

# Student Debt

January 2023



Louise Seamster, University of Iowa

# The American Dream...



[source](#)



[source](#)

# ...is debt-financed



[source](#)



[source](#)

# What debt does

Debt compounds inequality

Debt justifies inequality

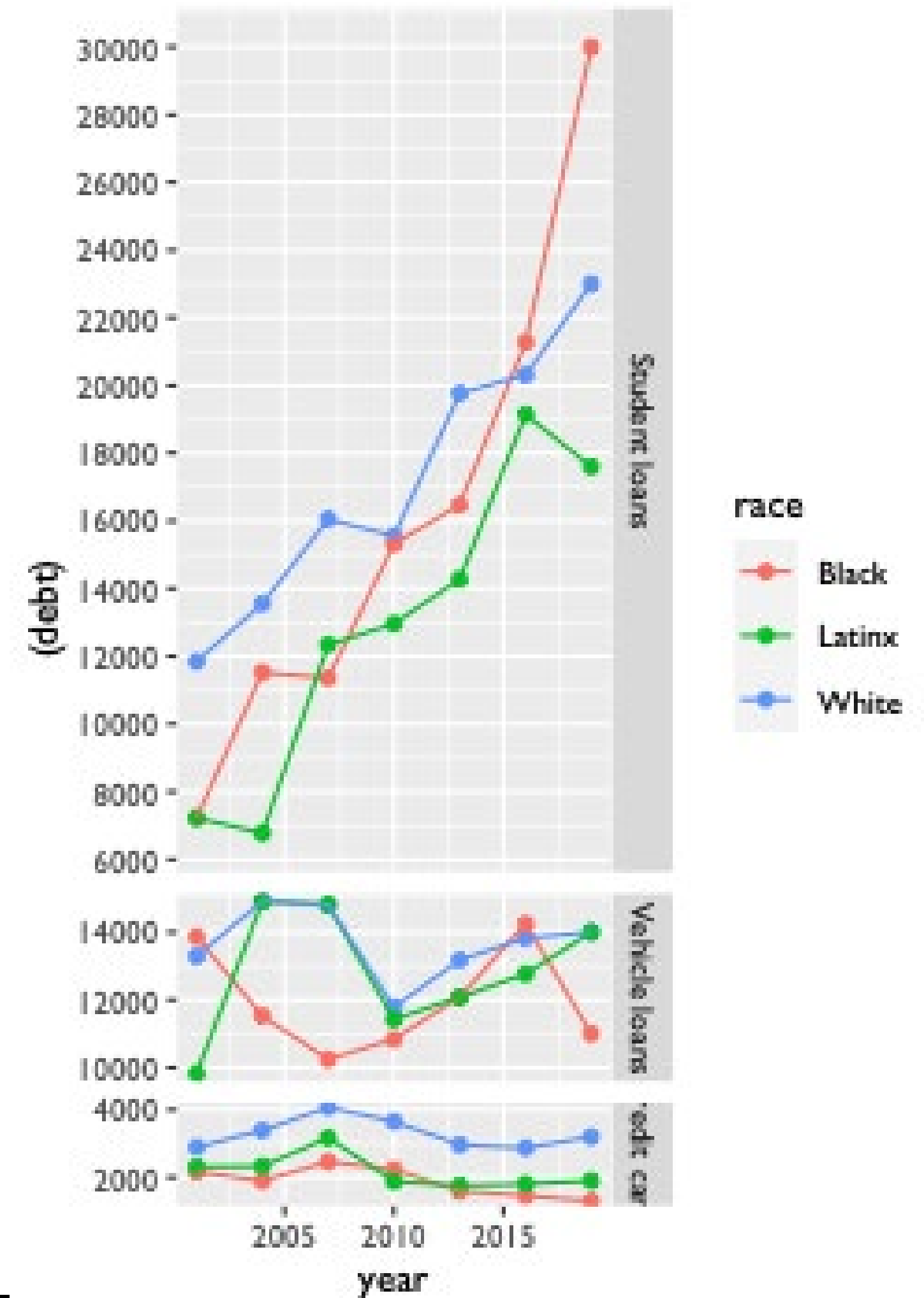
Debt limits agency for **everyone**

# Is student debt exceptional?

“Good” debt (public, “for education,” pays off...)

Credit access/interest rate not the inequality vector...

# Racial disparities in median student debt



BLACK, LATINX AND WHITE  
HOUSEHOLDS, 2001-2019 SCF

# PREDATORY INCLUSION

“the process by which previously excluded groups gain inclusion to an institution, market, or benefit, but under exploitative terms” (2017)

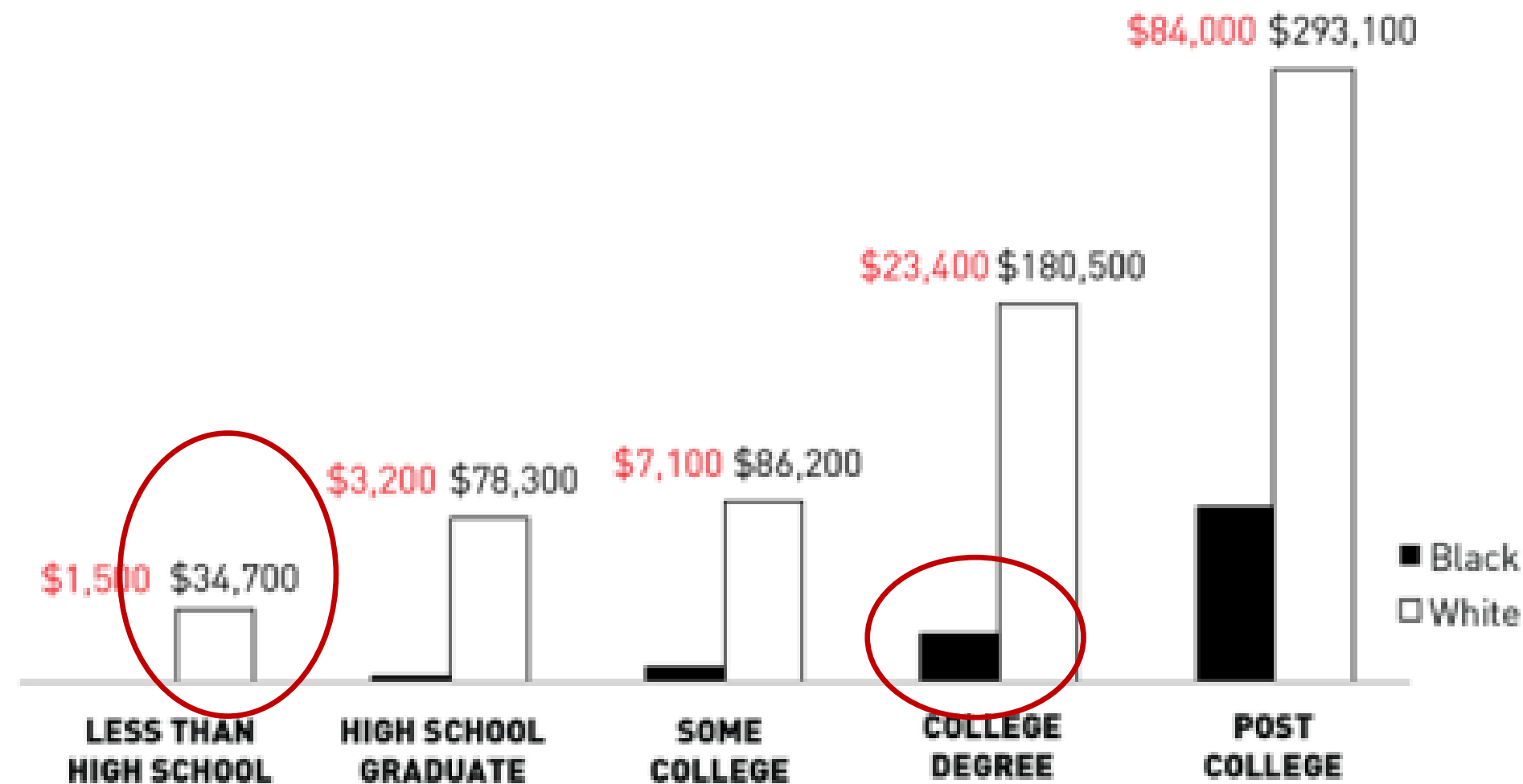


Debt can be racially differentiated by

- Different **debt products**;
- **Debt terms**; and/or
- **outcomes** from debt



# WEALTH BY EDUCATION AND RACE



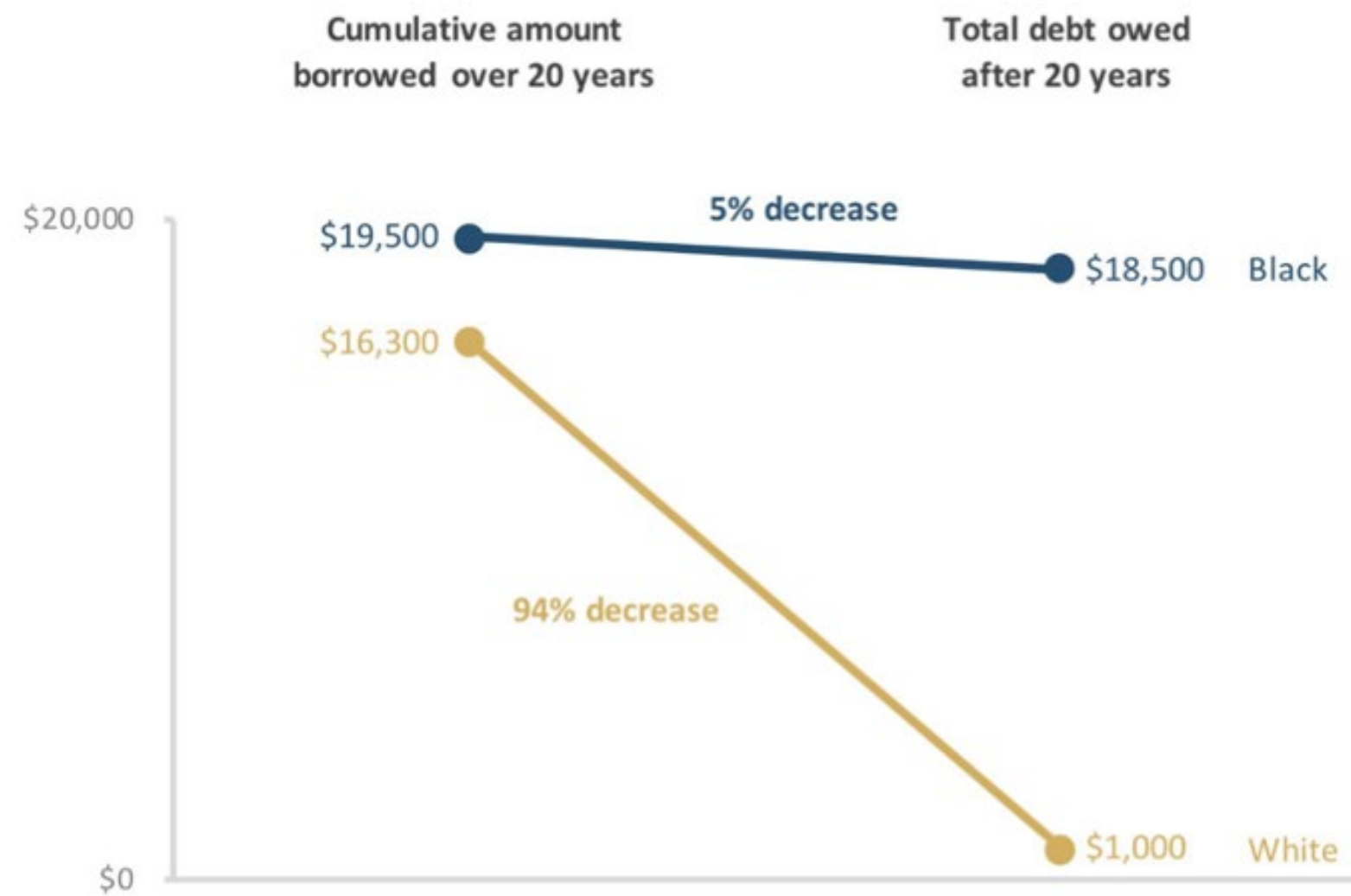
White high school dropouts have more wealth than Black college graduates

