

The Pell Institute Winter 2021 Data Story

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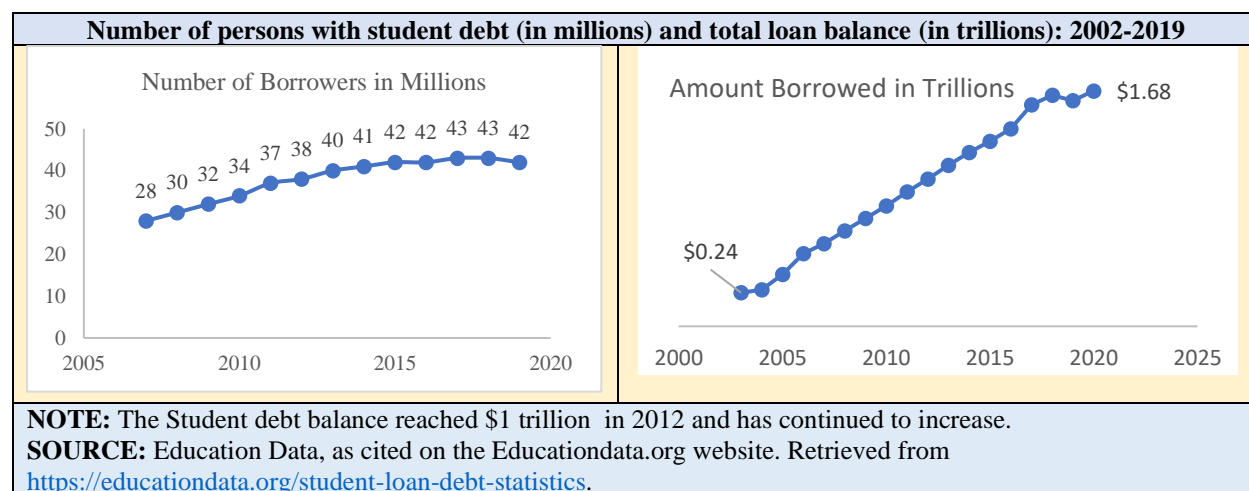
Welcome to the second installment of the Pell Institute's Equity Indicators Data Story. This issue we focus on the United States' student debt crisis, the ripples of which permeate our society with inequitable consequences for low-income, first-generation, and students of color. The text and charts featured below are meant to provide an overview of past and current national statistics of student debt. We believe we are at a crisis inflection point on the student debt issue with opportunities for a tangible equitable reconstruction of how we finance higher education in the United States. We hope this story will provide you with the information you need to support federal and state policies that will end the student debt crisis. To view more details about higher education equity issues, please visit the Pell Institute's Equity Indicators website: <http://pellinstitute.org/indicators/>. All views expressed are those of the authors.

Student debt has ballooned into a 1.7 trillion-dollar crisis, with far-reaching consequences, particularly for low-income, first-generation students and students of color and their families. It is also a crisis for educational, racial, and intergenerational wealth equity in the United States. As almost all student

debt is currently held by the Federal government, the government will decide its solutions.

The Interrelated Crises. Well before the COVID-19 pandemic became an ever-increasing tragic and disruptive reality in 2020, the commodification of higher education was manifest in steady increases in college costs and mounting student debt burdens that had already reached crisis levels. To address and ameliorate the early impacts of COVID, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. This Act provided temporary payment relief to student borrowers with qualifying federal student loans. The second relief bill, passed in December 2020, did not include a provision for the suspension of payment for student loans and the provision was set to expire at the end of the January 2021, leaving over 42 million federal borrowers in a state of prolonged uncertainty. By executive order on his first day in office, President Biden suspended collection and interest accrual on federal student loans until September 2021. However, as of this writing, there has been no agreement on a more permanent path forward. Currently well over 90 percent of student debt in the U.S. is held by the Federal government,¹ and as such, the solutions to the debt crisis will be decided by the U.S. Congress. This data story is meant to provide a summary of what available data tells us in the hopes that it will help achieve an equitable forgiveness of existing debt burdens and help prevent future student debt for upcoming generations of students.

Trillion-Dollar Crisis. Student debt is the second highest consumer debt category, higher than both auto and credit card debt. In 2020, the cumulative amount of student debt in the United States was almost 7 times what it was around the start of the 21st century in 2002 (rising from less than one-quarter, \$0.24, trillion in 2002 to about \$1.7 trillion in 2020). The ripples of this crisis are devastating, especially for low-income, first-generation students and students of color. Over the last 4 decades, in the face of the rising cost of higher education and a decline in federal, state, and institutional support, less-resourced students and their families have increasingly found that unaffordable student loans were the only way a college degree was possible. As a result, student debt has had far-reaching consequences that flow throughout student lives, creating an ever-more-stratified road to professional and financial opportunities, even among those who successfully complete their bachelor’s degrees.



