

Research reveals racial disparities in education debt

April 22 2016, by Neil Schoenherr

Low-to-moderate income (LMI) black students and graduates accrue on average \$7,721 more student debt than their white counterparts, finds a new analysis by researchers in the Center for Social Development (CSD) at Washington University in St. Louis.

"College in America is becoming increasingly unaffordable, and that is especially true for lower- and middle-income black households," said Michal Grinstein-Weiss, associate director of the CSD, director of the Envolve Center for Health Behavior Change and professor at the Brown School.

Grinstein-Weiss is lead author of the study, "[Racial Disparities in Education Debt Burden Among Low- and Moderate-income Households](#)," published in the journal *Children and Youth Services Review*.

"Saving for college should be a priority for everyone," Grinstein-Weiss said. "It's important to start early with college savings accounts, such as a 529 plan, at birth. In addition, financial aid programs should be designed to effectively target students from black LMI households. And after enrollment, borrowers need more support to stay in school and repay their loans."

The research establishes [racial disparities](#) in education debt among a low-income population and shows that significant disparities in education debt persisted even after LMI black students earned their degree.

Even after controlling for factors such as income, education and household assets among LMI borrowers, differences in indebtedness between black and white borrowers were persistent.

"Pursuing higher education to earn a college degree remains a strong predictor of upward mobility and wage growth over a lifetime," the study said. "Yet as LMI students borrow for college and weigh expected returns, the risk of excessive debt accumulation remains high for black students, particularly those from households making \$31,000 or less."

Among all U.S. college graduates who earned a four-year degree in 2012, 63 percent of whites and 81 percent of blacks borrowed to pay for their degrees.

"One of the strongest predictors of college achievement and affordability is the availability of liquid assets like college savings accounts," said Grinstein-Weiss, who is the principal investigator of the [Refund to Savings](#) initiative, the largest saving experiment conducted in the United States to date in terms of sample size.

"When a student has access to liquidity, they have less reason to borrow to pay for college," she said. "So, even though the borrowers in our sample are all from LMI households, there may still be other differences in assets between white and black families that cause black students to rely more on loans.

"Second, many low-income and minority [college](#)-goers, especially [black students](#), are overrepresented at for-profit institutions, which are consistently more expensive than traditional nonprofit institutions and offer very little need-based forms of aid.

"Finally, the longstanding history of racial disparities in access to quality education or mainstream credit vehicles can play a role."

More information: Michal Grinstein-Weiss et al. Racial disparities in education debt burden among low- and moderate-income households, *Children and Youth Services Review* (2016). [DOI: 10.1016/j.chidyouth.2016.04.010](https://doi.org/10.1016/j.chidyouth.2016.04.010)

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