

Disparity in student loan debt between blacks and whites

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Black young adults not only have substantially more student loan debt than their white counterparts (68.2 percent more) but are not nearly as protected by their parents' wealth as their white counterparts, according to a study recently published in [*Race and Social Problems*](#).

While other studies have examined the racial disparity in [student loan](#) debt, this study asks how this disparity is created, focusing on racial disparities in parental wealth, differences in the types of college attended, and the ability of [young adults](#) to pay down that debt when they leave college and enter the workforce. Using data from the National Longitudinal Study of Youth 1997, the study examines a sample of approximately 9,000 young men and women, who were interviewed annually from 1997 to 2011.

Consistent with prior research, the study found that [black](#) young adults have more student loan debt than their white counterparts. The study demonstrates how differences in wealth, family background, postsecondary educational differences and parental contributions to college, may explain this disparity in student loan debt between blacks and whites. One of the reasons that black young adults may be more indebted than their white counterparts is that they tend to be more apt to attend a high-cost for-profit university or other institutions offering less financial aid relative to the sticker price than their white counterparts. While these institutional factors played a role in the racial gap in debt, the study showed that racial differences in parental wealth played an important part.

Average parental net worth was nearly four times higher for whites (\$174,841) than for blacks (\$48,494); differences were even more extreme for median net worth (\$101,376 vs. \$9,497). Differences in wealth between white and black parents could be observed across all types of wealth holdings, especially in financial assets, home equity, retirement accounts and college savings account holdings.

The authors showed that a \$10,000 increase in parental net worth is associated with a 12 percent decline in student loan debt, which explained part of the racial gap in debt. However, when they dug deeper into this finding, they found that while wealth buffers debt among white youth, this is not the case for black youth. In fact, the racial disparity in student loan debt is highest among those who come from the wealthiest families. That is, young adults from wealthy white families hold significantly less debt than their less affluent counterparts. In black families, not only is debt higher, but there is no difference between wealthy black families and less affluent black families.

The authors suggest that wealthy black parents are less able to transfer wealth to their kids than their white counterparts, perhaps, due in part to having fewer liquid assets such as stocks, bonds and savings, which can be passed down more easily to the next generation. Wealthy black parents also have substantially less home equity and only one-half the financial assets of their white counterparts. Transferable wealth or the lack thereof, may help explain why the study found that white parents contributed \$12,000 over the course of a college career, whereas, black parents contributed only \$4,200.

Young adults' net worth also serves as a factor in the racial disparity in student loan debt. A \$10,000 increase in young adult net worth is associated with 7.6 percent less student loan debt. Those with high [net worth](#) may have benefited from transfers of wealth from their parent(s) and/or across generations and subsequently, may be in a better position

to pay down their student loans quicker.

"Our results highlight not only how racial wealth inequalities are created, but also how they are compounded intergenerationally," said study co-author [Fenaba R. Addo](#), assistant professor of consumer science at University of Wisconsin-Madison.

"In recent decades, sociologists have been concerned about the fragility of the black [middle class](#). That is, not only is it harder for blacks to become middle class, but blacks are also at a greater risk of falling out of the middle class than whites. Our findings suggest that rising student loan debt may serve to make the black middle class more fragile, because the latest generation of black young adults are more burdened with debt while also getting fewer payoffs to college. In a society where a college degree is increasingly necessary to enter the middle class, and yet college costs have risen dramatically, black students take on a great deal more risk, and seem to experience fewer rewards than whites," said study co-author [Jason N. Houle](#), assistant professor of sociology at Dartmouth.

As the costs of college in the U.S. continue to rise, the disproportionate level of student loan debt among black young adults is cause for concern, as high student loan debt loads may exacerbate [racial disparities](#) in college dropout and completion rates, and may also have broader implications across the life course, including young people's ability to attain other conventional markers of adulthood (such as marriage and becoming a parent).

Provided by Dartmouth College

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