¹ In 2010-12, most of the government-guaranteed private student loan debt was transferred to the Federal government and about 92 percent of student loans are currently owned by the U.S. Department of Education.

Borrowing for Higher Education Not the Original Intent of Federal Student Aid Program.

Runaway student debt was not the intended outcome of the Student Financial Aid program,² as a review of the debate around establishing what became known as Pell Grants in the U.S. Congress indicates.³ Grants, not loans, were envisioned as the major financial aid to cover about three-fourths of average public college costs. The rest of the costs of attendance were envisioned to be provided by summer and academic work study opportunities. Pell Grants never reached the goal of covering three-fourths of average costs, but they did cover about two-thirds of the average cost of attendance up until about 1980. However, the rising cost of college has increasingly far outpaced the Pell Grant maximums and by 2020 Pell Grants covered only about 25 percent of the average cost of college.⁴

Nationally, Bachelor's Degree Completers' Borrowing Rises.

After 1980, as college costs rose and Pell purchasing power declined, loans increasingly became the dominant mode of higher education finance. Pell purchasing power was replaced by subsidized Stafford loans, unsubsidized Stafford loans, Perkins loans, Parent Plus loans, private loans or in simpler terms—large amounts of debt. As the chart below displays, by 1990 the rate of borrowing to complete a bachelor's degree was already at 51 percent. By 2016, the percentage of bachelor's degree recipients who had student loans had risen further to 70 percent, with 87 percent of bachelor's degree recipients in for-profit colleges having borrowed to finance their bachelor's degree.

Rising Average Amounts Borrowed.

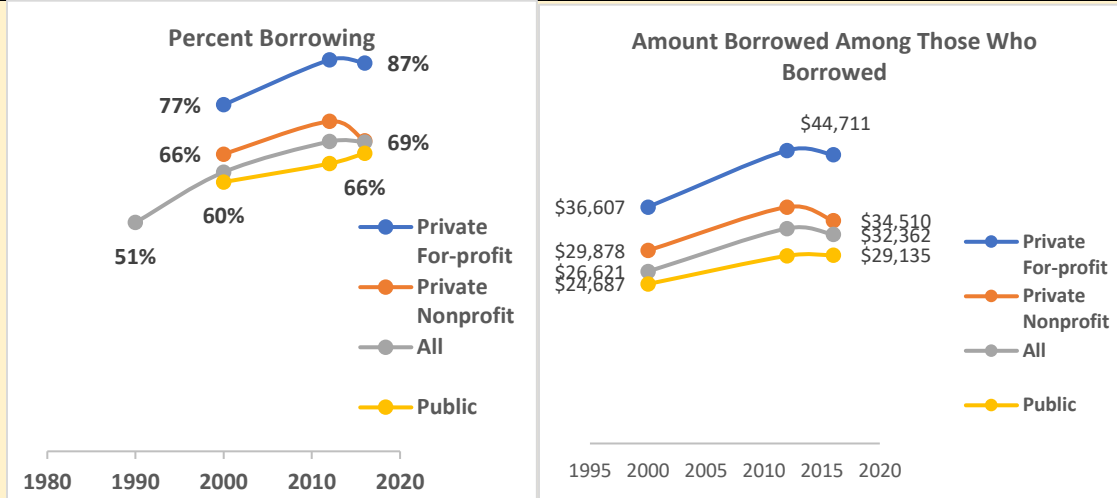
Not only did the rate of borrowing increase but the amounts also increased. Among all bachelor's completers who borrowed, the average cumulative amount increased by 22 percent between 2000 and 2016. In 2000, the average accumulated loan amounts by bachelor's degree completers in constant 2019 dollars was \$26,621 and by 2016 it was \$32,632. The accumulated loan amounts among bachelor's completers differs substantially by type of institution. Private for-profit degree recipients on average have borrowed the most. In 2016, graduates from private for-profit institutions borrowed an average of \$44,711, followed by graduates from private non-profit institutions who borrowed an average of \$34,510. Graduates from public institutions borrowed an average of \$29,135.

² The Higher Education Act of 1965 first authorized federal financial assistance for students who could not afford college. The financial assistance that became known as Pell Grants began in 1974.

