

Thank you for joining us for today's webinar:

Racial Disparity and its Impact on Student Loan Borrowing

The webinar will begin promptly at 11 AM CT





Urban League of
Greater Madison



WISCONSIN
Coalition on Student Debt

Racial Disparity and its Impact on Student Loan Borrowing

August 26, 2020

11:00 am – 1:00 pm CT

Brought to you by:

Center for Financial Security

at the University of Wisconsin-Madison,

The Wisconsin Coalition on Student Debt, and the

Urban League of Greater Madison





Hallie Lienhardt

Assistant Director

Center for Financial Security

University of Wisconsin-Madison

Racial Disparity and its Impact on Student Loan Borrowing

- Welcome
- Research Presentations followed by Q & A
- Panel Discussion followed by Q & A
- Sign off



Lara Sutherlin

Administrator

Division of Trade and Consumer Protection
Department of Agriculture, Trade, and
Consumer Protection



Urban League of
Greater Madison



WISCONSIN
Coalition on Student Debt

Racial Disparity and its Impact on Student Loan Borrowing

Our Presenters



Fenaba Addo

Associate Professor of Consumer Science
University of Wisconsin-Madison



Katherine Welbeck

Civil Rights Counsel
Student Borrower Protection Center

Our Panelists



Keyimani Alford
Dean of Student Access and Success
Madison College



Joselyn Diaz-Valdes
Senior Advisor for the Office of
Student Financial Aid
UW-Madison



Langston P. Evans
Madison Metropolitan School District
AVID District Coordinator

Racial Disparities in Student Debt

**Fenaba R. Addo, Ph.D., Associate Professor
Lorna Jorgenson Wendt Professor in Money,
Relationships, and Equality (MORE)**

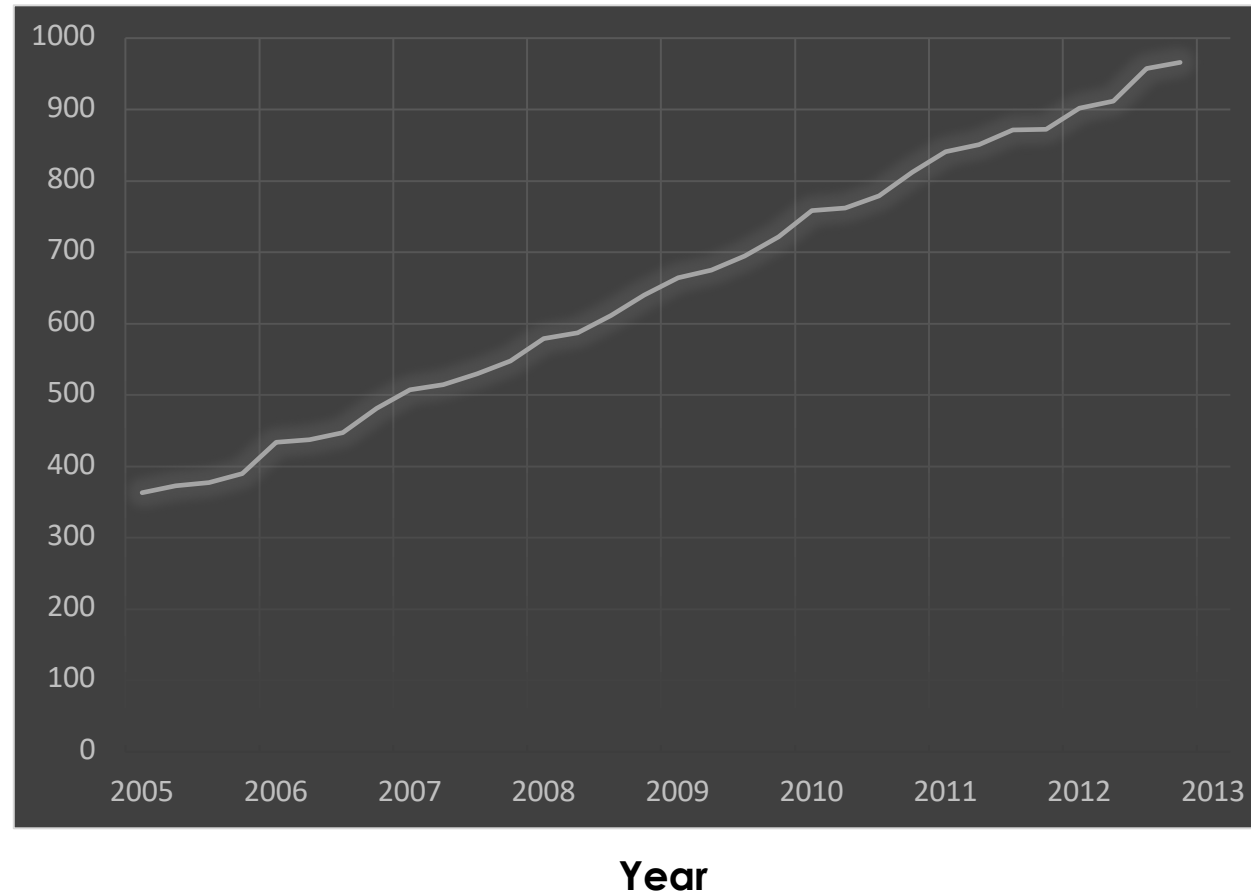
Department of Consumer Science
School of Human Ecology
University of Wisconsin-Madison



WISCONSIN
UNIVERSITY OF WISCONSIN-MADISON

Student Loan Debt: High and Rising

Outstanding
Student Loan
Debt (Billions
of \$)



1,676.7 billion
June 2020

Source: Board of Governors of the Federal Reserve System, Consumer Credit, G. 19 Series

Black-White disparities in student debt grew during the period of 2001-2013.

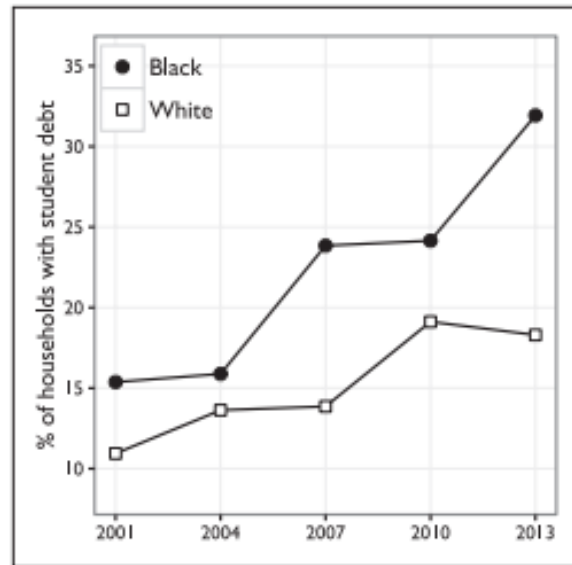


Figure 3. Proportion of households with any student debt.

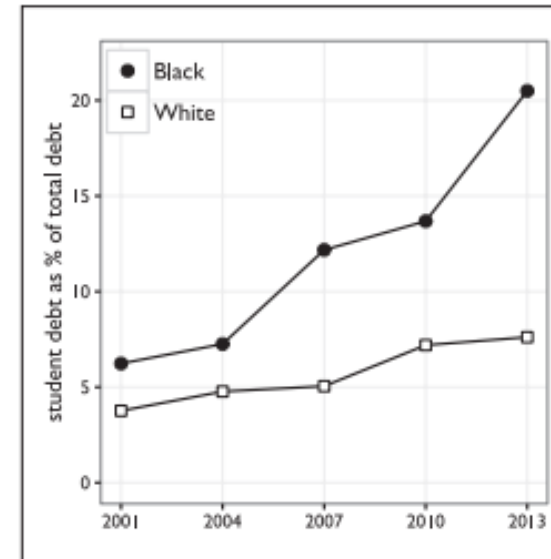
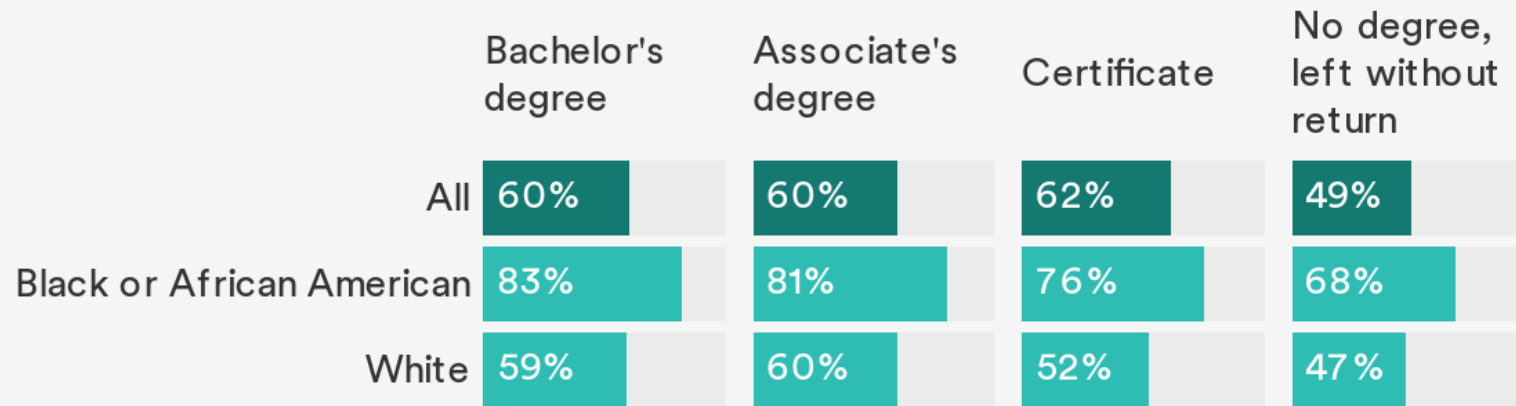


Figure 4. Student debt as a percentage of total household debt.

Seamster, L. and Charron-Chénier, R. 2017. "Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap." *Social Currents*, 4(3), 199-207.

Black students borrow at higher rates independent of degree status.

