THE CENTURY FOUNDATION

Appendixes: How Student Debt and the Racial Wealth Gap Reinforce Each Other

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APPENDIX I: Data Sets Available for Research on Student Debt and Racial Disparities

Researchers select their data based on the question they are trying to answer and the racial disparities they are trying to measure. For higher education researchers, that often means looking at student debt in relation to enrollment numbers, completion rates, and defaults. For researchers interested in the racial wealth gap, it has meant looking at student debt's place in Black and white families' budgets.

To answer their questions, higher education researchers have relied predominantly on student loan data released by the US Department of Education. The Department of Education has a variety of different data sets including:

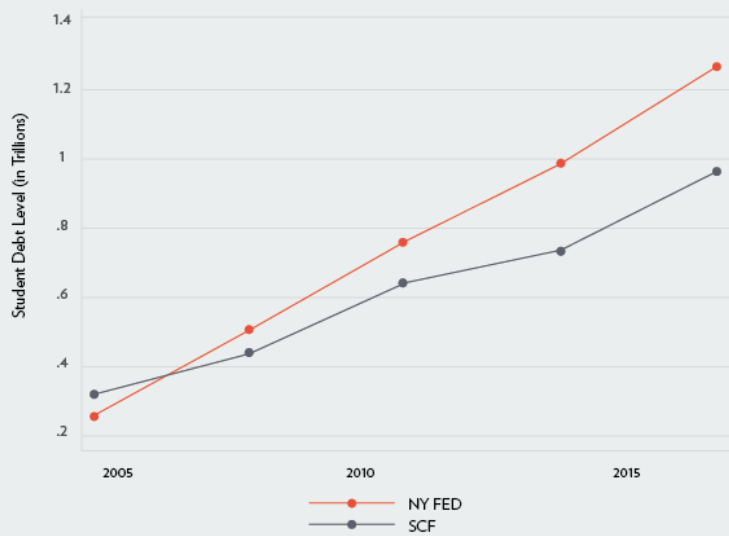
- Integrated Postsecondary Education Data System (IPEDS): Since 1986 the Department of Education's Integrated Postsecondary Education Data System (IPEDS) has collected yearly surveys from all higher education institutions that accept Title IV federal student loan funding.[1] IPEDS surveys cover a wide range of topics, including enrollment and completion numbers, use of student aid, and student body demographics.
- National Postsecondary Student Aid Study (NPSAS): NPSAS is a national survey of both higher education institutions and students that asks about how students and their families pay for education.[2] Currently, NPSAS is conducted every two years.[3]

While both of these surveys offer researchers a regular picture of enrollment, completion, and borrowing rates for undergraduates, they are less able to provide a picture of what happens to students after they graduate.[4] As a result, research using only these data sets is more likely to focus on things like student loan uptake and school completion rates and less on long-term employment outcomes.

Higher education researchers who are interested in long-term outcomes often turn to the Federal Reserve's Survey of Consumer Finance (SCF), a self-reported survey of families that attempts to capture family balance sheets—income, costs, and debt. Unfortunately, this survey has significant limitations for the study of student debt, because SCF data come exclusively from families. Young people burdened by debt are often unable to form families recognized by the survey and thus are inherently excluded from the SCF data. To show how this affects SCF data, in a recent paper, Julie Margetta Morgan and Marshall Steinbaum compared the levels of outstanding student debt reported in the SCF to the

FIGURE 1

STUDENT DEBT LEVEL OVER TIME



Note: Total amount of student debt outstanding, according to the Federal Reserve Bank of New York and the Survey of Consumer Finances. The divergence between the two series illustrates the extent to which the SCF is less and less representative of the student debt problem as borrowers become less and less likely to appear in independent households. This is likely, in part, because their student debt is reducing household formation rates, hence student debtors represented in SCF data are likely to be more affluent than the true population of student debtors..

Federal Reserve Board of New York's tabulation of the same. They found that the SCF has consistently reported lower levels of outstanding student debt and that the gap between the two numbers has widened over time, as younger people have become less likely to form independent households.[5] The Federal Reserve Board data, however, has its own limitations, including that it does not include indicators for race.

