

THE UNDERLYING CASE OF BLACK-WHITE DISCREPANCY

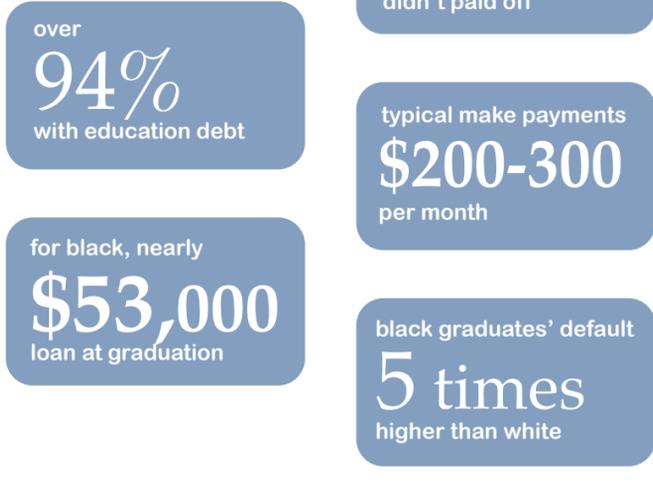
IN STUDENT LOANS

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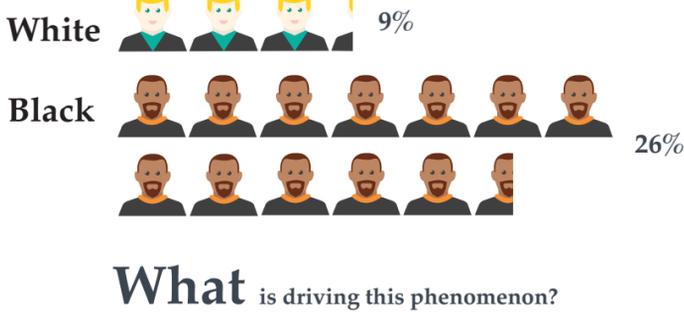
Overview

At nearly \$1.4 trillion in loans outstanding, student debt is now the second-largest source of household debt (after housing). 27% of borrowers with less than \$10,000 of outstanding debt, and 20% of those with between \$10,000 and \$25,000 of debt, are behind on their payments.



Repayment status distinctly differs by race and ethnicity. Black and Hispanic education borrowers are much more likely than white borrowers to be behind on their loan repayment and are less likely to have repaid their loans.

% in Payment Default on Student Loan by Race

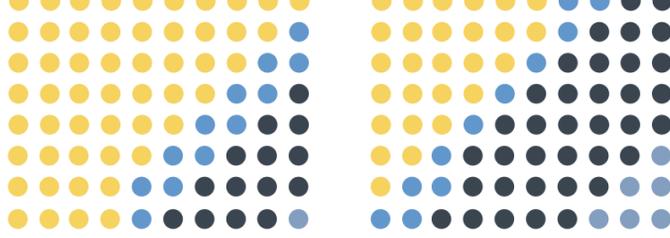


What is driving this phenomenon?

Family factors

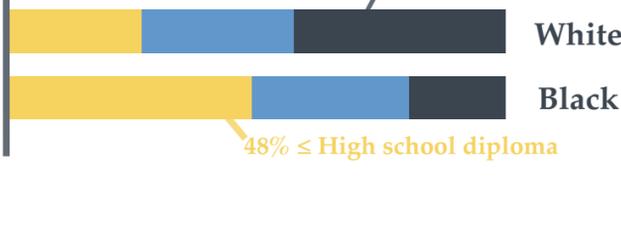
College-going black young adults tend to have parents with significantly lower levels of education and income, are more likely to come from single-parent families. Even among this relatively advantaged sample of college-going youth, average parental net worth was nearly 4 times higher for whites (\$174,841s) than for blacks (\$48,494).

% of Family Structure of Origin



In spite of wealth disparities, family structure and parental education also have a high correlation with student loan. It's certainly true that students from poor, little-educated families, complex family structure accumulate more debt than those from rich or high-educated families.

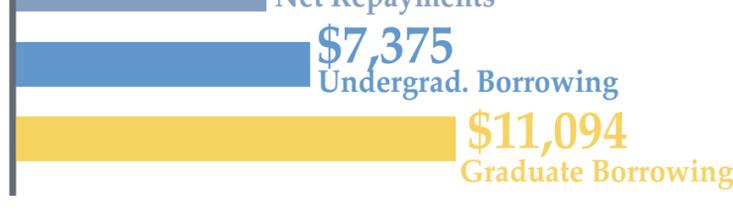
% of Parents' Highest Education



Policy factors

Gap grows fierce four years after graduation

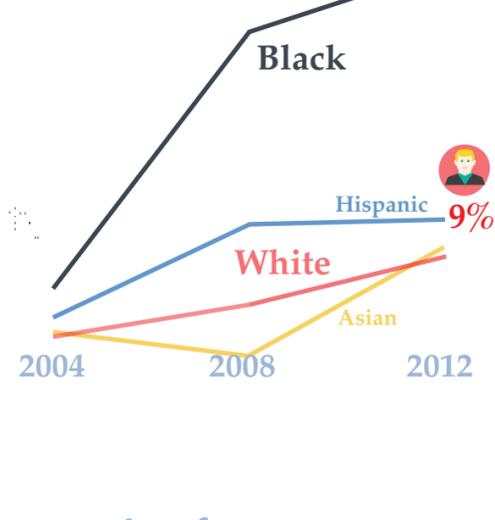
Black graduates in the 2008 cohort held \$24,720 more student loan debt than white graduates (\$52,726 vs \$28,006) on average, due to changes throughout the 1990s which increased the penalties for institutions with high default rates and made it harder for students to avoid making repayments even after entering a default.



Different growth in for-profit sector

The Higher Education Reconciliation Act of 2005 greatly increased federal borrowing limits for graduate students. Obviously, the for-profit sector is by far the fastest-growing sector and the only sector that has seen enrollments grow differentially by race.

% of Graduate Enrollment in For-profit Institutions



Economic factor

Graduate school enrollment rates increased substantially for blacks between the 1993 and 2008 cohorts. One factor may contribute to the growth in black graduate enrollment. College graduates' discriminatory labor market outcomes. Due to the post-recession labor market and for-profit institutions, black graduates are hit much harder than white college graduates.

Conclusion

Various factors influence black students' loan and deferment. The result provides support for robust efforts to regulate the for-profit sector, to improve degree attainment and promote income-contingent loan repayment options for all students, and to more fully address the particular challenges faced by students of color.

Source: NLSY97, 2008 graduates using restricted B&B 2008/12 data on total amounts owed (B2TOTDUE3)