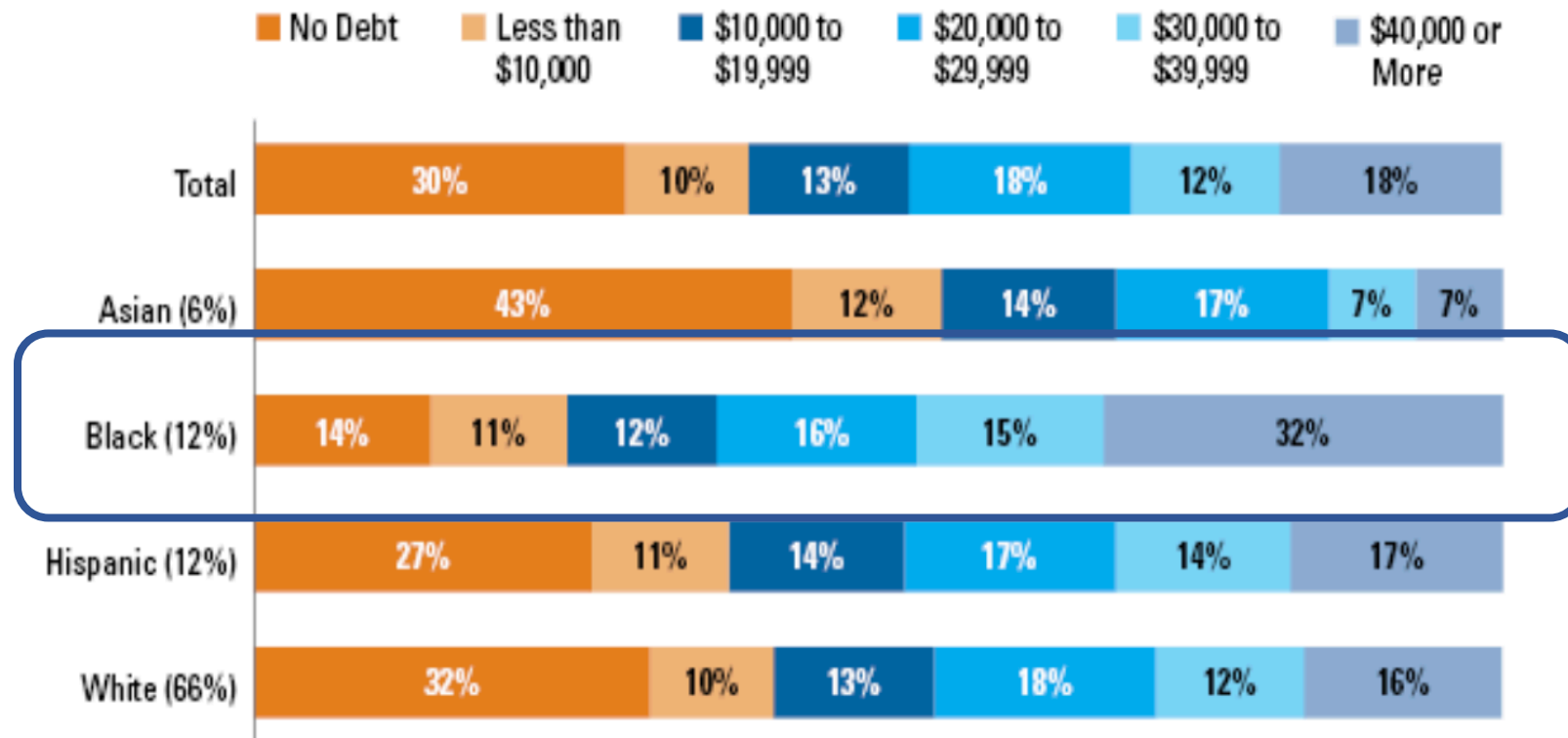
Percent of students who started higher education in 2004 who borrowed for their degrees



Source: U.S. Department of Education, National Center for Education Statistics, 2004-2009 Beginning Postsecondary Student Survey (BPS 04/09). Accessed August 26 2019.

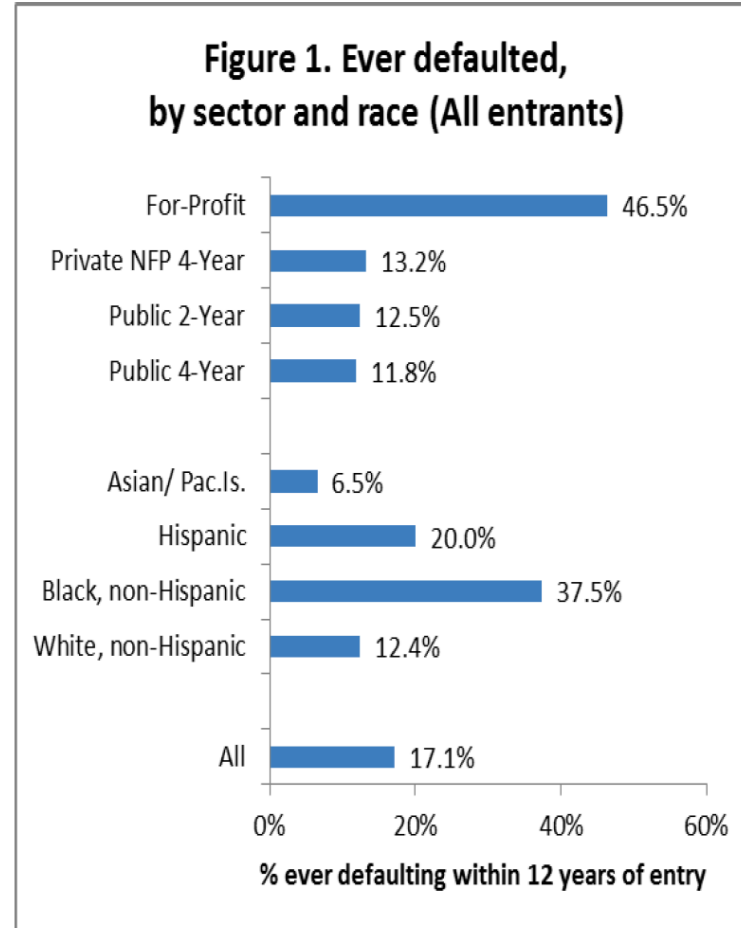
NEW AMERICA

Black graduates disproportionately take on more student debt for their degrees.



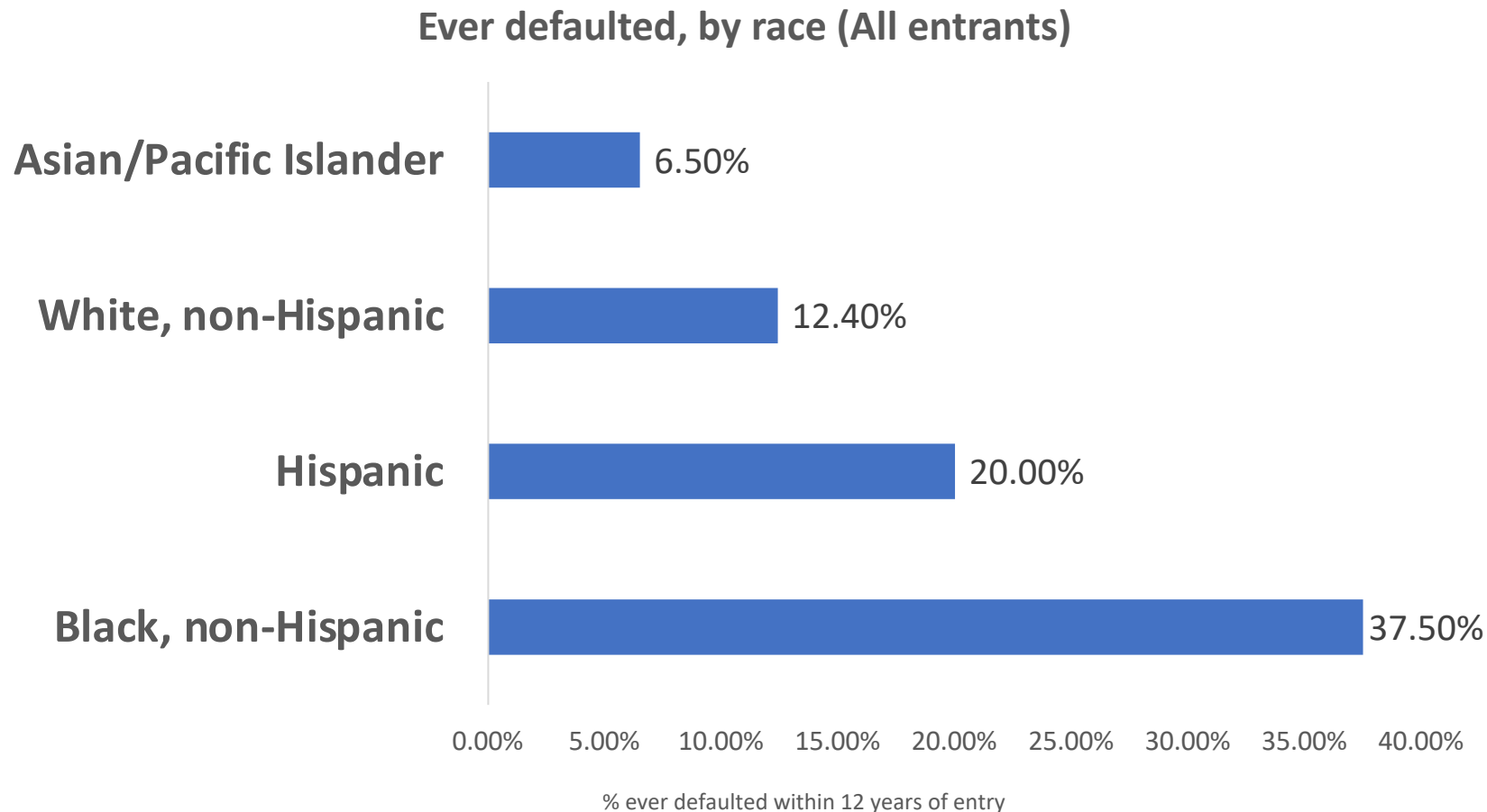
Source: The College Board 2019; NCES, National Postsecondary Student Aid Study, 2016

Black and Latinx borrowers have higher default rates.



Source: Scott-Clayton, J. (2017). What Accounts for Gaps in Student Loan Default, and What Happens After. Evidence Speaks Reports, Vol 2, # 57. Center on Children and Families at Brookings. Source: BPS 2003-04

Black and Latinx borrowers have higher default rates.