## Education is not the Great Equalizer

Median wealth by educational level and race, SIPP 2011

# outcomes after twenty years

Figure 1: 20 years after starting college typical Black borrower still owes 95% of debt, typical White student owes just 6%



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

“Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap,” Sullivan et al, 2019

Governor Reagan called for charging student tuition at the University of California (1967) to make students “think twice how much they want to pay to carry a picket sign.” (Moncino 2015)

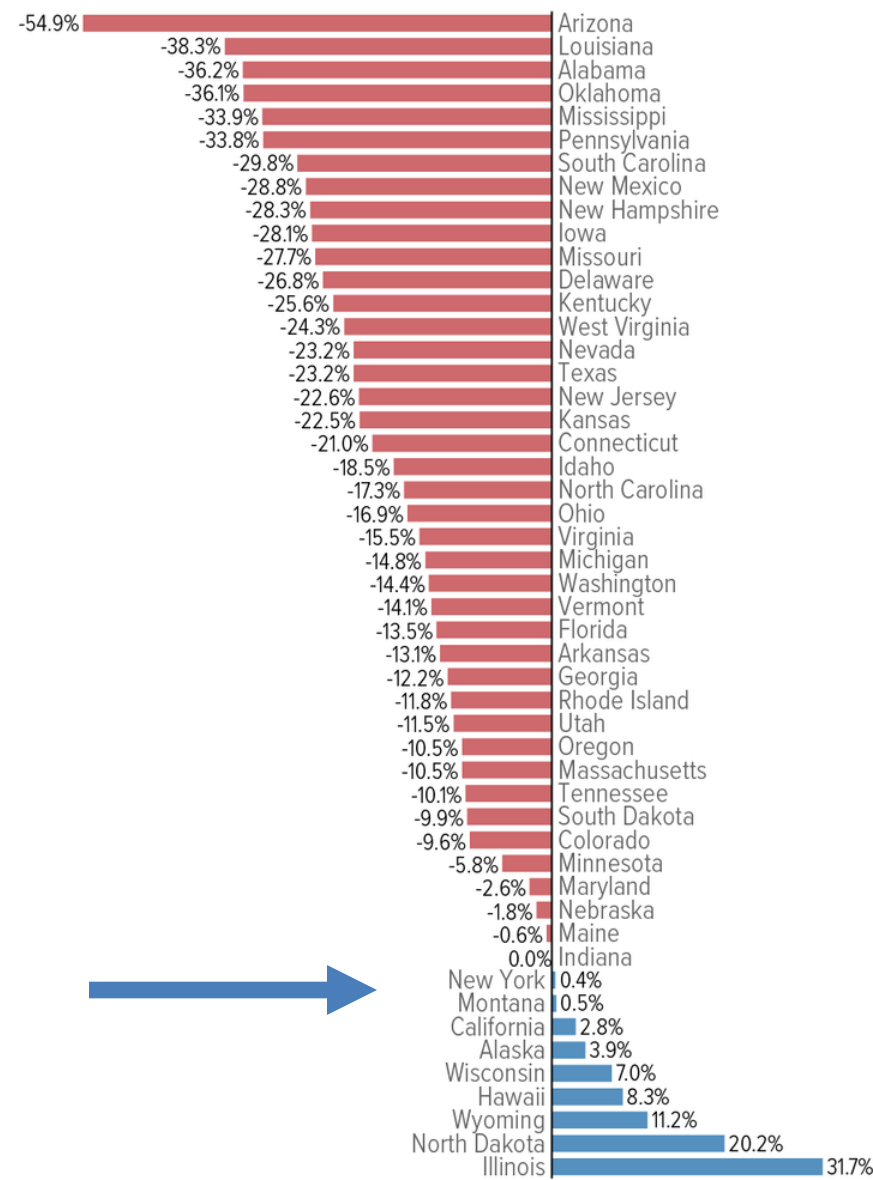


Still from “Your Debt is Someone Else’s Asset,” Astra Taylor, Molly Crabapple and Kim Boekbinder

# Shift in financing burden, 2008-2018

## State Funding for Higher Education Remains Far Below Pre-Recession Levels in Most States

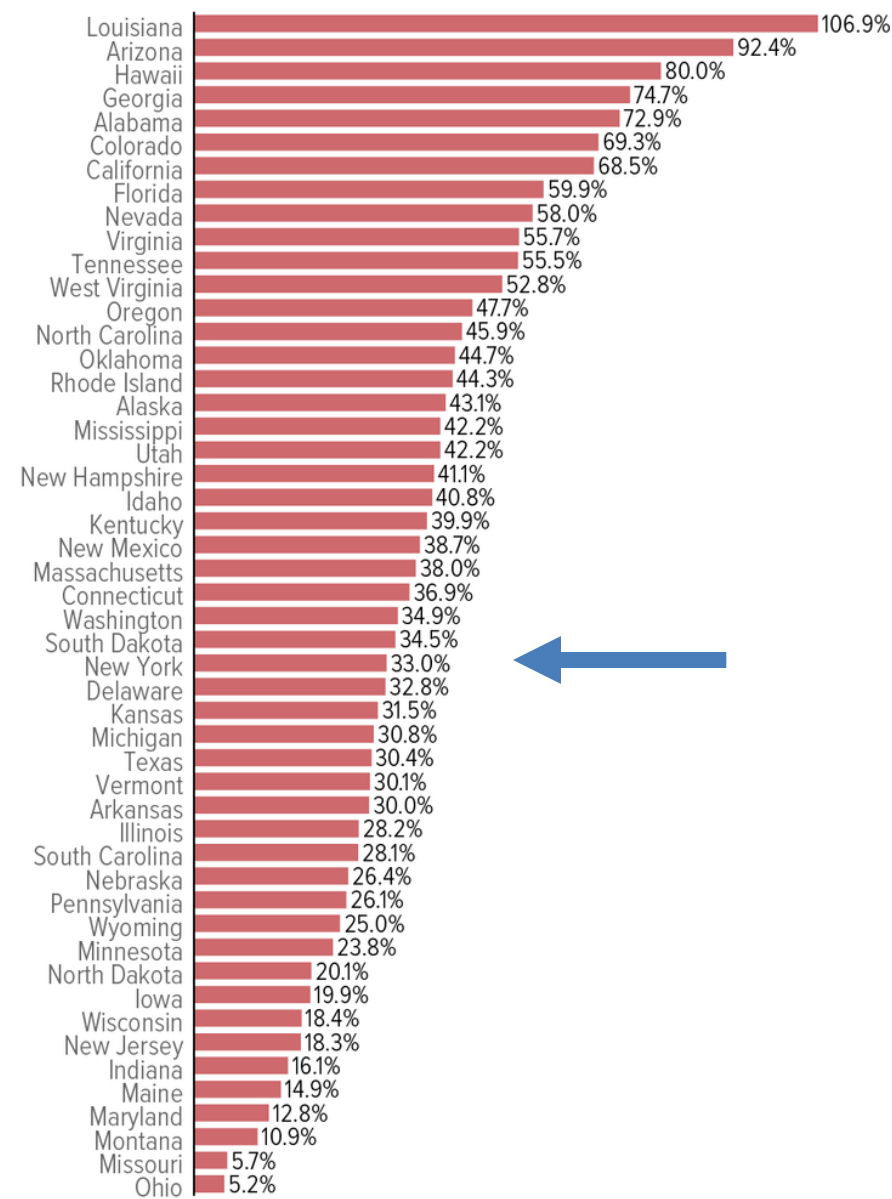
Percent change in state spending per student, inflation adjusted, 2008-2018



Source: CBPP analysis using SHEEO State Higher Education Finance Report and BLS CPI-U-RS

## Tuition Has Increased Sharply at Public Colleges and Universities

Percent change in average tuition at public, four-year colleges, inflation adjusted, 2008-2018

