

Black-White Disparity in Student Loan Debt More than Triples After Graduation by Judith Scott-Clayton and Jing Li

Amidst the general public concern over rising levels of student loan debt, racial disparities have attracted increasing attention. Students of color are [more likely to borrow](#), borrow [more](#), and are more likely to [default](#) conditional on borrowing. Student loan delinquencies are also [geographically concentrated](#) in black and Latino communities. These patterns [are not fully explained](#) by differences in parental income and wealth, indicating that postsecondary and labor market experiences also contribute to racial disparities in debt outcomes.

In this report we provide new evidence that the problem is even worse than previously understood. We find that four years after earning a bachelor's degree, black graduates have nearly \$25,000 more student loan debt than their white peers: \$52,726 on average, compared to \$28,006 for the typical white BA graduate. This total debt gap is more than triple the previously-documented black-white gap in undergraduate borrowing, which is “only” about \$7,400 (\$23,400 versus \$16,000). Black college graduates are also three times more likely to default on their debt within four years of graduation.

Why does the debt gap grow so rapidly after graduation? We find that black graduates pay off their undergraduate debt more slowly than white graduates, in part due to a weak labor market in which black-white employment and wage gaps [have widened](#). Nearly half of black graduates owe more on their undergraduate loans than they did at graduation, compared to just 17% of white graduates. Differences in repayment patterns can account for about \$6,300 (25%) of the total \$25,000 gap.

But our analysis also reveals the surprising, disproportionate role of graduate school: graduate borrowing accounts for \$11,000 (45%) of the total black-white debt gap. Almost half of black graduates (47%) in the 2008 cohort enrolled in a graduate school degree program within four years, compared to 38% of white graduates. This is a shift from 15 years prior, when black and white graduates enrolled in graduate school at roughly similar rates.

This may be a positive trend in general, as evidence suggests high returns to graduate degrees. But our analysis reveals some red flags as well: among black graduate school enrollees, *more than a quarter (28%)* enroll in for-profit institutions—compared to just 9% among white graduate students. As recently as 2004, only 7% of black graduate students were enrolled in the for-profit sector. The causes and consequences of this rapid and disproportionate concentration of black graduate students in the for-profit sector merits further attention from researchers and policymakers.

The clearest implication of our analysis is the need for better data and more attention to how debt evolves post-college. Incorporating race into administrative student loan databases would not only allow more detailed and frequent assessments of the patterns shown here, but would also fill a gaping data void regarding how debt disparities evolve for those that leave college *without* a bachelor's degree. Second, while policymakers may disagree about the best solution to racial inequality in student debt, it is clear that reforms focusing on undergraduate debt alone will treat only a fraction of the issue. Finally, income-contingent loan repayment options such as the Revised Pay-As-You-Earn (REPAYE) plan may alleviate the worst consequences of the black-white debt gap, while failing to examine its underlying causes.

Our full report presents our findings and discusses these implications in greater detail.