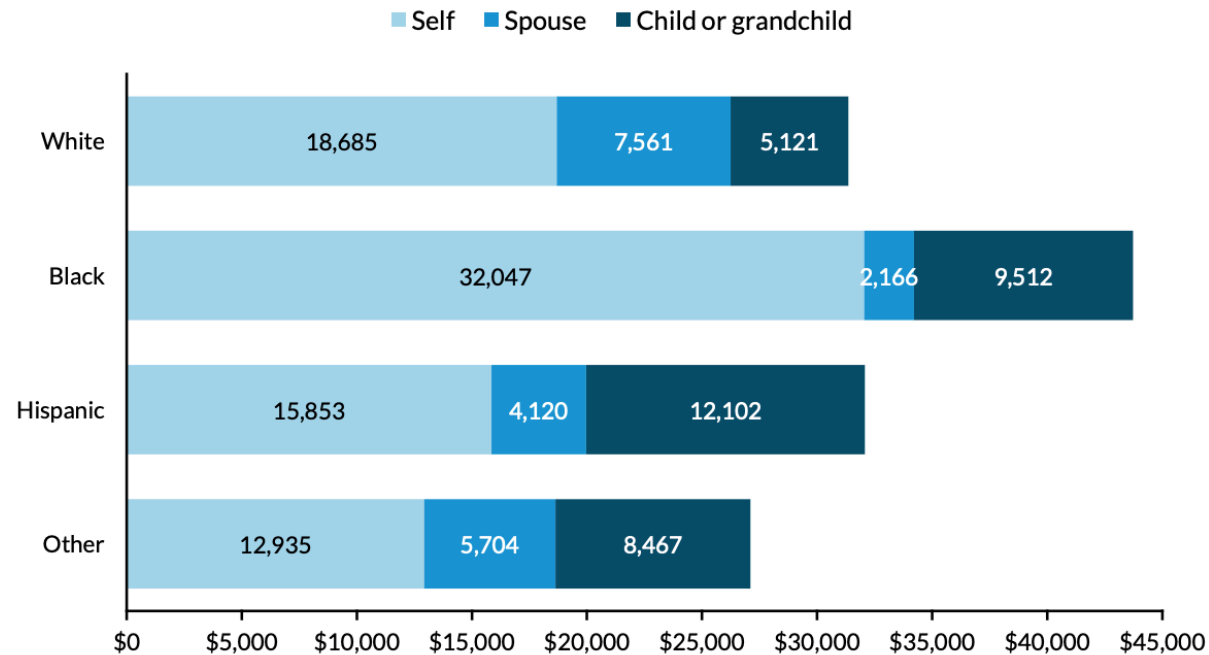
Source: Scott-Clayton, J. (2017). What Accounts for Gaps in Student Loan Default, and What Happens After. Evidence Speaks Reports, Vol 2, # 57. Center on Children and Families at Brookings. Source: BPS 2003-04

Student debt story is intergenerational and varies by race/ethnicity.

FIGURE 3

Amount of Student Loan Debt Differs Notably across Race and Ethnicity

Average debt for adults ages 25 to 55 by race/ethnicity and loan beneficiary



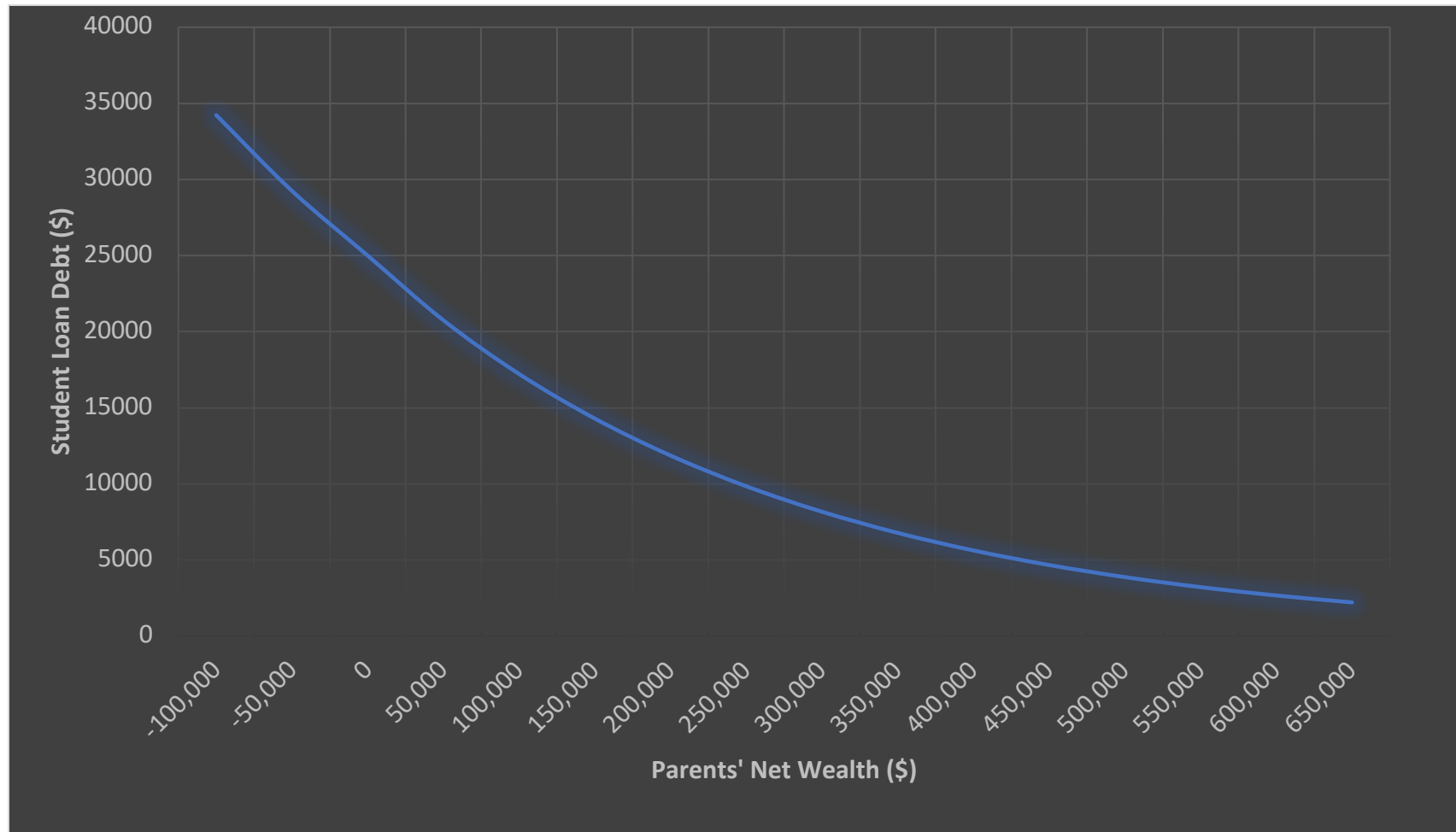
Source: Author's calculations using the 2014 SHED.

Notes: All averages are weighted using the SHED person weight. Adults classified as white, black, and other are non-Hispanic. Hispanics may be of any race.

What explains racial disparities in education debt

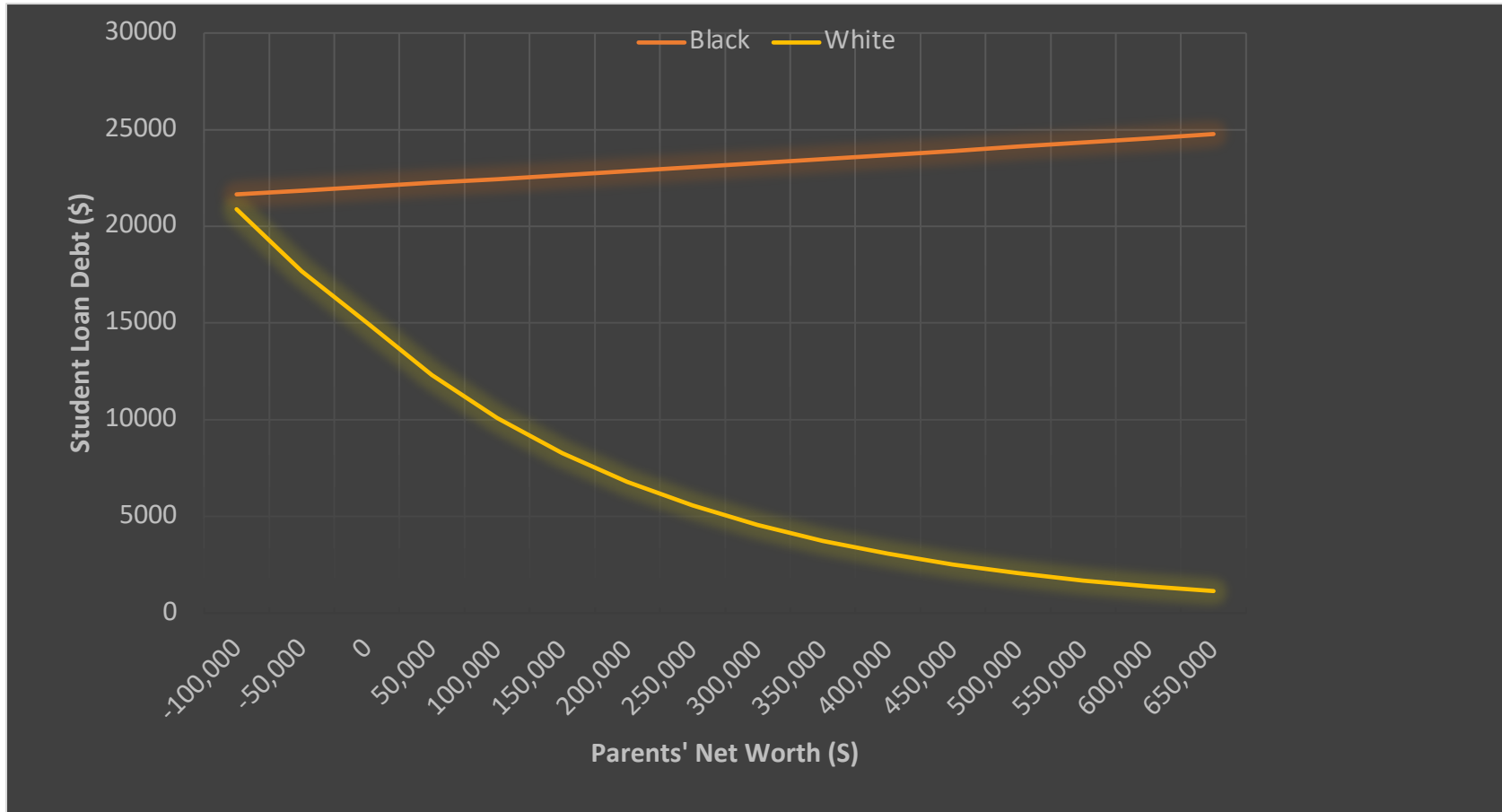
1. Family social background and the legacy of disadvantage
2. Institutional characteristics disadvantage black students
3. Unequal returns to education in the labor market

