

## College is not the great equalizer for black and Hispanic graduates

By **Danille Douglas-Gabriel** August 17

Earning a college degree is supposed to be a pathway to higher wages, greater wealth and protection from economic shocks. But for millions of African American and Hispanic graduates, higher education has failed to serve as a buffer against financial crises.

A [new study](#) from the Federal Reserve Bank of St. Louis found that while college-educated African Americans and Hispanics had more assets than those without degrees, grads typically fared worse in the face of financial turmoil.

College graduation and home ownership rates among both of those minority groups have soared during the past two decades, delivering more African American and Hispanic families into the middle class. Yet a crippling economic recession erased much of those gains for many families, who remain mired in debt and struggling to reverse the devastation.

Having a degree in hand has opened up a world of financial opportunities for African Americans and Hispanics. The median income of African American and Hispanic graduates in 2013 was at least twice as high, and the median family wealth — retirement accounts and homes — was nearly four times that of people from those groups without degrees, according to the report.

Despite the financial gains afforded by a college degree, African American and Hispanic graduates suffer greater losses of wealth than their less-educated counterparts.

Between 1992 and 2013, median wealth declined by about 56 percent among college-educated African Americans vs. 3.8 percent among African-Americans without degrees, who may have had less to lose. The findings are striking for Hispanics as those with degrees during that time witnesses a 27 percent decline in net worth, while those without degrees actually recorded a median 31 percent growth in wealth, according to the report.

By comparison, the median net worth of white graduates soared 86 percent in the two decades ending 2013, while whites without degrees lost 11 percent of their wealth. Asian graduates came out on top with nearly 90 percent growth in wealth, although their counterparts without degrees lost a median 45 percent of their wealth during that time.

"These numbers are pretty striking," said William R. Emmons, an economist at the St. Louis Fed and one of the authors of the report. "There is an income component to this story, but there is also a financial risk component."

There is no singular explanation for the financial disparities between racial groups, but enduring discrimination and structural inequality offer some insights.

Take the most recent housing boom and bust, a period that created and destroyed a great amount of wealth in African American and Hispanic communities. After decades of banks denying mortgage financing to many people of color, credit flowed through their communities and homeownership rates soared.

But African American and Hispanics were often steered into high-cost home loans that many could not afford once the housing market crashed. Those who managed to stave off a foreclosure still watched the value of their properties take a nosedive, especially if they lived in minority neighborhoods. And because so much of African American and Hispanic wealth is concentrated in their home the losses crippled those communities.

College-educated Hispanics were hit particularly hard by the collapse of the housing market, with their net worth plummeting 72 percent between 2007 to 2013, compared to African American graduates with 60 percent declines, according to the study. Emmons said the concentration of Hispanic families in the Southwest, California and Florida, areas of the country leveled by the housing bust, likely contributed to the great loss of wealth.

He said a key lesson from the study is the need for Hispanics and African Americans to diversify their assets and hold more cash in savings to cushion against financial shocks. The study also cautions against taking on heavy debt, whether its to buy a home or pay for college, that could ultimately undermine economic stability.

The trouble is that many blacks and Hispanics rarely benefit from inheritances or other transfers of wealth that help whites afford down payments on homes or college tuition. A 2013 study from Brandeis University's Institute on Assets and Social Policy found that black families typically bought homes eight years later than whites because of that lack of assistance.

With minimal savings and other assets to use to cover college expenses, African American families borrow heavily to pay for college. Researchers at liberal think tank Demos found four out of five black graduates take out loans to attend public colleges, compared to less than two-thirds of whites.

*[Minorities and poor college students are shouldering the most student debt]*

Black students who borrow come out with more debt than their peers. The burden of debt may be preventing many of those students from pursuing advanced degrees, which researchers at the St. Louis Fed say would increase their lifetime earnings. Even the perception of college costs is limiting opportunities for black and Hispanic students, who

often steer clear of big name universities that could ultimately offer more opportunities.

According to the Demos study, the impact of student debt is more pronounced for black and Hispanic households that have a fraction of the wealth of whites and have for decades been shut out of traditional ladders of economic opportunity.

Still, there are other inequities that have made economic mobility tenuous for minorities. College-educated blacks, for instance, have twice the unemployment rate of their white counterparts.

*[Why the improvement in the black unemployment rate will be short-lived]*

Emmons said lingering discrimination is putting African Americans at a disadvantage. He pointed to research that found despite having identical resumes, job applicants with white sounding names received more callbacks than those with black-sounding names. That sort of discrimination over the course of a career could lower lifetime earnings.

"We know that the degree, the major, the school you go to, the field you go into and your employer make a difference," Emmons said.

State and federal government jobs, for instance, have historically offered African Americans entrance to the middle class, but budget cuts have put pressure on those sectors and eroded wage gains, he said. In contrast, high tech jobs have almost exclusively created wealth for white and Asian men.

Taken as a whole, all of these inequities have produced an economy in which whites have 13 dollars for every dollar held by African Americans, according to [data](#) from the Pew Research Center.

"There is a lot of risk and a lot of unfairness in what color you are, what education your parents had..the playing field is not leveled," Emmons said. "Higher education alone cannot level the playing field. It has to be a multi-pronged effort."

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Danielle Douglas-Gabriel covers the economics of education, writing about the financial lives of students from when they take out student debt through their experiences in the job market. Before that, she wrote about the banking industry.

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