

# Study: Student loans hamper wealth accumulation among black, Hispanic adults

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Black and Hispanic adults who graduate college owing money on student loans have significantly lower net worth at age 30 than students who don't borrow to pay for college, a new study suggests.

Black and Hispanic adults in the study who reported having outstanding [student loans](#) when they graduated [college](#) had \$36,000 less in net worth than their peers at age 30, according to lead author Min Zhan, a professor of social work at the University of Illinois. Zhan's co-author, Xiaoling Xiang, is a professor of social work at the University of Michigan.

Black and Hispanic students who had student loan debt when they graduated accumulated \$11,780 less in financial assets and nearly \$39,600 less in nonfinancial assets than their peers by age 30, the researchers found.

More than 20 percent of the 1,455 [young adults](#) who participated in the study reported having [student loan debt](#) at college graduation. Black and Hispanic adults owed an average of about \$14,670 when they graduated, compared with \$2,946 for students in the full sample.

The researchers examined three markers of wealth accumulation—participants' total net worth, the value of their financial assets such as bank and retirement savings and other investments, and nonfinancial assets, which included real estate equity and the value of any businesses and vehicles that participants owned.

Participants had been out of college an average of nine years at the time of the study.

"The findings are concerning because they suggest that [education](#) loans may compromise minority students' wealth-building longer than previously thought," Zhan said. "They also show evidence that education loans negatively impact both the financial and nonfinancial assets of black and Hispanic young adults."

The majority of students with education loans were female (59 percent) and black (62 percent). However, these students had greater formal education—16 years compared with 13 years—and worked more hours per week, an average of 30 hours compared with 25 hours weekly for their counterparts without loans, according to the study.

Before controlling for socio-demographic characteristics, young adults who had student loans had significantly higher net worth and financial and nonfinancial assets than their peers without education debt, the researchers found.

"Years of education is a stronger positive predictor of [net worth](#) and greater financial and nonfinancial assets, after controlling for education loans and sociodemographic characteristics," Zhan said. "This finding highlights the importance of college education in building wealth among minority young adults."

While soaring tuition rates at U.S. colleges and universities have compelled more students to go into debt to pay for their education, a number of potential solutions have been proposed. But according to Zhan and Xiang, Pell Grants may be the "most effective investment by the federal government" for helping low- and moderate-income students access college.

However, the grants' purchasing power has not kept pace with tuition rates, they wrote.

Bolstering Pell Grants would have a greater impact on promoting higher education and reducing racial disparities in wealth attainment than offering additional [student](#) loans and other types of credit, the researchers suggest.

"Addressing college students' financial needs with additional education loans and other types of credit may be counterproductive for minority young [adults](#)' future financial health and may even magnify racial/ethnic disparities in wealth," the researchers wrote.

Data for the study were taken from the 1997 cohort of the National Longitudinal Survey of Youth, a nationally representative sample of the U.S. population that included more than 8,900 respondents, more than 4,200 of whom were black or Hispanic.

The study, published recently in the journal *Children and Youth Services Review*, included data collected between 1997 and 2012.

**More information:** Min Zhan et al, Education loans and asset building among black and Hispanic young adults, *Children and Youth Services Review* (2018). [DOI: 10.1016/j.chilyouth.2018.06.006](https://doi.org/10.1016/j.chilyouth.2018.06.006)

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