

Race, racism, and student loans

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Many students and families rely on borrowing to pay for college, though reliance on student loans is far from equally distributed among students and families. Overall, 55% of student borrowers hold less than \$20,000 in student loan debt and it is rare for students to have six-figure loan balances.ⁱ However, there are significant differences in who borrows based on the effects of structural racism, such as denial of wealth accrual and inadequate educational resources.ⁱⁱ In fact, when we look at students who earned a bachelor's degree in 2015-2016 (the most recent data available), we find that 64% of Black students held at least \$20,000 in student debt.ⁱⁱⁱ

Researchers and policy actors frequently view student loans as being irrelevant to Latino students since they borrow smaller cumulative amounts and have been described as “debt averse.”^{iv} However, recent research and policy reports have shed light on the ways that Latino students are directly hindered by student loan burdens and are indirectly encouraged to enroll in community colleges even if a four-year institution might have been the better fit (in order to avoid accumulating student loans).^v And, while often overlooked due to smaller population shares, American Indian, Alaska Native, Native Hawaiian, and other Pacific Islander students also borrow at above-average rates (76% and 90% for bachelor's degree earners, respectively, compared to an overall average of 69%).^{vi} Further, while women are more likely to borrow more than men,^{vii} one study I conducted at the state level found that women of color—and Black women in particular—drive these findings.^{viii}

Compounding the inequities in students' and families' ability to afford college are structural and systemic barriers related to student loan repayment. When it comes to paying down student loans, there is evidence at both the federal and state levels that specific subgroups of students are more likely to struggle: students who do not complete their degree, students who attend for-profit institutions, and students who are Black.^{ix} As a result, these students face a greater risk of defaulting on their student loans, having their credit adversely affected, having their wages garnished, and even losing Social Security benefits. According to a nationally representative sample of first-time enrolled college students, the data tell us that, on average, Black bachelor's degree recipients are more likely to default on their student loans compared to White students who earn a bachelor's degree (21% versus 4%, respectively). Even more startling, Black bachelor's degree recipients default at a higher rate (21%) than White students who drop out of college (18%).^x A recent report from the Center for American Progress shows that even with ready access to income-driven repayment plans, which close to one-third of Black bachelor's degree earners use, Black individuals still default on their student loans at exceedingly high rates.^{xi}

I want to dig into that point a bit more. If there were equitable returns to a college degree, all college graduates should be able to access a more economically prosperous life. But, Black college graduates actually struggle to repay their student loan debt *more* than White students who leave higher education with no degree. This is not due to some innate issue within Black people.

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Student loan burden disproportionately falls on these students due to centuries of structural forces pushing for this outcome.^{xii} For example, structural racism has denied Black families the ability to build wealth to pay for college,^{xiii} while also shaping residential and K-12 school experiences^{xiv} such that Black students are more likely to enroll in either systematically underfunded^{xv} or outright predatory colleges^{xvi} that will saddle them with high debt, little chance of earning a degree, or both. Then, those same students face a discriminatory labor market that pays them less than their peers for the same amount of education while also navigating other structures that impede their own ability to accrue wealth.^{xvii} I provide a deeper dive into Black students as an example, but racism plays a role in how all racial/ethnic groups experience the student loan system. A true treatment of racism's effects on student loan experiences would require more than the space allowed here. These realities combine to explain why it is necessary to think about the ways that race, racism, and student loans work together to create an untenable situation in the United States.

While I will refrain from providing explicit policy prescriptions, I will note that solutions to these issues need to: 1) take seriously the varied, systemic experiences students from different racial/ethnic groups have with the student loan system (much less the variation within groups), 2) address the disproportionate need to borrow to attend higher education, and 3) enable students to easily repay their student loans. The more requirements for paperwork and other methods of students proving that they “deserve” either an affordable education or help with repaying their student loans, the more barriers are created for borrowers, especially borrowers of color, due to the many interlocking systems of oppression in the United States.

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