

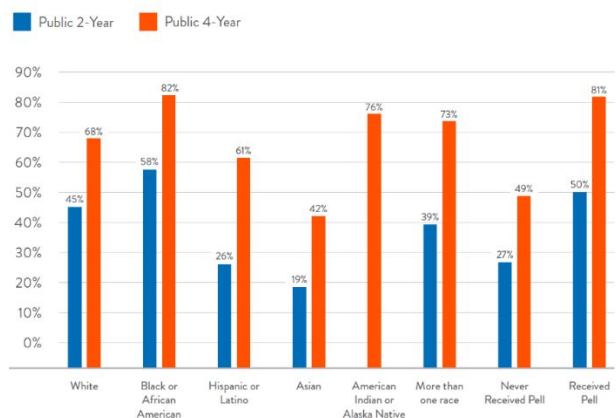
Reducing the Unequal Burden of Student Loan Debt

The Problem

Student debt is extremely burdensome for students of color. Black students in particular must borrow thousands more for the same degree, and borrow at higher rates than white students for every type of credential. [For example](#), 82% of black graduates of public four-year colleges borrow, compared to 68% of white graduates. 58% of black community college graduates take on debt, compared to 45% of white community college graduates.

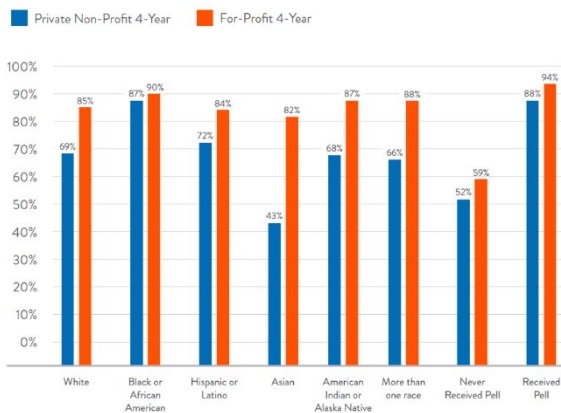
Student loan delinquency and default rates are a crisis. The percent of student loans 90 or more days delinquent has [remained unchanged](#) since 2012, even as unemployment has fallen and the economy has generally improved. Student loan defaults are [alarming common](#) among black and Latinx borrowers. Around half of all black borrowers, and over a third of all Latinx borrowers experience default – which can ruin credit; set someone back for decades; and lead to wage, tax, or social security garnishment – within 12 years of beginning school.

Percent of Public College Graduates with Debt, 2016



Demos Calculations from 2015-16 National Postsecondary Student Aid Study (NPSAS:16). Some data on American Indian, as well as Native Hawaiian/Other Pacific Islanders not available due to sample size.

Percent of Private College Graduates with Debt, 2016



Demos Calculations from 2015-16 National Postsecondary Student Aid Study (NPSAS:16). Some data on American Indian, as well as Native Hawaiian/Other Pacific Islanders not available due to sample size.

Making a dent in student debt is incredibly difficult
The ability to repay student loans quickly is preventing many borrowers from moving on with their lives and contributing to the economy. While the typical white male borrower has paid off 44% of his loan balance 12 years after beginning college, the average black female owes 13% *more* than she had originally borrowed for school. In the same 12 years, white female and Latina borrowers pay off substantially lower portions of their loan balances than males, and older students have almost no progress paying off their loans.¹

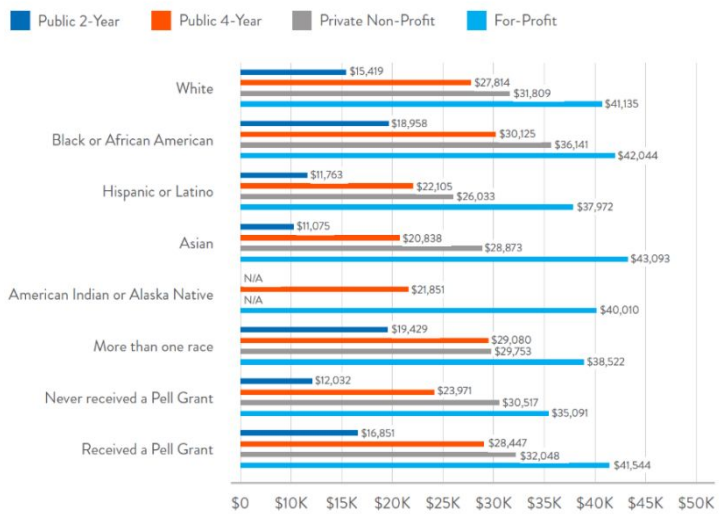
¹ Calculations from Demos, *Debt to Society: The Case for Bold, Equitable Student Loan Cancellation and Reform*, forthcoming

For-profit colleges account for an outsized portion of student debt struggles. Students borrow higher amounts to attend for-profit colleges, and around half of all students entering for-profit colleges eventually default on their loans (compared to around a quarter of borrowers at community colleges). For-profit colleges often act in a predatory fashion, targeting lower-income people of color and veterans with their advertising.

