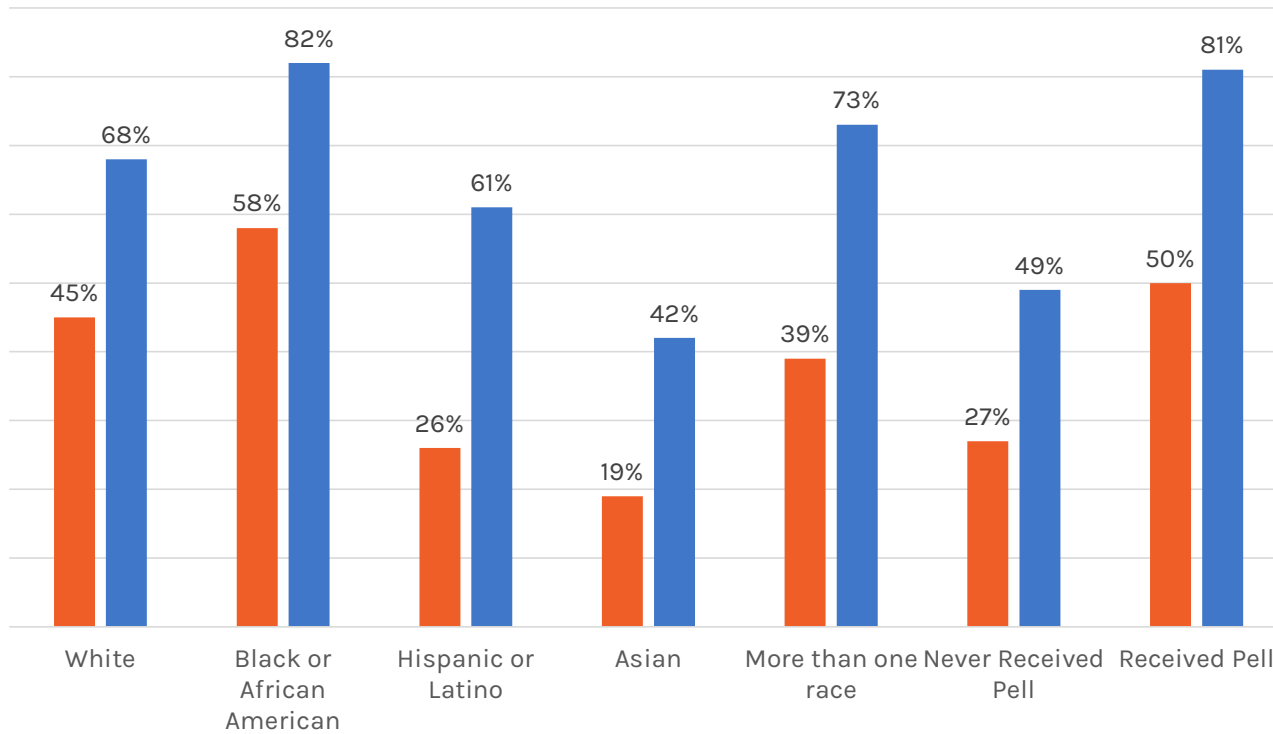
Median Net Worth by Race and Education Level

Source: Calculations from Federal Reserve Survey of Consumer Finances



THE RESULT: UNEQUAL DEBT

Percent of Public College Graduates with Debt, 2016



6 in 10

Black community college graduates take on debt.