Parental Wealth and Young Adult Student Loan Debt



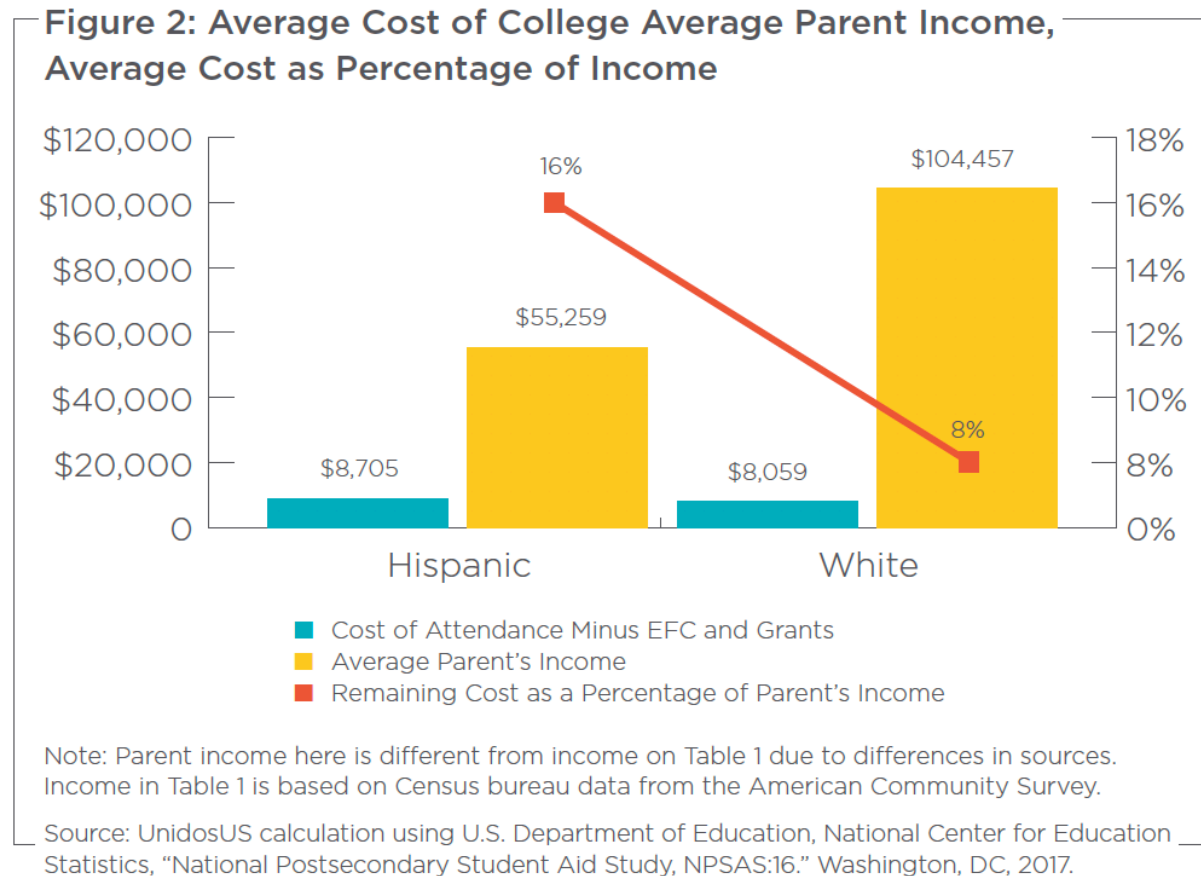
Addo, F., J. Houle, and D. Simon. 2016. "Young, Black, and (Still) in the Red: Wealth, Race, and Student Loan Debt." 2016. *Race and Social Problems* 8:64-76.

Parental Wealth and Young Adult Student Loan Debt, By Race



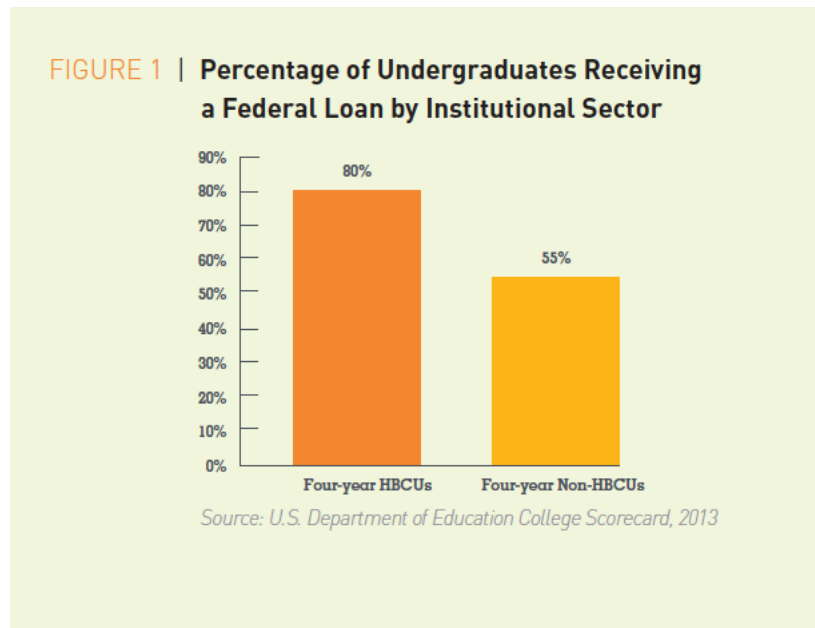
Addo, F., J. Houle, and D. Simon. 2016. "Young, Black, and (Still) in the Red: Wealth, Race, and Student Loan Debt." 2016. *Race and Social Problems* 8:64-76.

Latinx families use a greater proportion of their incomes to cover college costs.

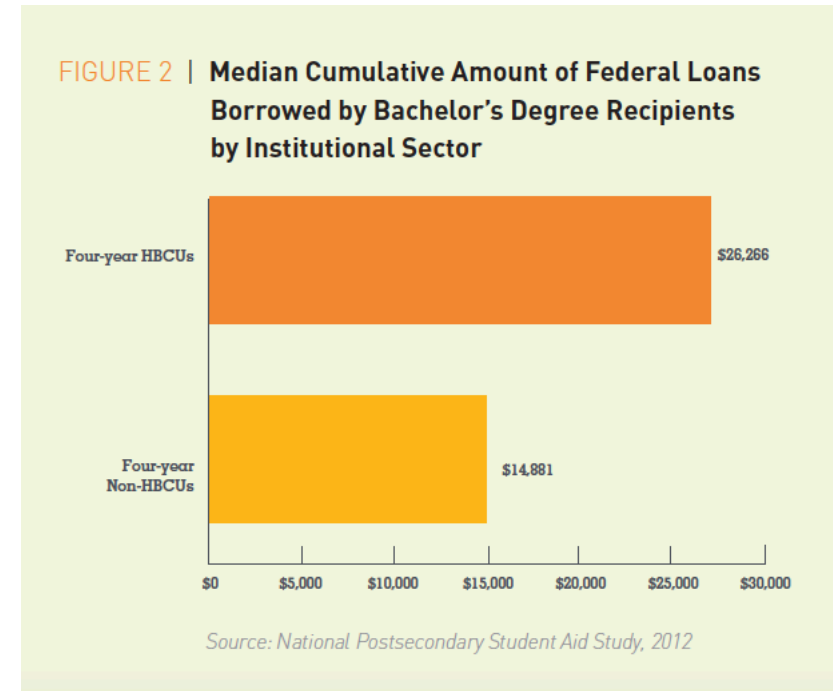


HBCU vs. non-HBCU student loan characteristics

Percent with loans



Median loans borrowed



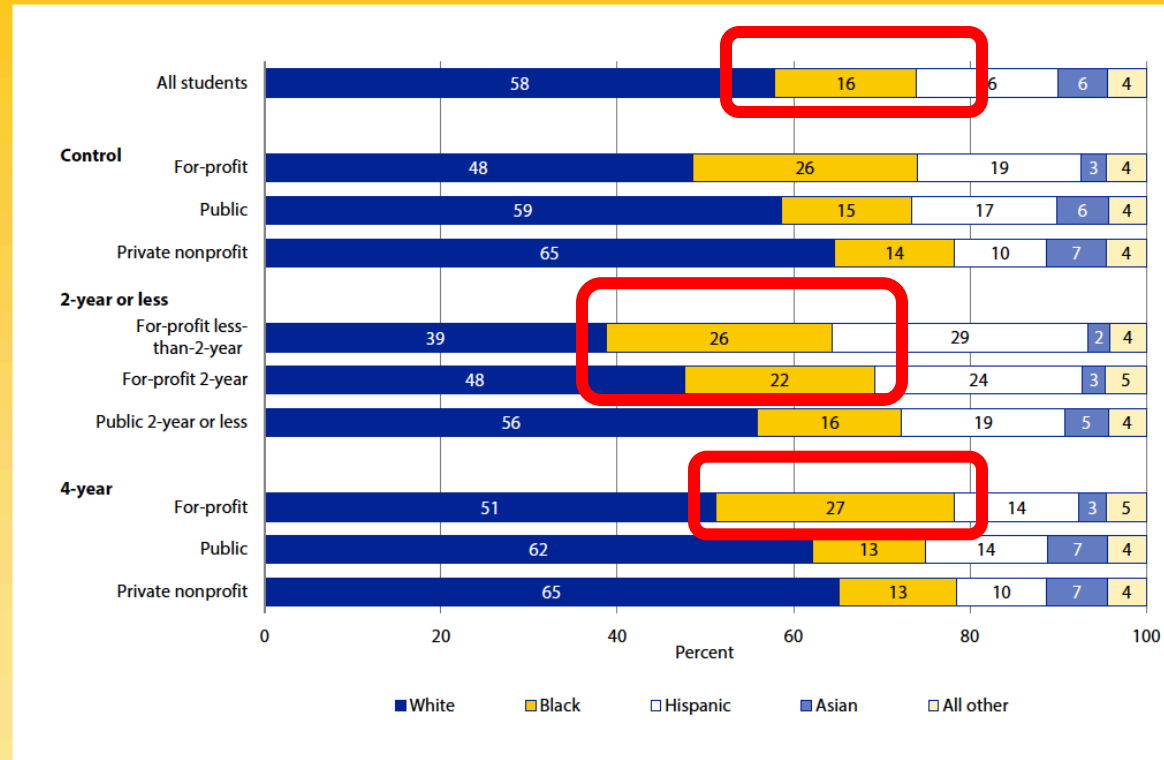
Saunders, K. M., Williams, K. L., & Smith, C. L. (2016). Fewer Resources, More Debt: Loan Debt Burdens Students at Historically Black Colleges and Universities. *Frederick D. Patterson Research Institute, UNCF*.

