# **Stalling Dreams**

How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap



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IASP Institute on Assets and Social Policy The Heller School FOR SOCIAL POLICY AND MANAGEMENT • BRANDEIS UNIVERSITY

### **ABOUT IASP**

The Institute on Assets and Social Policy (IASP), located at the Heller School for Social Policy and Management at Brandeis University, works to improve our understanding of inequality by examining how assets and asset-building opportunities impact the well-being, financial security, and social and economic mobility of individuals, families, and communities, particularly those left out of America's economic mainstream. In collaboration with our research partners, constituency groups, and practitioner organizations, we use a racial equity lens to explore the role that assets play in inequality and insecurity, and the structural and institutional barriers to asset development.

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"Twenty years after starting college, the median debt of White borrowing students has been reduced by 94 percent—with almost half holding no student debt—whereas Black borrowers at the median still owe 95 percent of their cumulative borrowing total."

Over one quarter of all student loan borrowers defaulted on their loans within 20 years—about half of all Black borrowers and a third of all Latino borrowers.

In their 30s, the typical Black student loan holder's total wealth is \$10,700 in the red compared to a close to breakeven for Whites with student debt.

Having ever held student debt curtails wealth at age 30 for everyone by about \$8,200, independent of the value of current student loan debt. Higher education has never been more important for economic security, and yet, higher education has never been so costly, burdening millions for decades. Today, postsecondary credentials return historically high economic and social premiums and are virtually required for entry into the middle class, with lifetime earnings for a college graduate about a million dollars greater than for a high school diploma holder.<sup>1</sup> Rising numbers of students of color are obtaining college degrees on the promise of middle-class security and are enlarging and diversifying the skilled workforce in the U.S.<sup>2</sup> This expansion of college education helps to fuel the economy and promises greater financial stability for those with a college degree, but it comes at a high price.

In the early 1960s university tuition averaged about \$4,300; today it's closer to \$15,500.<sup>3</sup> At public institutions, tuition was even more affordable, averaging under \$2,000 per year. At that time, a student could work a minimum wage summer job for 12 weeks and pay the average tuition bill. Today, in sharp contrast, a student would need to work full time for over 53 weeks at the federal minimum wage to pay for the average tuition.<sup>4</sup> Then, tuition amounted to 9% of a typical family's income; today it takes 25%.<sup>5</sup>

Much has changed. Rising tuition. Stalled Pell Grants. New, upgraded, and enhanced facilities and amenities competing for U.S. and global students. And, crucially, the way higher education is financed has changed from public support and investment in our nation's future to an individualized and private financing regime, spawning a student loan industry and resulting in huge and growing student debt burdens. The student loan system, designed to provide greater access to higher education and fill gaps in students' ability to pay, has turned into a debt sentence for more and more borrowers. It's a story blending some well-intended actors and policy, some nefarious and predatory financial actors, for-profit education factories, and growth in education costs far exceeding inflation due in large part to declining public investments. This report focuses on the consequences. What changed trajectories is this system establishing for generations of young adults? How has this changed the future for young people? What are the long-term effects of this burgeoning debt crisis? What is its cascading impact on financial well-being, families, and society? How does it affect young people differently by race and ethnicity? This report begins to take up these critical questions. Any solutions must address these issues.

The current higher education financing regime sediments and exacerbates inequality, and student loans adversely affect the Black-White racial wealth gap.<sup>6</sup> Black students—and students at for-profit universities, who are more likely to be students of color—often face the greatest challenges as they try to finance their degrees with student loans. They take on more loans, amass higher amounts of loans, and experience greater difficulty in paying off loans.<sup>7</sup> Frequently without family financial wealth to support repayment and facing ongoing discrimination in the labor market,<sup>8</sup> Black borrowers are much more likely to experience long-term financial insecurity due to student loans. Would anybody knowingly design a system where, two decades after starting college, many Black borrowers still are paying on virtually all of their student loans, while for the typical White borrower, a minimal debt burden remains? Would anybody knowingly design a system whereby 38 elite colleges have more students who come from families in the top 1 percent than students who come from the bottom 60 percent?<sup>9</sup> Elite colleges, to be sure, historically served upper-class White males, yet access gained by women and students of color has created only a lukewarm diversity in the context of today's higher education financing regime.