In the last five years, higher education researchers have also had access to some unique sets of data that have sparked bursts of research on long-term outcomes by race. First, in 2015, the Brookings Institution's Adam Looney got a one-time data set that matched data from the Department of Education's Office of Student Aid, which records every federal loan made by the Department, with records on employment and income from the Treasury Department. Second, in 2017, the Department of Education released a significant new set of longitudinal data disaggregated by race.

Higher education researchers have also used creative approaches to try and better understand the long-term racial dynamics of student debt. One strategy is mapping delinquency data by zip code. The Washington Center for Equitable Growth's Mapping Student Debt Project found that "zip codes with higher shares of African Americans or Latinos show much higher delinquency." This was true even when researchers controlled for income levels.[6] Other researchers have done similar geographic work in New York and San Francisco and found similar results.[7]

While higher education researchers have been dissecting Department of Education data, researchers investigating the racial wealth gap have looked elsewhere as they have tried to understand student debt's role in the racial wealth gap. These researchers have turned to data sets that let them compare student debt levels with other forms of debt held by families and individuals. For example:

- Panel Study of Income Dynamics: a long-running study of 18,000 individuals in the United States and their descendants, begun in 1968.

- The Current Population Survey: a survey by the Census Bureau and Department of Labor.

- The National Longitudinal Study of Youth, 1997 cohort: an ongoing survey of Americans born between 1980 and 1984.

All of these data sets include indicators on race and allow researchers to more closely examine how race affects the interaction between student debt, other forms of debt, income, and wealth.

In addition, researchers from the Institute on Assets and Social Policy at Brandeis have developed a framework, the Racial Wealth Audit, to model the effect of certain policy interventions on the racial wealth gap. In 2015, they used this tool to examine student debt policy proposals using data from the Survey of Consumer Finances.[8]

Notes

1 Aida Aliyeva, Christopher A. Cody, and Kathryn Low, "The History and Origins of Survey Items for the Integrated Postsecondary Education Data System," March 2018, U.S. Department of Education, NPEC 2018-023, https://nces.ed.gov/ipeds/pdf/NPEC/data/NPEC_Paper_IPEDS_History_and_Origins_2018.pdf.
2 "Surveys & Programs," National Center for Education Statistics, https://nces.ed.gov/surveys/SurveyGroups.asp?Group=2.
3 "National Postsecondary Student Aid Study," National Center for Education Statistics, https://nces.ed.gov/surveys/npsas/about.asp.
4 There have been some spinoff surveys from NPSAS that look at particular cohorts' employment outcomes, including the Baccalaureate and Beyond Survey, which interviews BA recipients at the time of graduation, one year after graduation, four years after graduation, and 10 years after graduation (https://nces.ed.gov/datalab/index.aspx).
5 Margetta Morgan and Steinbaum, "The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality: How the Current Student Debate Gets the Economics Wrong,"14.
6 Vaghul and Steinbaum, "How the Student Debt Crisis Affects African Americans and Latinos."
7 "Press Release: New Yorkers' Student Loan Outcomes Vary Widely by Neighborhood," 15 December 2017, Federal Reserve Bank of New York, https://www.newyorkfed.org/newsevents/news/research/2017/rp171215; https://www1.nyc.gov/assets/dca/downloads/pdf/partners/Research-StudentLoanDebtDistressAcrossNYCNeighborhoods.pdf; Bina Patel Shrimali, Jacob DuMez, and Sarika Abbi, "At What Cost? Student Loan Debt in the Bay Areas," April 2018, San Francisco Office of Financial Empowerment and Federal Reserve Bank of San Francisco, https://protectborrowers.org/wp-content/uploads/2019/04/student-loan-debt-in-the-bay-area.pdf.
8 Mark Huelsman, et al., "Less Debt, More Equity: Lowering Student Debt While Closing the Black-White Wealth Gap," 24 November 2015, Demos, https://www.demos.org/research/less-debt-more-equity-lowering-student-debt-while-closing-black-white-wealth-gap#Appendices.

