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Regional

Student debt disproportionately affects blacks

College student debt, now topping one trillion dollars, is one of the most severe issues affecting higher education. But if that amount (higher than Americans' combined credit card debt) sounds scandalous, the problem is compounded by the fact that it is affecting disproportionately people of color.

In a report published by the Brookings Institute last October titled "Black-white disparity in student loan debt more than triples after graduation," its authors

found that by the moment they earn their bachelor's degrees, black college graduates owe \$7,400 more on average than their white peers. And the problem becomes even more acute over time. According to this same report, the black/white debt gap eventually more than triples to a whopping \$25,000. This leads black graduates holding nearly \$53,000 in student loan debt four years after graduation, almost twice as much as their white counterparts.

Although previous studies had shown that there were racial disparities in student borrowing, delinquencies, and defaults, this report provides new evidence that "racial gaps in total debt are far larger than even recent reports have recognized, far larger now than in the past, and correlated with troubling trends in the economy and in the for-profit sector," according to the study.

The problem of racial disparities in student debt has been known since the beginning of this millennium when the U.S. Department of Education reported that black graduates were more likely to take on student debt and that they defaulted at a

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rate several times higher than that of white or Asian students in the 10 years after graduation. What this new study shows is that the problem is much more serious than anybody thought. Part of the problem has been that the U.S. Department of Education does not regularly track borrowers by race.

The same can be said about the Free Application for Federal Student Aid (FAFSA) and the National Student Loan Data System (NSLDS), neither of which track outstanding debt and repayments based on race.

The situation for Hispanic/Latino graduates is somewhat similar to African Americans, although to a lesser degree when it comes to disparity.

One of the reasons behind the results shown in this study is the disproportionate role of graduate school enrollment, particularly in for-profit institutions, contributing to the overall black-white debt gap. Among the consequences of these large disparities in debt is that the default rates among borrowers have actually fallen sharply among all races "most likely due to increased penalties for institutions with high default rates and made it harder for students to avoid making repayments even after entering default," wrote the report's authors.

Also, 48 percent of black graduates see their undergraduate loan balances grow after graduation, com-

pared to just 17 percent of white graduates. Black graduates owe 6 percent more than they borrowed, while white graduates owe 10 percent less than they borrowed four years after graduation. One of the reasons is that repayment rates may be partly attributable to growing black/white wage gaps.

Another finding in this report is that "graduate school enrollment rates increased substantially for blacks between the 1993 and 2008 cohorts, much more so than for other groups, and the differential growth has occurred almost exclusively in the for-profit sector." About half of black graduates in the 2008 cohort enrolled in a graduate school degree program within four years, compared to 38 percent of white graduates. Between 2004 and 2008, for-profit graduate enrollment increased dramatically for black students.

Part of the problem is that the Higher Education Reconciliation Act of 2005 greatly increased federal borrowing limits for graduate students. Given that black students tend to have less parental help in paying for school than other ethnic groups, this may have led them to borrow more heavily. Given that the for-profit sector is by far the fastest-growing sector and the only one that has seen enrollments grow differentially by race, this helps to explain the accumulation of debt.

To make things worse, statistics show that black graduates are less likely to be employed after graduation than their white counterparts. According to this study "the Great Recession hit black college graduates much harder than white college graduates, as well as with evidence that employers are more likely to discriminate against minorities in

weak labor markets."

Once again, one of the problems is that there is the disproportionate concentration of black graduate students in the for-profit sector, which is the main engine behind high-debt, low-quality, and sometimes even fraudulent programs. That is one of the reasons why the Obama Administration has been cracking down on those institutions.

Among the conclusions of this report is that we need a more comprehensive system to track debt and repayment patterns by race. The other is that borrowers who leave college without earning a degree are at even greater risk of default than those who graduate, even if they graduate with more debt; hence the need to emphasize college degree completion in institutions of higher education.

Additionally, we need to come up with more equitable ways for graduates to pay back their debt. Yet, there is no question that we need to address the roots of the problem which are many and require a comprehensive plan that include addressing ongoing racial bias in the labor market and predatory recruitment by for-profit institutions before this ballooning problem becomes another source for racial tensions.

"Federal financial aid policy alone cannot solve these problems – but neither can it ignore the challenges facing students of color who disproportionately bear the burden of student debt," concludes the study.

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