This report highlights how student loans often create a long-term debt burden that blocks wealth accumulation, rendering mobility more fragile and impeding long-term security, particularly for young Black borrowers. While the crisis has grown nationally for all groups in recent years, the data below underscore that Black students are particularly harmed by the current student loan system. The role of higher education financing in contributing to the racial wealth gap and its widening are detailed in this report.

## **Skyrocketing Growth of Student Debt**

Recent reports and policy proposals have sparked public awareness of how explosive growth in student loans in recent decades has put a substantial financial burden on young people across the country. A look at the details reveals dramatic trends. Today, student loans in the U.S. total about \$1.5 trillion dollars, making them the largest form of non-housing debt, exceeding credit card debt and auto loans.<sup>10</sup> The number of students taking out loans, as well as the amount of loans per student, have shot up as higher education has become less affordable. At the same time, students get inadequate consumer protections as they take on loans—often their earliest financial decisions as adults—and are steered in damaging directions by servicers<sup>11</sup> and even schools.<sup>12</sup> <sup>13</sup> Among college graduates the average student debt was \$12,750 in 1996 and has more than doubled to almost \$30,000 just 20 years later.<sup>14</sup> While crucial for understanding overall trends, these devastating developments mask the racial dynamics in student loans that are exacerbating disparities for people of color and creating barriers to mobility for those who pursue higher education.

## **Greater Loan Amounts and Long-Term Debt Burdens for Black Students**

Black students are more likely than their White peers to take on student debt, to take larger amounts of loans, and to have debt decades after pursuing higher education.<sup>15</sup> In a cohort of students starting college in 1995-1996 and followed for 20 years, 43 percent of White students did not have to take any student loans compared to just a quarter of Black students. Among all students, not just student loan holders, the median total for undergraduate loans for Black students was 3.5 times greater than for their White peers and about 3 times more for total federal loans overall including graduate loans.

The typical Black student borrower took out about \$3,000 more in loans than their White peers; yet 20 years after starting school, the typical Black borrower owed about \$17,500 *more* than their White peers (see Figure 1). In that time, nearly half of White borrowers were student debt free (49 percent), while just a quarter of Black borrowers were able to pay off all of their loans (26 percent).





Data Source: Authors' calculations of Beginning Postsecondary Students (BPS) survey, BPS: 96/2001 cohort.

BPS analysis of median cumulative total federal student loans for White and Black student loan borrowers who started college in 1995-1996 and amount owed, including principal and interest, 20 years later. See appendix for additional information on data source and sample.

Two decades after beginning their degrees, the median Black student borrower has \$18,500 in loans remaining, while the median White borrower holds just \$1,000 in loans. In other words, in 20 years, the median debt of White borrowing students has been reduced by 94 percent— with almost half holding no student debt—whereas Black borrowers at the median still owe 95 percent of their cumulative borrowing total. This difference dramatically captures the racialized impact of this higher education financing regime. While student loans once aimed to improve economic trajectories of young people by expanding opportunity, for many, particularly Black students, small debt burdens have been replaced by large debt loads that anchor students in a position of economic jeopardy. Rather than serving as a springboard, the loans serve as an anchor keeping young Black adults in an uncertain economic precarity.

Just as there are racial inequities in access to family wealth and resources in paying for college, so too are these structural racial inequities built into the experiences of paying off student

loans. Black college students have fewer family resources to turn to for loan payments,<sup>16</sup> are more likely to support older relatives,<sup>17</sup> and face greater discrimination in the labor market<sup>18</sup>, making loan payments a greater barrier to financial security than for White students. These factors mean that rather than getting continuing financial help after college from their parents—as many of their White peers do— Black borrowers are more likely to be facing student loan payments while also helping out family members. Beyond that, for-profit schools heavily recruited students of color in recent years, and a disproportionate number of students at for-profit schools are Black and Latino<sup>19</sup>. Many of these students, misled by aggressive marking tactics, leave without a degree *and* take on high levels of loans for programs that cost considerably more than in public schools.<sup>20</sup> Thus, student loans, rather than opening doors, frequently block upward mobility for economically vulnerable students of color for years, leading to ongoing financial constraints and frequently default. The following section shows that default is widespread among student borrowers, especially Black students.

