



Postsecondary Equity & Economics Research Project

A joint initiative of
George Washington University,
Columbia University and Student Defense

Race, Racism, and Student Loans

DR. DOMINIQUEJ.BAKER*

Many students and families rely on borrowing to pay for college, though reliance on student loans is far from equally distributed among students and families. Overall, 55% of student borrowers hold less than \$20,000 in student loan debt and it is rare for students to have six-figure loan balances.¹ However, there are significant differences in who borrows based on the effects of structural racism, such as denial of wealth accrual and inadequate educational resources.² In fact, when we look at students who earned a bachelor's degree in 2015–2016 (the most recent data available), we find that 64% of Black students held at least \$20,000 in student debt.³ Researchers and policy actors frequently view student loans as being irrelevant to Latino students since they borrow smaller cumulative amounts and have been described as “debt averse.”⁴ However, recent research and policy reports have shed light on the ways that Latino students are directly hindered by student loan burdens and are indirectly encouraged to enroll in community colleges even if a four-year institution might have been the better fit (in order to avoid accumulating student loans).⁵ While often overlooked due to smaller population shares, American Indian, Alaska Native, Native Hawaiian, and other Pacific Islander students also borrow at above-average rates (76% and 90% for bachelor's degree earners, respectively, compared to an overall average of 69%).⁶ Further, while women are more likely to borrow more than men,⁷ one study I conducted at the state level found that women of color—and Black women in particular—drive these findings.⁸

Compounding the inequities in students' and families' ability to afford college, are structural and systemic barriers related to student loan repayment. When it comes to paying down student loans, there is evidence at both the federal and state levels that specific subgroups of students are more likely to struggle: students who do not complete their degree, students who attend for-profit institutions, and students who are Black.⁹ As a result, these students face a greater risk of defaulting on their student loans, having their credit adversely affected, having their wages garnished, and even losing Social Security benefits. According to a nationally representative sample of first-time enrolled college students, the data tell us that, on average, Black bachelor's degree recipients are more likely to default on their student loans compared to White students who earn a bachelor's degree (21% versus 4%, respectively). Even more startling, Black bachelor's degree recipients default at a higher rate (21%) than White students who drop out of college (18%).¹⁰ A recent report from the Center for American Progress shows that even with ready access to income-driven repayment plans, which close to one-third of Black bachelor's degree earners use, Black individuals still default on their student loans at exceedingly high rates.¹¹

I want to dig into that point a bit more. If there were equitable returns to a college degree, all college graduates should be able to access a more economically prosperous life. But, Black college graduates actually struggle to repay their student loan debt *more* than White students who leave higher education with no degree. This is not due to some innate issue within Black people.

This document was prepared at the request of Dr. Rajeev Darolia, Advisor for economic and higher education policy analysis and data, for the 2021 Affordability and Student Loans Committee Meetings as part of the 2021-22 US Department of Education Negotiated Rulemaking for Higher Education.

* Southern Methodist University. Email: djbaker@smu.edu.

Student loan burden disproportionately falls on these students due to centuries of structural forces pushing for this outcome.¹² For example, structural racism has denied Black families the ability to build wealth to pay for college,¹³ while also shaping residential and K–12 school experiences¹⁴ such that Black students are more likely to enroll in either systematically underfunded¹⁵ or outright predatory colleges¹⁶ that will saddle them with high debt, little chance of earning a degree, or both. Then, those same students face a discriminatory labor market that pays them less than their peers for the same amount of education while also navigating other structures that impede their own ability to accrue wealth.¹⁷ I provide a deeper dive into Black students as an example, but racism plays a role in how all racial/ethnic groups experience the student loan system. A true treatment of racism’s effects on student loan experiences would require more than the space allowed here. These realities combine to explain why it is necessary to think about the ways that race, racism, and student loans work together to create an untenable situation in the United States.

While I will refrain from providing explicit policy prescriptions, I will note that solutions to these issues need to: 1) take seriously the varied, systemic experiences students from different racial/ethnic groups have with the student loan system (much less the variation within groups), 2) address the disproportionate need to borrow to attend higher education, and 3) enable students to easily repay their student loans. The more requirements for paperwork and other methods of students proving that they “deserve” either an affordable education or help with repaying their student loans, the more barriers are created for borrowers, especially borrowers of color, due to the many interlocking systems of oppression in the United States.