³ Mensel, F. (2013). Birth of the Pell Grant: The Community College Role, Reflections on Pell, 5-55, Washington, DC: Council for Opportunity in Education, Pell Institute for the Study of Opportunity in Higher Education. Retrieved from http://www.pellinstitute.org/downloads/publications-Reflections_on_Pell_June_2013.pdf

⁴ See Equity Indicator 3b(ii) http://pellinstitute.org/downloads/publications-Indicators_of_Higher_Education_Equity_in_the_US_2020_Historical_Trend_Report.pdf

Percentage of bachelor's degree completers who ever received loans (federal and non-federal loans to students) and amount borrowed in constant 2019 dollars among those who borrowed by institutional control: Selected years: 1990 to 2016

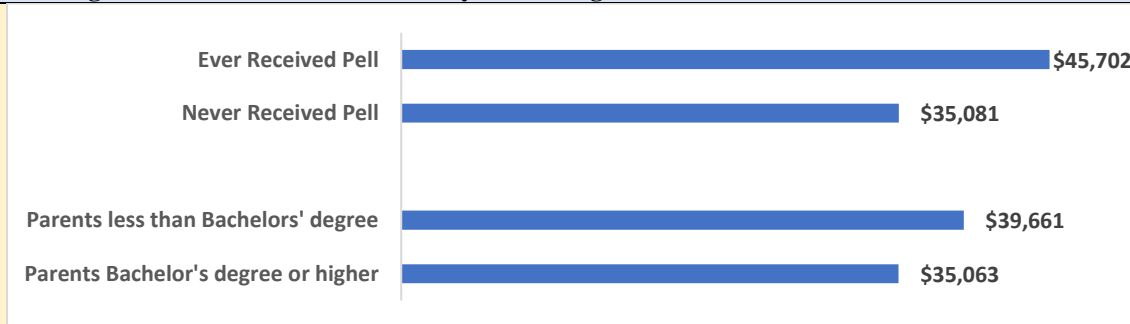


NOTE: Data are from NPSAS: 1990, 2000, 2012 and 2016.
SOURCE: U.S. Department of Education, National Center for Education Statistics, 1989-1990, 1999-2000, 2011-12, and 2015-16 National Postsecondary Student Aid Study (NPSAS: 1990, 2000, NPSAS:12, and NPSAS:16). Digest of Education Statistics 2019, Table [331.95]. Retrieved from https://nces.ed.gov/programs/digest/d18/tables/dt18_331.95.asp?current=yes.

Student Debt Impacts Most College Students, But Low-Income Students and First-Generation Students Borrow the Most.

Baccalaureate and Beyond 4-year follow-up data allows consideration of both undergraduate and graduate borrowing to give a more complete picture of student debt. Although Pell recipients typically attend less costly institutions and are less likely to attend graduate school, the 4-year B&B follow-up found a \$10,000 gap in total amount borrowed (including undergraduate and graduate school borrowing), between Pell recipients and non-Pell recipients (\$45,702 vs. \$35,081). First-generation students also have higher total average amounts borrowed than non-first-generation students (\$39,661 vs. \$35,063).

Total amount borrowed undergraduate and graduate by parent education and by Pell receipt: 2008 graduation cohort interviewed 4 years after graduation in 2012: constant 2019 dollars



NOTE: Data are from B&B 2008 cohort from the 4-year follow-up and includes those who did not borrow as having zero borrowing
SOURCE: U.S. Department of Education, National Center for Education Statistics, Baccalaureate and Beyond (B&B) 2008/2012. Tabulated by Pell Institute using NCES Power Stats for B&B

Context of Systemic Racism and Intergenerational Wealth Gap. In 1940, among those 25 and older, only 8 percent of persons who were Black had completed high school, and less than 1 percent held bachelor's degrees.⁵ During the second half of the 20th century, Black youth almost eliminated the high school completion gap and narrowed the college completion gap with their White counterparts. But these hard-won gains in education have not yet resulted in a reduction of the Black-White wealth gap. As the *Indicators Reports* reveal, in constant 2019 dollars, the average Black family median wealth was \$7,799 in 1983 and in fact declined to \$3,788 by 2016. In comparison, the average White family median wealth was \$117,320 in 1983 and rose to \$156,538 in 2016.⁶ As we will see below, reflective of long years of race/ethnicity-based systemic inequality, both rates of borrowing and amounts borrowed are highest among minority groups, especially among Blacks.

