

MARCH 11, 2019

# Buried in Debt

Part II: A Story of Disparate Impact

BY SUMMER & STUDENT DEBT CRISIS

# Introduction

It's easy to become overwhelmed by the staggering statistics of student debt in the United States: the collective **\$1.5 trillion debt load**,<sup>1</sup> for example, or the fact that almost nothing—not bankruptcy, not even death<sup>2</sup>—can absolve student loan debt. But we wanted to go deeper than the headline numbers to better understand how these forces are changing young people's lives. That's why Student Debt Crisis and Summer—two organizations dedicated to helping student loan borrowers—partnered to conduct a nationwide survey of 7,095 borrowers from all 50 states.

In Part II of our report, we focus on the disparate impact of student debt across demographic groups. **Perhaps the most stunning pattern we found is how much the severity of the student debt crisis is compounded in minority communities.** Our survey results mirror earlier research on student debt and race: within mere years of graduation, black student loan holders owe almost double the amount in student loan debt that their white counterparts do.<sup>3</sup>

The beginning of most student loan stories is family wealth—or a lack thereof. A recent report shows that black Americans have only a fraction of the wealth of white Americans—a median of roughly \$13,000 compared to \$140,000.<sup>4</sup> This gap, which has widened in the last decade, paves the way for unequal student loan debt. Given this context, it's no surprise that black students are considerably more likely than white, Asian, or Latino students to borrow in order to finance their own education.<sup>5</sup>

72% of minority borrowers agreed with the statement "One or more of my family members has never contributed to my student loan payment since they cannot afford to do so, compared to 59% of white borrowers."



## About Student Debt Crisis

**Student Debt Crisis** is a non-profit organization dedicated to reforming student debt and higher education loan policies. Student Debt Crisis works with borrowers to understand their repayment obstacles and frustrations, and has realized national prominence for its efforts to represent borrowers on debt resolution solutions through petitions, awareness campaigns, and working with lawmakers.

## Summer

### About Summer

**Summer** is a social impact start-up focused on helping millions of student loan borrowers successfully navigate the complex repayment process. Founded in partnership with Yale University in 2017, Summer is committed to combining policy expertise with smart technology to help borrowers from all backgrounds. Summer's software helps borrowers track their loans in one place and uses an innovative recommendation engine to enroll them in the best repayment plan that maximizes their savings.

### About the Research Survey

This survey was conducted by Student Debt Crisis on behalf of Summer among 7,095 adults with student loan debt from all 50 states within the U.S. from October 9 - 24, 2018.

Our survey found that 72% of minority borrowers agreed with the statement “One or more of my family members has never contributed to my student loan payment since they cannot afford to do so,” compared to 59% of white borrowers. Another key factor we found is the disparity across ethnic groups in terms of financial cushion: **80% of black and 75% of Latino borrowers reported having less than \$1,000 in their bank accounts**, compared to 61% of white and 53% of Asian borrowers.

The disparate impact of student debt is lasting, and for many borrowers, painfully clear each month when payments come due: 24% of minority borrowers are currently in default on at least one student loan, and another 29% are in doubt as to whether they can make next month’s payment.

The combination of these factors—from lack of family wealth to student borrowing to rate of repayment—already tells a distressing tale of inequality. The full magnitude of this inequality, however, lies in the fact that the impact is not a linear path but rather a vicious cycle. **The disproportionate student loan burden in black communities is further fueled by the racial wage gap<sup>6</sup> and perpetuates an intergenerational crisis:** the children taking out loans to finance their education are more likely to have children that take out student loans that not even death can absolve.

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# Debt and Demographics: A Story of Disparate Impact

The survey results reveal not only the financial strain of student debt but also the disparate impact across demographic lines. Differences in household wealth, exacerbated by the impact of poor credit, lead to diverging outcomes by ethnic group. **Black, Latino, and Native American borrowers, in particular, report more limited family support, less financial cushion, and more trouble repaying their student loans.** Minority groups also report lower awareness of government programs designed to help struggling borrowers, exacerbating underlying disparities but also representing potential opportunities for more effective intervention.