Appendix II. Annotated Bibliography

Addo, Fenaba, Jason Houle, and Daniel Simon. "Young Black and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt." *Race and Social Problems* 8, no 1 (2016) https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6049093/#R36

Using data from the National Longitudinal Survey of Youth, Addo and Houle study why young Black Americans carry significantly more student debt on average than their white counterparts. They conclude that one explanation for this difference is parental wealth, which protects young white students from taking on debt and from defaulting on debt they do have. As a result, the racial wealth gap emerges as early as 25. A summary of the findings by Addo for the St. Louis Fed can be found here: Addo, Fenaba. "Parents' Wealth Helps Explain Racial Disparities in Student Loan Debt." St. Louis Fed (2018) https://www.stlouisfed.org/~/media/publications/in-the-balance/images/issue_19/itb19_march_2018.pdf.

Ash, Carolyn, et al. "The Problem(s) with Obama's Community College Plan – and an Alternative." *Washington Post* (2015) https://www.washingtonpost.com/news/answer-sheet/wp/2015/02/08/the-problems-with-obamas-community-college-plan-and-an-alternative/?utm_term=.5b8bc3bd730e

The authors argue for a greater investment in Pell Grants as opposed to policy proposals to make community college free. They express concern that free community college programs will lead to a further tiered and segregated higher education system.

Bhattacharya, Jhumpa, et al. "Women, Race & Wealth." Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development (2017) http://www.insightcced.org/wp-content/uploads/2017/01/

January2017_ResearchBriefSeries_WomenRaceWealth-Volume1-Pages.pdf

Using the Panel Study of Income Dynamics, the authors investigate not just racial but also gender dynamics of the wealth gap. They conclude that single women of all races without a college degree "are just one financial crisis or job loss away from catastrophe," but wealth differences between Black and white women persist across all family structures.

Bhattacharya, Jhumpa, Anne Price, and Fenaba Addo. "Clipped Wings: Closing the Wealth Gap for Millennial Women." Asset Funders Network (2019) https://assetfunders.org/wp-content/uploads/AFN_2019_Clipped-Wings_Brief.pdf

This brief shows that millennial women are 37 percent more likely to live below the poverty line than Gen Xers. The authors argue this is the result of coming of age during the Great Recession, an era of mass incarceration, rising student debt levels, and changing labor markets. They show how each of these factors has reduced millennial women's wealth and break down the gender dynamics within this cohort.

Blagg, Kristin. "Underwater on Student Debt." Urban Institute (2018) https://www.urban.org/sites/default/files/publication/98884/underwater_on_student_debt_0.pdf

Blagg studies how student loan default rates relate to borrowers' credit profiles. She finds that lower credit scores and previous defaults are correlated with default on student debt. She concludes that policymakers should "do more to help borrowers manage their debts, rather than to limit access to loans."

Canchola, Aissa and Seth Frotman. "The Significant Impact of Student Debt on Communities of Color." Consumer Financial Protection Bureau (2016) https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/

A brief analysis of why and how rising student debt levels disproportionately affect students of color.

Center for Responsible Lending, "Quicksand: Borrowers of Color & the Student Debt Crisis," Center for Responsible Lending (2019) https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-quicksand-student-debt-crisis-jul2019.pdf

This paper reviews existing research on how student debt has affected different slices of the student population, including Black students, Latinx students, women students, and older students. It ends by calling for improved repayment options, better loan servicing, and reinvestment in higher education to make college more affordable for all Americans.

Cooper, Melinda. *Family Values: Between Neoliberalism and the New Social Conservatism*. Brooklyn: Zone Books, 2017

Cooper's book attempts to understand how neoliberals and cultural conservatives came together to form the contemporary Republican Party. Cooper's analysis includes a discussion of the shift towards debt-financing for higher education and how the choice grew out of both a neoliberal belief in human capital theory and social conservatives' reaction to the student activism of the 1960s.