Institutional Sector and Race

FIGURE 4.

RACE/ETHNICITY

Percentage distribution of undergraduates' race/ethnicity, by level and control of institution: 2011–12



NOTE: Black includes African American, Hispanic includes Latino, and all other includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, or students who are more than one race. Race categories exclude Hispanic origin unless specified. Total includes undergraduate students who attended private nonprofit less-than-4-year institutions and more than one institution, which are not shown separately. The private nonprofit institution estimates under "Control" include data from less-than-4-year institutions and therefore do not match the private nonprofit institution estimates under "4-year." Public less-than-2-year institutions are combined with public 2-year because so few undergraduates (less than 1 percent) attended these institutions. Estimates include undergraduate students who were enrolled in Title IV eligible postsecondary institutions in the 50 states and the District of Columbia. Detail may not sum to totals because of rounding.

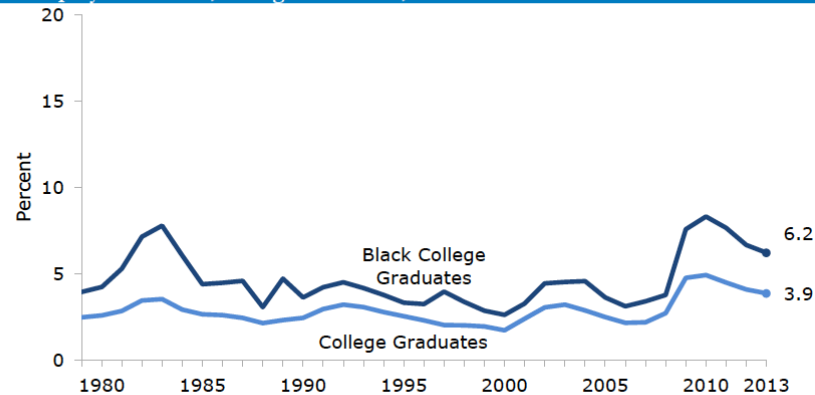
SOURCE: U.S. Department of Education, National Center for Education Statistics, 2011–12 National Postsecondary Student Aid Study (NPSAS:12).

Trends in labor market success of recent grads, by race

Unemployment Rates

FIGURE 1b

Unemployment Rates, College Graduates, 1979-2013

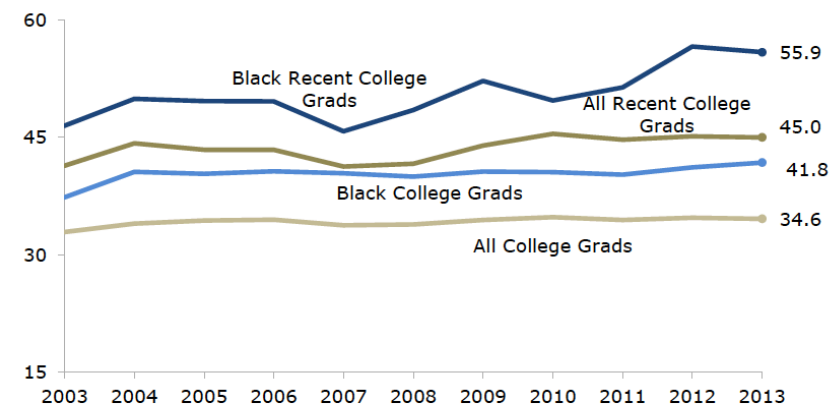


Source: Current Population Survey Outgoing Rotation Group (CPS ORG).

Underemployment Rates

FIGURE 3

Underemployment Rate for College Graduates

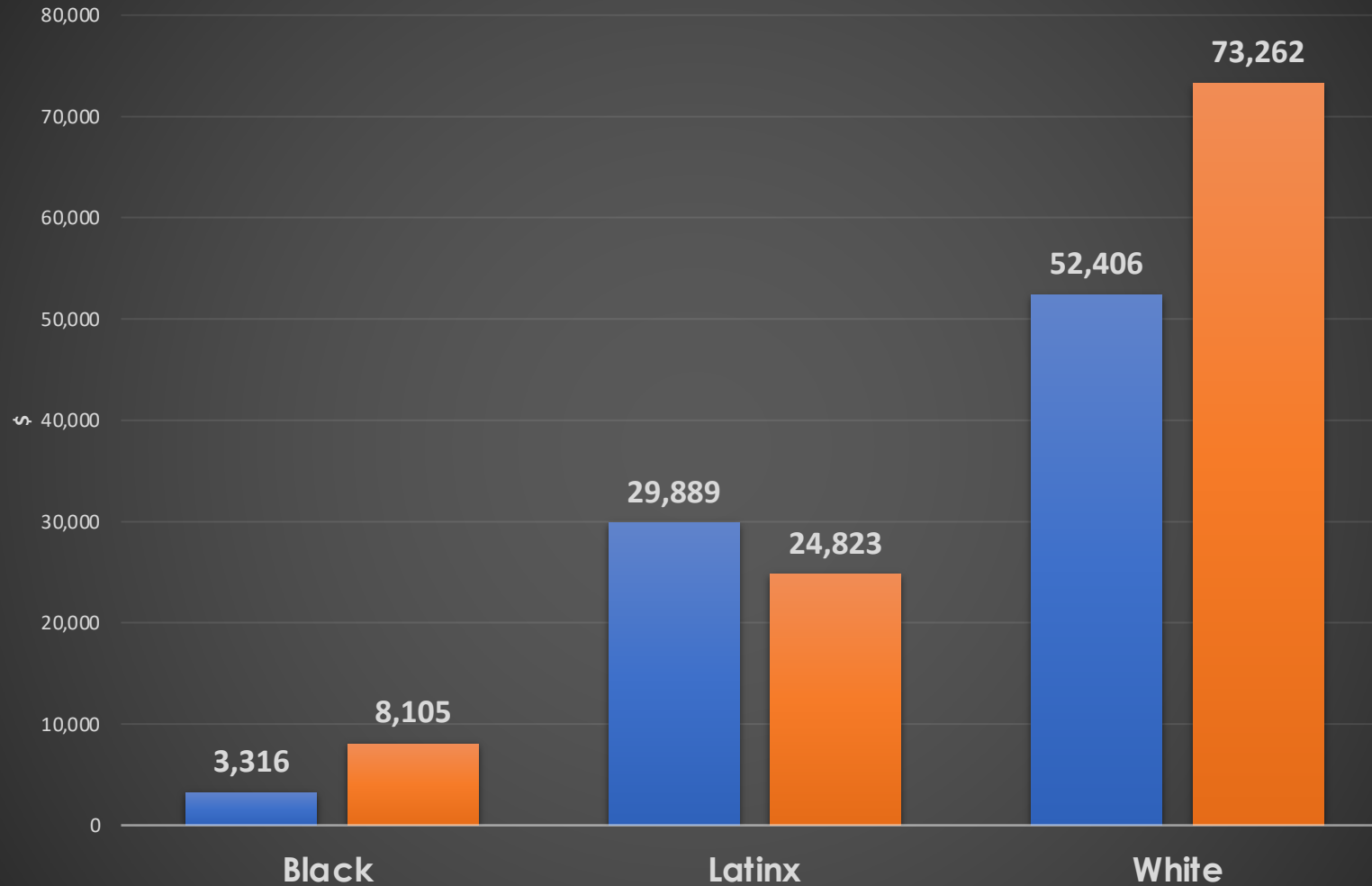


Source: Current Population Survey Outgoing Rotation Group (CPS ORG) and O*NET.

Racial disparities in debt are large and increase across the early adult life course.