“It feels like I’m serving a life sentence for having made the decision to get an education. It’s only compounded by the fact that Latinas like me are the most underpaid demographic in the US. The only way I can imagine paying off my loans in under a decade is to somehow double my income.” – Rhiannon (Oregon)

The impact of student debt varies significantly across demographic lines:



**Less family support**  
Minorities report less financial support from their families.



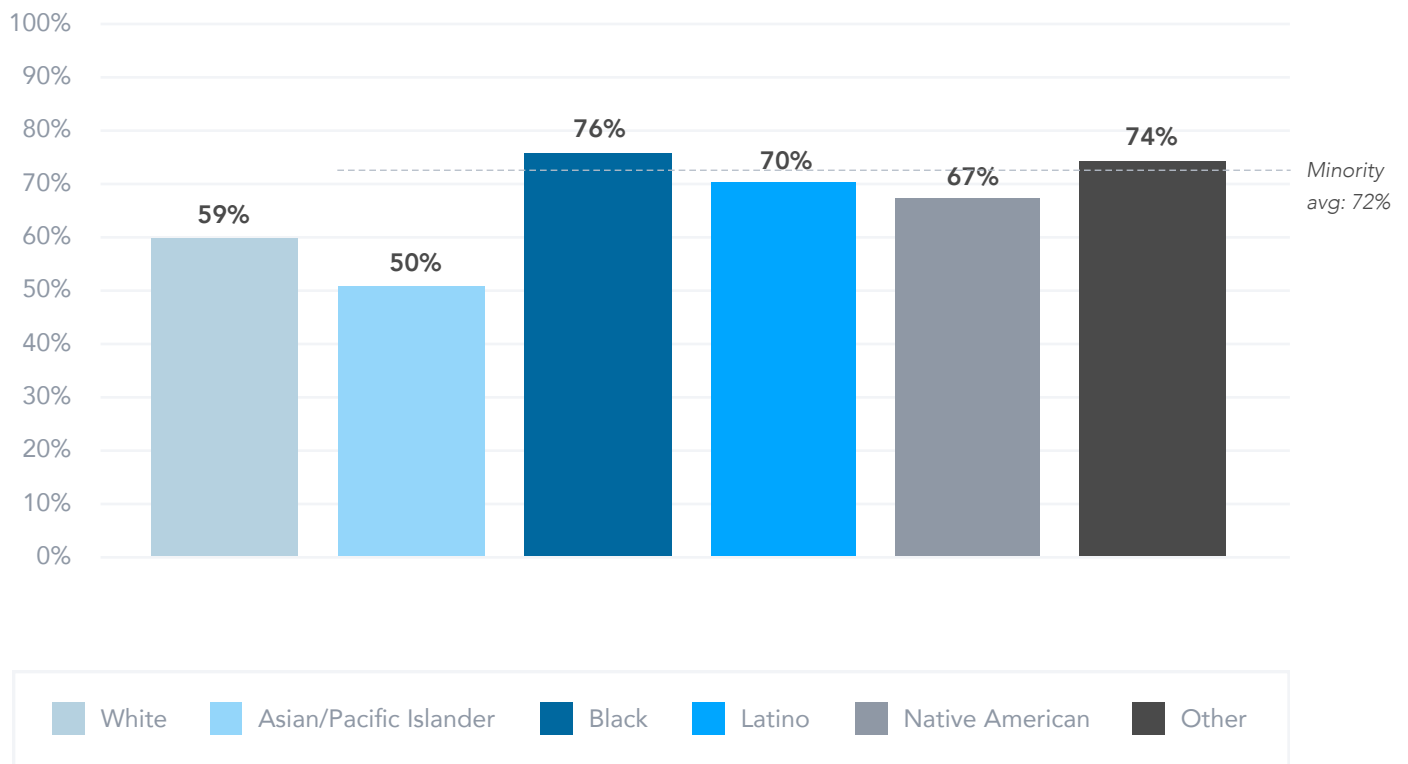
**Higher default rates**  
Black and Latino borrowers face higher rates of default.