Cottom, Tressie McMillan. "No, College Isn't the Answer. Reparations Are." The Washington Post (2014) https://www.washingtonpost.com/posteverything/wp/2014/05/29/no-college-isnt-the-answer-reparations-are/?utm_term=.1ff761b13d1e

Cottom forcefully argues that education, while a critical public good, cannot be our answer to racial inequality.

Cottom, Tressie McMillan. Lower Ed: The Troubling Rise of For-Profit Colleges in the New Economy. New York: The New Press, 2017.

Cottom examines the many dimensions of the for-profit college industry, showing how the industry is structured to exacerbate social and racial inequality. Cottom situates both the rise of the for-profit college industry and individual students' choices to attend these schools in the context of the Great Recession, a changing labor market that demands more and more academic credentials for the same jobs, and the historical legacies of racism.

Darity, Jr., William, and Darrick Hamilton. "What We Get Wrong About Closing the Racial Wealth Gap." Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development (2018) https://socialequity.duke.edu/sites/socialequity.duke.edu/files/site-images/FINAL%20COMPLETE%20REPORT_.pdf

This myth-busting document takes on a number of claims about how to close the racial wealth gap, including increasing Black and African Americans' educational attainment, rates of homeownership, and financial literacy. It concludes that while these commonly referred to strategies for closing the racial wealth gap focus on individual actions Black Americans could take, "Blacks cannot close the racial wealth gap by changing their individual behavior. . .For the gap to be closed, America must undergo a vast social transformation."

Denning, David, et al. "The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?" NBER (2011) https://www.nber.org/papers/w17710.pdf

Using data from the Beginning Postsecondary Students Longitudinal Survey, the authors evaluate the student body composition at for-profit colleges and the outcomes that these students experience. They show that for-profit colleges serve a disproportionate number of minority students of color, as well as returning students. They also find that students at for-profit colleges are more likely to face unemployment and low-earnings, and default on their student debt.

Elliott, William and Melinda Lewis, "Student Loans are Widening the Wealth Gap: Time to Focus on Equity," Assets & Education Initiative, University of Kansas School of Social Welfare (2013) https://www.researchgate.net/profile/William_Elliott5/publication/260780939_STUDENT_LOANS_ARE_WIDENING_THE_WEALTH_GAP_TIME_TO_FOCUS_ON_EQUITY/links/0c9605323141739a61000000.pdf

This report offers children's savings accounts (CSAs) as an alternative solution to student loans as a financing option for higher education, arguing that CSAs can help remove the disadvantages that lower-wealth families have had while seeking to pay for college. Elliot and Lewis describe what such a CSA-based system could look like at the national level.

Elliott, William and Emily Rauscher. "When Does My Future Begin? Student Debt and Intragenerational Mobility." *Sociology Mind* 8 (2018) http://repository.embuni.ac.ke/bitstream/handle/123456789/1984/SM_2018050313585975.pdf?sequence=1&isAllowed=y.

This study uses the 1979 National Longitudinal Survey of Youth's data on student loan, net worth, and income data to determine how long it takes debt-holding college graduates to reach median income and net worth. The authors find that student loans slow progress towards reaching median income. However, the authors note that differences in borrowing between Black students do not have a significant relationship to how long it takes Black graduates' to reach median income.

Fishman, Rachel. "The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families." New America Foundation, (2018) https://www.newamerica.

org/education-policy/reports/wealth-gap-plus-debt/

Fishman looks at how the Parent PLUS loan program (which makes federal student loans to parents instead of directly to students) became, for Black families, a predatory loan program. As a result, Fishman shows, the PLUS program has helped perpetuate the racial wealth gap.

Flynn, Andrea, et al. "Rewrite the Racial Rules." Roosevelt Institute (2016) http://rooseveltinstitute.org/wp-content/uploads/2016/06/Structural-Discrimination-Final.pdf

This report looks at key aspects of America's society and economy and analyzes how the laws, policies, and practices governing American institutions—from schools to banks—have created and reinforced racial inequality.