## Default Levels Reveal Systematic Failure of Student Loan System, particularly for Students of Color

The student loan financing system is clearly failing our students when default is not an aberration, but instead is a regular experience among student loan borrowers. Over one quarter of borrowers who started college in 1995-1996 defaulted on their loans within 20 years (26 percent). For Black borrowers, this percentage was almost half (49 percent), while about one-third of Latino borrowers defaulted in this period (33 percent). Among first-generation students, loans are clearly a substantial burden, with a third of borrowers whose parents have a high school degree or less defaulting within two decades of starting college (32 percent) (see Figure 2).

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# Figure 2. Default widespread especially among first-generation borrowers, with half of Black borrowers not able to meet obligations



Data Source: Authors' calculations of Beginning Postsecondary Students (BPS) survey, BPS: 96/2001 cohort.

BPS analysis of percentage of student loan borrowers who started higher education in 1995-1996 who defaulted on student loans within 20 years by race/ethnicity among all borrowers and first-generation borrowers. See appendix for additional information on data source and sample.

While there is increasing understanding that student loans are a financial burden to young people, these striking default rates confirm that the system overall is betraying our students.

The financial crisis spawned by student debt is beginning to dawn on policymakers, the media, and the public. Insufficient attention, though, has focused on examining its disparate racial impacts. Education is a public and moral good in itself. The way it is financed has created a fragile foundation for borrowers' well-being, career pathways, and financial lives. We now explore some of the critically important long-term consequences of student debt on the financial lives and racial disparities in wealth among young people.

# The Racial Wealth Gap and Student Loans for Borrowers in their 30s

Advocates, researchers, a renewed reparations movement, and the 2020 Presidential cycle have converged to move the consistent and growing racial wealth gap to the center of the public agenda. Much insight, in our view, can be gained from understanding how today's higher education financing system contributes to and widens the racial wealth gap. Previous research established the Black-White racial wealth gap for all households at approximately 10 cents on the dollar (median of \$171,000 for White households versus \$17,600 for Black households) and 12 cents on the dollar for the Latino-White gap (Latino median household wealth estimated at \$20,700).<sup>21</sup> As a comparative reference point, the Black-White hourly income gap among men registers about 70 cents on the dollar, and the gap is about 82 cents on the dollar for women: substantial disparities, <sup>22</sup> but ones that are dwarfed by the wealth gap.

The racial wealth gap highlights the enormous variance in family resources between the typical White household and the typical Black or Latino household. These resources can fund significant economic mobility opportunities such as higher education—which ironically has become a major contributor to the student loan disparities seen above. Thus, the current individualized system for funding higher education builds on the foundation of our already unequal society and exacerbates financial inequalities for students of color as they pursue their degrees and for years afterwards.

Wealth inequalities dwarf the income inequalities among college graduates by race. Our previous research reveals that the earnings gap of Black and White college graduates has been narrowing over a 25-year period, while the already large wealth gap between these two groups increased further. This data analysis confirms inheritance, parental contributions, and resources flows in kinship networks as prime sources of disparities in loan outcomes by race. From this solid starting point, we further investigate how student debt creates hugely different long-term effects, particularly racially divergent wealth dynamics for Black and White borrowers.

In this section, looking at individuals who attended college and are now in their 30s, we find that wealth among those who hold student loans is substantially lower than among those who do not hold student loans. We find that student debt leaves the typical Black borrower in this age group with substantial negative net worth—a harmful burden just as young adults are attempting to establish their financial footing.<sup>23</sup> White young adults without student loans stand out as the most secure group, with wealth levels that reveal a security well beyond that experienced by any current borrowers and *all* Black young adults regardless of borrower status (see Figure 3). Latino young adults with and without current student loans, with median wealth of approximately -\$100 and \$10,000 respectively.<sup>24</sup>



# Figure 3. Whites in 30s without student debt have most wealth among those who attended college

Data source: Authors' calculations of Survey of Income and Program Participation, 2014 Panel Wave 2.

