

Analysis of New Federal Data Shows 'Crisis-Level' Default Rates for Black Student Loan Borrowers

[By Hunter B. Martin, NASFAA Staff Reporter](#)

Lawmakers have long been concerned with racial disparities in student loan default rates, especially among black borrowers. New federal data revealed this fall found that high student loan default rates among black borrowers have remained the same since the Department of Education (ED) released data about the issue in 2017.

The data tracked students who started college during the 2011-12 academic year for six years, through 2017, as part of the Beginning Postsecondary Students Longitudinal Study (BPS). The study revealed that — regardless of the type of institution black borrowers attended — within six years of enrolling in college, one-third of all black borrowers in repayment had defaulted on their student loans, compared to 13% of white borrowers.

“The long-term loan outcomes for Black borrowers released in 2017 were some of the most shocking figures ever seen for higher education. Sadly, the updated data suggest that students who enrolled eight years later did not have better outcomes,” the Center for American Progress (CAP) wrote in an [analysis](#) of the data, which was a follow-up to data released two years ago, published this week.

Default rates among students, regardless of race, who attended private for-profit institutions are higher than at other types of institutions. But even at public and private non-profit schools, default rates for black borrowers were nearly four times greater than for white borrowers, and more than double the rate for Hispanic borrowers, according to the CAP analysis.

The study is the first of its kind tracking undergraduates since Congress created income-driven repayment (IDR) plans, which lawmakers have viewed as a way to decrease default rates. The data found that only approximately one-fifth of borrowers in repayment were enrolled in IDR plans.

IDR plans require borrowers to re-enroll each year through a process that can be cumbersome due to the need to recertify income. NASFAA has [previously urged](#) lawmakers to streamline the process of enrolling borrowers in IDR plans.

Despite being more likely to be enrolled in IDR plans, black borrowers were still more likely to default on their student loans, suggesting that additional steps need to be taken to address the issue.

“Continued high default rates, despite the use of IDR, suggest either that outcomes would be much worse without it or that there must be other solutions to better serve borrowers most at risk of default,” CAP wrote.

One population of borrowers is at an even higher level of risk of defaulting: borrowers who do not complete their degrees. More than 40% of borrowers who did not earn a degree later defaulted on their student loans, including 55% of black borrowers. On the other hand, students who completed their degrees or earned a certificate had default rates of about half those of non-completers, according to the CAP analysis.

Despite clear statistical differences between default rates for black and white borrowers, one thing the data cannot explain is the exact cause of these racial disparities. More research is needed to address differences in income, employment rates of borrowers of color, employment discrimination, and differences in familial wealth, according to the CAP report. NASFAA has also [previously written](#) to lawmakers seeking to address racial disparities in debt ratios and default rates that exist between borrowers of color and white borrowers.

"Such worrisome results, even with the availability of IDR, suggests that repayment plans that reduce monthly payments are a necessary but ultimately insufficient tool for addressing loan default," CAP wrote. "The latest BPS data indisputably show crisis-level outcomes for Black borrowers—results that are not getting better. Policymakers must put forward bigger and bolder solutions for dealing with student debt."

Publication Date: 12/5/2019