**Less information**  
Minority borrowers have less awareness of government programs.

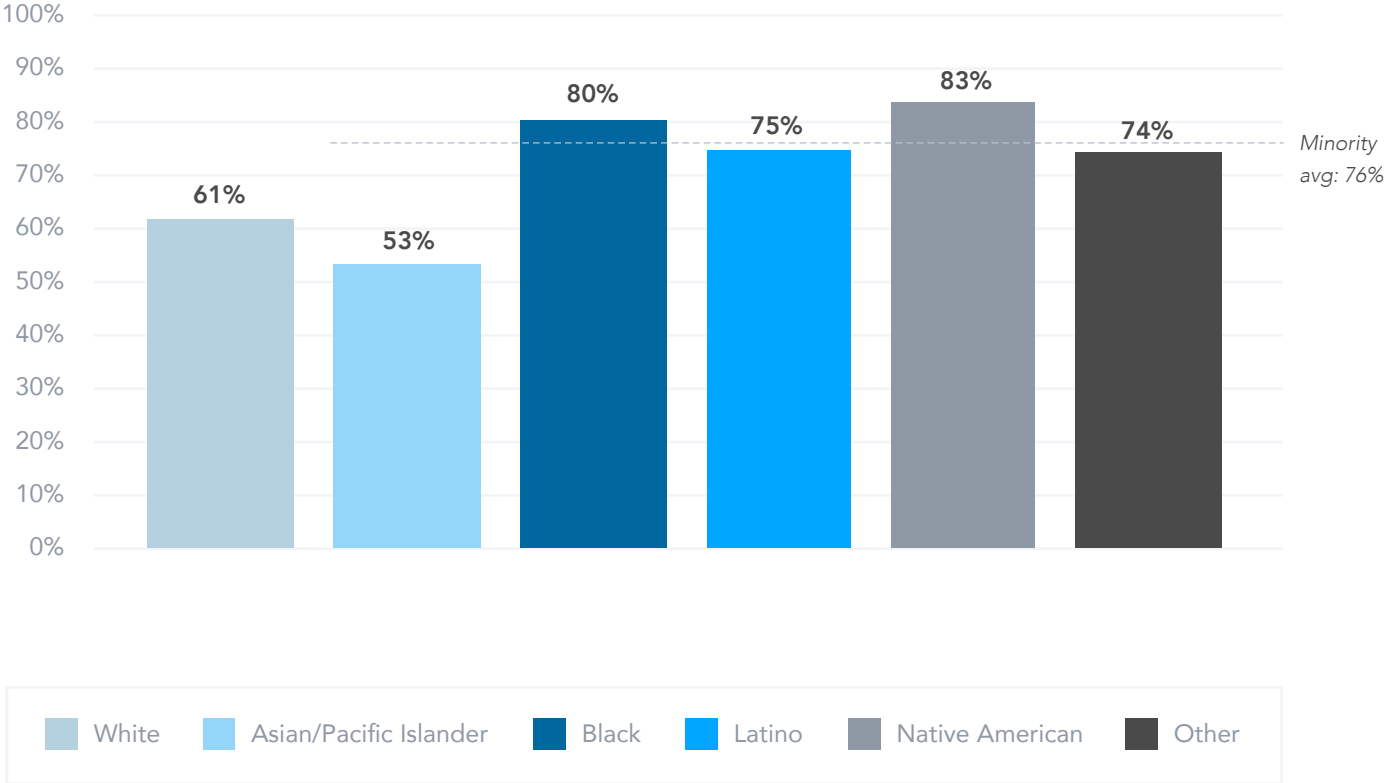
# Black, Latino, and Native American borrowers face lower levels of family support than their white and Asian counterparts.

My family members have never contributed to my loan payments since they cannot afford to help.



# 76% of minority borrowers have less than \$1,000 in their bank accounts.

I currently have less than \$1,000 in my bank account.

