



Racial and Ethnic Differences in Family Student Loan Debt

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Student loans give many low-income people the opportunity to obtain a postsecondary education. But the rise of outstanding student debt has policymakers concerned about an “education bubble” that may leave many adults unable to pay off their debt after leaving school.

Though the increase in student-held debt has received much attention, we know little about debt that adults assume to finance family members’ education expenses. Parents who lack liquid resources may receive loans from targeted federal and private student loan programs (e.g., the Parent Loans for Undergraduate Students Program, or Parent PLUS), or they may turn to home equity loans, personal loans, and loans made against retirement savings to help pay for their child’s education.

According to data from the 2014 Survey of Household Economics and Decisionmaking (SHED), approximately 7 percent of Americans ages 25 to 55 have taken on debt to finance a child’s or grandchild’s education. As in past studies (Ratcliffe and McKernan 2013), blacks are most likely to have student loan debt; however, we do not find evidence that blacks are more likely than whites or Hispanics to borrow for their child’s or grandchild’s education.¹

These results have two possible explanations. First, black families might be more credit constrained. Significant racial differences in homeownership and wealth might prevent black families from obtaining loans to finance their children’s or grandchildren’s education.² This restriction is important because many parent loan programs require some form of collateral from parents. Second, disproportionately more blacks enroll in college later in life, when they are financially independent from their parents (Bozick and DeLuca 2005). Parents and grandparents might feel less obligated to contribute to the education expenses of an older child or grandchild.

Sources of Student Loan Debt

Thirty-one percent of 25- to 55-year-olds report having some type of student loan debt in the 2014 SHED.³ Roughly 7 percent of these adults generated that debt to finance their children's or grandchildren's education. Over 10 percent of individuals who have ever been married and have children have some debt from financing their children's or grandchildren's education expenses.

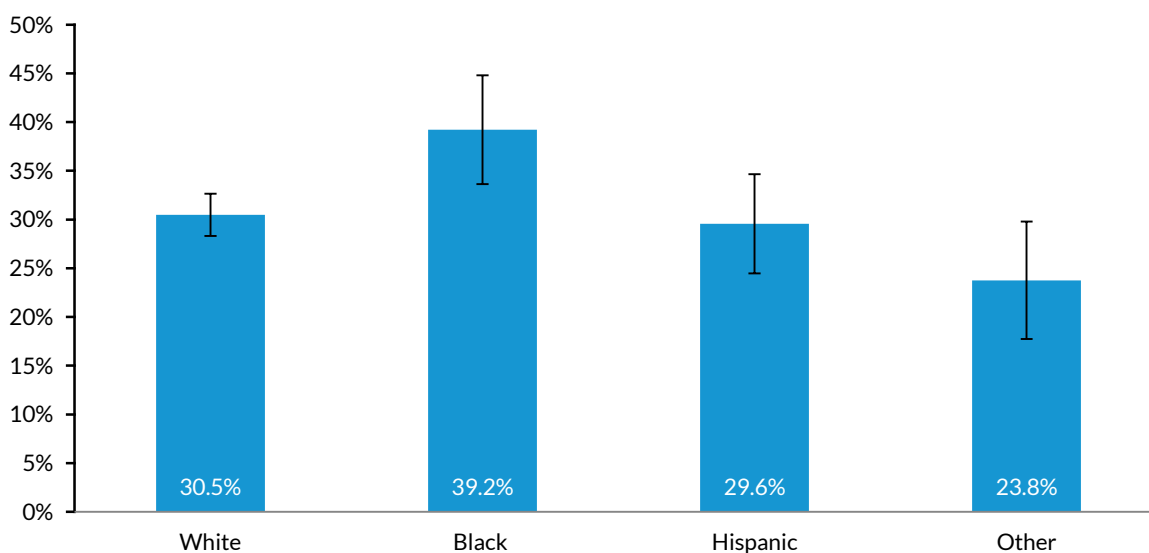
Racial Differences in Student Loan Debt

The SHED data confirm that student loan debt differs along racial and ethnic lines (figure 1). Among 25- to 55-year-olds, 39.2 percent of blacks, 30.5 percent of whites, and 29.6 percent of Hispanics report having some type of student debt, which includes debt for their own education and relatives' education. These estimates are similar for blacks and whites to findings from the Survey of Consumer Finances, even though SHED data are based on individuals rather than families.⁴

FIGURE 1

Blacks Are More Likely to Have Education Debt

Share of people ages 25 to 55 with student loan debt, by race and ethnicity



Source: Author's calculations using the 2014 SHED.