Analysis of median net worth of individuals 30-39 with at least some college, including AA and BA holders, excluding graduate degree holders, from SIPP sample by whether respondent holds student debt. Wealth for White and Black individuals significantly different by current student loan borrower status. Confidence intervals highlighted in grey graphic. See appendix for additional information about data source and sample.

For young adults of color, who typically start out with little family wealth, the addition of student debt to their portfolios can be crushing. Millions of young borrowers are in precarious economic circumstances, with no financial cushion to turn to in times of need—let alone a nest egg to establish financial security for future steps along the life course and towards retirement. This reality, especially for Black borrowers, translates into denied and delayed opportunities for creating financial stability, such as purchasing a home<sup>25</sup> or starting a new business.<sup>26</sup> Fifty-six percent of first-time homebuyers found saving for a down payment difficult, citing student loans as a barrier.<sup>27</sup> White households, who have less need for student loans and greater family resources to support loan payments, have a head start on the asset-building opportunities that come with homeownership. The median White first-time home buyer is six years younger (age 32) than the typical first-time Black homebuyer,<sup>28</sup> advantaging Whites to begin amassing home equity earlier in their life course, often with the help of family resources.<sup>29</sup> These analyses suggest that our current student loan financing system plays an important role in creating cumulative disadvantage for young student loan borrowers of color and sedimenting racial inequality into the next generation.

Among the same sample of college goers, income differences—in contrast to wealth—by borrower status are relatively small for Whites and not significant for Black and Latino individuals, indicating no clear difference can be determined. This suggests that negative wealth outcomes, not income outcomes, are the major financial consequence of student loans for young adults in their 30s. In fact, race/ethnicity matters more than student debt holdings for income outcomes for young adults in their 30s who attended college; Blacks and Latinos have significantly lower income than their White peers, although borrower status does not significantly affect income. Given clear evidence of ongoing discrimination in labor markets and ongoing racial income gaps, this outcome is supported by a number of previous studies<sup>30</sup> and represents an additional hurdle for young adults of color in creating financial stability. Still, as noted above, income differences remain much smaller than wealth differences by race/ethnicity. This is not, then, primarily a labor market story. It goes to legacy, institutions, policy, kinship networks, race, and the experiences of different groups with access to wealthbuilding opportunities. Following the same students over time, the next section underscores the lasting and detrimental impacts of student loans on wealth and the continuing importance of race in shaping wealth outcomes for students with similar educational and student loan experiences.

## The Long Shadow of Student Debt on Young Adults' Financial Well-Being

Given the growth in student loan burdens among college students in the U.S., policymakers, researchers, and the public are just beginning to understand the long-term impacts of student loan debt on the financial well-being of young adults in this country. Using a unique, longitudinal data set that allows us to control for parental income before college and income and educational attainment into adulthood, we find that, for young adults in their thirties, incomes among those who attended college are not significantly different for those who took out student loans at any time during their higher education compared to those who never took out loans.<sup>31</sup> The story is quite different for wealth; any borrowing for college has significant, negative impacts on net worth and home equity at age 30. This finding is independent of any remaining student debt's direct impact on wealth (i.e., excluding student loans from net worth calculations<sup>32</sup>). Thus, student loans drag down or stall resource accumulation for young people and lead to less wealth in the 30s. Borrowers must put resources towards living expenses and debt payments rather than towards wealth-generating opportunities such as homeownership<sup>33</sup> and retirement savings through work<sup>34</sup>— even as income levels are similar regardless of experience with student loans.

# Figure 4. Wealth independent of student debt lowest for borrowers and Blacks at age 30 among those who attended college



Data source: Authors' calculations of National Longitudinal Survey of Youth 1997 (NLSY97).

Analysis from the National Longitudinal Survey of Youth 1997 Cohort. Median regression analysis conducted using the value of net worth at age 30, excluding the value of student debt in net worth calculations, as the dependent variable. Sample includes only those with at least some college. Regression analysis controls for parental income in 1997, young adult income in 2015, gender, and race/ethnicity. Analysis did not detect significantly different median wealth for Latino and Asian young adults relative to their White peers controlling for other key demographic factors. See appendix for more detail on data source and sample.