B&B 4- and 10- Year Follow-Ups and Inclusion of Graduate School Reveals Large and Growing Race/Ethnicity Gaps. Looking at the longitudinal data from the B&B 4-year and the 10-year follow-ups reveals that Black-White gap in student debt is much larger than observed at the time of bachelor's graduation (Scott-Clayton and Jing Li, 2016; Cominole and Bentz, 2018, Cominole et.al 2021). As the figure below displays, Black bachelor's degree completers are increasingly entering graduate school at higher rates than Whites. By 2012, Black graduate school attendance within 4 years of completing a bachelor's degree was 47 percent, compared with 38 percent for Whites (Scott-Clayton and Jing Li, 2016). Reflecting systemic inequality, Black students are also more likely to need to use loans to finance their education. This means that the Black-White gap in federal graduate loans is even larger than for undergraduate loans. Thirty-seven percent of Black bachelor's completers had graduate loans within 4 years of bachelor's completion, compared with 22 percent of White bachelor's completers (Cominole and Bentz, 2018).

An analysis completed by the Scott-Clayton and Li (2016) for the Brookings Institution also using the B&B 2008/2012 data looked not just at the amount borrowed but also at the total amount owed after 4 years for student loans from undergraduate or graduate loans.⁷ Disaggregating the total amount of the gap, they found that the largest amount of the gap (45 percent) was from differences in graduate school borrowing amounts. Undergraduate borrowing accounted for 35 percent of the gap and differences in repayment for about 25 percent of the gap. Black bachelor's recipients were more likely to defer payments and to have more accrued interest. As the figure below indicates, 48 percent of Black bachelor's completers owed more than they borrowed 4 years later, compared to 17 percent of Whites. Moreover, on average Black bachelor's completers owed 6 percent more than they borrowed, compared with White bachelor's completers who owed 10 percent less than they borrowed 4 years later (Scott-Clayton and Li, 2016).

B&B 10-Year Follow-Up: Black Students Had to Borrow the Most. The 10-year B&B follow-up reveals that after 10 years, 86 percent of Black bachelor's degree recipients had borrowed at either undergraduate or graduate levels, compared with 71 percent of White graduates, 73 percent of Hispanic or Latino, and 60 percent of Asian graduates. Including those who had zero amount borrowed in the calculations, the average amount borrowed by Black bachelor's degree recipients to finance their

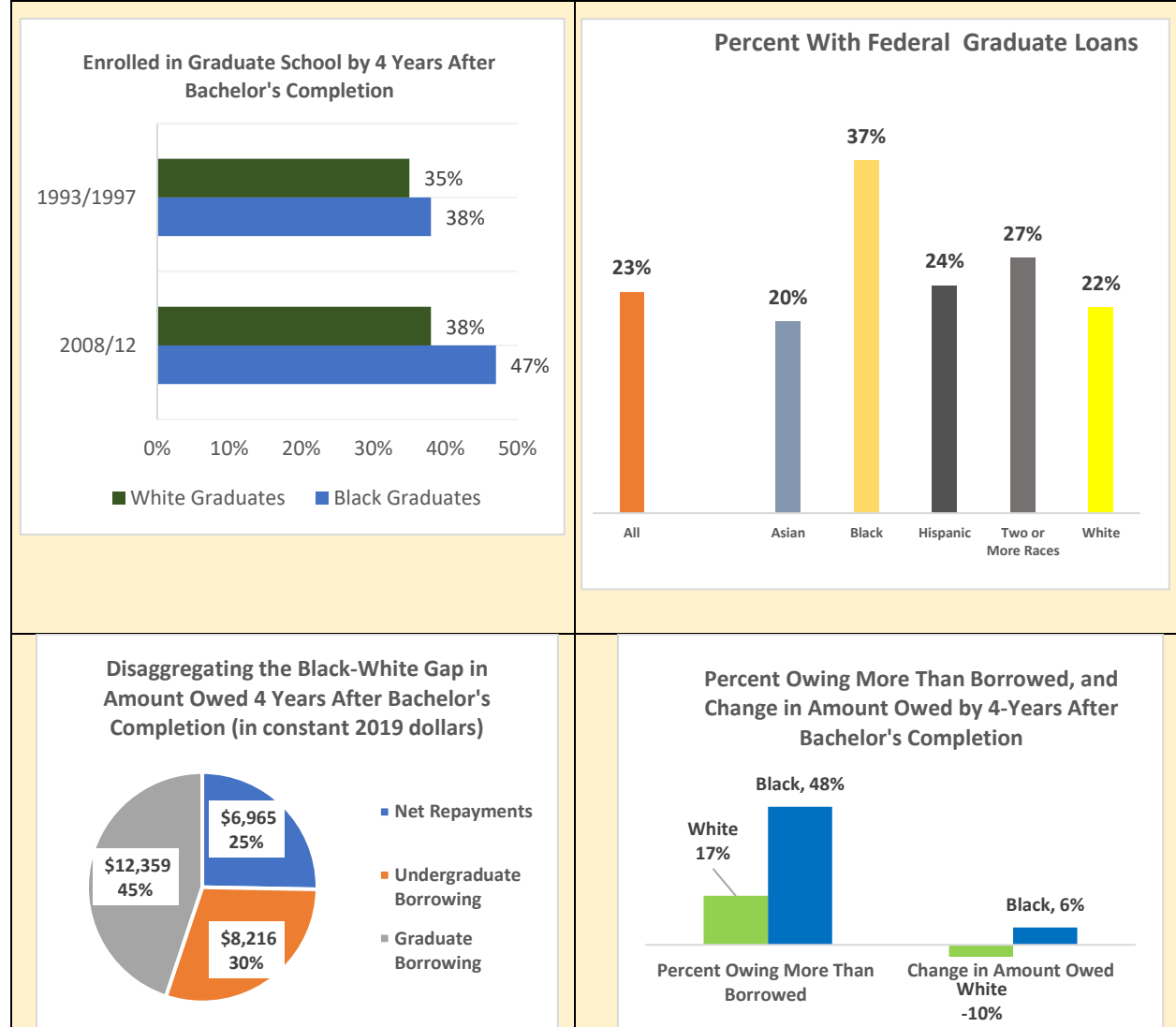
⁵ See *Indicators of Higher Education Equity in the US: 2020 Historical Trend Report*, Indicator, Equity Appendix charts A-9 and A-10 <http://pellinstitute.org/downloads/publications-> for trend data on high school and college attainment from 1940-2018 by race/ethnicity