Flynn, Andrea. "Justice Doesn't Trickle Down: How Racialized and Gendered Rules are Holding Women Back." Roosevelt Institute (2017) http://rooseveltinstitute.org/wp-content/uploads/2017/05/Gender-Inequality-Report_051717.pdf

In this report, Flynn uncovers the barriers women of color face in the economy, as well as the health and safety issues women of color experience as a result of the American health, criminal justice, and education systems. Flynn concludes that in order to sufficiently address the needs of women of color a progressive women's agenda cannot focus narrowly on wage and workplace issues.

Goldrick-Rab, Sara, Robert Kelchen, and Jason Houle. "The Color of Student Debt: Implications of Federal Loan Program Reforms for Black Students and Historically Black Colleges and Universities." Wisconsin Hope Lab (2014) https://news.education.wisc.edu/docs/WebDispenser/news-connections-pdf/thecolorofstudentdebt-draft.pdf?sfvrsn=4

Goldrick-Rab, Kelchen, and Houle examine racial disparities in student borrowing and argue that any attempts to rein in student borrowing need to be mindful of not cutting off access to funds in ways that limit access to higher education for students of color. They call for adjusting the federal needs analysis formula to allow for a "negative expected family contribution," increasing transparency in the borrowing process, and creating an income-based repayment option for Parent PLUS loans.

Hamilton, Darrick, et al. "Still We Rise." *The American Prospect* (2015) https://prospect.org/article/why-black-colleges-and-universities-still-matter

Hamilton and his co-authors examine the important role historically Black colleges and universities (HBCUs) play for African American students and the unique financial challenges these institutions face.

Hamilton, Darrick and William Darity, Jr. "The Political Economy of Education,
Financial Literacy, and the Racial Wealth Gap." Federal Reserve Bank of St. Louis Review, 99 (1)
https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/the-political-economy-of-education-financial-literacy-and-the-racial-wealth-gap.pdf

This article addresses the persistent narrative that the racial wealth gap is the result of individual financial and/or educational choices by people of color. It argues that in reality, it is a lack of wealth—which results from the political and economic structures of American society—that constrains the educational and financial choices of Black Americans.

Huelsman, Mark. "The Racial and Class Bias Behind the 'New Normal' of Student Borrowing." Demos (2015)
https://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20(SF).pdf

Huelsman's report examines how the policy choice to make higher education access contingent upon individual debt has shaped the choices of students of color and students with different levels of wealth. The paper looks at how debt impacts choices to attend school and what schools to attend, completion rates, and decisions that typically follow higher education (for example, buying a house).

Huelsman, Mark. "Betrayers of the Dream: How Sleazy For-Profit Colleges Disproportionately Targeted Black Students." *The American Prospect* (2015) https://prospect.org/article/betrayers-dream

Huelsman offers an analysis of the for-profit college sector, its expansion over the final decades of the 20th century, and the increased regulatory scrutiny for-profit schools faced during the Obama administration. Huelsman shows that for-profit schools remained profitable throughout the Great Recession due to the countercyclical nature of demand for higher education and readily available student loan funding. Furthermore, he points out that for-profits are "a response to the unwillingness of states or the federal government to meet the demand for education with a supply of affordable public colleges." Huelsman argues that regulatory oversight of for-profits should take a civil rights approach alongside the consumer protection approach that has dominated thus far.

Huelsman, Mark. "Debt to Society: The Case for Bold, Equitable Student Loan Cancellation and Reform." Demos (2019) https://www.demos.org/sites/default/files/2019-06/Debt%20to%20Society.pdf

Huelsman lays out a case for a race-forward, comprehensive debt relief plan that acknowledges the failings of the debt-financed American higher education system. It discussed a variety of different relief options and how they would affect existing racial disparities.

Houle, Jason, and Fenaba Addo. "Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class." *Sociology of Race and Ethnicity* (2018) https://journals.sagepub.com/doi/abs/10.1177/2332649218790989

Using data from the National Longitudinal Survey of Youth, Houle and Addo show that the wealth gap between Black and white young adults grows in early adulthood and that a substantial minority of this growth is due to racial inequities in student debt.

