

Study finds racial disparities in student debt increase after young people leave college

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Racial disparities in student debt between blacks and whites may perpetuate the racial wealth gap according to a study in the online first edition of *Sociology of Race and Ethnicity*.

The study is the first to evaluate how racial disparities in student debt change over one's life course— from when young people first graduate or leave college in their early 20s to over the next 10 years, as they enter the job market, start families and transition into adulthood. By looking at the disparities in debt at multiple points in time rather than at a single point in time, the analysis provides new insight into how student debt is linked to economic inequalities by race.

"Racial disparities in debt are large after young people leave college and continue to increase across the early adult course, as young people enter their mid-thirties. Our findings reveal that when young people initially leave college, blacks have 86 percent more student debt than whites. This disparity however, grows over time: 15 years after college, blacks will have nearly double the debt of whites or 186 percent more student debt," explained co-author Jason N. Houle, an assistant professor of sociology at Dartmouth. "Student loan debt is racialized in the U.S., not only because youth of color—particularly black youth—need to take on more debt in order to afford college, but also because blacks have a harder time repaying that debt once they leave college than do whites."

Even if black young adults and white young adults were to have the same amount of student debt, repayment is much more difficult for blacks, as

they are more likely to come from disadvantaged backgrounds and to have left college without getting a degree. Blacks are also more likely to attend for-profit institutions, which are often more expensive, as well as underfunded institutions, which have limited financial aid. But racial inequalities in the labor market are especially important for repayment. "When it comes to whether you can pay that debt back, what matters most is how well you are doing socioeconomically and whether you have a stable job in [young adulthood](#)," Houle explained. Racial differences in the ability to pay down debt are largely influenced by one's socioeconomic status, whereas, [racial differences](#) in the accumulation of debt are determined largely by family background and the type of college they attend.

Data from approximately 9,000 [young people](#) born between 1980 and 1984, compiled by the National Longitudinal Study of Youth 1997 Cohort, was used for the study. The respondents included graduates between 2001 and 2005. The research team examined: student debt and assets, and net wealth at ages 20, 25 and 30; family background such as whether the parent(s) went to college, parental wealth and family structure; postsecondary educational characteristics, including the highest degree attained and the sticker price(s) of the institutions attended; and young adult social and economic status indicators, including age, marital status and employment status. Using 2010 dollars, the researchers adjusted for inflation.

According to the researchers, [racial disparities](#) in student debt may contribute to the continued racial inequality in the U.S., and may serve as obstacles for the future of the black middle class. The authors found that student debt explained approximately 20 percent of the black-white wealth gap among those who went to college "Student debt contributed to a substantial minority of the black-white wealth gap in young adulthood," said Houle.

The findings support previous research reporting that blacks are more likely to have debt and to have higher levels of it. The results are consistent with the team's earlier work on the economic strain of [student debt](#), including how black young adults are not nearly as protected by their parents' wealth as their white counterparts. The recent work also supports Houle's co-authored research illustrating that black college-goers are more likely to boomerang or return to a parental home than whites.

More information: Jason N. Houle et al. Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class, *Sociology of Race and Ethnicity* (2018). [DOI: 10.1177/2332649218790989](https://doi.org/10.1177/2332649218790989)

Provided by Dartmouth College

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