Notes: All percentages are weighted using the SHED person weight. Lines above and in bars indicate 95 percent confidence intervals. Adults classified as white, black, and other are non-Hispanic. Hispanics may be of any race.

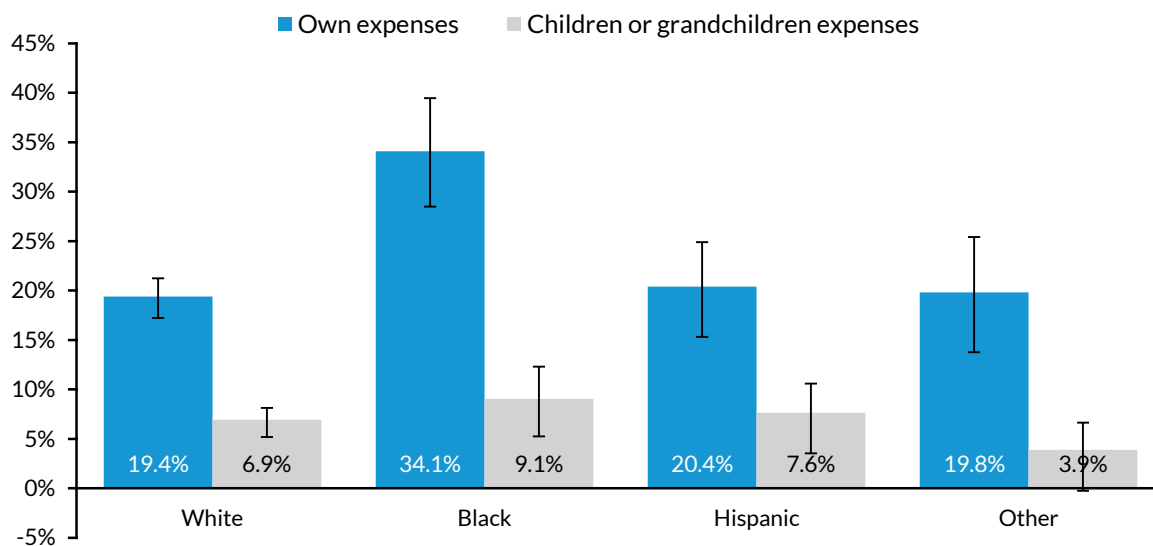
These differences persist when considering individuals who borrowed money to finance their own education. Thirty-four percent of blacks, 19 percent of whites, and 20 percent of Hispanics report having student loan debt from financing their own education (figure 2). However, blacks are as likely as

whites to borrow on behalf of their children or grandchildren. Seven percent of whites and 9 percent of blacks have student loan debt from children’s and grandchildren’s education expenses; this difference is not statistically significant.

FIGURE 2

Blacks Are Not Significantly More Likely to Borrow for Their Children’s and Grandchildren’s Education

Share of adults ages 25 to 55 with debt for education expenses by race and ethnicity



Source: Author’s calculations using the 2014 SHED.

Notes: All percentages are weighted using the SHED person weight. Lines above and in bars indicate 95 percent confidence intervals. Adults classified as white, black, and other are non-Hispanic. Hispanics may be of any race.