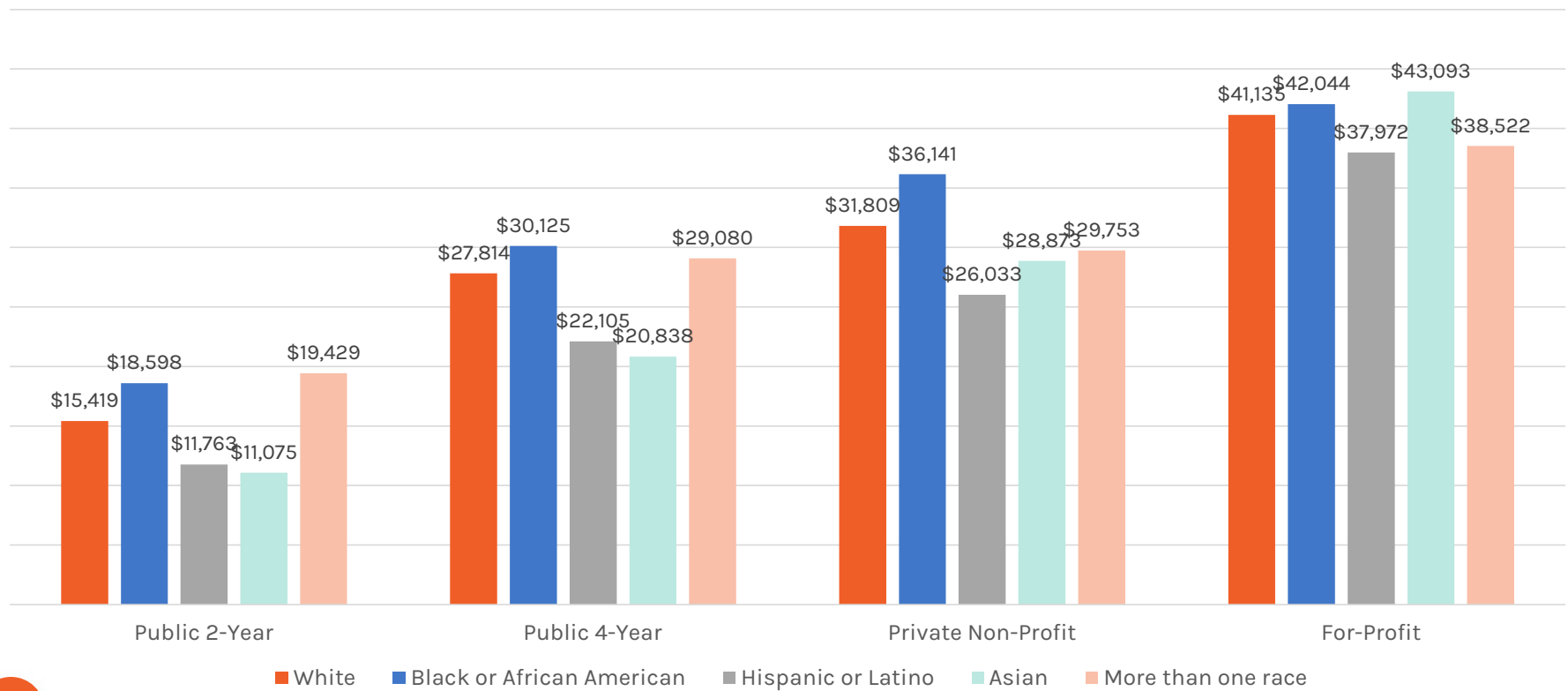
8 in 10

Black public 4-year graduates take on debt.



THE RESULT: UNEQUAL DEBT

Cumulative Debt for Graduates, 2016



IT'S NOT JUST THE AMOUNT OF DEBT...

Race/Ethnicity and Gender		Percent of borrowers who started college in 2003-04 and defaulted on a loan within 12 years
American Indian or Alaska Native	Male	N/A
	Female	45%
Asian	Male	N/A
	Female	12%
Black or African American	Male	55%
	Female	45%
Hispanic or Latino	Male	35%
	Female	35%
White	Male	21%
	Female	20%
More than one race	Male	43%
	Female	37%

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

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... IT'S THE ABILITY TO PAY ANY OF IT OFF.

Race/Ethnicity and Gender		Median Ratio of Original Balance Still Owed on Federal Loans, 12 Years after Beginning College
American Indian or Alaska Native	Male	N/A
	Female	98%
Asian	Male	45%
	Female	47%
Black or African American	Male	111%
	Female	113%
Hispanic or Latino	Male	79%
	Female	86%
White	Male	56%
	Female	72%
More than one race	Male	76%
	Female	80%

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.



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