In addition to decreasing wealth more broadly, having held student loans is significantly associated with \$9,300 less in home equity at the median among young adult homeowners at age 30. From impacts on wealth overall to home equity more specifically, student loans are detrimental to the financial lives of young people, but the overall impacts must be understood in the context of the racial and ethnic disparities in loan outcomes seen above and our knowledge about the racial wealth gap. Figure 4 shows that even when controlling for origin family income, adult income, and education level—as well as experience with student loans—Black young people are expected to have almost \$8,500 less in wealth apart from student debt than their peers, creating a substantial barrier to paying off loans and building wealth for the future. These racial disparities in wealth compound to make student loan debt an insurmountable hurdle for many Black young adults. Clearly, as the data throughout this paper

have shown, student loans can have negative and long-lasting repercussions that keep young people from achieving security in adulthood, especially when they do not have access to generations of family wealth. These burdens fall disproportionately on Black student loan borrowers.

Not knowing all of the causal and agency sources for student debt should not stand in the way of solutions and policy. It is clear that in the context of existing inequalities in wealth and assets by race/ethnicity, the privatized system of higher education financing serves to further exacerbate the racial wealth gap among young people. It has saddled young borrowers of color, particularly Black borrowers, with debt that creates economic insecurity for decades and limits new wealth-generating opportunities such as homeownership.

### **Moving Forward**

Today's student debt burden results from policy and institutional sources. An aligned understanding of the problem and its consequences therefore must shift the interpretation of the challenge and its public narrative—from personal responsibility to public policy, institutions, and structures. Students and society cannot borrow their way to better jobs and pay. Rather, reversing the current path to student debt burdens, which yoke young people to economic fragility, requires its own public re-investment solution—a portfolio shift in public investment.

Higher education is an engine of economic growth, and an educated workforce is a public good that benefits all. Yet the public commitment of our policymakers to higher education in recent decades fails to acknowledge the public benefits associated with students enhancing their skills through post-secondary education. Instead, our public investments in higher education have diminished as political narratives about higher education have focused on individual gains. The myopic focus on the benefits of higher education to individual students has led to a large-scale retreat from public investments in higher education—leaving low-income and students of color particularly susceptible to the rising costs of college and the financial burdens of student debt. This has led, in turn, to a gaping class and race divide in security among college graduates, particularly for Black young adults.

The damaging effects of student loans are unmistakable for today's young adults overall, but the impacts for students of color have been the most devastating, particularly among Black borrowers. With half of Black borrowers defaulting on their student loans over 20 years and typically holding almost \$20,000 in student debt two decades after starting a degree, the burden of student loans for Black young people is a crisis that requires immediate policy action. The analyses in this report provide a window into why students of color have greater financial need for loans for college and why those loan amounts accumulate, balloon, and create a drag on mobility and financial well-being. With Black families holding a fraction of the wealth of the typical White family, a regime of private and family financing is leaving a generation of young borrowers of color with debt that serves as an encumbrance to long-term economic security and social mobility.

Policy solutions to reform our current education financing system are needed to help current borrowers as well as future generations of students obtain higher education without being weighed down by student debt. Any policy solution, in our strong view, *must* accomplish the dual equity goal of canceling as much student debt as possible in a design that closes the racial wealth gap. We need a racial equity filter for solutions to reverse the consequences of our current privatized higher education financing regime. We need a return to strong public investment in higher education that acknowledges the societal benefit of an educated public. With student debt cancelation on the policy agenda for the 2020 presidential race, this is a crucial moment in which significant progress could be made to reverse the damage of our disinvestments in higher education. Such progress could uplift the drag of student loans on today's young adults and promote racial equity by reversing the particularly damaging effects of our privatized education financing system on borrowers of color.

## Appendix

Analyses for this paper utilize three major national surveys that provide information on the student loan experiences and economic well-being of young adults. Each dataset provides unique information that captures different factors and outcomes relating to student loans. For this report, we incorporated complementary results from the three data sources in order to provide insight into the long-term impacts of student loans for borrowers who today are in their 30s. We chose to focus on individuals in their 30s because we wanted to test the longer-term impacts of student loans on young people's financial outcomes, while also studying those who had received their higher education relatively recently, such that they were impacted by the increasing levels of borrowing and reductions in public funding that have occurred over the last two decades. With trends towards increased borrowing and even higher tuition rates in recent years, existing evidence suggests that younger cohorts may face even greater challenges than the ones outlined in this study. The remainder of this appendix describes in further detail data sources, samples, and analysis strategies utilized in the body of this report.