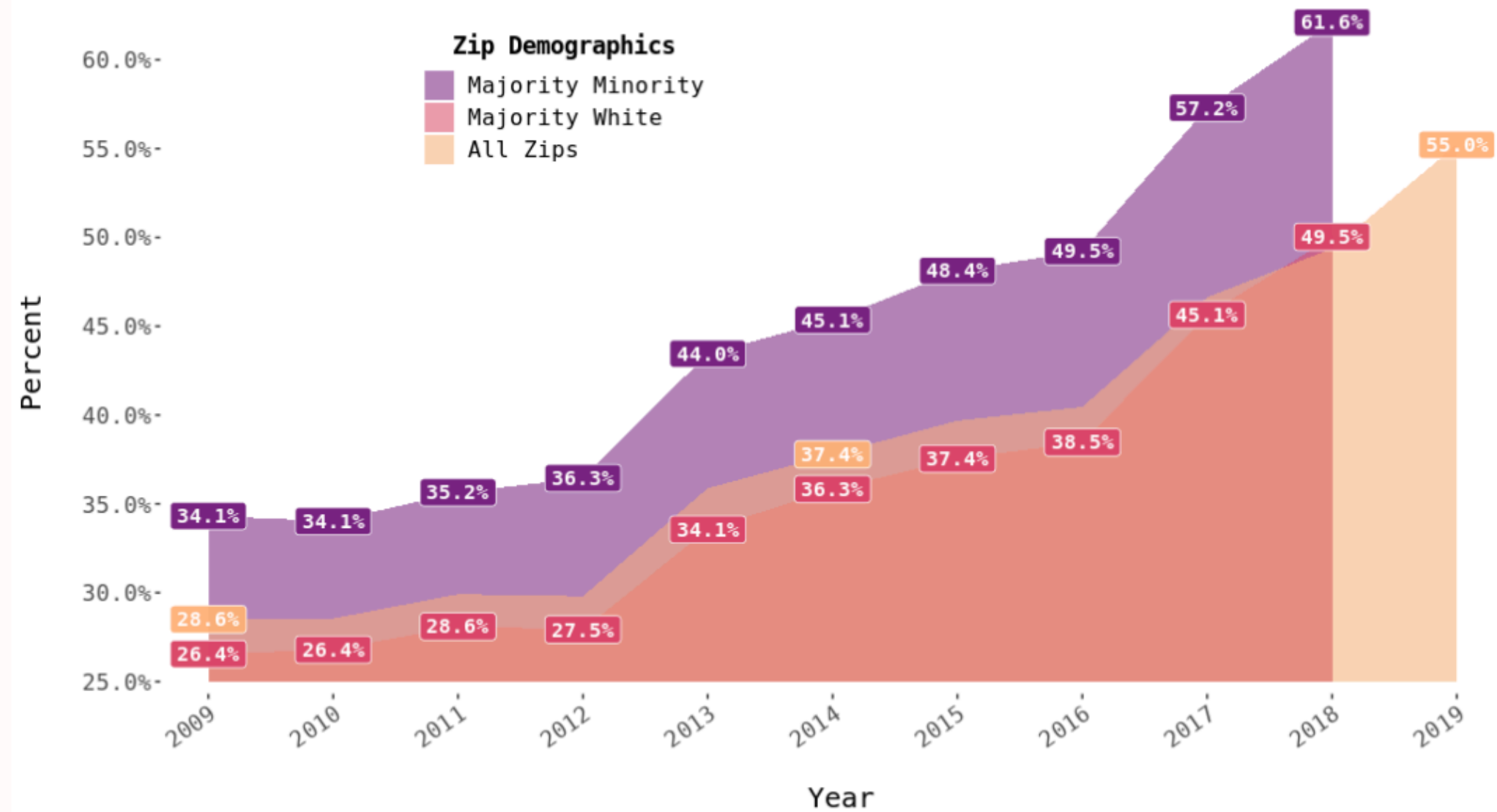


Source: CBPP analysis using College Board Trends in College Pricing Report and BLS CPI-U-RS

# DEBT TRAP

## Share of Student Loans where Current Balance Exceeds Original

Each point references the percent of student loans that have a current balance that is higher than the loan's original balance, by year. This data is broken down to show the disparities by neighborhood racial demographics. Demographic data is from zip level ACS 5-year estimates (2009-2018). The 'All Zips' trend includes data from majority minority, majority white, as well as unknown/unreleased zips.



Source: Experian Information Solutions, Inc.  
© Jain Family Institute, 2020.

The majority of student loans have growing balances

# debt sentences

As of 2021, 4.4 million student borrowers had held loans for at least 20 years

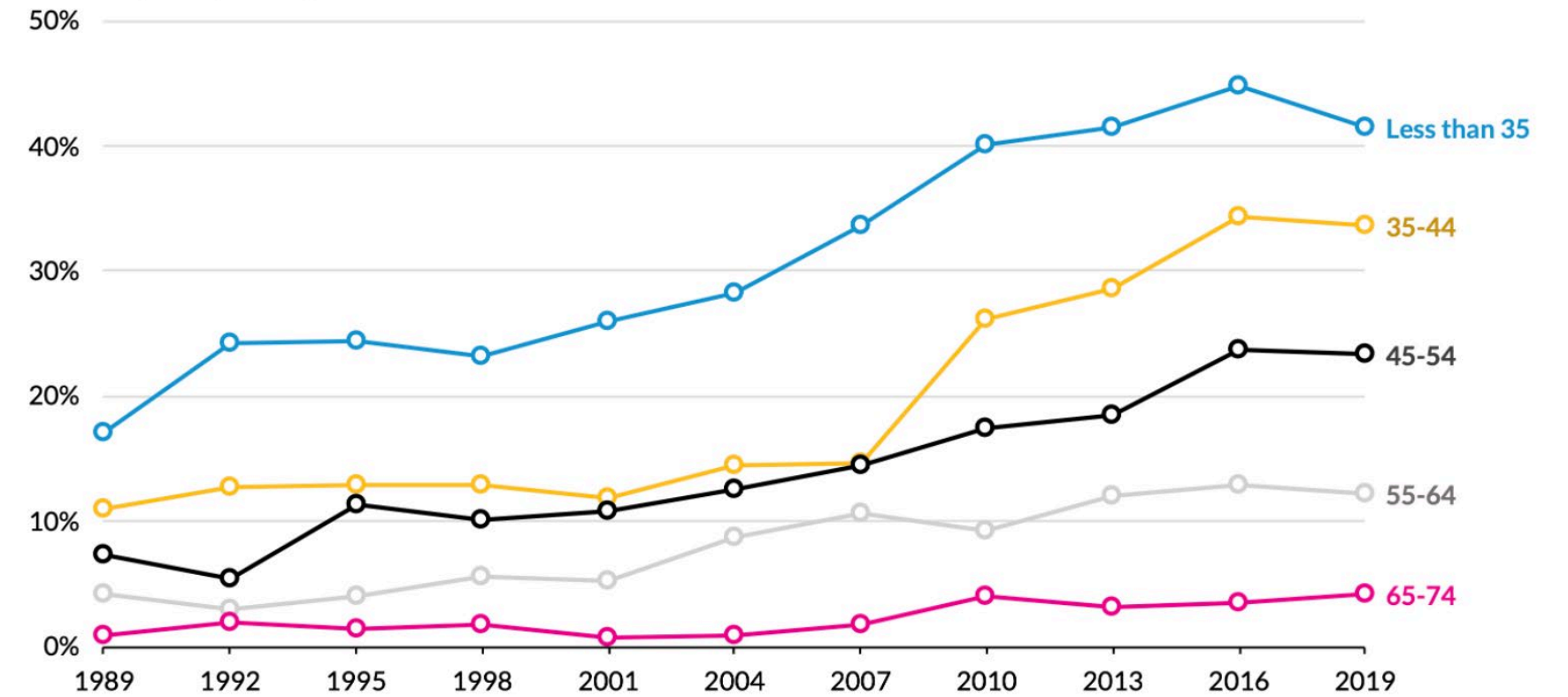
Over 8 million borrowers are over 50, hold 22% of federal student debt

Rising balances, failure of reforms have led to “debt traps”

## Student Loan Holders

Education installment loans by age of reference person

Share of Age Group Holding Loans

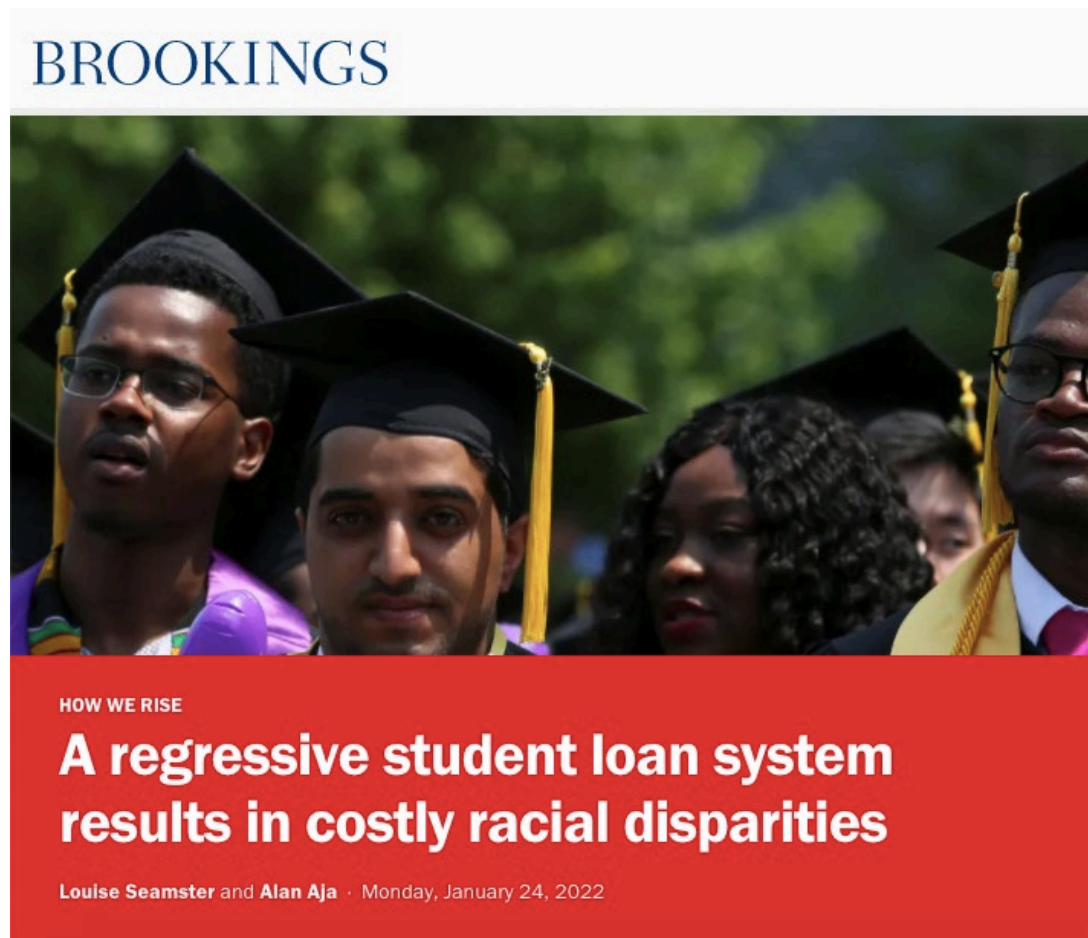


Source: Survey of Consumer Finances.