⁶ See *Indicators of Higher Education Equity in the US: 2020 Historical Trend Report*, Indicator, Charts, STS 8b(ii) <http://pellinstitute.org/downloads/publications-> for data on wealth amounts by race/ethnicity

⁷ Scott-Clayton and Jing Li, op. cit. Cited in White House Initiative on Educational Excellence for African Americans, <https://sites.ed.gov/whieea/files/2016/11/Black-College-Graduates-and-the-Student-Debt-Gap.pdf>

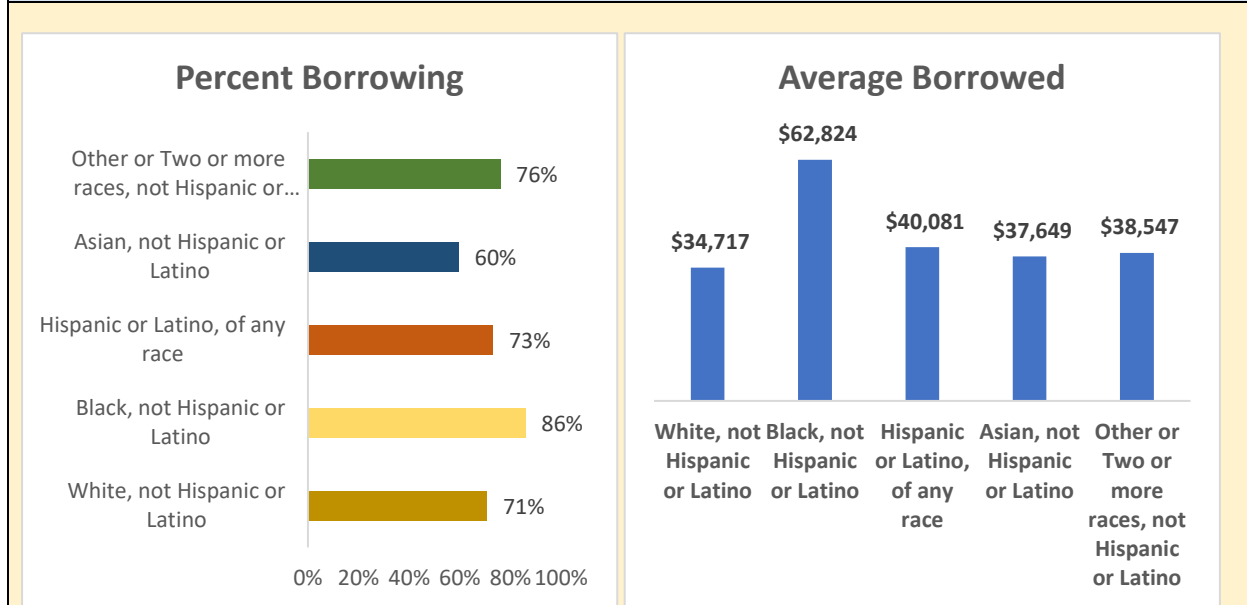
education in 2019 dollars was \$62,842, and the average amount borrowed by White graduates was \$34,717. This represents a Black-White gap of \$28,107. Black bachelor’s graduates had borrowed almost twice (1.8 times) as much as White graduates for their education by 10 years after receiving their bachelor’s degree.