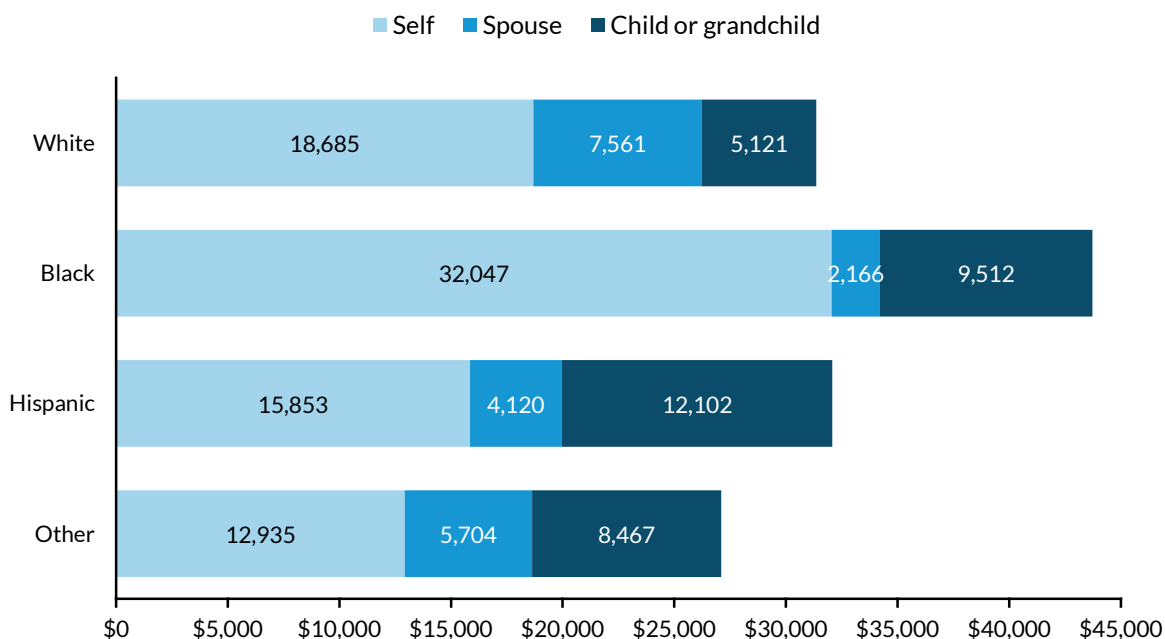
Racial Differences in Student Loan Debt Amounts and Beneficiaries

Among people with positive student loan debt, blacks owe higher amounts of student loan debt (on average \$43,725) than whites or Hispanics. Most of this debt—73 percent—comes from student loans to finance one’s own education (figure 3).

Whites owe greater amounts of student loan debt to finance a spouse’s education than blacks or Hispanics: an average of \$7,561, which is 24 percent of the group’s student loan debt. One possible reason is that whites have higher marriage rates than blacks or Hispanics.

Hispanics have more student loan debt from their children and grandchildren (on average \$12,102) than whites and blacks. One possible reason is that some Hispanics are immigrants who obtained their higher education abroad.

FIGURE 3
Amount of Student Loan Debt Differs Notably across Race and Ethnicity
Average debt for adults ages 25 to 55 by race/ethnicity and loan beneficiary



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.

Conclusion

Seven percent of Americans ages 25 to 55 have student loan debt from financing their children's or grandchildren's educational expenses, using the 2014 SHED data.

We find evidence that blacks are significantly more likely than whites or Hispanics to borrow to finance their own education, a finding consistent with past work. However, we estimate that blacks are as likely as whites to borrow on behalf of their children or grandchildren.

We identify a few explanations for these results. First, parental wealth determines who borrows because that wealth can be used as collateral in parental loan programs. Another explanation is that blacks are more likely than whites or Hispanics to enroll in college later, when they are financially independent; at that point, parents are much less likely to contribute to education expenses, and borrowing limits are higher.

Notes

1. In this brief, *whites* and *blacks* refer to non-Hispanics. Hispanics can be of any race.
2. Signe-Mary McKernan, Caroline Ratcliffe, C. Eugene Steuerle, Emma Kalish, and Caleb Quackenbush, "Nine Charts about Wealth Inequality in America," Urban Institute, last updated February 2015, <http://apps.urban.org/features/wealth-inequality-charts/>.
3. A person is identified as having student loan debt if he or she used a student loan, home equity loan, credit card loan, or other loan to pay for someone's education. Only 7 percent of people with student loan debt do not have federal or private student loans and instead rely on other sources to pay educational expenses. The sample is restricted to individuals who responded to the student debt questions.
4. If we restrict the sample to individuals with at least an associate's degree, the gap is even wider: 29 percent of whites, 63 percent of blacks, and 40 percent of Hispanics have student loan debt from their own education.

References

- Bozick, Robert, and Stefanie DeLuca. 2005. "Better Late Than Never? Delayed Enrollment in the High School to College Transition." *Social Forces* 84 (1): 531–54.
- Ratcliffe, Caroline, and Signe-Mary McKernan. 2013. "Forever in Your Debt: Who Has Student Loan Debt, and Who's Worried?" Washington, DC: Urban Institute. <http://www.urban.org/research/publication/forever-your-debt-who-has-student-loan-debt-and-whos-worried>.

About the Author

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