URBAN INSTITUTE

# STUDENT DEBT IS REGRESSIVE

- Debt replacing tax obligation
- Pay higher costs for same education (with lower returns)
- Penalizes people not able to complete a degree
- Reforms expand disparities
- Differentiated profit model—quick vs long term payoff



## ENROLLMENT

rising numbers of women and students of color attending college

## FUNDING STRUCTURE

public institutions increasingly rely on tuition

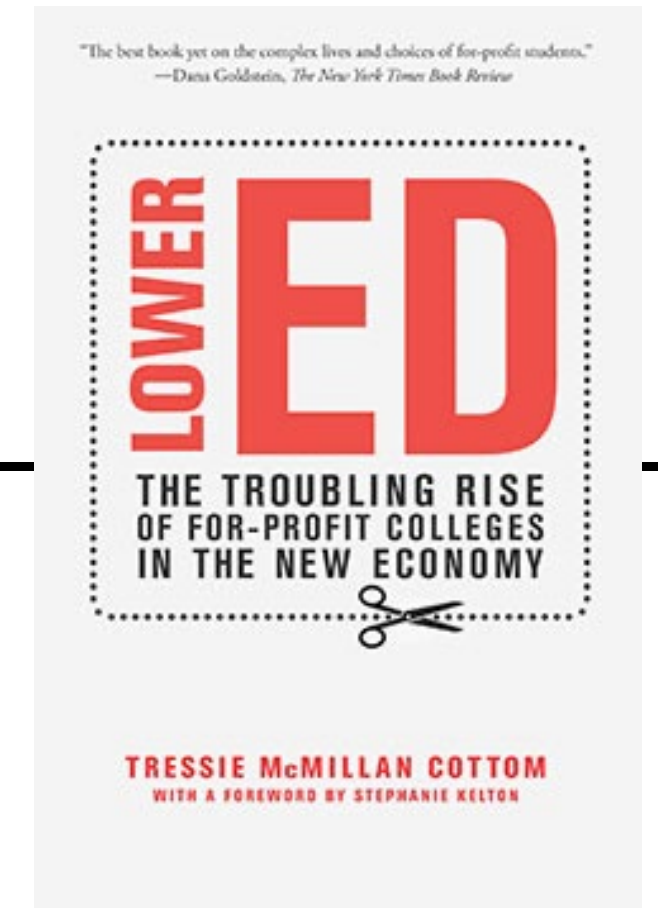
## "PUBLIC GOOD"

timing of tax revolts, welfare rhetoric alongside CRM

## LABOR MARKET

push to credentialization as individual solution to structural problems

# shifts in higher education





# Sen. Warren's cancellation plan

Up to \$50,000 in debt relief (based on income)

Would use executive authority

Would eliminate student debt for 74% of households



# Our team's 2019 analysis



Brandeis University

April 18, 2019

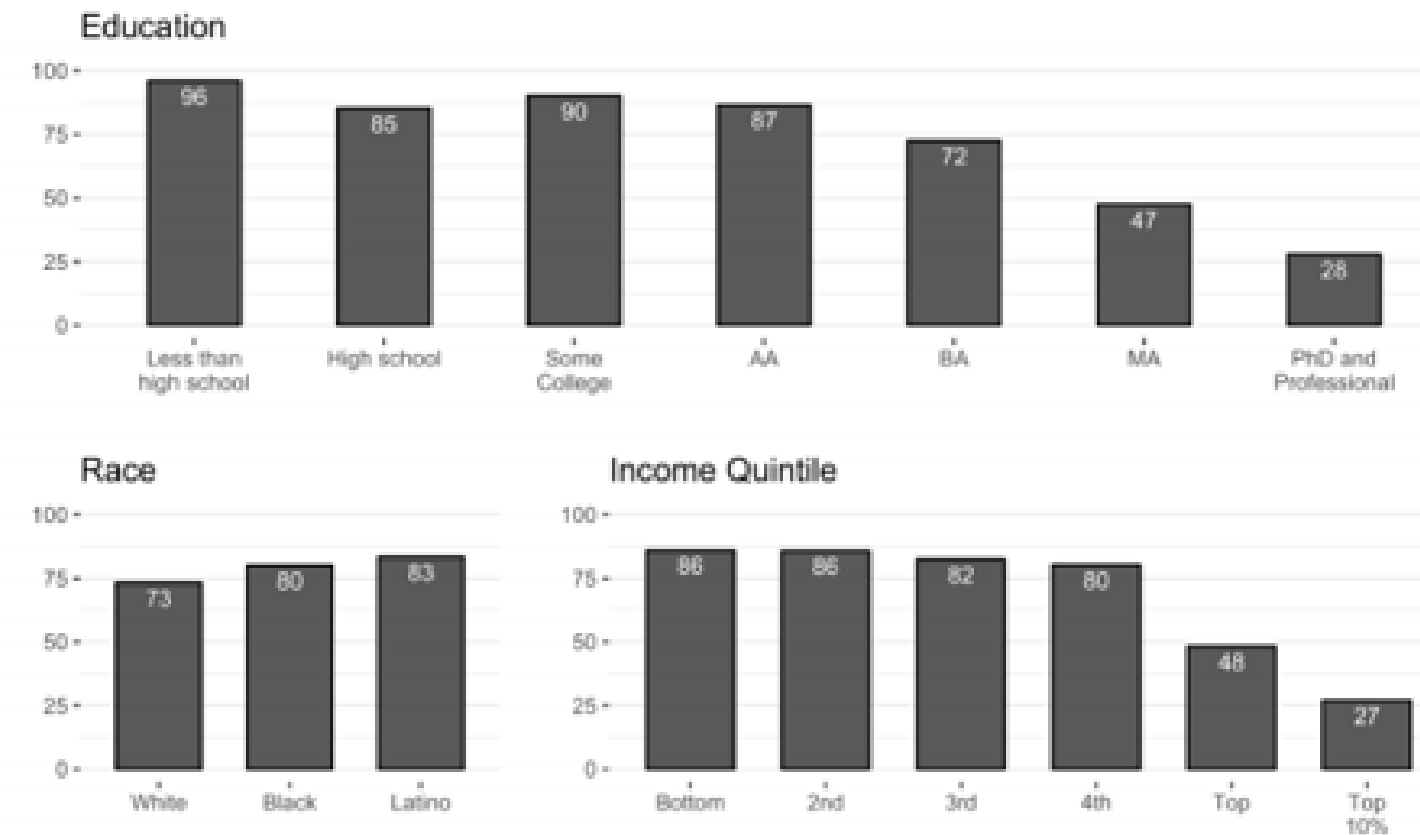
Dear Senator Warren,

We write in regard to your student debt cancellation policy proposal. Our analysis of this policy suggests it would have a substantial impact on student debt forgiveness and would greatly benefit households with the least ability to repay.

We modeled debt forgiveness and projected first-order changes in net worth using a policy where debt holders with a total household income below \$100,000 receive up to \$50,000 in student debt cancellation. Above this threshold, the cancellation amount is gradually phased out, with households receiving roughly \$0.33 dollars less in debt cancellation for every dollar of household income above \$100,000. Households with a total income of \$250,000 or more are not eligible for cancellation. Our analyses suggest that over 95% of borrowing households are eligible to receive some student debt cancellation under this policy.

We project the policy would result in total loan forgiveness for up to 76.2% of households with student debt. Households at the bottom and middle three income quintiles would experience substantially higher rates of student debt forgiveness (80% or more across these groups) compared with households in the top income quintile (less than 50%).

Figure 1. Percentage of borrowing households receiving full student loan cancellation, by household characteristics



Sincerely,

Raphaël Charron-Chénier  
Assistant Professor  
The School of Social Transformation  
Arizona State University

Thomas Shapiro  
David R. Pokross Professor of Law  
and Social Policy  
The Heller School for Social Policy  
and Management  
Brandeis University

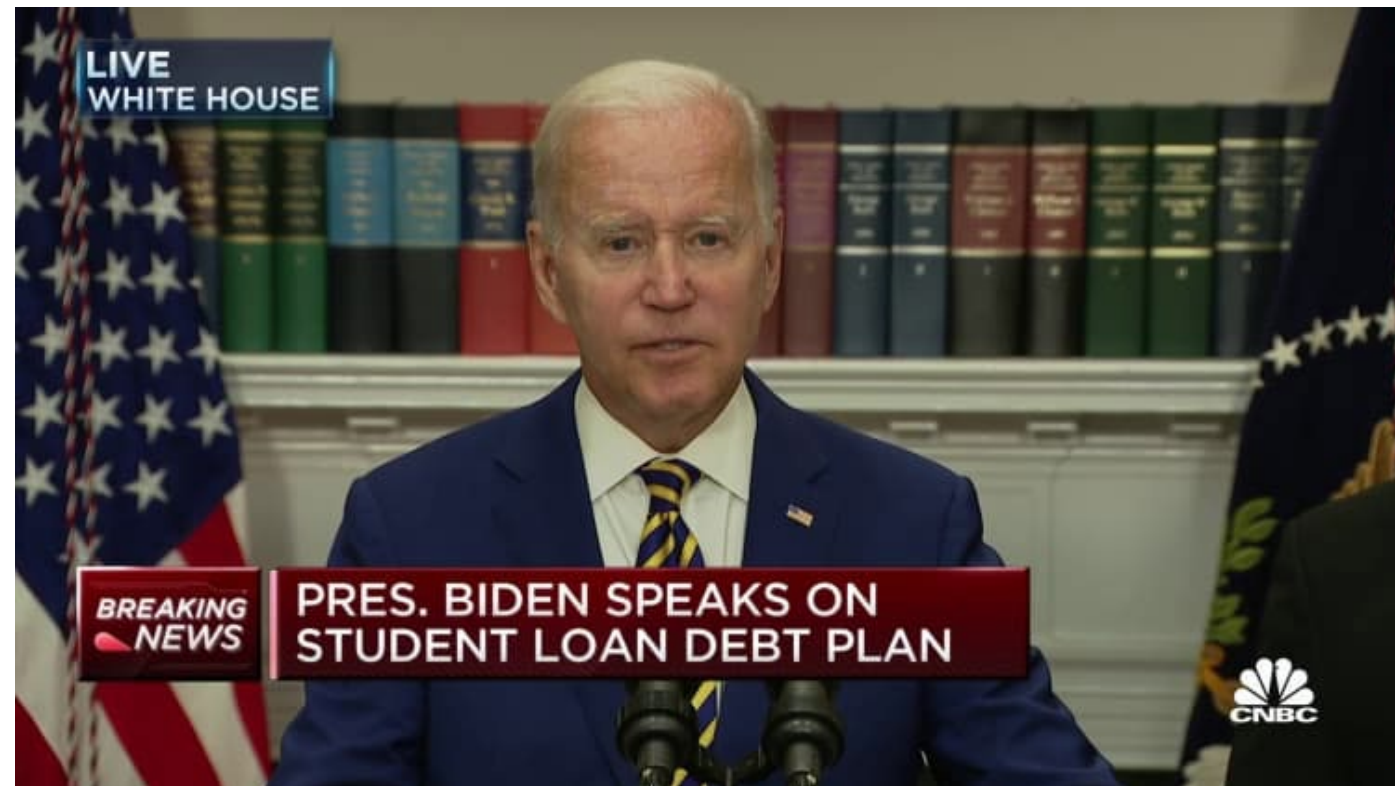
Louise Seamster  
Postdoctoral Associate  
Department of Sociology  
The University of Tennessee, Knoxville

Laura Sullivan  
Senior Research Associate  
The Heller School for Social Policy  
and Management  
Brandeis University

# President Biden's debt relief plan

Uses 2003 [Higher Education Relief Opportunities for Students \(HEROES\) Act](#) powers to erase debt in an emergency situation

All federal loans issued through June 30, 2022 eligible



## The Biden Administration's Student Loan Debt Plan

FORGIVING DEBT	
\$20,000 if you went to college on Pell Grants	\$10,000 if you didn't receive Pell Grants
Forgiveness only applies to those earning less than \$125,000	
Student loan pause extended one final time through Dec. 31, 2022	

# Debt abolition



PAUL MORIGI/GETTY IMAGES

[link](#)

The Corinthian 15

## All Corinthian College Loans to Be Canceled

Thanks in large part to activist work from a group of debt strikers, over half a million borrowers of the defunct for-profit college chain will have their loans forgiven.