Percent Black and White bachelor’s degree recipients entering graduate school by 4 years after graduation and percent graduates with federal graduate loans by race/ethnicity: 1993/97 and 2008/12 B&B cohorts



NOTE: Data on graduate school attendance tabulated on U.S. citizens only.
SOURCE: Scott-Clayton, J. & Li, J. Black-white disparity in student loan debt more than triples after graduation, Brookings, Evidence Speaks Reports, Vol 2, #3, October 20, 2016. Brookings Institution <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>; Cominole, M. & Bentz, A. Web-Tables, Debt After College: Employment, Enrollment, and Student-Reported Stress and Outcomes, U.S. Department of Education, National Center for Education Statistics, Baccalaureate and Beyond (B&B) study 2012 follow-up of the 2007-08 graduation cohort, March 2018, NCES 2018-401 <https://nces.ed.gov/pubs2018/2018401.pdf>

Percent borrowing and total average amount borrowed for undergraduate and graduate enrollment by 10 years after bachelor’s completion by race/ethnicity: 2018 data in 2019 dollars

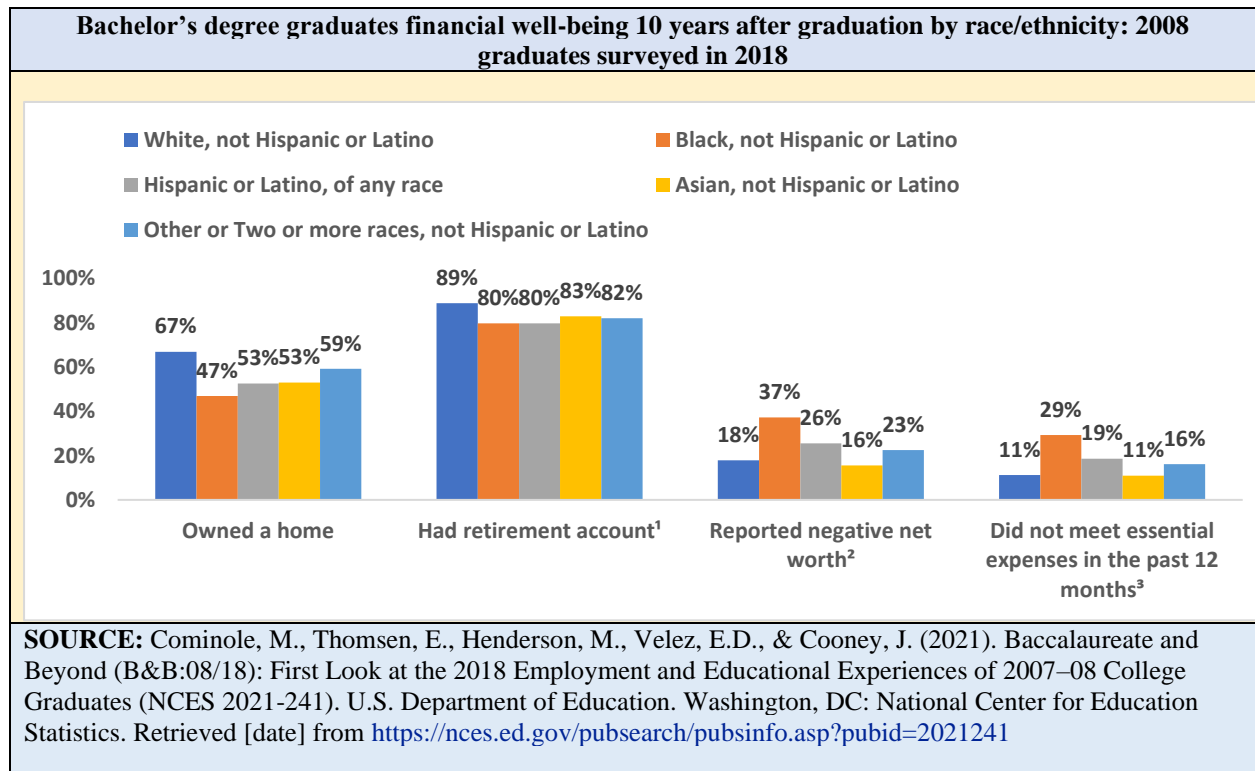
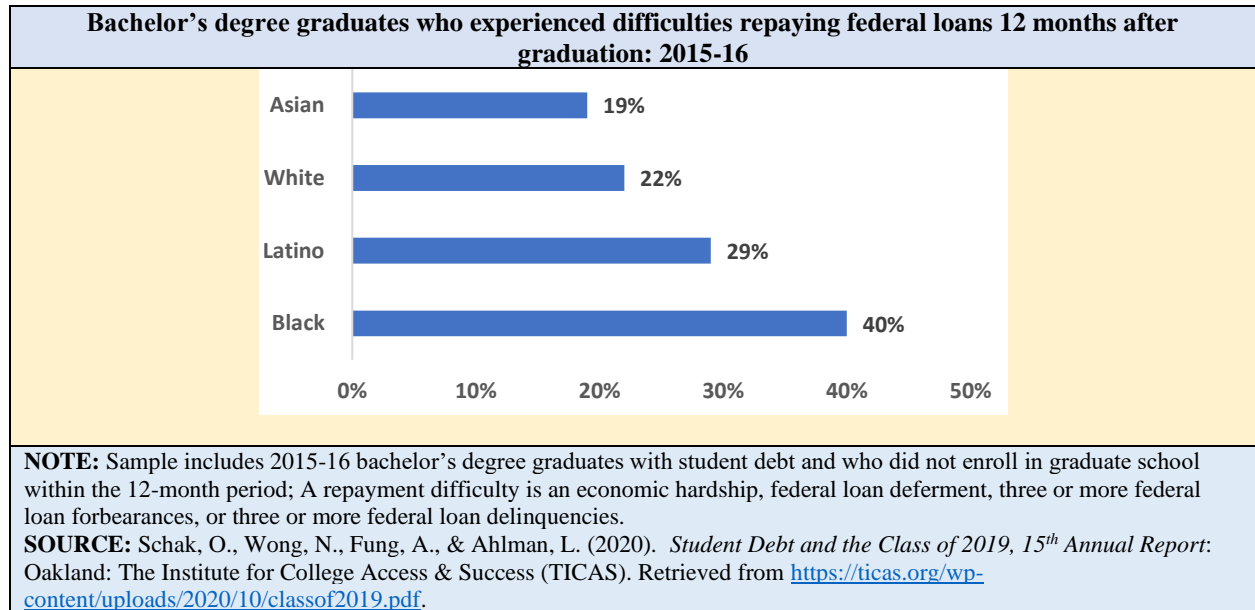