#### **Beginning Postsecondary Students (BPS)**

A survey of the National Center for Education Statistics (NCES), the Beginning Postsecondary Students Longitudinal Study (BPS) surveys cohorts of first-time students at the end of their first year of postsecondary education and then three and six years later. The analysis for this paper utilizes data from the BPS: 96/2001 cohort that began higher education in the 1995-1996 academic year. Student interviews provide demographic and other data on the experiences of students in higher education, while the 2015 Federal Student Aid Supplement provides administrative data on student loan outcomes through 2015, providing unique insight into experiences with borrowing over a 20-year time span after students began their postsecondary studies. Typical (median) students in this cohort were 18 years old (average=21.6) when they started college in 1995-1996 and thus were about 38 at the end of the 20-year follow up period. This cohort of first-time students includes older students as well as those who started immediately after high school, but 81 percent were 23 years of age or younger at the start of the study. Analysis was conducted using the publicly available data from the NCES Datalab available at: https://nces.ed.gov/datalab/.

#### Survey of Income and Program Participation (SIPP)

The Survey of Income and Program Participation (SIPP) provides comprehensive data on the economic and social well-being of individuals in the United States. This data source provides both student loan and wealth data at the individual level. We utilized the Wave 2 of the 2014 SIPP, which provides wealth and asset data for individuals in December 2014, to calculate wealth outcomes of those with and without student loans, selecting for individuals ages 30-39. We selected a final sample of individuals in their 30s who attended at least some college but did not have graduate degrees (n=3349). Unlike the Survey of Consumer Finances (SCF), another survey commonly used to study wealth and student loan debt, the SIPP allows for

individual-level analysis allowing us to better understand specifically the relationships between race/ethnicity, student loan debt, and wealth for individuals in their 30s, rather than households. Data available on student loan debt in the SIPP provides information on current debt held by the respondent, individually or jointly with a spouse.

### National Longitudinal Survey of Youth (NLSY97)

The National Longitudinal Survey of Youth (NLSY97) is a longitudinal study that provides nationally representative data on a cohort of young people who were born between 1980 and 1984. The initial sample of 8,984 were 12-16 years old at the time of the initial interview in 1997. The sample has been interviewed regularly in 17 rounds since 1997, and 80 percent of the initial sample (7,103) was interviewed in the latest survey round. Young adults in the sample were 30-36 years old at the time of the most recent interview, which was conducted in 2015-2016. Following the same participants over time, the NLSY97 was designed to capture social and economic transitions from youth through adulthood and gathers information on schooling, employment, family (including parents' characteristics and family formation), income, health, and other key life experiences. Due to the unique nature of this study, for this analysis, we are able to incorporate into our analyses of wealth of young adults in their 30s the impacts of origin family resources (i.e., parental income at start of the study in 1997) as well as whether the young adult had ever taken out student loans, in addition to demographics like race/ethnicity, sex, and current (2015) income. More information on the NLSY97 is available online at: https://www.nlsinfo.org/content/cohorts/nlsy97.

<sup>&</sup>lt;sup>1</sup> Day, J. C., & Newburger, E. C. (2002). The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings. U.S. Census Bureau. Retrieved from: https://www.census.gov/prod/2002pubs/p23-210.pdf; U.S. Social Security Administration. (2015). Education and Lifetime Earnings. Retrieved from:

https://www.ssa.gov/policy/docs/research-summaries/education-earnings.html.

<sup>&</sup>lt;sup>2</sup> From 2003-04 to 2013-14, the number of four-year college degrees awarded to Hispanic students more than doubled (113 percent increase) and the number of degrees for Black and Asian/Pacific Islander students went up 46 and 43 percent respectively. For Whites, the increase was 19 percent. See: U.S. Department of Education. (2017). Status and Trends in the Education of Racial and Ethnic Groups. Retrieved from: https://nces.ed.gov/pubs2017/2017051.pdf.