Student debt can be inhumane.

Congress made a series of changes to the bankruptcy code in the 1970s and again in 2005, resulting in student debt being treated far less favorably than other forms of debt and very difficult to discharge. Additionally, borrowers with a defaulted loan can see up to 15% of their Social Security benefits garnished and end up in poverty.

Cumulative Loan Debt for Graduates, 2016



Calculations from 2015-16 National Postsecondary Student Aid Study (NPSAS:16). Some data on American Indian, as well as Native Hawaiian/Other Pacific Islanders not available due to sample size

The Causes

Congress has not ensured that state investment or grant aid has kept pace with college demand or college prices. Tuition continues to replace per-student public funding for state colleges and universities, shifting investment from the public to families. Education has shifted from the public good to private burden.

Congress has not ensured that Pell Grants keep pace with college prices. In 1980, the maximum Pell Grant covered 76% of the cost of attending a public college. Today, it covers [less than one-third](#) of the price students must pay.

Rising student debt is a result of [both high tuition and high non-tuition costs](#) coupled with stagnant wages. Tuition makes up only 20% of the total cost of attendance at public 2-year colleges, and 40% of the cost of public 4-year schools. Students must borrow for rent and living costs, books, transportation, and childcare. As wages have stagnated for most families and the racial wealth gap widened, students – and students of color in particular – are having more difficulty avoiding debt and more difficulty repaying it.

Congress has not properly regulated predatory actors. The Obama Administration issued rules to hold career college programs accountable for the debts of their graduates, threatening to cut off access to federal aid for those whose degrees or credentials did not provide value and providing relief to students whose colleges – like ITT Technical Institutes and Corinthian Colleges – misled or deceived them prior to shutting down. The Trump Administration has worked to [eliminate or undermine](#) these rules, in the absence of Congressional action to protect students.

We Need Bold Solutions on Student Debt

Most policies to help borrowers through the Higher Education Act or through executive action have focused on making it easier to repay debt each month. To help borrowers, Congress and the Bush and Obama Administrations created programs to help borrowers make monthly student loan payments based on their income. These income-driven repayment programs are useful but not enough to solve the student debt crisis.

One reason is complexity. There are upwards of nine different repayment options for borrowers, making it difficult to navigate and stay enrolled. Loan servicers [have not done](#) an adequate job of helping borrowers navigate loan repayment.

Another is that income-based solutions ignore the racial wealth gap. Middle-income white households, for example, have over 4 times the financial assets of middle-income black households, and nearly 6 times the financial assets of middle-income Latinx households.

Instead of focusing only on repayment, Congress has an opportunity through the upcoming reauthorization of the Higher Education Act to reduce or forgive student loan debt for existing borrowers. Debt cancellation or forgiveness can help many students [move on with their lives](#), build savings, own a home, or start a small business.

The Higher Education Act is also an opportunity for Congress to correct the mistakes of the past, by creating [new federal-state partnerships](#) to increase state funding and lower, or eliminate tuition and borrowing, as well as expand Pell Grants so families can cover the full cost of college. Doing so would ensure that the most diverse generation of students in our history has the same shot at graduating debt-free that wealthy students have today, and that previous generations enjoyed.

Black Students are Overrepresented among Those with Large Debts 12 Years after Starting College

| | White | Black or African American | Hispanic or Latino | Asian |
|--|-------|---------------------------|--------------------|-------|
| Percentage of all students beginning in 2004 | 61.5% | 13.8% | 14.9% | 4.7% |

12 Years after Beginning College

| | | | | |
|---|-------|-------|-------|------|
| Percentage of those with no debt | 67.8% | 7.9% | 14.4% | 5.4% |
| Percentage of borrowers with over \$50,000 in debt | 53.0% | 27.5% | 9.4% | 4.0% |
| Percentage of borrowers with over \$100,000 in debt | 56.5% | 21.8% | 8.9% | 7.2% |

Source: U.S. Department of Education, National Center for Education Statistics, 2003-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:04/09). Data for American Indian, Native Hawaiian, and other students not available due to sample size issues.