

# Race, Ethnicity, and Student Debt

## A Policy Perspective

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Ensuring all students have access to college counseling or high-quality personalized information about institutions and programs could help students enroll in the **programs that are most likely to support their goals** and that they are most likely to complete.

**Completing college is the best protection against student debt problems.** Policymakers could provide institutions incentives and hold them accountable for graduating more students with credentials of value.

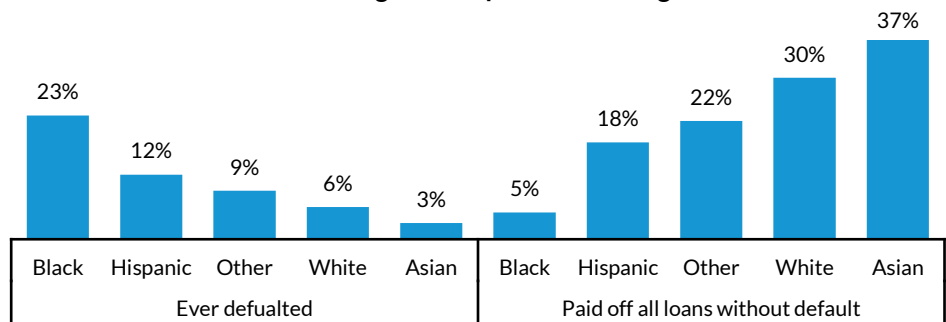
Making **student loan repayment easier to navigate** could help students avoid default and associated penalties. Protecting students from extra charges and bureaucratic barriers will ensure that when students face setbacks, their student loan debt does not exacerbate the problem.

Effectively tackling the student loan problem requires understanding how debt affects different groups of students and designing policies that protect vulnerable borrowers. Student debt, which opens the door to higher education opportunities for many students, is a serious problem only for some borrowers.

Data show that the students most likely to struggle with debt are those who enroll in college but never complete their programs, many of those who earn certificates rather than associate or bachelor’s degrees, and those who attend for-profit colleges. Black students are more likely than members of any other racial or ethnic group to fall into those categories, and even within each of those categories, **Black students borrow more than others and are more likely to struggle with repayment.** Hispanic and Asian students borrow less than other groups, possibly resisting debt even when it could help them succeed. In addition to more financial assistance, students need stronger guidance and structural support for completing credentials of value.

Historical and structural factors seem to contribute to the problems Black students face with student debt. On average, they come from families with lower incomes and less wealth than others. Even within income groups, Black families have less wealth than white and even Hispanic families, which means they have fewer resources to pay for college. And when Black students do make it through college, they face labor market discrimination that limits the income they have available to repay student loans.

**FIGURE 1**  
**Default Rates for Bachelor’s Degree Recipients Enrolling in 2003–04**



Source: Beginning Postsecondary Students Longitudinal Study, 2004/09.

## BORROWING PATTERNS FOR BLACK STUDENTS

Black students are more likely than others to enroll in for-profit institutions, which tend to have higher prices and less grant aid than public institutions, in addition to low degree completion rates. Regardless of sector, however, Black students borrow most and are more likely than others to leave school without a degree. Those who do earn a degree tend to take longer to do so. These patterns, combined with family resources and postcollege earnings, mean Black students struggle more with repayment. They are less likely than others to repay their loans and more likely to default.

## BORROWING PATTERNS FOR HISPANIC STUDENTS

Hispanic students borrow less than others with similar wealth and income, possibly because of cultural norms. Hispanic students seeking certificates enroll in for-profits at the same rate as Black students, but those seeking associate or bachelor's degrees are less likely to enroll in this sector. Hispanic students are also more likely to live at home. They are slightly more likely to complete degrees than Black students, though less so than white students. It is possible that Hispanic students are borrowing too little—after all, it is important that students borrow what they need to complete a degree efficiently, rather than working too many hours for pay or struggling with food and housing expenses.

## WHAT POLICYMAKERS CAN DO

Policymakers concerned about racial disparities should focus on the fundamental problems facing Black students and others who struggle with student debt: enrolling in schools and programs that do not serve them well and leaving school without a credential. Short-term policy solutions will not eliminate the racial discrimination that hinders preparation for college and interferes with postcollege earnings, but they can reduce the share of students who have nothing but debt to show for their college experience. Public policy could do the following:

- Design effective, personalized guidance systems that help students choose appropriate institutions and programs. This advice must come before students enroll and must be provided by counselors not affiliated with institutions hoping to attract the students. Receipt of federal student aid could require this type of counseling, either in person or online.
- Prevent institutions with weak outcomes from accessing student aid to mitigate student debt problems. Effective standards for participation in federal student aid programs are likely to involve multiple measures and thresholds. Both federal and state governments can provide incentives for institutions to support student success and funding for innovations designed to further this goal.
- Make student loan repayment simpler. Automatic enrollment in a single income-driven repayment plan could remove barriers. Policymakers could also consider eliminating excessive interest accrual and penalties.

## ADDITIONAL POLICY PROPOSALS

### PROPOSALS FOR INTEGRATING COUNSELING INTO THE AID SYSTEM

#### *Redesigning the Pell Grant Program for the Twenty-First Century*

Sandy Baum and Judith Scott-Clayton

<https://urbn.is/2Tfuy2n>

### MORE ON COLLEGE COUNSELING

#### *The Bottom Line on College Counseling*

Andrew Barr and Benjamin

Castleman <https://urbn.is/2VngiHI>

### PROPOSALS FOR INSTITUTIONAL ACCOUNTABILITY

#### *Unaffordable Loans: When Should Schools Become Ineligible for Student Loan Programs*

Sandy Baum and Saul Schwartz

<https://urbn.is/2HWf3VV>

### MORE ON INSTITUTIONAL ACCOUNTABILITY

#### *A Risk-Sharing Proposal to Hold Higher Ed Institutions Accountable to Their Students*

Adam Looney and Tara Watson

<https://urbn.is/37YtGVp>

### PROPOSALS FOR SIMPLIFYING STUDENT LOANS

#### *Making Student Loan Repayment More Logical and Equitable*

Sandy Baum, Kristin Blagg, and Matthew Chingos

<https://urbn.is/2OQXafN>