<sup>&</sup>lt;sup>3</sup> Figures reported in constant 2016-2017 dollars. National Center for Education Statistics (NCES). (2017). Table 330.10. Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: Selected years, 1963-64 through 2016-17. Retrieved from: https://nces.ed.gov/programs/digest/d17/tables/dt17\_330.10.asp.

<sup>&</sup>lt;sup>4</sup> Today's average tuition is \$15,512 and federal minimum wage is \$7.25. In the 1963-1964 school year, average tuition at 4-year schools was \$553 in current year dollars (\$4,348 in 2016 dollars) and minimum wage was \$1.25. Ibid; Department of Labor. (n.d.). History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938-2009. Retrieved from: https://www.dol.gov/whd/minwage/chart.htm.

<sup>5</sup> Authors' calculations from data from the National Center for Education Statistics (NCES) and the U.S. Census Bureau. Median family income in 1963 was \$6200 compared to \$553 for average tuition at a 4-year schools in current year dollars. Median family income was \$61,372 in 2017 compared to \$15,512 for tuition in 2016-2017. Retrieved from: https://nces.ed.gov/programs/digest/d17/tables/dt17\_330.10.asp;

https://www.census.gov/library/publications/1964/demo/p60-042.html; and

https://www.census.gov/library/publications/2018/demo/p60-263.html.

<sup>6</sup> Kakar, V., Daniels, G. E., & Petrovska, O. (forthcoming). Does student loan debt contribute to racial wealth gaps? A decomposition analysis. *Journal of Consumer Affairs*. Retrieved from:

https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=3094076.

<sup>7</sup> Scott-Clayton, J. & Li, J. (2016). Black-White disparity in student loan debt more than triples after graduation. Retrieved from: https://www.brookings.edu/wp-content/uploads/2016/10/es\_20161020\_scott-

clayton\_evidence\_speaks.pdf.; The Institute for College Access and Success. (2019). Quick Facts about Student Debt. Retrieved from: https://ticas.org/sites/default/files/pub\_files/qf\_about\_student\_debt.pdf.

<sup>8</sup> Quillian, L., et al. (2017). Meta-analysis of field experiments shows no change in racial discrimination in hiring over time. *Proceedings of the National Academy of Sciences of the United States of America*, *114*(41), 10870-10875.

<sup>9</sup> Chetty, R., et al. (2017). Mobility Report Cards: The Role of Colleges in Intergenerational Mobility. Retrieved from: http://www.equality-of-opportunity.org/papers/coll\_mrc\_paper.pdf.

<sup>10</sup> Federal Reserve Bank of New York. (2019). Household Debt and Credit Report (Q1 2019). Retrieved: https://www.newyorkfed.org/microeconomics/hhdc.html.; Federal Reserve Bank of St. Louis. (2019). Student Loans Owned and Securitized, Outstanding. Retrieved from: https://fred.stlouisfed.org/series/SLOAS#0. Estimates range depending on data source. These two commonly cited sources estimate aggregate student loan totals at \$1.5 and \$1.6 trillion respectively.

<sup>11</sup> Consumer Financial Protection Bureau (CFPB). (2017). CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment. Retrieved from:

https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/.

<sup>12</sup> Government Accountability Office (GAO). (2018). Actions Needed to Improve Oversight of Schools' Default Rates. Retrieved from: https://www.gao.gov/products/GAO-18-163.

<sup>13</sup> The Trump administration has rolled back a number of protections for borrowers. For more information, see: Joint Economic Committee Democrats, U.S. Senate. (2018). Consumer Corner: Trump Administration Continues Anti-Education Agenda. Retrieved from:

https://www.jec.senate.gov/public/index.cfm/democrats/2018/8/consumer-corner-trump-administration-continues-anti-education-agenda.

<sup>14</sup> TICAS. (2019).

<sup>15</sup> All data from this section from authors' calculations of Beginning Postsecondary Students (BPS) survey, BPS 96/2001 cohort. See appendix for more detail on survey and sample specifics.

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<sup>24</sup> Results for Latinos not reported in Figure 3 as no significant differences were detected by student debt status, most likely due to the small sample size. Still, point estimates and confidence intervals show substantially and significantly lower wealth among Latinos with and without loans relative to Whites without loans. Observation numbers for Asian-American young adults were not sufficient to generate conclusive findings.

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