Student Debt

Louise Seamster, University of Iowa
The American Dream...
...is debt-financed
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
“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

Source: "Umbrellas Don't Make it Rain," Hamilton et al
outcomes after twenty years

“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)
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

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 SHEDO State Higher Education Finance Report and BLS CPI-U-RS
Source: CBPP analysis using College Board Trends in College Pricing Report and BLS CPI-U-RS
The majority of student loans have growing balances.
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 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
<table>
<thead>
<tr>
<th>ENROLLMENT</th>
<th>FUNDING STRUCTURE</th>
<th>&quot;PUBLIC GOOD&quot;</th>
<th>LABOR MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>rising numbers of women and students of color attending college</td>
<td>public institutions increasingly rely on tuition</td>
<td>timing of tax revolts, welfare rhetoric alongside CRM</td>
<td>push to credentialization as individual solution to structural problems</td>
</tr>
</tbody>
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**Shifts in higher education**

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*"Lower ED: The Troubling Rise of For-Profit Colleges in the New Economy*  
by Tressie McMillan Cottom

“By far the best book on the corporate firm and college for-profit 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

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%).

Sincerely,

Raphaël Charcos-Clément
Assistant Professor
The School of Social Transformation
Arizona State University

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

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**The Biden Administration's Student Loan Debt Plan**

<table>
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<tr>
<th>Forgiving Debt</th>
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<tbody>
<tr>
<td>$20,000 if you went to college on Pell Grants</td>
</tr>
<tr>
<td>$10,000 if you didn't receive Pell Grants</td>
</tr>
<tr>
<td>Forgiveness only applies to those earning less than $125,000</td>
</tr>
<tr>
<td>Student loan pause extended one final time through Dec. 31, 2022</td>
</tr>
</tbody>
</table>
Debt abolition

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)

2006 $0.52
2007 $0.59
2008 $0.68
2009 $0.77
2010 $0.86
2011 $0.96
2012 $1.05
2013 $1.15
2014 $1.24
2015 $1.32
2016 $1.41
2017 $1.49
2018 $1.57
2019 $1.64
2020 $1.69
2021 $1.73
2022 $1.76

*Totals as of each year's fourth fiscal quarter.
Education Data Initiative source: U.S. Federal Reserve

https://educationdata.org/student-loan-debt-statistics
Share of Families with Education Installment Loan Debt

By race or ethnicity, 1989 to 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.
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?

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

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?

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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.
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-

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

*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

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
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
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.

The University of Texas at Austin

40,506 undergraduate students

utexas.edu

4 Year
Public
City
Large

Austin, TX 78705

Fields of Study

Sociology - Bachelor’s Degree

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
Towards practice and policy

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  – Relatively low debt and/ or forgiveness (e.g., public service forgiveness)
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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)
Towards practice and policy

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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
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.
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

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