NOTE: Average borrowed includes those who did not borrow as having zero borrowed
SOURCE: Cominole, M., Thomsen, E., Henderson, M., Velez, E.D., & Cooney, J. (2021). Baccalaureate and Beyond (B&B:08/18): First Look at the 2018 Employment and Educational Experiences of 2007–08 College Graduates (NCES 2021-241). U.S. Department of Education. Washington, DC: National Center for Education Statistics. Retrieved [date] from <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2021241>

Financial Obstacles. The first chart below highlights the difficulties in bachelor’s degree completers in repaying their debt by race/ethnicity 12 months after graduation. TICAS defined difficulty as missing payments or as securing temporary loan relief through forbearance or deferment. Racial minority students are more likely to experience hardship in repaying their loans: Black students were about twice as likely to have difficulties in repaying their debt (40 percent) as Asian (19 percent) or White (22 percent) graduates.

Financial Well-being. The 10-year B&B follow up asked a series of financial well-being questions. These questions included measures of home ownership, having a retirement account, negative net worth, and having months when it was impossible to meet essential expenses. Retirement accounts include both employer-based retirement accounts such as 401(k), 403(b), and pensions, and non-employer-based retirement accounts such as individual retirement accounts. Respondents were considered to have negative net worth if they would still be in debt after selling all their major possessions, turning all their investments and other assets into cash, and paying off as many debts as they could. The item “Did not meet essential expenses” refers to being unable to meet essential living expenses such as mortgage or rent payments, utility bills, or important medical care. The “Past 12 months” refers to any of the 12 months preceding the interview. As the chart below indicates, there were large financial well-being differences among bachelor’s degree recipients by race/ethnicity. Owning a home was highest among White bachelor’s degree completers (67 percent) and lowest among Black completers (47 percent). Thirty-seven percent of Black graduates had negative net worth, and 29 percent indicated they had difficulty meeting essential living expenses in last month. This compares to 18 percent of White completers with negative net worth and 11

percent of White bachelor’s completers unable to meet essential expenses. Additional research is needed to observe the relationships between amounts of debt and these indicators.