Jackson, Brandon, and John Reynolds, "The Price of Opportunity: Race, Student Loan Debt, and College Achievement," Department of Sociology, Florida State University (2013). https://fsu.digital.flvc.org/islandora/object/fsu:210550/datastream/PDF/view.

This article uses the 1995–96 Beginning Postsecondary Student longitudinal study (and follow-up surveys from 1998 and 2001) to examine student loan use, cumulative loan debt, enrollment persistence, degree attainment, and loan default in relation to parents' socioeconomic status. Jackson and Reynolds find that loan-taking has a larger positive benefit for Black students than white students on college persistence and completion (although they note that there is marginal significance and promote further research to validate this finding).

Jones, Janelle, and John Schmitt, "A College Degree is No Guarantee." Center for Economic and Policy Research (2014) http://cepr.net/documents/black-coll-grads-2014-05.pdf

Jones and Schmitt examine the Great Recession labor-market experiences of Black recent college graduates. They conclude that while the Great Recession hurt all college graduates, it was harder on Black recent graduates. While a degree improved Black graduates' chances in the labor market relative to peers without a degree, in 2013, the unemployment for recent Black graduates was more than twice the rate for all college graduates, and over half of recent Black graduates were underemployed.

Kakar, Venoo, Gerald Eric Daniels, Jr., and Olga Petrovska, "Does Student Loan Debt Contribute to Racial Wealth Gaps? A Decomposition Analysis." https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3094076

The authors do a decomposition analysis of data from the 2013 and 2016 Survey of Consumer Finance to determine how much student debt can explain the racial wealth gap. Their findings suggest that student loan debt can explain between 3 and 7 percent of the racial wealth gap across the wealth distribution.

Katznelson, Ira. *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America*. New York: W.W. Norton & Co, 2005.

Katznelson's monograph looks at how government programs in the 1930s and 1940s—the New Deal and GI Bill—channeled economic resources to white Americans and away from Black Americans. Katznelson's examination of the racist implementation of the seemingly race-neutral GI bill is of particular value to higher education researchers.

Kelchen, Robert. "A Look at Pell Grant Recipients' Graduation Rates." Brookings (2017) https://www.brookings.edu/blog/brown-center-chalkboard/2017/10/25/a-look-at-pell-grant-recipients-graduation-rates/

Kelchen uses IPEDS data to compare the graduation rates of Pell Grant and non-Pell recipients, as well as Black and white students at four-year colleges.

Looney, Adam, and Constantine Yannelis. "A Crisis in Student Loans?" Brookings (2015) https://www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf

Using a unique data set that matched records from the Department of Education's Office of Student Aid with records on employment and income from the Treasury Department, Looney and Yannelis look at rising default rates to argue that most of the increase in default rates is occurring among students at two-year and for-profit schools.

Miller, Ben. "New Federal Data Show a Student Loan Crisis for African American Borrowers." Center for American Progress (2017) https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/

Miller uses Department of Education data that broke down long-term outcomes for student loan borrowers by race to show how Black students have interacted with the student loan system. Among other striking findings, Miller shows that "12 years after entering college, the typical African American student who started in the 2003–04 school year and took on debt for their undergraduate education owed more on their federal student loans than they originally borrowed."

Morgan, Julie Margetta and Marshall Steinbaum. "The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality." The Roosevelt Institute (2018) (http://rooseveltinstitute.org/student-debt-crisis-labor-market-credentialization-racial-inequality/)

Morgan and Steinbaum challenge the narrative that by increasing access to education, student loan debt ultimately leads to higher earnings. Instead, they argue that in recent years employers have demanded more degrees for jobs and pay that used to require fewer. This has forced would-be employees to take on student loan debt for degrees they did not formerly need. As Morgan and Steinbaum note, these trends have been particularly hard on young people of color.

Nam, Yunju, et al. "Bootstraps are for Black Kids." Insight Center (2015) http://www.insightcced.org/wp-content/

uploads/2015/07/Bootstraps-are-for-Black-Kids-Sept.pdf

This report uses the Panel Study of Income Dynamics to study how parental economic resources affect children's long-term economic success. The authors find that Black parents with limited economic resources are more likely to help fund their children's education than white parents of similar means, but white adult children receive more help from their parents for higher education, homeownership, and other purposes.