Disparities at Baseline	54.8%
Growth in Debt Disparity over time	7.2%
White Young Adults Paydown Rate	9.5%
Black Young Adults Paydown Rate	2.9%

Median wealth with college degree or more (\$)

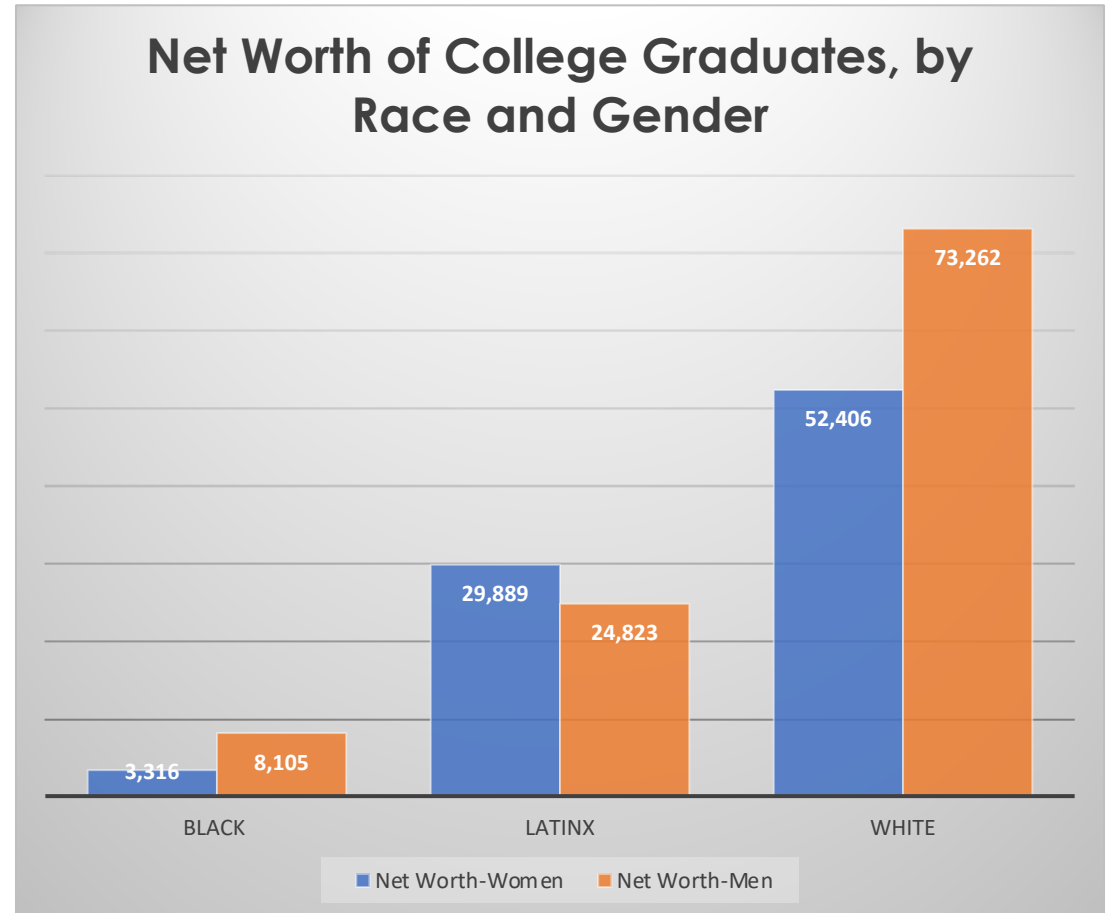
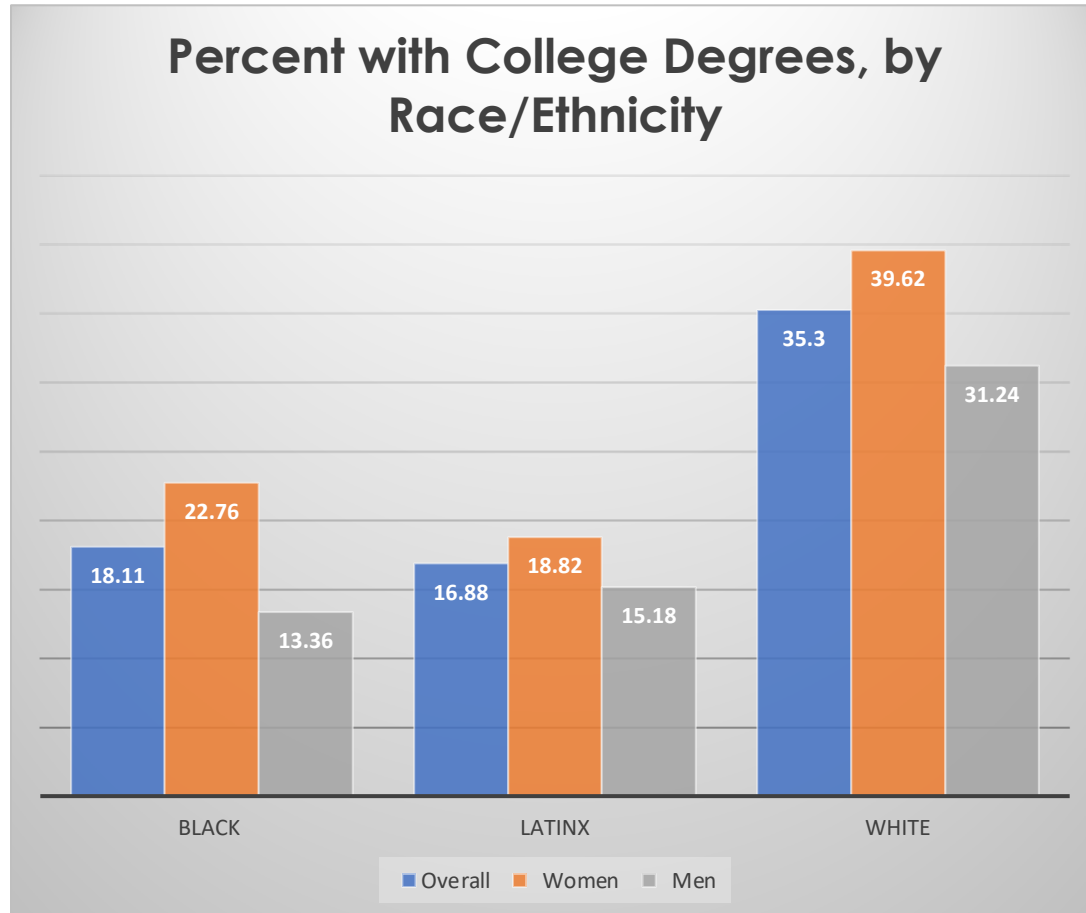


NLSY97, Sample from age 30 asset module; \$2015

■ Women ■ Men

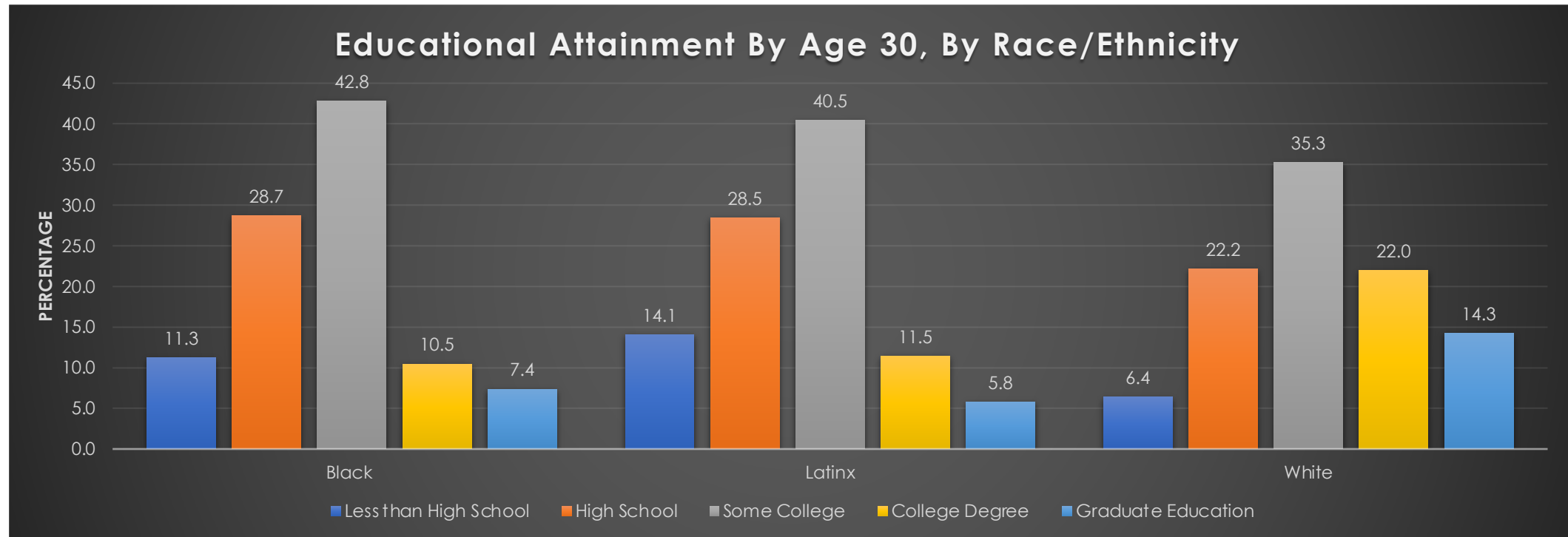
Black young adults hold **10.4% less wealth** relative to their white counterparts due to higher student debt burdens (Houle & Addo 2018)

Completion Rates and Net Worth, by Race and Gender



Data Source: NLSY97 Age 30 Asset Module

Most Millennials have some post-secondary experience.



Data Source: NLSY97 Age 30 Asset Module

Congress of the United States
Washington, DC 20510

June 18, 2018


The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Dear Secretary DeVos:

We write to express serious concerns regarding the challenges facing students of color in our federal student loan system, which are the result of long-standing inequities between racial groups and have been exacerbated by recent decisions by the U. S. Department of Education (“Department”). We urge the Department to fully enforce borrower protections, continue to process pending borrower defense claims, fully discharge and refund the loans of students who have been cheated by their college, and collect and report data on student loan repayment status disaggregated by race and ethnicity.

Barriers Facing Student Loan Borrowers of Color

Will the solution(s) perpetuate existing societal inequalities?




Who We Are ▾What We Do ▾Our Resources ▾Our Blogs ▾Donate

To Tackle the Black Student Debt Crisis, Target the Racial Wealth Gap

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Apr 16, 2020 by Fenaba R. Addo and William Darity, Jr.

It is well documented that Black students borrow more for college and have higher rates of nonpayment and default. Among college graduates, the average Black borrower has more than \$7,000 in education debt compared to White graduates who borrowed. Almost half (48.7%) of Black students who borrowed for their undergraduate studies defaulted compared with a fifth (20.1%) of White student borrowers. Moreover, **Black-White student loan debt disparities actually increase throughout young adulthood** because White young adults are able to repay their loans more rapidly. A critical factor that explains these **worse outcomes for Black students is racial disparities in parental, grandparental, and other family members' wealth.** Research finds that parental wealth is negatively associated with student loan debt accumulation for White young adults but is not associated with the amount of student debt Black borrowers accumulate. Why? Black families hold significantly less wealth than White families, and Black students generally are more inclined to pursue higher education that White students. As a result, **Black students receive more years of schooling and earn more credentials** than White students with similar family socioeconomic backgrounds (based on income and educational attainment of the head).



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Education

Student debt is hitting African Americans the hardest. These experts have a plan to fix it.



Graduates line up before the start of commencement at a community college. Some experts advocate greater public support for community colleges to help alleviate black student debt. (Seth Wenig/AP)

By **Danielle Douglas-Gabriel**
September 20



Thank you.