ENDNOTES

- 1 Ma, J., Pender, M., & Libassi, C. J. (2020). *Trends in College Pricing and Student Aid 2020*, New York: College Board.
- 2 Addo, F. R., Houle, J. N., & Simon, D. (2016). Young, Black, and (still) in the red: Parental wealth, race, and student loan debt. *Race and Social Problems* 8 (1), 64–76.
 Houle, J. N., Addo, F. R. (2019). Racial disparities in student debt and the reproduction of the fragile Black middle class. *Sociology of Race and Ethnicity*, 5(4), 562–577.
 Seamster, L., & Charron-Chénier, R. (2017). Predatory inclusion and education debt: Rethinking the racial wealth gap. *Social Currents*, 4(3), 199–207.
 Taliaferro, W., Taylor, T., & Wheatle, K. (2021). *Changing the narrative on student borrowers of color*. Washington, DC: Lumina Foundation. Retrieved from <https://www.luminafoundation.org/wp-content/uploads/2021/02/borrowers-of-color-2.pdf>
- 3 Baum, S., Ma, J., Pender, M. & Libassi, C. J. (2019). *Trends in Student Aid 2019*. New York: College Board.
- 4 Boatman, A., Evans, B. J., & Soliz, A. (2017). Understanding loan aversion in education: Evidence from high school seniors, community college students, and adults. *Aera Open*, 3(1), 2332858416683649.
 Taliaferro, W., Taylor, T., & Wheatle, K. (2021). *Changing the narrative on student borrowers of color*. Washington, DC: Lumina Foundation. Retrieved from <https://www.luminafoundation.org/wp-content/uploads/2021/02/borrowers-of-color-2.pdf>.
- 5 Elengold, K. S., Dorrance, J., & Agans, R. (2020). Debt, doubt, and dreams: Understanding the Latino college completion gap. Retrieved from <https://law.unc.edu/wp-content/uploads/2020/11/Debt-Doubt-and-Dreams-Report.pdf>.
 Elengold, K. S., Dorrance, J., Martinez, A., Foxen, P., & Mihas, P. (2021). Dreams interrupted: A mixed-methods research project exploring Latino college completion. Retrieved from <https://law.unc.edu/wp-content/uploads/2021/09/Dreams-Interrupted-Latino-College-Report.pdf>.
 Taliaferro, W., Taylor, T., & Wheatle, K. (2021). *Changing the narrative on student borrowers of color*. Washington, DC: Lumina Foundation. Retrieved from <https://www.luminafoundation.org/wp-content/uploads/2021/02/borrowers-of-color-2.pdf>
- 6 Taylor, M., Turk, J. M., Chessman, H. M., & Espinosa, L. L. (2020). *Race and ethnicity in higher education: 2020 supplement*. Washington, DC: American Council on Education.
- 7 AAUW. (2017). *Deeper in debt: Women and student loans*. Washington, DC: Author. Retrieved from <https://www.aauw.org/app/uploads/2020/03/DeeperinDebt-nsa.pdf>
 AAUW. (2020). *Deeper in debt: Women and student loans in the time of COVID*. Washington, DC: Author.
 Retrieved from https://www.aauw.org/app/uploads/2020/05/Deeper_In_Dept_FINAL.pdf
- 8 Baker, D. J. (2019). When Average Is Not Enough: A Case Study Examining the Variation in the Influences on Undergraduate Debt Burden. *AERA Open*, 5 (2), 2332858419860153.
- 9 Baker, D. J. (2019). When average is not enough: A case study examining the variation in the influences on undergraduate debt burden. *AERA Open*, 5 (2).
 Houle, J. N., & Addo, F. R. (2018). Racial disparities in student debt and the reproduction of the fragile Black middle class. *Sociology of Race and Ethnicity*, 1–16.
 Scott-Clayton, J. (2018). What accounts for gaps in student loan default, and what happens after. *The Brookings Institution: Evidence Speaks Reports*, 2(57).

- 10 Ibid.
- 11 Miller, B. (2019, Dec 2). The continued student loan crisis for Black borrowers. *Center for American Progress*. Retrieved from <https://www.americanprogress.org/issues/education-postsecondary/reports/2019/12/02/477929/continued-student-loan-crisis-black-borrowers/>
- 12 Hamilton, D., & Darity Jr, W. A. (2017). The political economy of education, financial literacy, and the racial wealth gap. *Federal Reserve Bank of St. Louis Review*, 99 (1), 59.
- 13 Huelsman, M. (2015). The debt divide: The racial and class bias behind the 'new normal' of student borrowing. New York, NY: Demos.
- 14 Heissel, J., Persico, C., & Simon, D. (2019). *Does pollution drive achievement? The effect of traffic pollution on academic performance* (No. w25489). National Bureau of Economic Research.
- Nowicki, J. M. (2018). *K-12 education: Discipline disparities for Black students, boys, and students with disabilities. Report to Congressional Requesters* (GAO-18-258). US Government Accountability Office.
- Persico, C., Figlio, D., & Roth, J. (2020). The developmental consequences of Superfund sites. *Journal of Labor Economics*, 38 (4), 1055-1097.
- Pirtle, W. (2019, Ap 23). The other segregation. *The Atlantic*. Retrieved from <https://www.theatlantic.com/education/archive/2019/04/gifted-and-talented-programs-separate-students-race/587614/>
- Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright Publishing.
- Shores, K., Kim, H. E., & Still, M. (2020). Categorical inequality in black and white: Linking disproportionality across multiple educational outcomes. *American Educational Research Journal*, 57(5), 2089-2131.
- 15 Douglas-Gabriel, D., & Wiggins, O. (2021, Mar 24). Hogan signs off on \$577 million for Maryland's historically Black colleges and universities. *Washington Post*. Retrieved from <https://www.washingtonpost.com/education/2021/03/24/maryland-hbcus-lawsuit-settlement/>
- Saunders, K. M., Williams, K. L., & Smith, C. L. (2016). Fewer resources, more debt: Loan debt burdens students at historically Black colleges and universities. *Frederick D. Patterson Research Institute, UNCF*.
- Schwartz, N. (2021, Apr 7). Tennessee may owe its public HBCU up to \$544M. *Higher Ed Dive*. Retrieved from <https://www.highereddive.com/news/tennessee-may-owe-its-public-hbcu-up-to-544m-1/598009/>
- 16 Cottom, T. M. (2017). *Lower ed: The troubling rise of for-profit colleges in the new economy*. New York: The New Press.
- 17 Ards, S. D., & Myers Jr, S. L. (2001). The color of money: Bad credit, wealth, and race. *American Behavioral Scientist*, 45 (2), 223-239.
- Baradaran, M. (2017). *The color of money: Black banks and the racial wealth gap*. Harvard University Press.
- Long, H., & Van Dam, A. (2020, Jun 4). The Black-white economic divide is as wide as it was in 1968. *The Washington Post*. Retrieved from <https://www.washingtonpost.com/business/2020/06/04/economic-divide-black-households/>