BY DAVID DAYEN JUNE 1, 2022



# summary



- Debt reliance locks in inequality
- How we pay for public goods shows how we value them

**Thank you!**

# **Black Student Debt: Gendered, Multigenerational, and a Perverse Consequence of Educational Success**

Jordan A. Conwell, Ph.D.

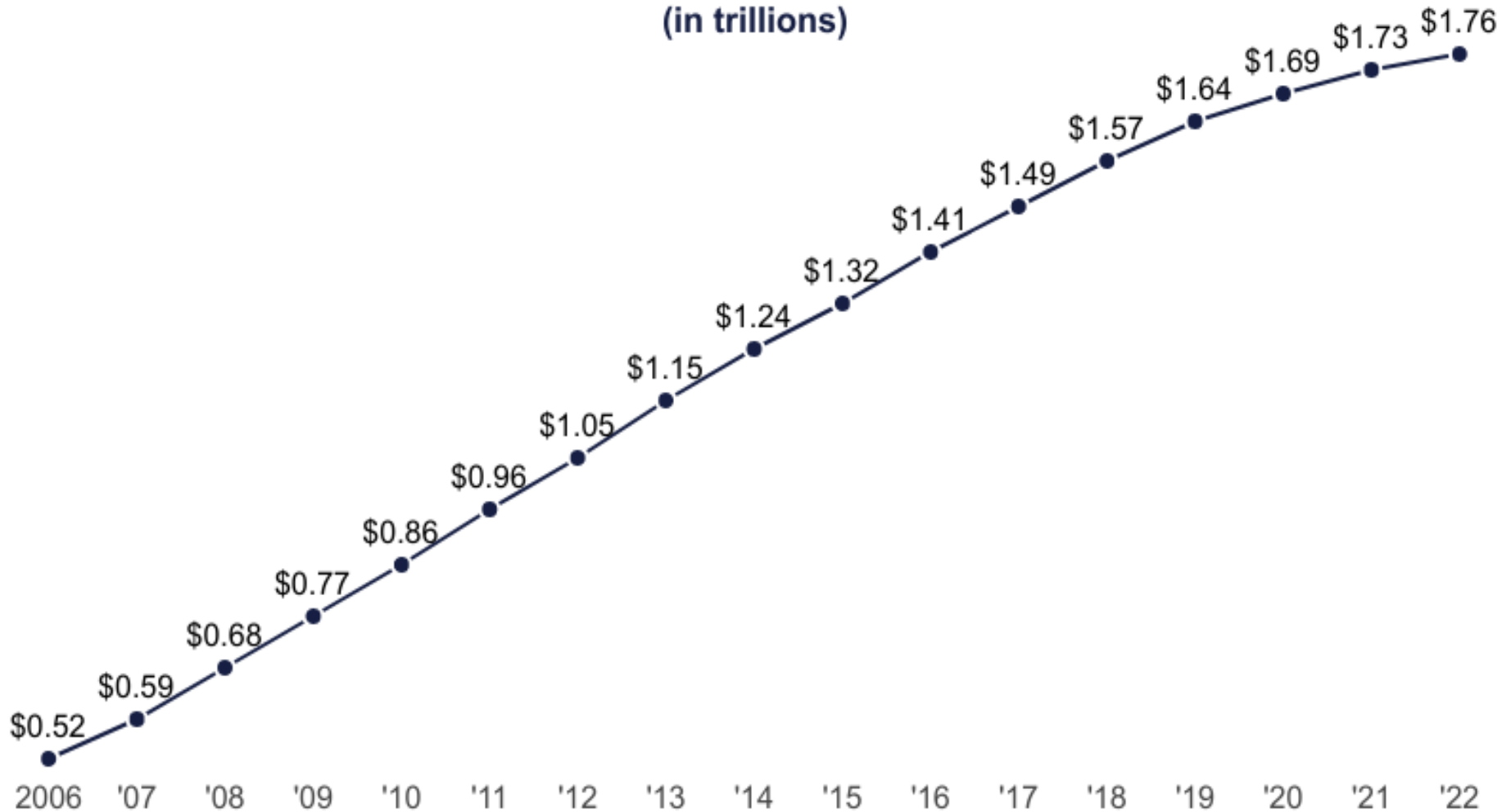
Department of Sociology and Population  
Research Center,  
The University of Texas at Austin

# Overview

- Student debt, Black student debt
- Black student debt as:
  - Gendered
  - Multigenerational
  - A perverse consequence of educational success
- Some complications to this story: 1) household formation, 2) BA vs. grad school debt, and 3) college wage premium
- Towards practice and policy
- A concluding thought



## Historic Total\* National Student Loan Debt (in trillions)

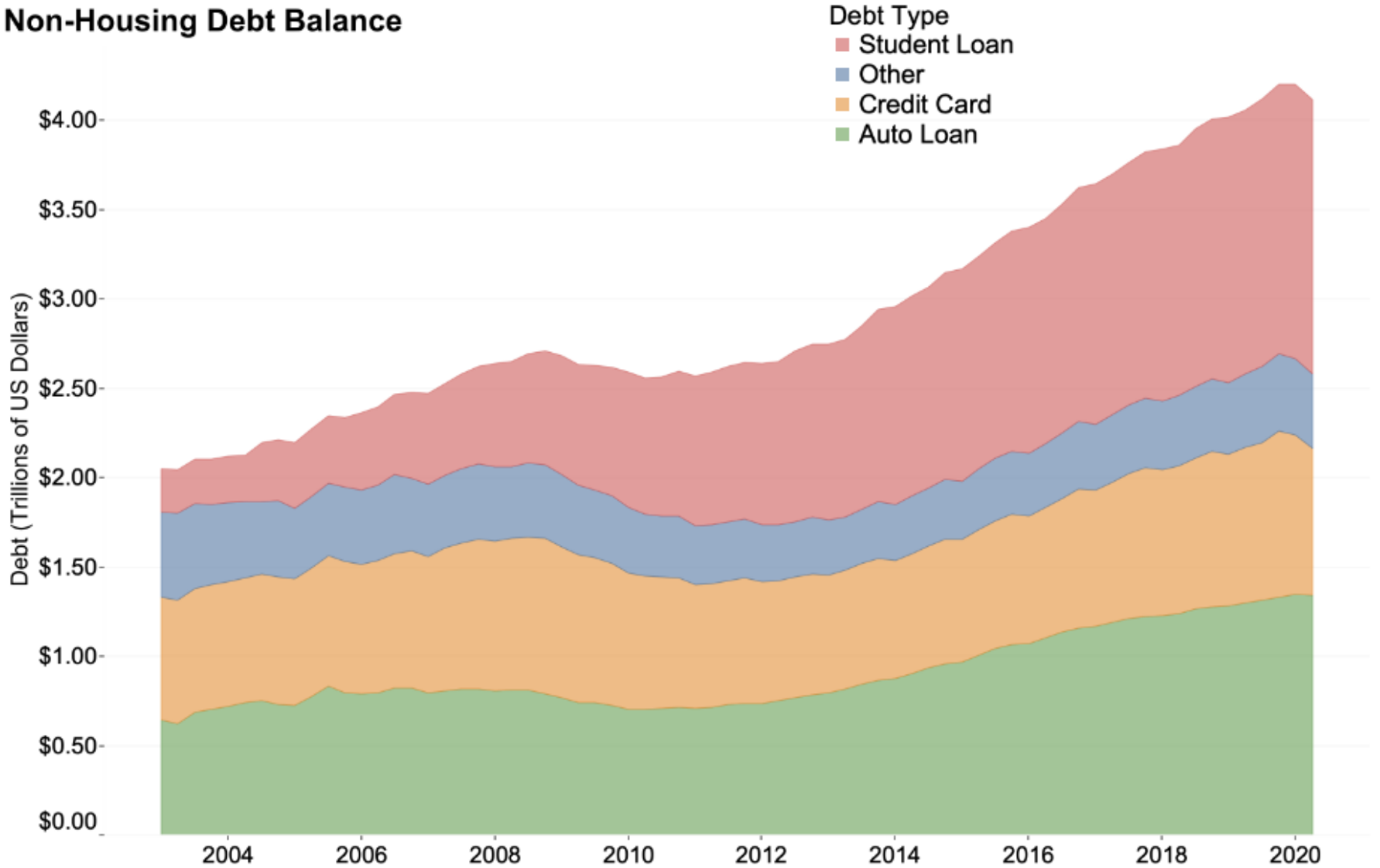


\*Totals as of each year's fourth fiscal quarter.