Contact info:
faddo@wisc.edu



STUDENT BORROWER
PROTECTION CENTER

PROTECT
BORROWERS

Webinar: Racial Disparity and its Impact on Student Loan Borrowing

Center for Financial Security, University of Wisconsin-Madison

Aug. 26th, 2020

Presented By Katherine Welbeck



The Student Borrower Protection Center (SBPC)

The Student Borrower Protection Center is a nonprofit organization solely focused on alleviating the burden of student debt for millions of Americans. The SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance economic opportunity for the next generation of students.

The SBPC Civil Rights Project

- In 2020, the SBPC officially launched its Civil Rights project.
- SBPC Civil Rights Project reframes the student debt crisis through a lens of racial and economic justice.
- Our work focuses on how civil rights, fair lending, and consumer protection laws must be used to address racial discrimination and inequity in the student debt crisis.

Disparate Debts: How Student Loans Drive Racial Inequality Across American Cities

Demographics of the NYC Neighborhoods where Student Loans are Used Most Frequently

(% of each Community District that is non-white)



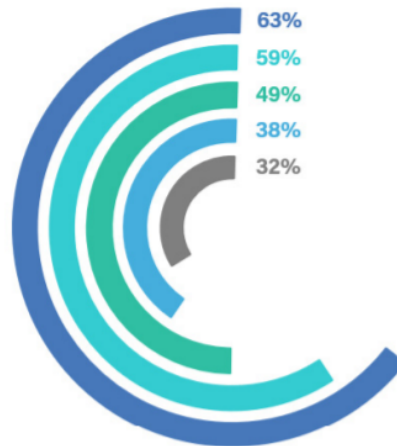
Student Borrower Protection Center visualization of data published by the Federal Reserve Bank of New York and the U.S. Census Bureau.



STUDENT
BORROWER
PROTECTION
CENTER

Disparate Debts: How Student Loans Drive Racial Inequality Across American Cities

Figure 1: Student debt burden across Philadelphia neighborhoods²³

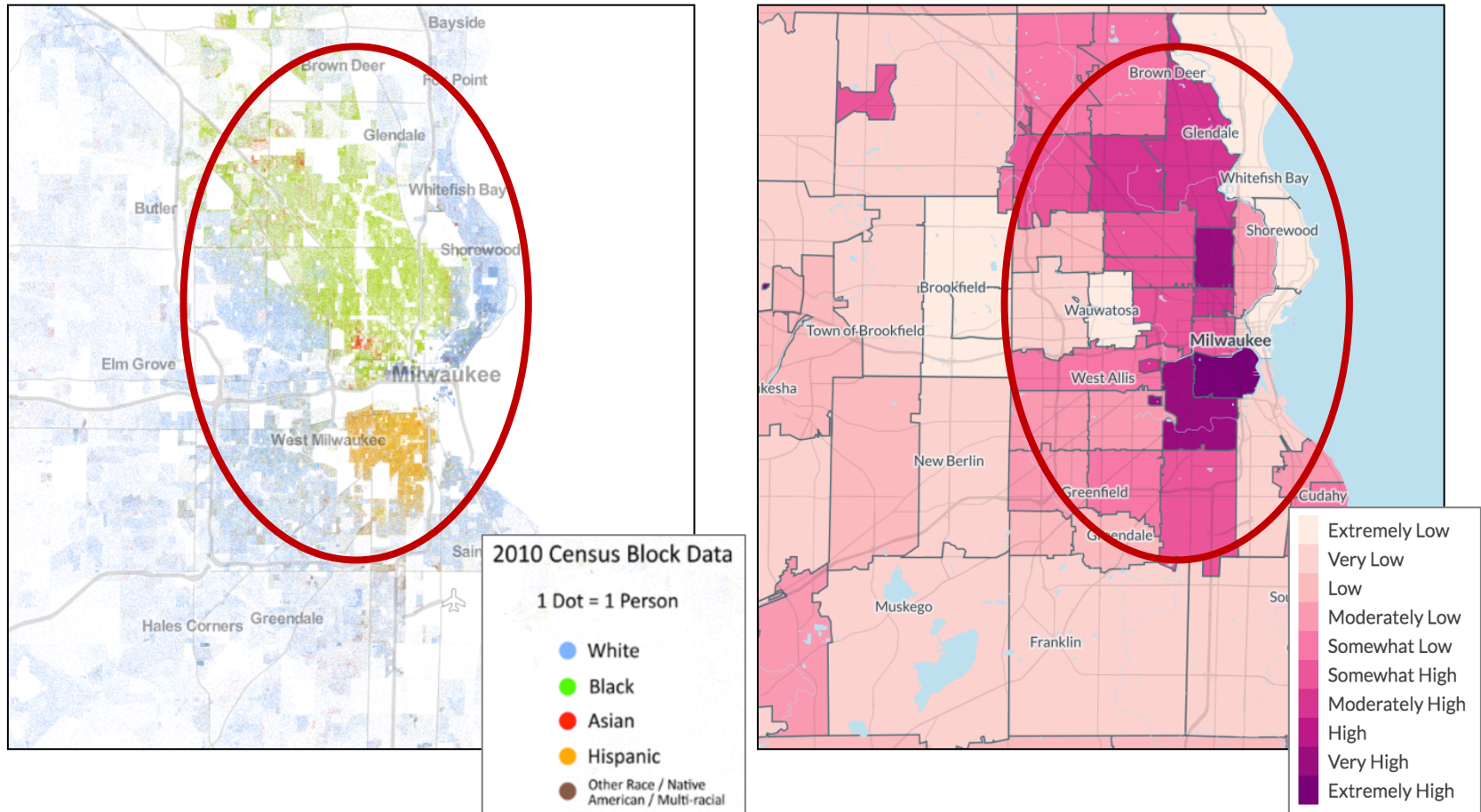


Average ratio of student debt to annual income in a neighborhood that is...

- 80% to 100% non-white
- 60% to 80% non-white
- 40% to 60% non-white
- 20% to 40% non-white
- 0% to 20% non-white

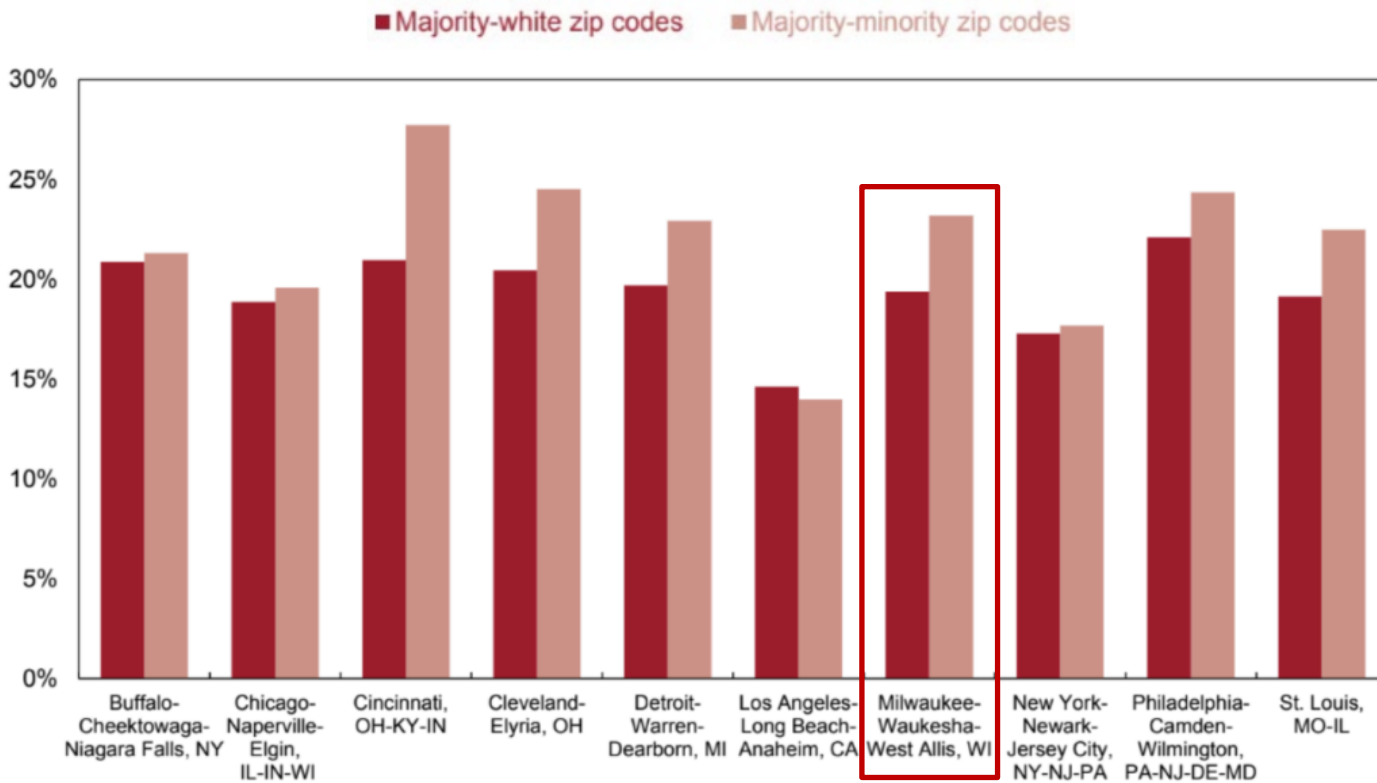
Student Borrower Protection Center visualization of data published by the Federal Reserve Bank of Philadelphia. Average debt-to-income ratio refers to the ratio of in-neighborhood median student debt balance to median annual income averaged across neighborhoods grouped by demographics.

