

Expert Panel Proposes Solutions to Black Student Loan Debt

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

Multiple research studies have found that the current financial aid structure for higher education exacerbates inequality between black and white students. [New data](#) from the Institute on Assets and Social Policy (IASP), shows the average black borrower has about \$34,000 in student debt compared to \$30,000 for white borrowers.

According to the report, black students are more likely to borrow, take out larger amounts of loan debt, and experience greater difficulty in paying off their student loans after college. The data show about half of black borrowers default on their student loans over the course of 20 years while still holding approximately 95% of their borrowing total, almost \$20,000, versus white borrowers, nearly 50% of whom have paid off about 94% of their student debts and have no student debt after 20 years.

The report also posits that black graduates continue to face discrimination once entering the workforce. To compound the problem, IASP reports that black students are also less likely to have family financial means to assist them or fall back on during times of significant financial stress.

“Student loans can have negative and long-lasting repercussions that keep young people from achieving security in adulthood, especially when they do not have access to generations of family wealth,” IASP wrote.

First-generation students of color are particularly vulnerable to loan default. Approximately half of black student borrowers default within 20 years of starting college, according to IASP.

A recent panel briefing in Washington, DC discussed similar concerns about inequity for black borrowers.

Dominique Baker, an assistant professor at Southern Methodist University, explained that black students may take out more loans for a variety of reasons, one of which is lack of opportunity during high school to take qualifying college courses or to achieve the grades and scores to be eligible for merit-based scholarships.

Baker spoke at The Education Trust’s [Hill Briefing on Black Student Debt: Explaining the Crisis and Providing Solutions](#) on Thursday.

Baker also explained that black students are more likely to attend for-profit colleges and the market return on those degrees may not create value for degree-holders.

“It’s expensive to attend [for-profit] institutions, the graduation rates are abysmal, and you could have gotten the same credential from a community college at a reduced cost and still have the same economic return,” Baker said. “It’s a ‘perfect storm’ for debt issues for black students.”

According to John B. King, Jr., former secretary of education for the US Department of Education and current president and chief executive officer of The Education Trust, about 75%

of black students who attend for-profit colleges – and leave without earning a degree – default on their student loans.

Baker also examined proposed solutions to the national student debt, such as plans for free college. She explained that these types of programs would likely only offer free tuition, rather than the full cost of college.

“Marginalized groups have costs beyond tuition and fees,” Baker said. “Ultimately, even though we’re talking about free college, it’s not really free. And it has the ability to perpetuate existing debt issues, for black students in particular.”

The Education Trust panel also discussed the difficulties for first-generation students to understand the overall cost of college beyond academic and housing fees such as transportation, supplies and other living expenses.

The panel discussed another potential solution to aid black borrowers: \$10,000 loan forgiveness across the board.

Ashley Harrington, the senior policy counsel dedicated to student loans at the Center for Responsible Lending, explained, “90% of people in default... are in default for amounts less than \$10,000. And 40% of the people that have [student] debt, would have no debt after that.”

Policy experts agree that the problem of black student loan debt must be addressed alongside larger issues of socioeconomic inequality.

“Black families hold a fraction of the wealth of the typical white family, and a regime of private and family financing is leaving a generation of young borrowers of color with debt that serves as an encumbrance to long-term economic security and social mobility,” IASP wrote.

Luke Frederick, research director at the Ohio Student Association, explained at Thursday’s panel how previous policies – such as the GI Bill, social security, unemployment, or affirmative action – meant to create social mobility only addressed class and therefore often left out black people. He believes future policies need to target black borrowers directly.

“Debt forgiveness policies have to be targeted,” Harrington said at the event. “We want to target the students that are struggling the most; the families that are struggling the most.”

Publication Date: 9/30/2019