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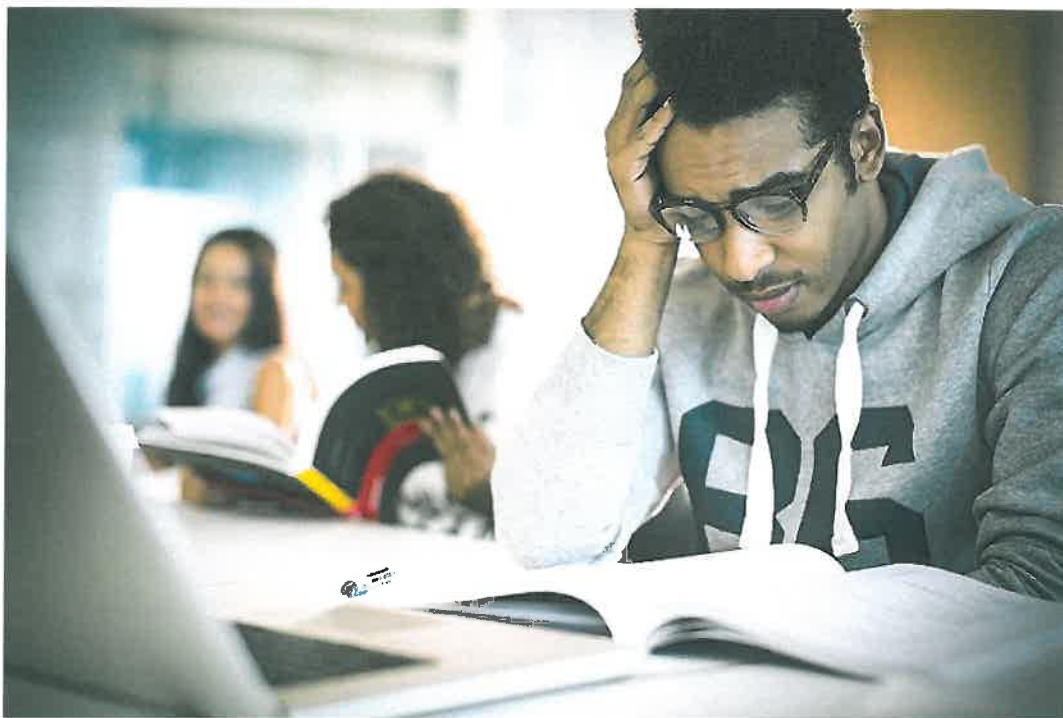
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Forgiving Student Debt Might Not Be a Win for All Students

Doing so could cause the black-white wealth gap to grow even more.



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(Photo: Tom Merton)

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A veteran journalist and former White House correspondent for *Politico*, Joseph Williams is a freelance writer, blogger, and essayist in Washington, D.C.

Bio

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They are two hot but seemingly separate topics debated by both liberals and conservatives in a presidential election season: the **widening divide** between white haves and African American have-nots, and the urgent need to reform the system in which students **take on crippling debt** to get a college diploma.

A **new report**, however, shows that calls to ease the student-loan debt load, including **plans unveiled** by all three Democratic presidential candidates, could have a significant effect on the racial wealth divide—and not necessarily in a good way.

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The joint report by Demos and the Institute on Assets and Social Policy, two progressive think tanks, found that

getting rid of all student-loan debt—writing off the amount college grads borrowed to get a bachelor's degree or to complete graduate school—would help white households far more than African American ones and would actually increase wealth disparities between the two groups.

That's because college-bound African American students continue to trail whites in family wealth, even though a degree is supposed to lead to higher earning power, according to the report. At the same time, blacks are more likely than whites to carry tuition debt, even if they don't leave school with a bachelor's or an associate's degree, and are hobbled more by

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“Traditionally, we have viewed higher education as an antidote to inequality, but our higher education system, like so many of our institutions, is rife with racial and class disparities, from enrollment to completion,” reads the report, titled *Less Debt, More Equity: Lowering Student Debt While Closing the Black-White Wealth Gap*.

“As borrowing for college **has become the norm**,” the report says, “the racial bias in terms of who must borrow to attend college and how those trends amplify already deep inequities in wealth accumulation is cause for concern.”

Mark Huelsman, a senior policy analyst for Demos and a coauthor of the study, says the results indicate that politicians and policy makers who want to make higher education affordable should keep unintended consequences in mind.

“In the U.S., we view education as the silver bullet, the antidote to inequality,” Huelsman says. “As student debt rises, we wanted to pressure-test” that assumption.

The spiraling cost of college and how students pay for it has rocketed to the top of the national agenda during roughly the last four years. Amid shrinking federal and state tuition aid and a staggering economy, new graduates saddled with tens of thousands of dollars in debt are forced to put career or family plans on hold, take blue-collar jobs to make loan payments, or [skip them entirely](#) to make ends meet.

Last month, [students at 120 colleges nationwide](#) hit the streets to demand reform. Earlier this year, Democratic presidential candidates Hillary Clinton, Martin O’Malley, and Bernie Sanders [each unveiled](#) multibillion-dollar proposals to make college more affordable, including tuition-free public universities and propositions to help debt-saddled graduates get in the black.

But Huelsman says any plans to ease the financial burden should consider historic trends, financial inequalities, and systemic racism first, and he points to the study as evidence.

On average, white families tend to have \$13 in wealth—savings, home equity, stocks, bonds, or shares—for every \$1 held by black families, a ratio that hasn’t changed much in decades, Huelsman says. That wealth advantage, carried from college graduation into young adulthood, is enhanced by the fact that blacks are more likely to borrow money for school and leave campus hauling big IOUs.

“Over half (54%) of young Black households have student debt, compared to 39 percent of all young white households,” reads the study. “Despite the higher earnings that often come with a degree, over a third (35.9%) of young Black households making \$50,000 a year or below have student debt, compared

to fewer than one in six (15.5%) young white households.”

Meanwhile, whites are more likely than African Americans to take out loans to attend graduate school, an educational investment in potentially higher, long-term earnings, Huelsman says. Newly minted white doctors, lawyers, and MBAs typically make more money than African Americans with bachelor’s degrees; the bigger paychecks also equal an easier time repaying the debt.

Because of their advantages in wealth, how they pay for college, and the amount of education they acquire, Huelsman says, proposals to sweep aside all student-loan debt—including six-figure loans that paid for medical and law degrees—would give a turbo boost to white graduates, and their black peers would fall further behind.

“The more you take out [for college] is not necessarily predictive of whether you will struggle with that debt,” he says. “People with those high debt levels [for graduate school] are more likely to have high incomes as well.”

The best solution, Huelsman says, is a scaled system for student-loan debt relief, and low-income minority households should be first in line for the help.

According to the study, wiping out that debt among those making \$50,000 or below “reduces the Black-white wealth disparity by nearly 37 percent among low-wealth households,” and the disparity shrinks by 50 percent if the same

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system is applied to families earning \$25,000 or less.

“If you had a progressive system, you would actually substantially close the wealth gap between black and white families,” Huelsman says. “We should really do better at providing debt relief for everyone who needs it.”

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That's been part of one of my questions-are student loans being used to finance spring break and why are students hot to do cross country exchanges and universities encourage this when an additional 3-5k is being added to education debt.

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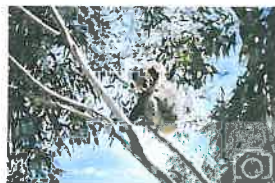
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