Nichols, Andrew, and J. Oliver Schack. "Broken Mirrors: Black Student Representation at Public State Colleges and Universities." The Education Trust (2019) https://edtrust.org/resource/broken-mirrors-black-representation/

The authors show that throughout the public higher education system, student body demographics do not reflect states' overall demographics. In addition to being underrepresented at flagship schools, Black students were underrepresented at all four-year public institutions in 37 out of 41 states examined in this report. The authors also found that in only three out of 41 examined states did Black students hold a share of bachelor's degrees at a rate that was equitable given state demographics.

Paul, Mark, et al. "Making College Free Could Add a Million New Black and Latino Graduates." *Dissent Magazine* (2016) https://www.dissentmagazine.org/online_articles/bernie-sanders-free-college-plan-black-latino-graduates

This piece considers how the College for All Act could meaningfully reduce the racial wealth gap as a result of expected improvements to graduation rates, student debt levels, student loan interest rates, income, and unemployment rates among people of color. The authors recommend additional policies beyond the College for All Act to reduce racial disparities in wages among workers with equal education performing the same jobs.

Price, Anne, Darrick Hamilton, William Darity, Jr. "Umbrellas Don't Make It Rain." Insight Center (2015) http://www.insightcced.org/wp-content/uploads/2015/08/Umbrellas_Dont_Make_It_Rain_Final.pdf

Price, Hamilton, and Darity contest the common narrative that economic success stems directly from educational effort and use data to show that wealth and economic well-being are poorly explained by education alone. The authors use data on wealth, disaggregated by education and race, to show that a large wealth gap persists by race at every level of educational attainment, employment, and family income. They recommend universal child trust accounts to directly address the racial wealth gap.

Ritter, Dubravka, and Rajeev Darolia. "Working Paper No. 17-38: Strategic Default Among Private Student Loan Debtors: Evidence from Bankruptcy Reform." Federal Reserve Bank of Philadelphia (2017) https://www.philadelphiafed.org/-/media/research-and-data/publications/working-papers/2017/wp17-38.pdf?la=en

This study considers the effects of bankruptcy reform in 2005, which limited debtors' ability to discharge private student loans through bankruptcy. It uses a national sample of private loan borrowers to determine whether the reform changed borrower behavior and concludes that borrower behavior was unaffected by the change, suggesting that there was little opportunistic bankruptcy filing prior to the law. The study suggests that the 2005 reform increased access to private student loans for borrowers with riskier profiles, while making these loans more personally dangerous.

Scott-Clayton, Judith, and Jing Li. "Black-White Disparity in Student Loan Debt More than Triples After Graduation." Brookings Institution (2016) https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/

This report utilizes data from the Department of Education's Baccalaureate & Beyond 1993/97 and 2008/12 surveys to determine how race is related to the amount of debt held by students in the years following undergraduate graduation. The authors find that, four years after graduation, Black borrowers average about $25,000 more debt than white graduates, and nearly half owe more than they did at graduation (compared to 17 percent of white borrowers). The authors' findings underscore the role of graduate school in racial student debt disparities—45 percent of the gap between Black and white borrowers is attributable to graduate school debt. These differences emerge when students are differentiated by race, but not when differentiated by parental income or education.

Scott-Clayton, Judith. "The Looming Student Loan Default Crisis is Worse Than We Thought." Brookings Institution (2018a) https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf

In this report, Scott-Clayton uses the Department of Education's Beginning Postsecondary Student survey and administrative student debt data to examine long-term outcomes for students who entered college in 1995–96 and 2003–04. Scott-Clayton projects that the percentage of borrowers who entered college in 2003–04 and eventually default on their loans may reach 40 percent by 2023. Long-term default rates are highest for Black, non-Hispanic borrowers, with more than 70 percent of Black borrowers in the 2003–04 cohort projected to default by 2023.