Education Data Initiative source: U.S. Federal Reserve

<https://educationdata.org/student-loan-debt-statistics>

## Non-Housing Debt Balance

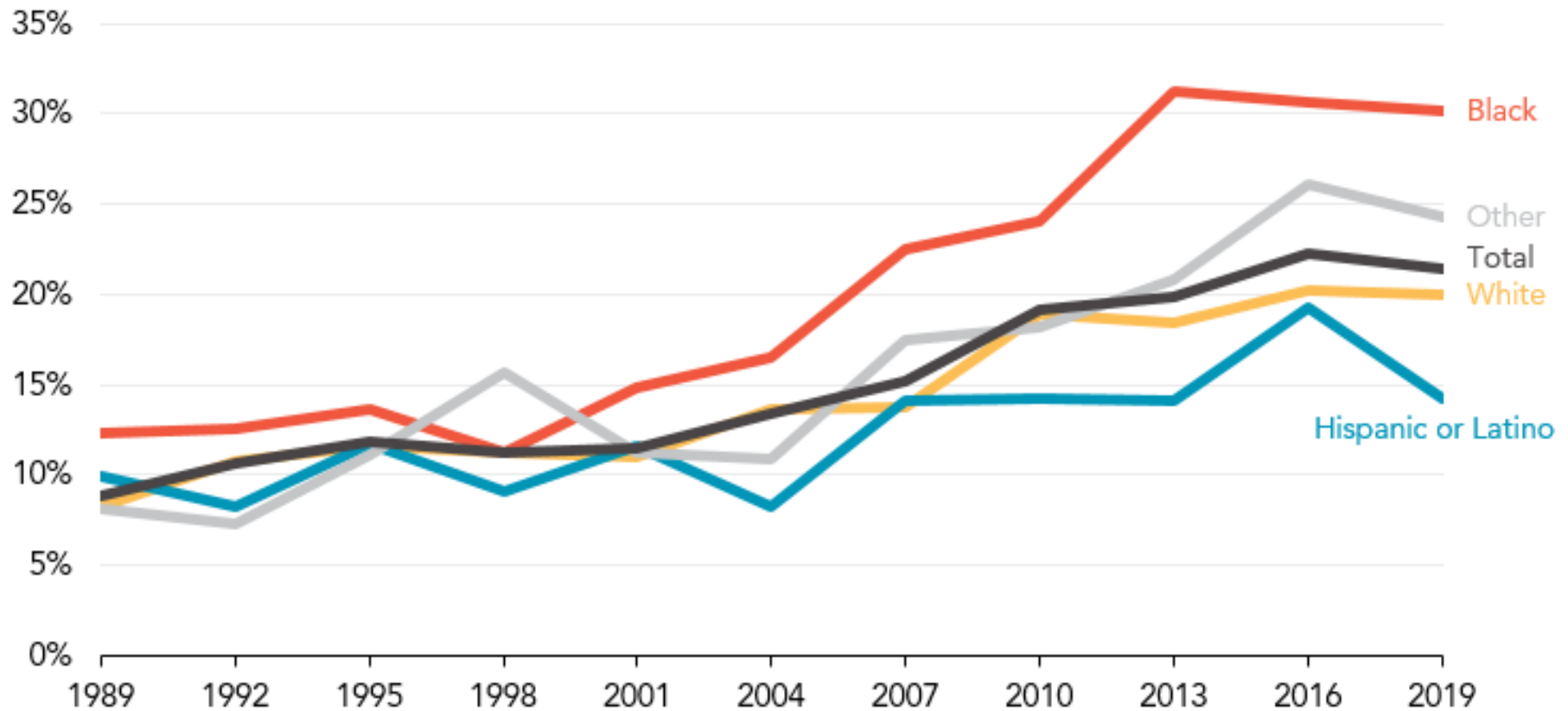


Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax

EconoFact econofact.org

# Share of Families with Education Installment Loan Debt

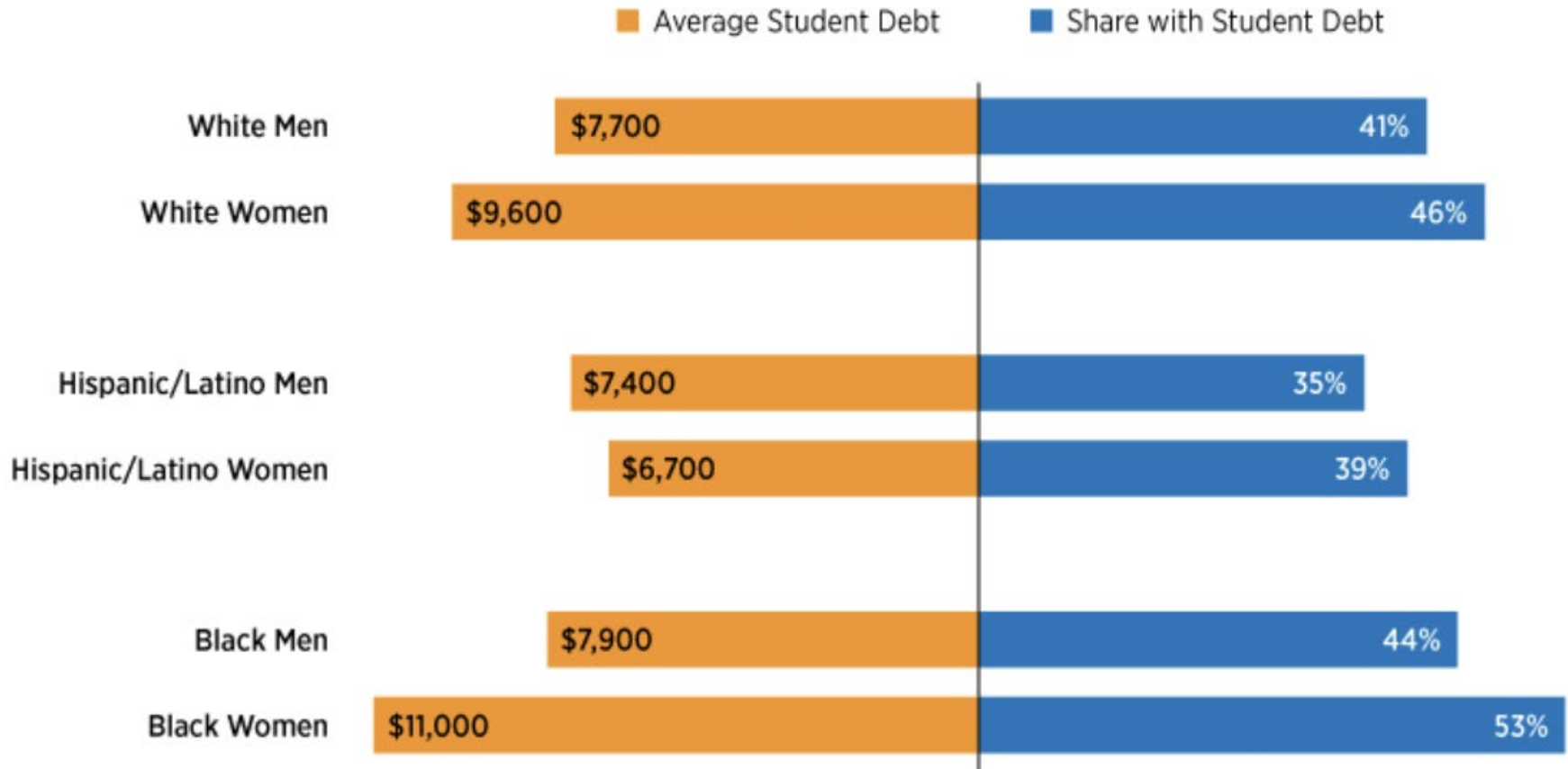
By race or ethnicity, 1989 to 2019



**Source:** Board of Governors of the Federal Reserve System. 2019 Survey of Consumer Finances (SCF). September 2019.

**Notes:** Race or ethnicity refers to the self-identification of the family's original respondent to the SCF interview; the racial categories included are for non-Hispanic respondents; the "Other" classification consists of Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other race, and multiple race respondents.

## Student Debt by Gender and Race



■ FEDERAL RESERVE BANK OF ST. LOUIS

Kent, Ana Hernandez and Fenaba Addo. "Gender and Racial Disparities in Student Loan Debt." *Federal Reserve Bank of St. Louis*. Data are from 1997 Cohort of National Longitudinal Survey of Youth, debt reports from age 20-35.

# Why such a large gender disparity in educational debt among Blacks? (**Collaborators**)



Natasha  
Quadlin,  
UCLA



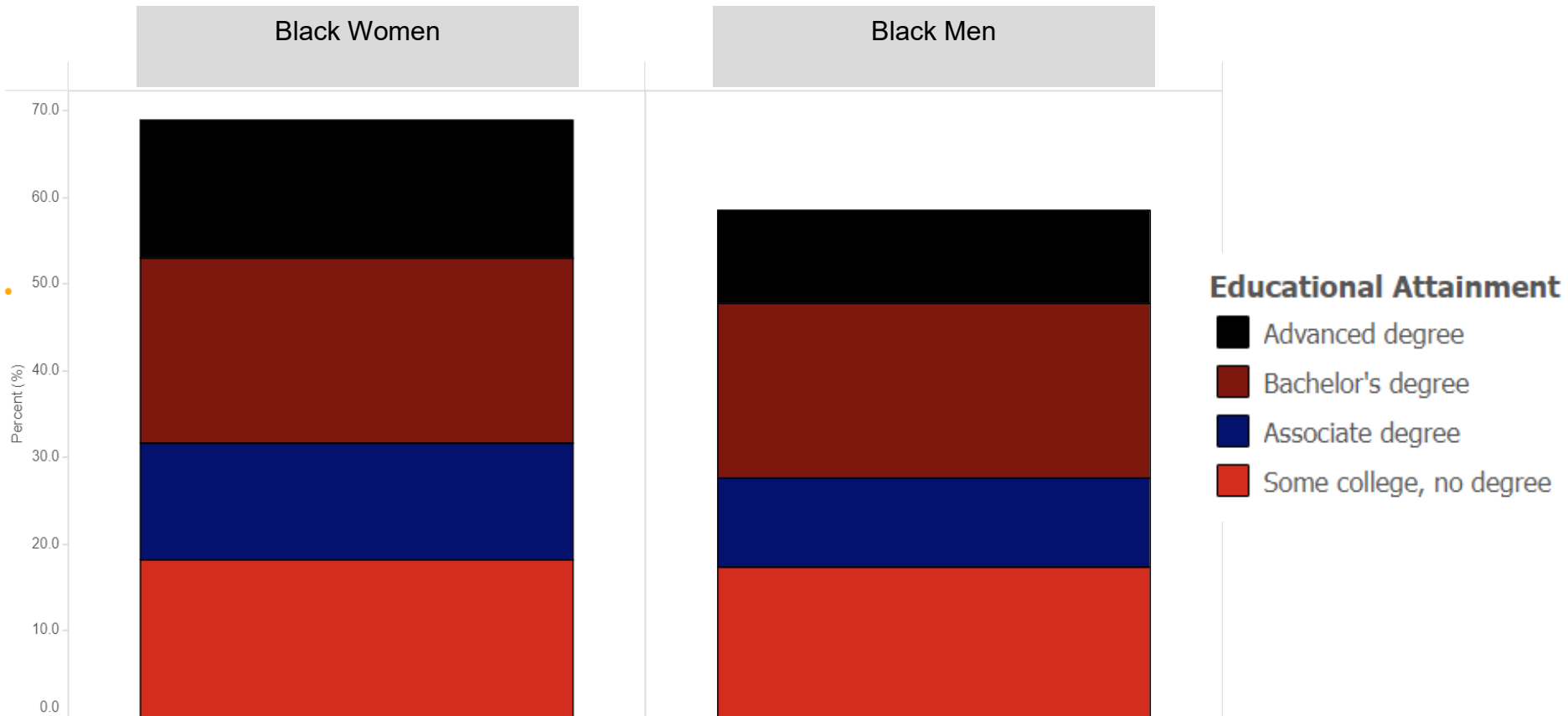
Shiva  
Rouhani,  
UCLA



Jia Wang,  
Hong Kong  
Polytechnic

# Why such a large gender disparity in educational debt among Blacks?

1. Black women are, on average, completing more schooling than Black men



U.S. Department of Labor Women’s Bureau (<https://www.dol.gov/agencies/wb/data/annual-data/educational-attainment-laborforce-sex-race->). Includes civilian noninstitutionalized population aged 25 or older and working or looking for work.