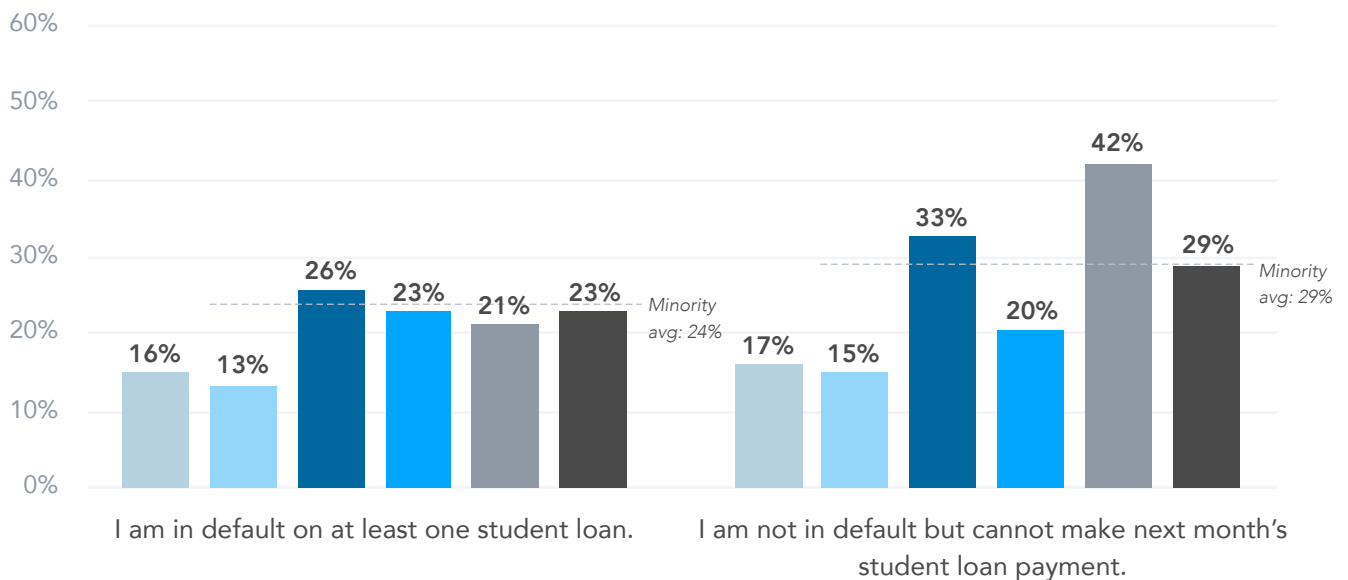


“My family suffers because my husband and I chose to get an education. I hate that I regret going to college.”

– Crystal (New Mexico)