Scott-Clayton, Judith. "What Accounts for Gaps in Student Loan Default and What Happens After." Brookings Institution (2018b) https://www.brookings.edu/wp-content/uploads/2018/06/Report_Final.pdf

Using the same data source as Scott-Clayton (2018a), this study examines variations in student loan default rates by race and by institution sector, considering what other factors explain the significantly higher default rates among Black borrowers and for-profit graduates. After taking into account all other available factors besides race—including the wealth and income of the student and their family, the student's degree attainment, college GPA, and post-college income and employment—an 11-percentage point disparity between Black and white borrowers' default rates remains. Similarly, a 10-percentage point difference in default rates remains between borrowers from for-profit institutions and others.

Seamster, Louise, and Raphael Charon-Chenier. "Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap." *Social Currents* 4, no. 3 (2017) https://journals.sagepub.com/doi/abs/10.1177/2329496516686620

Using data from the Survey of Consumer Finances, Seamster and Charon-Chenier show that, between 2001 and 2013, student loan debt was the only major form of debt for which racial disparities in use grew over the course of the Great Recession. To explain this phenomenon, Seamster and Charon-Chenier propose the concept of "predatory inclusion," in which members of a marginalized group (in this case, African Americans) are provided access to an economic good mainly through terms that put the benefits of the access at risk and that mainly deliver profits to those already in power.

Steinbaum, Marshall. "Student Debt and Racial Wealth Inequality," Jain Family Institute (2019) https://phenomenalworld.org/content/2-higher-education-finance/1-student-debt-racial-wealth-inequality/student_debt_and_racial_wealth_inequality_final_7-19-19.pdf

This study compares the likely effects of student debt cancellation plans put forward by presidential candidates Bernie Sanders and Elizabeth Warren on the racial wealth gap. Steinbaum's analysis differs from many other examinations of the racial wealth gap because he measures the racial wealth gap as the ratio of wealth of white households at a given quintile to the wealth of Black households at the same quintile; many other studies simply compare Black and white wealth at the median of the wealth distributions. Using this measure and data from the Survey of Consumer Finances, Steinbaum finds that greater cancellation of student debt leads to a greater decrease in the racial wealth gap. The Sanders plan thus does more to reduce the racial wealth gap, although the Warren plan would match the gains of the Sanders plan if it did not cap loan forgiveness at $50,000.

Shapiro, Thomas, Tatjiana Meschede, and Sam Osoro. "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide," Institute on Assets and Social Policy (2013). http://health-equity.lib.umd.edu/4120/1/racialwealthgapbrief.pdf.

This study uses data from the PSID to examine which factors drive the racial wealth gap. The authors find that similar college degrees yield more wealth for white graduates, and this difference explains 5 percent of the racial wealth gap.

Vaghul, Kavya, and Marshall Steinbaum, "How the Student Debt Crisis Affects African Americans and Latinos." Washington Center for Equitable Growth (2016) https://equitablegrowth.org/how-the-student-debt-crisis-affects-african-americans-and-latinos/

In this study, Vaghul and Steinbaum find a strong relationship between a zip code's African American and Latinx population and its student loan delinquency rate. Their analysis finds that the relationship between a community's percentage of minority residents and its loan delinquency rate is strongest in middle-class communities. The authors attribute this to the fact that middle-class students of color have a high rate of enrolling and then leaving college without a degree, whereas many low-income people of color do not enroll in college at all, and students of color with higher-income backgrounds are more likely to complete their degrees. To explain the differences in loan delinquency by race, the authors consider the racial wealth gap, discrimination in the labor market, poor credit in communities of color, and the unequal effects of the Great Recession on people of color.

Walsemann, Katrina, and Jennifer Ailshire, "Student Debt Spans Generations: Characteristics of Parents Who Borrow to Pay for Their Children's College Education," *The Journals of Gerontology: Series B*, 72 (6), 1084–1089, 2017 https://doi.org/10.1093/geronb/gbw150

Using the 1979 National Longitudinal Survey of Youth, this study explores loans taken on by parents to pay for their children's education. Among other findings, it argues that Black parents are more likely to report child-related educational debt.