Student loan delinquency and racial segregation – Milwaukee

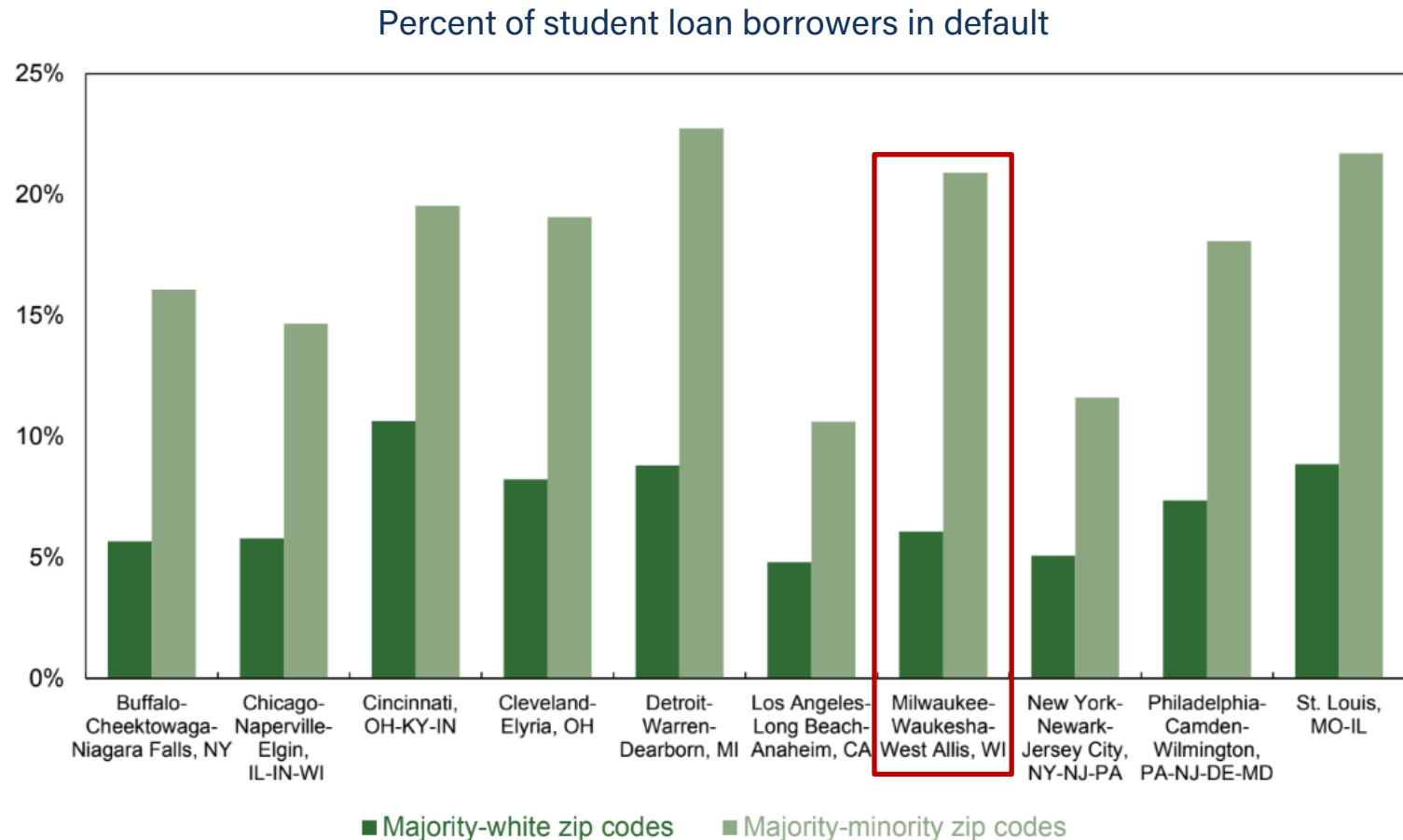


Across the country, communities of color bear a disproportionate student debt burden

Percent of population with a student loan

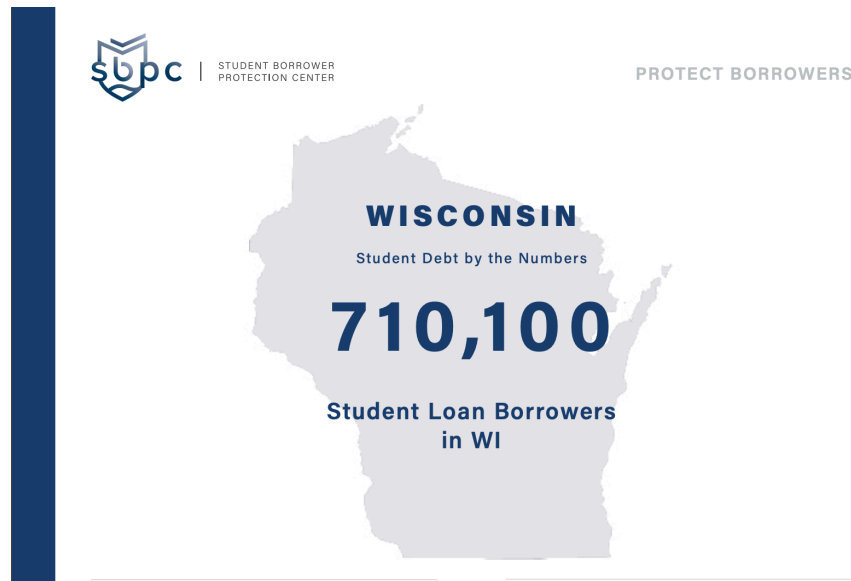


Borrowers of color are far more likely to default on student loans



How do we address this?

States for Borrower Protection



The SBPC's States for Borrower Protection project provides support to advocates, policymakers, and anyone else working to protect borrowers by equipping them with the facts necessary to level the playing field.

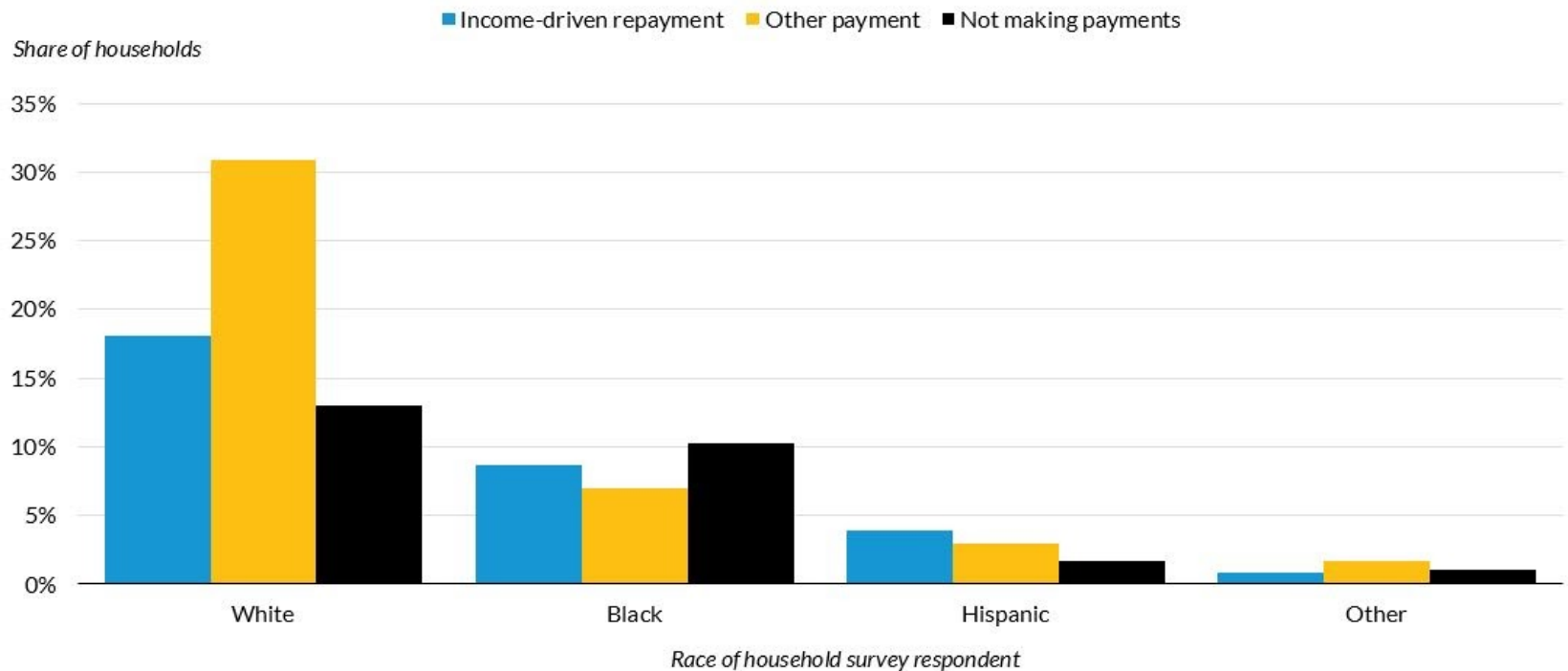
States for Borrower Protection: Student Loan Borrower Bill of Rights

A Student Loan Borrower Bill of Rights offers critical protections seen in near every other consumer finance market:

- **Set Standards.** States need to set standards for handling the millions of student loan bills that come due each year, protecting borrowers when paperwork gets botched, when payments get lost, or when loan companies change.
- **Ban Abusive Practices.** States need to create new, enforceable rights for all student loan borrowers, including borrowers who have been the victims of industry abuses.
- **Demand Transparency.** States can gain new insight through regular supervision of the student loan market.

Borrowers of color use IDR at lower rates than white borrowers

Loan Repayment by race or ethnicity



IDR has benefits across borrowers' financial lives

When borrowers access IDR, they benefit across their financial lives.

Compared to non-IDR borrowers, borrowers making IDR payments...



**Are 21% less likely to fall
behind**



**Improve their credit scores
by 7.5 points**



**Are more able to access
credit cards**



**Pay down \$90 more in debt each
month**



**Are 10% more able to get a
mortgage**

IDR has benefits across borrowers' financial lives

When jobs are scarce, IDR protects borrowers from financial shocks.

As unemployment spikes in a community, borrowers in IDR...



**Are less sensitive to drops in home
values**



**Default on student loans at lower
rates**

Thank You



protectborrowers.org



Urban League of
Greater Madison



WISCONSIN
Coalition on Student Debt

Racial Disparity and its Impact on Student Loan Borrowing

Panel Discussion





Urban League of
Greater Madison



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Thank you for joining us for today's webinar event:
Racial Disparity and its Impact on Student Loan Borrowing

Please remember that today's webinar was recorded and will be
posted on our website: cfs.wisc.edu

within two business days.

Please contact Hallie Lienhardt with questions:

Hallie.lienhardt@wisc.edu

608-890-0229