# 26% of black borrowers and 23% of Latino borrowers surveyed are in default on at least one student loan.

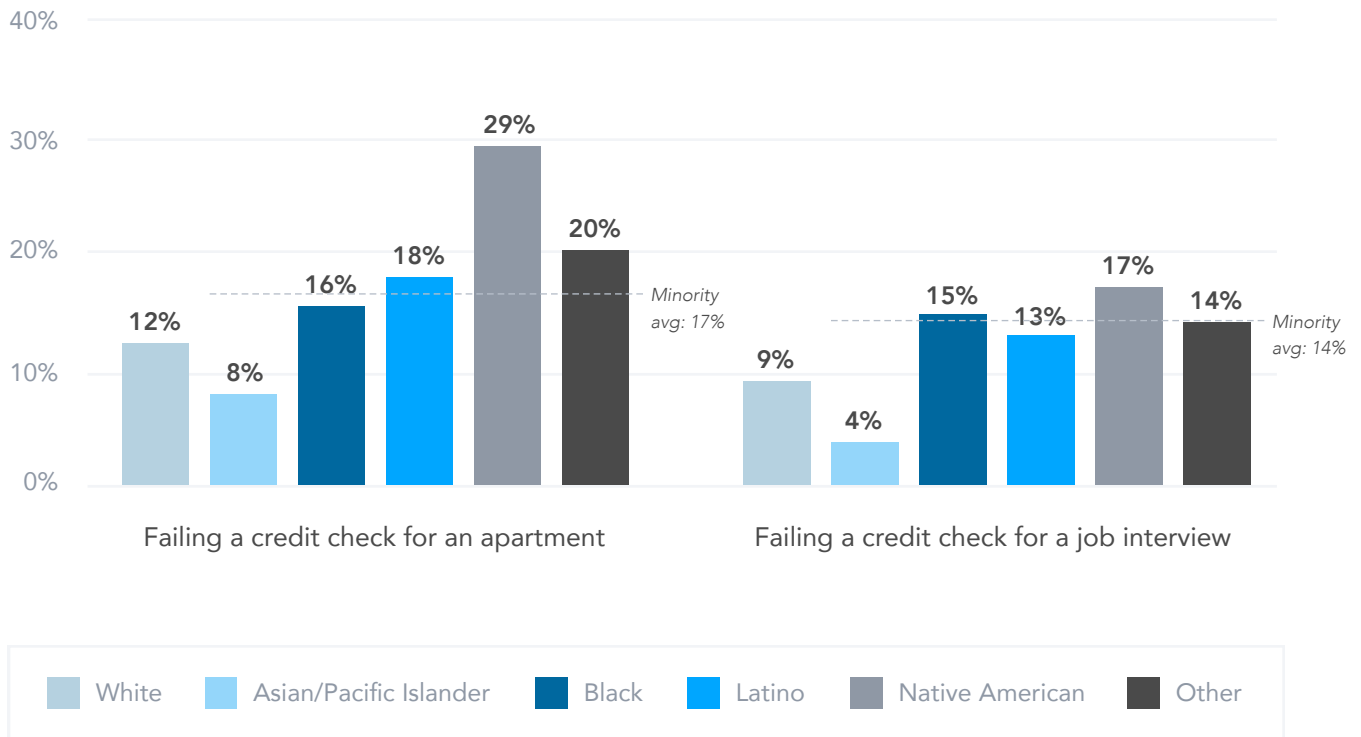
Select the sentence that best describes your loan situation:



White Asian/Pacific Islander Black Latino Native American Other

# Minority borrowers are **disproportionately impacted** by student debt in areas such as **credit checks for housing and job interviews.**

Trouble repaying my student loans has led to the following:

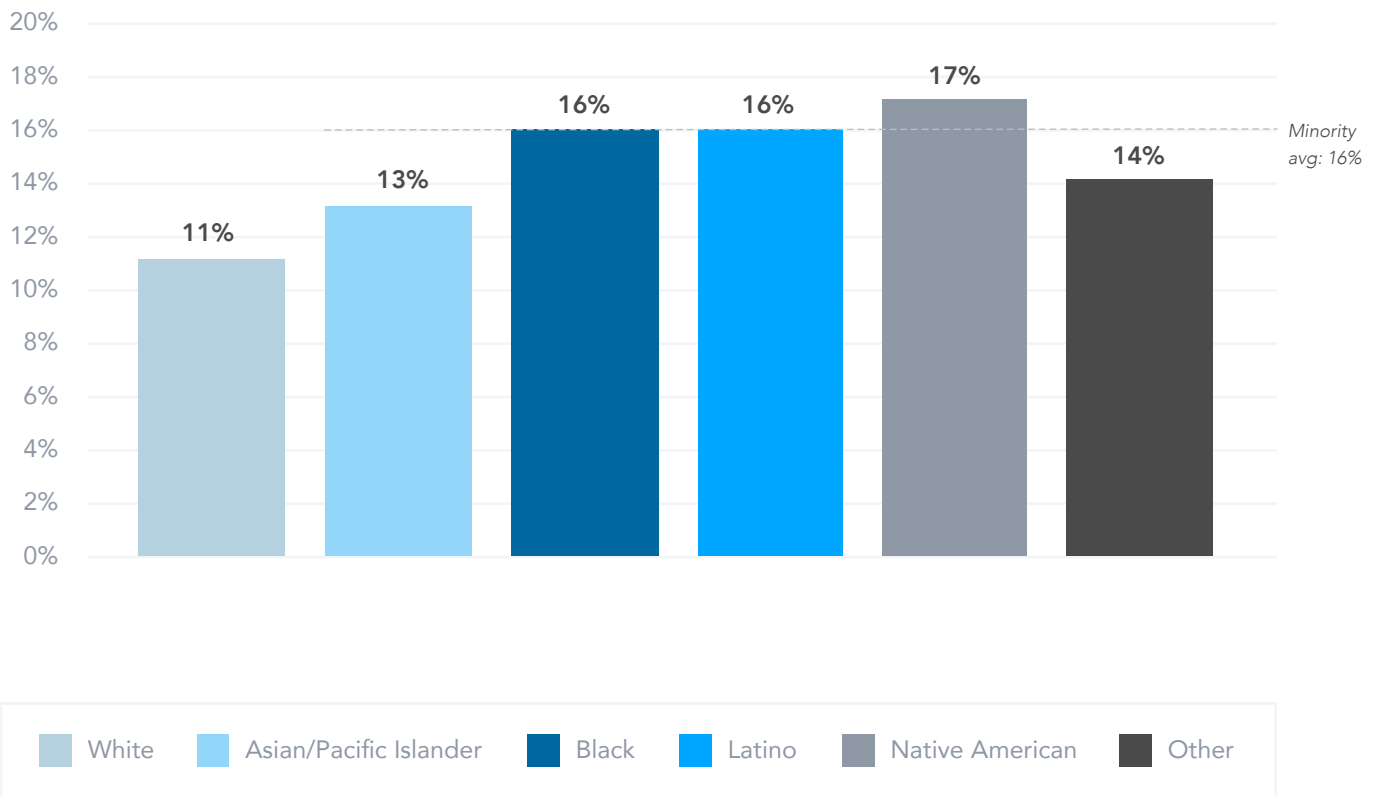


"I was advised to take on student loans because they were 'good debt' to have, but I have never made enough money to feel secure and have nothing in savings. Even though I am on the IBR plan I'm still worried about not being able to pay the amount owed every month and often have to ask for help from family members." – [Amanda \(Minnesota\)](#)



Despite greater reported difficulty with repayment, **16% of black and Latino borrowers have never heard of income-driven repayment programs.**

I have never heard of Income-Driven Repayment (IDR) programs.



# About the Research Survey

This survey was conducted by Student Debt Crisis on behalf of Summer among 7,095 adults with student loan debt from all 50 states within the U.S. between October 9 and October 24, 2018. Because the survey sample is based on respondents selected from among those who agreed to participate in the Student Debt Crisis surveys, no estimates of theoretical sampling error can be calculated.

## Age

Answer choices	Responses
15 to 19	0.09%
20 to 24	1.16%
25 to 29	6.69%
30 to 34	18.07%
35 to 39	18.30%
40 to 44	14.96%
45 to 49	11.51%
50 to 54	9.61%
55 to 59	7.37%
60 to 64	6.61%
65 and above	5.64%

## Ethnicity

Answer choices	Responses
White	73.59%
Hispanic or Latino	9.01%
Black or African American	16.54%
Native American or American Indian	3.24%
Asian / Pacific Islander	2.93%
Other	3.76%

## Gender

Answer choices	Responses
Male	26.55%
Female	71.61%
Non-binary	0.69%
Prefer not to answer	1.14%

## Education

Answer choices	Responses
Some college credit, no degree	8.78%
Associate degree (ex: AA, AS)	6.87%
Bachelor's degree (ex: BA, BS)	31.65%
Master's degree (ex: MA, MS, MEd)	38.50%
Professional degree (ex: MD, DDS)	6.54%
Doctorate degree (ex: PhD)	7.66%

### END NOTES:

- [https://www.federalreserve.gov/releases/g19/HIST/cc\\_hist\\_memo\\_levels.html](https://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html)
- <https://www.buzzfeednews.com/article/annehelenpetersen/student-debt-college-public-service-loan-forgiveness>
- <https://www.theatlantic.com/education/archive/2016/10/why-debt-balloons-after-graduation-for-black-students/505058/>
- <https://www.forbes.com/sites/christianweller/2019/02/14/african-americans-wealth-a-fraction-that-of-whites-due-to-systematic-inequality/#a2b5ab545542>
- <https://www.urban.org/research/publication/racial-and-ethnic-differences-family-student-loan-debt>
- <https://www.marketwatch.com/story/howzz-student-debt-is-fueling-the-racial-wealth-gap-2018-05-03>