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
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
Racial Disparity and its Impact on Student Loan Borrowing

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

Hallie Lienhardt
Assistant Director
Center for Financial Security
University of Wisconsin-Madison
Racial Disparity and its Impact on Student Loan Borrowing

Lara Sutherlin
Administrator
Division of Trade and Consumer Protection
Department of Agriculture, Trade, and Consumer Protection
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
Student Loan Debt: High and Rising

Outstanding Student Loan Debt (Billions of $)

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.

Black students borrow at higher rates independent of degree status.

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

<table>
<thead>
<tr>
<th></th>
<th>Bachelor's degree</th>
<th>Associate's degree</th>
<th>Certificate</th>
<th>No degree, left without return</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All</strong></td>
<td>60%</td>
<td>60%</td>
<td>62%</td>
<td>49%</td>
</tr>
<tr>
<td><strong>Black or African American</strong></td>
<td>83%</td>
<td>81%</td>
<td>76%</td>
<td>68%</td>
</tr>
<tr>
<td><strong>White</strong></td>
<td>59%</td>
<td>60%</td>
<td>52%</td>
<td>47%</td>
</tr>
</tbody>
</table>


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.

Black and Latinx borrowers have higher default rates.

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

![Figure 3: Amount of Student Loan Debt Diffs Notably across Race and Ethnicity](chart)

**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

Parental Wealth and Young Adult Student Loan Debt, By Race

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

Source: Latinos in Higher Education: Financing and Student Loans, Statistical Brief, March 2019
HBCU vs. non-HBCU student loan characteristics

Percent with loans

Median loans borrowed

Institutional Sector and Race

Trends in labor market success of recent grads, by race

Unemployment Rates

Underemployment Rates

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

<table>
<thead>
<tr>
<th>Disparities at Baseline</th>
<th>54.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in Debt Disparity over time</td>
<td>7.2%</td>
</tr>
<tr>
<td>White Young Adults Paydown Rate</td>
<td>9.5%</td>
</tr>
<tr>
<td>Black Young Adults Paydown Rate</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

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

NLSY97, Sample from age 30 asset module; $2015
Completion Rates and Net Worth, by Race and Gender

Percent with College Degrees, by Race/Ethnicity

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Overall</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLACK</td>
<td>18.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LATINX</td>
<td>16.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WHITE</td>
<td>35.3</td>
<td>39.62</td>
<td>31.24</td>
</tr>
</tbody>
</table>

Net Worth of College Graduates, by Race and Gender

<table>
<thead>
<tr>
<th>Race</th>
<th>Net Worth-Women</th>
<th>Net Worth-Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLACK</td>
<td>3,916</td>
<td>8,105</td>
</tr>
<tr>
<td>LATINX</td>
<td>29,889</td>
<td>24,823</td>
</tr>
<tr>
<td>WHITE</td>
<td>52,406</td>
<td>73,262</td>
</tr>
</tbody>
</table>

Data Source: NLSY97 Age 30 Asset Module
Most Millennials have some post-secondary experience.

Data Source: NLSY97 Age 30 Asset Module
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?
Thank you.

Contact info:
faddo@wisc.edu
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)

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-op City, Pelham Bay &amp; Schuylerville</td>
<td>97%</td>
</tr>
<tr>
<td>East Flatbush, Farragut &amp; Rugby</td>
<td>97%</td>
</tr>
<tr>
<td>Wakefield, Williamsbridge &amp; Woodlawn</td>
<td>93%</td>
</tr>
<tr>
<td>Queens Village, Cambria Heights &amp; Rosedale</td>
<td>90%</td>
</tr>
<tr>
<td>Central Harlem</td>
<td>86%</td>
</tr>
<tr>
<td>Crown Heights North &amp; Prospect Heights</td>
<td>78%</td>
</tr>
<tr>
<td>Canarsie &amp; Flatlands</td>
<td>78%</td>
</tr>
<tr>
<td>Crown Heights South, Prospect Lefferts &amp; Wingate</td>
<td>77%</td>
</tr>
<tr>
<td>Bedford-Stuyvesant</td>
<td>70%</td>
</tr>
<tr>
<td>Port Richmond, Stapleton &amp; Mariner's Harbor</td>
<td>63%</td>
</tr>
<tr>
<td>Brooklyn Heights &amp; Fort Greene</td>
<td>50%</td>
</tr>
<tr>
<td>Astoria &amp; Long Island City</td>
<td>50%</td>
</tr>
</tbody>
</table>

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

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

Figure 1: Student debt burden across Philadelphia neighborhoods

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.

protectborrowers.org
Student loan delinquency and racial segregation – Milwaukee

Source: Washington Center for Equitable Growth, University of Virginia, Experian
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

Source: FRBNY Consumer Credit Panel/Equifax; FSA Data Center (2019)
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
Racial Disparity and its Impact on Student Loan Borrowing
Panel Discussion
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