# Why such a large gender disparity in educational debt among Blacks?

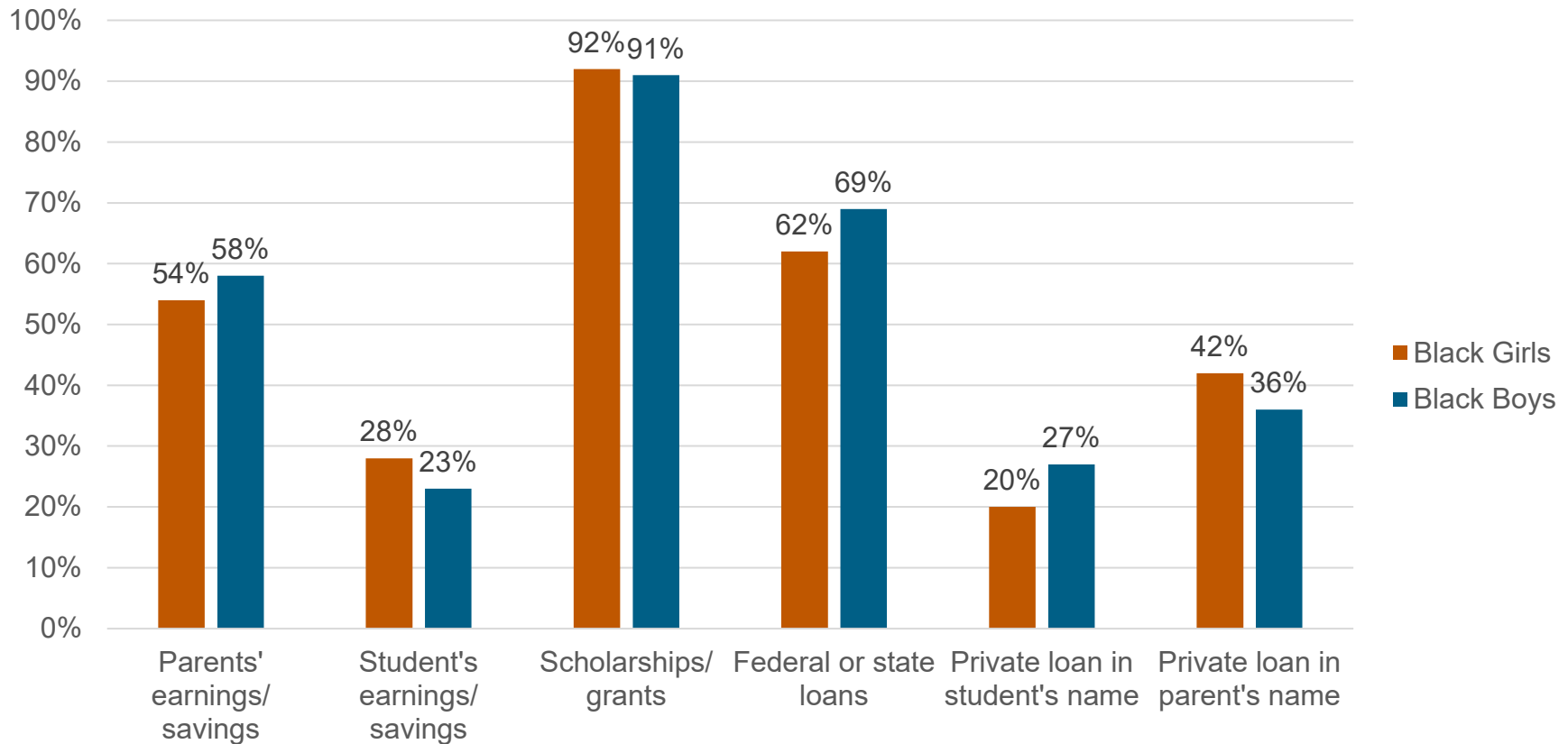
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2. But do so from the same average financial background (starting position)



## Why such a large gender disparity in educational debt among Blacks?

1. Black women are, on average, completing more schooling than Black men
2. But do so from the same average financial background (starting position)
3. This results in gender-within-race disparities in educational debt, ***even between Black women and men with the same:***
  - A. Likelihood of attending college
  - B. Academic test scores in adolescence
  - C. Prestige/ selectivity of college attended

**Parents of High-Achieving Black Girls and Boys  
(Probability of Attending College Estimated .95):  
*What Sources of Funding Will You Use for Your Child's College Education?***

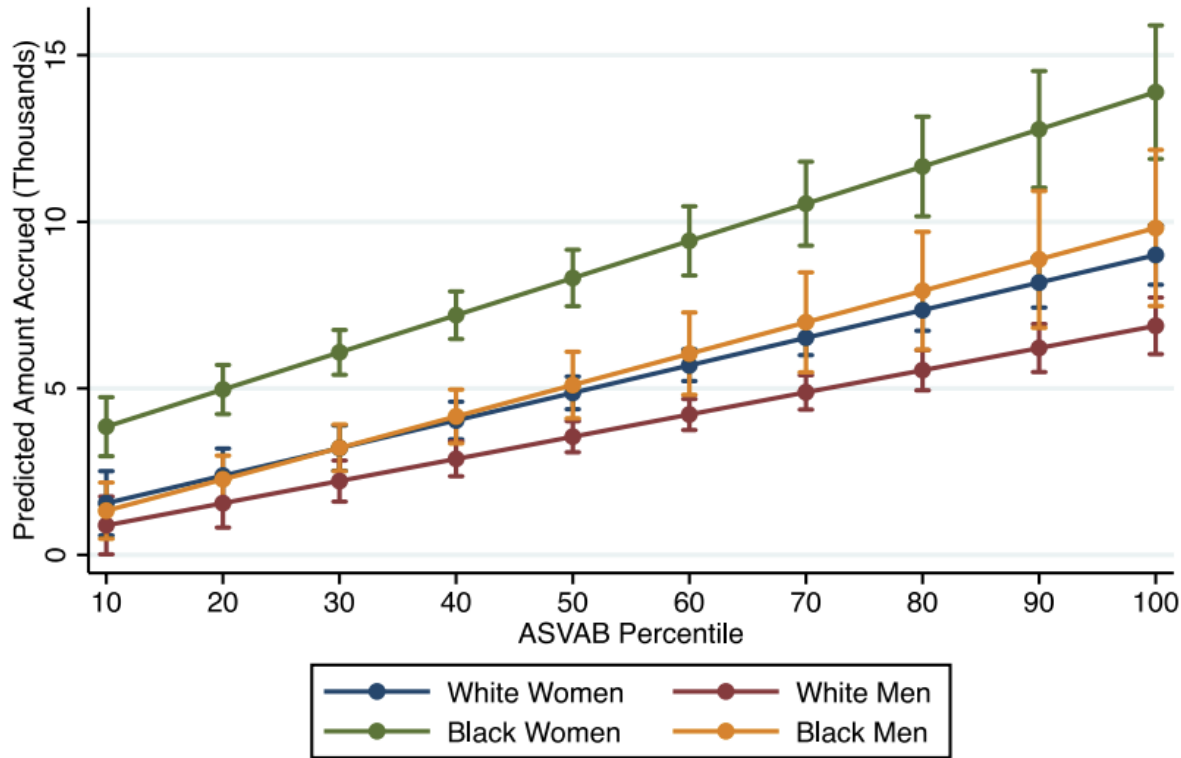


Source: High School Longitudinal Study of 2009.

For full results, see: Quadlin, Natasha, and Jordan A. Conwell. 2021. "Race, Gender, and Parental College Savings: Assessing Economic and Academic Factors." *Sociology of Education* 94 (1): 20–42. <https://doi.org/10.1177/0038040720942927>.

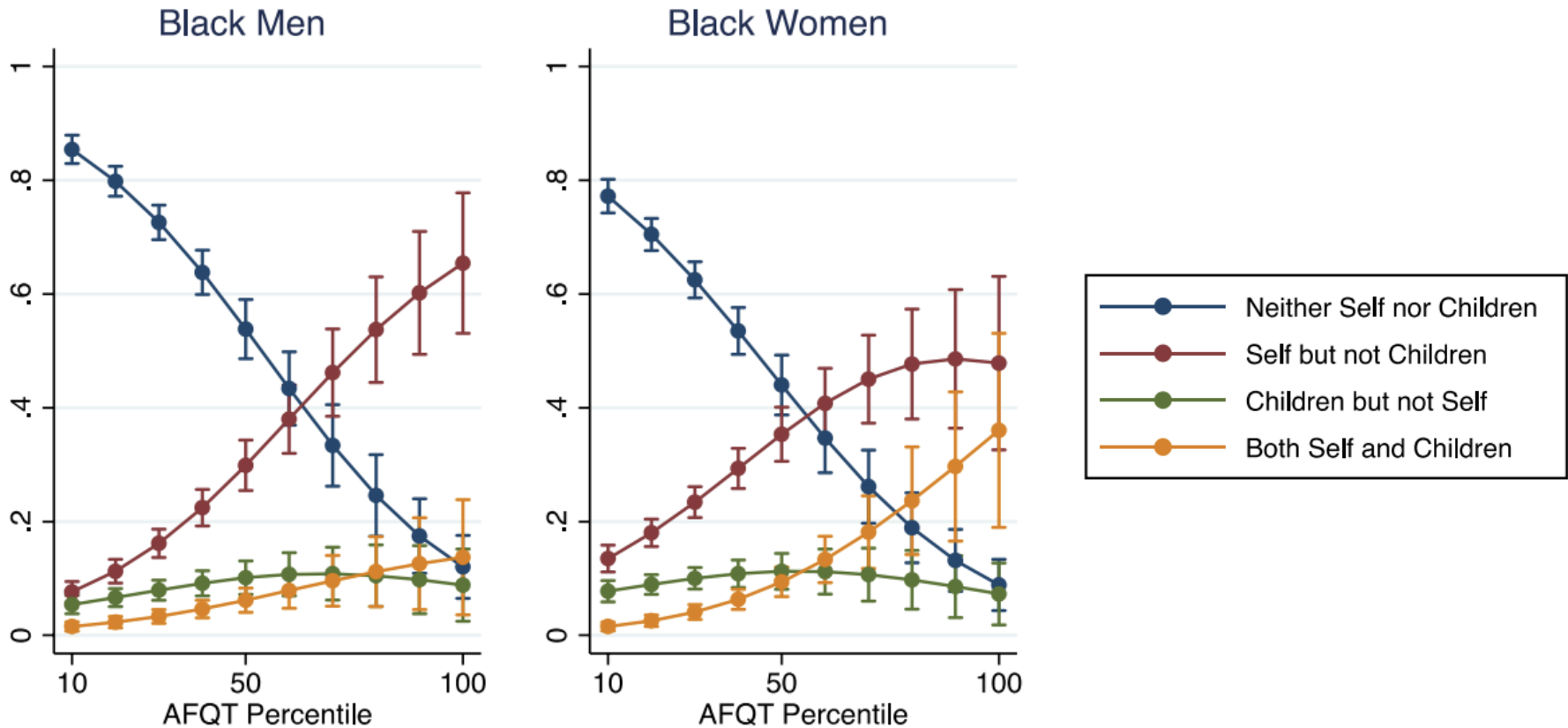
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**Fig. 5** Student loans accrued by age 35—NLSY-97 cohort—inclusive of those with \$0 in student loans. Note: median regression; 95% confidence intervals shown

For full results, see: Quadlin, Natasha, Jordan A. Conwell, and Shiva Rouhani. 2023. “The Economic Context of Higher Education Expansion: Race, Gender, and Household Finances Across Cohorts and Generations.” *Journal of Family and Economic Issues*. <https://doi.org/10.1007/s10834-023-09918-8>.



**Fig. 7** Incidence of student loans for self and/or children, NLSY-79 cohort. Note: multinomial logistic regression; 95% confidence intervals shown. For each race-gender group, we show the predicted probability of respondents accruing student loans for: (1) neither them-

For full results, see: Quadlin, Natasha, Jordan A. Conwell, and Shiva Rouhani. 2023. "The Economic Context of Higher Education Expansion: Race, Gender, and Household Finances Across Cohorts and Generations." *Journal of Family and Economic Issues*. <https://doi.org/10.1007/s10834-023-09918-8>.

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## Black Women and Men Who Attended Highly Prestigious Colleges (Predictions for College Quality Index = .90)

	Black Women	Black Men
Complete 13-15 Years of Schooling	13%	24%
Complete 16 Years of Schooling	26%	28%
Complete 17+ Years of Schooling	50%	32%
Share of Survey Waves Married/ Partnered	20%	21%
Ever Report College Grad Spouse/ Partner	33%	59%
Has Own Educational Debt at 35	63%	44%
Median Own Educational Debt (if Any)	40,338	21,632
Has Spouse/ Partner Educational Debt at 35	14%	39%
Median Spouse/ Partner Educational Debt if Any	36,975	30,900

*Source:* NLSY-97, presenter's calculations.

# Complications for this story

- Marital/ partnership sorting (see prior slide)
- Two-year college versus BA versus grad school debt
- Wage returns to college degrees remain high, especially for Black students with advanced degrees
  - On the last two points, see, for example: Pyne, Jaymes, and Eric Grodsky. 2019. “Inequality and Opportunity in a Perfect Storm of Graduate Student Debt.” *Sociology of Education* 93 (1): 20–39.  
<https://doi.org/10.1177/0038040719876245>.



# Towards practice and policy

- **Highlight and invest in** college pathways (combinations of institution, field of study, degree level, scholarships and loans) that, on average, have:
  - Relatively low debt and/ or forgiveness (e.g., public service forgiveness)
  - Relatively high wage returns

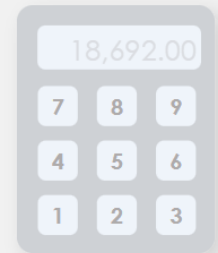


U.S. Department of Education

**Net Price Calculator Center**



## Search for Schools' Calculator



### What does Net Price mean?

Net Price is the amount that a student pays to attend an institution in a single academic year **AFTER** subtracting scholarships and grants the student receives.

Scholarships and grants are forms of financial aid that a student does not have to pay back.

### What is a Net Price Calculator?

Net price calculators are available on a college's or university's website and allow prospective students to enter information about themselves to find out what students like them paid to attend the institution in the previous year, after taking grants and scholarship aid into account.

<https://collegecost.ed.gov/net-price>

[Cost & Tuition Rates](#)[Paying Your Tuition](#)[Financial Aid & Scholarships](#)[Financial Aid Forms](#)[Veteran Education Benefits](#)[onestop.utexas.edu/registration-and-degree-planning/](https://onestop.utexas.edu/registration-and-degree-planning/)[Managing Costs](#) > [Cost & Tuition Rates](#) > **Cost of Attendance**

# Net Price Calculator

The cost of attendance includes more than tuition. The net price includes even more detailed information to determine what an individual undergraduate student will likely pay. Get a personalized estimate of the net price of attending The University of Texas at Austin for the 2022-23 academic year based on your major, personal finances, housing, potential financial aid awards, possible VA Education Benefits and more. By gaining a better understanding of the net price of attendance, you'll know what to expect and you can feel more prepared and confident going into the semester.

[MeadowFi Net Price Calculator](#) 

<https://onestop.utexas.edu/managing-costs/cost-tuition-rates/cost-of-attendance/net-price-calculator/>



# The University of Texas at Austin

40,506 undergraduate students

[utexas.edu](https://utexas.edu) **4**

Year



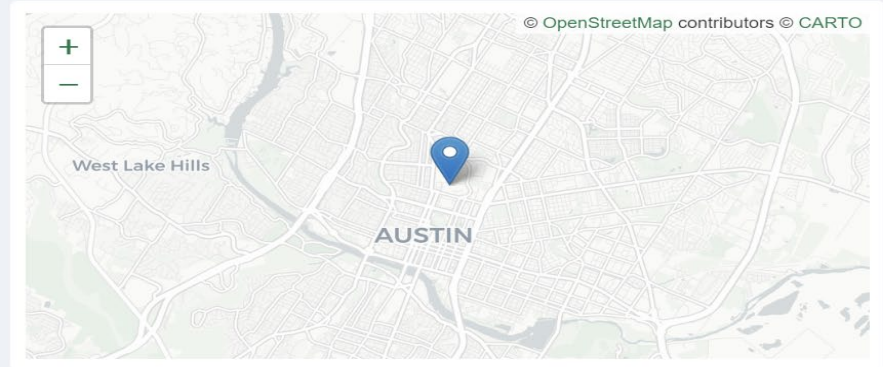
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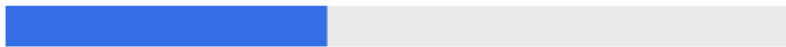
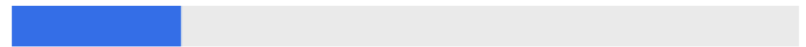
City



Large



Austin, TX 78705

[View on map](#) **Fields of Study** **Median Earnings** ⓘ**\$53,118****Median Total Debt After Graduation** ⓘ**\$21,500****Monthly Earnings** ⓘ**\$4,427****Monthly Loan Payment** ⓘ**\$228****Number of Graduates** ⓘ**150** Include debt borrowed at any prior institutions ⓘ[Compare](#) 

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  - Relatively high wage returns
- **Understand** that some college pathways, on average, have:
  - Relatively high debt AND
  - Relatively high wage returns (e.g., certain fields of medicine or law)


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- **Understand** that some college pathways, on average, have:
  - Relatively high debt AND
  - Relatively high wage returns (e.g., certain fields of medicine or law)
- **Expose and/ or improve** college pathways that have:
  - Relatively high debt
  - Relatively low wage returns

# The New York Times

## *Lawsuit Charges For-Profit University Preyed on Black and Female Students*

The suit claims Walden University not only misrepresented the costs and credits required for an advanced degree but also engaged in “reverse redlining” by targeting minority communities.

 Give this article

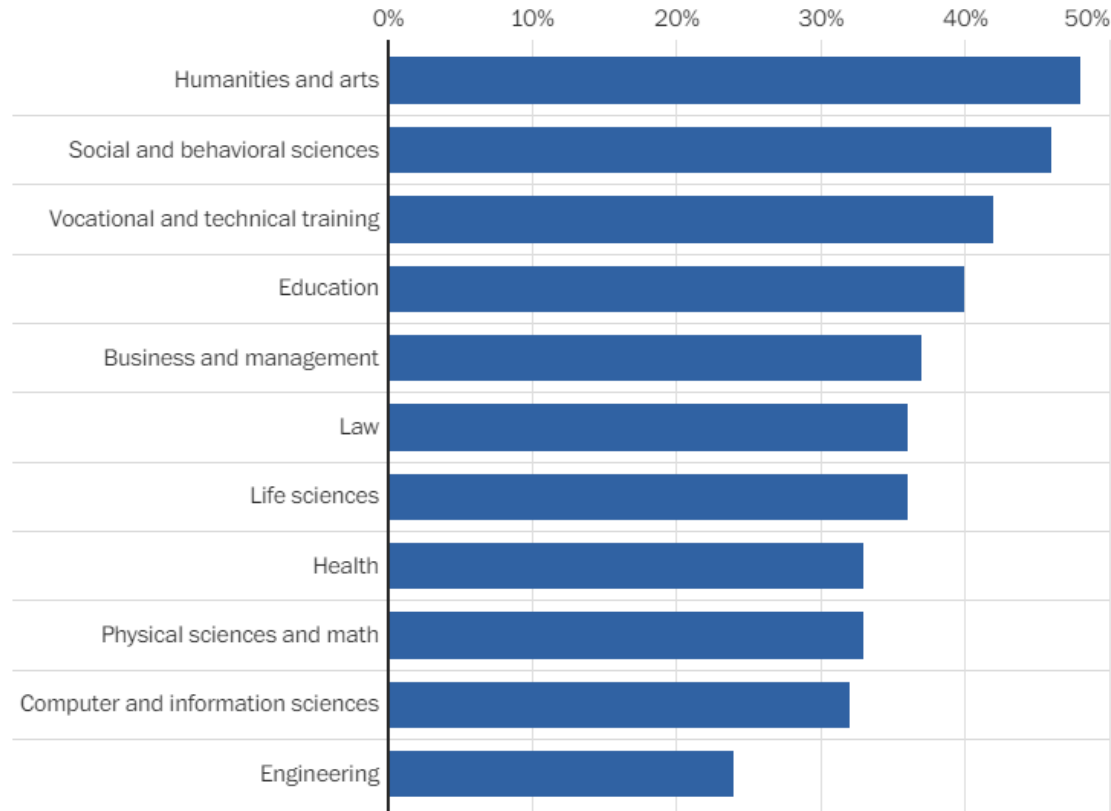


<https://www.nytimes.com/2022/04/08/us/politics/walden-university-lawsuit.html>

**The Washington Post**  
*Democracy Dies in Darkness*

**Many humanities and social science majors have regrets**

Those who wish they'd chosen a different field of study, as a share of all who majored in each subject, 2021



Note: includes those who attended college but aren't currently enrolled

Source: Federal Reserve Survey of Household Economics and Decisionmaking DEPARTMENT OF DATA / THE WASHINGTON POST

<https://www.washingtonpost.com/business/2022/09/02/college-major-regrets/>



# A Concluding Thought



Education should be  
“for both use in  
earning a living and  
for use in living a  
life.”

-W.E.B Du Bois