Beyond Debt. The equity arc of the United States higher education system is long, and hopefully trends towards justice, but over the period since 1980, it has bent ever increasingly towards student loans and debt. This path toward rising levels of debt has increasingly impacted all college students, but the burden disproportionately falls on low-income, first-generation, and college students of color, who on average have fewer resources for higher education. As this data story highlights, due to intergenerational impacts of systemic racism, Black and Brown communities carry a higher burden of debt and are the most vulnerable to the impacts of the COVID pandemic. Unlike the novel coronavirus, student debt is not a disease but one of the many symptoms of the inequity in the higher education landscape of this country. Uncertainty revolves around when this pandemic will end, but one thing remains certain: student debt will remain a concern to student borrowers and will affect the US economy over the coming years. To ensure more equitable access to higher education and to better understand the student debt crisis, we offer the following suggestions:

- Increase the buying power of Pell Grants relative to college costs; return to covering at least 2/3 of full cost of attendance.
- Develop state-federal partnerships to cover the full cost of attendance, including living expenses at public institutions.
- Develop GI Bill-like benefits for adults returning to postsecondary education.
- Unmask the “true cost of attendance” to students before they enroll and enter debt.⁸
- Include improved transition plans for borrowers reentering repayment because of default
- Remove the Satisfactory Academic Progress (SAP) requirement that results in loss of Pell Grants for students not demonstrating yearly progress to graduation in 150 percent of time to the degree. This requirement has been found to have a punitive and negative impact on student retention and graduation.
- Work to achieve pathways to cancelling student debt equitably and prevent student debt by federal-state partnerships to cover the full cost of attendance.
- Provide federal financial aid for graduate enrollment, which has increased especially among racial minority groups.⁹ Currently, only federal unsubsidized loans are offered to graduate students.
- Improve the frequency of collection of data on student debt and provide more data on degree/certificate attainment below the bachelor’s degree. Collect more data on the half of entering students who leave college without completing a degree and their levels of student debt.

Sources of the Information for the Data Story Charts. As many have pointed out, beyond yearly student debt totals and default rates, national data from government-sponsored studies is limited, and often we must rely on data that is several years old. Moreover, longitudinal studies that

⁸ Researcher Sara Goldrick-Rab from the Hope Center for College, Community, and Justice (HOPE) found that colleges often “lowball” student costs, which can lead to unexpected financial struggles and additional debt. She urged institutions to be transparent about the true costs, which can better prepare students plan for college and help them avoid unexpected debt.

⁹ Redden, E. (2020, Oct. 15). Graduate enrollment grew in 2019. *Inside Higher Ed*.

<https://www.insidehighered.com/news/2020/10/15/survey-finds-graduate-enrollment-grew-25-percent-between-fall-2018-and-2019> First-time enrollment in graduate programs increased by 2.5 percent between fall 2018 and fall 2019 even while the number of applications to graduate programs dipped slightly, by 0.6 percent, according to [a new survey](#) conducted by the Council of Graduate Schools and the Graduate Record Examinations Board. The survey found notable increases in first-time graduate enrollment among members of racial minority groups. First-time graduate enrollment increased by 5.7 percent among Hispanic/Latinx students, 5.5 percent among Black/African American students, 5.3 percent among Asian students and 3.5 percent among American Indian/Alaska Native students. First-time enrollments declined by 3 percent among Native Hawaiians and other Pacific Islanders.

follow students over time to look at longer-term impacts are almost exclusively focused on bachelor's degree completers. This data story uses the most recent data from the major government and non-government sources as outlined below with specific sources cited in the charts.

- **National Postsecondary Student Aid Study (NPSAS)** is a congressionally-mandated study conducted by NCES that provides detailed cross-sectional data on student financial aid every 4 years. This data story includes data from the 1990-2016 NPSAS studies. To adjust for inflation, we present all dollar amounts in constant 2019 dollars.
- **Baccalaureate and Beyond Study (B&B)** is a longitudinal study that periodically follows a cohort of graduating bachelor's degree recipients drawn from the NPSAS sample. A new B&B cohort is started only every 7 years. In this data story we include estimates generated from the 4-year and 10-year follow-ups of the 2008 graduating bachelor's degree recipients surveyed in 2012 and 2018 (B&B:08/12/18). We include results of analyses from Cominole and Bentz (2018)¹⁰ and Scott-Clayton and Li (2016)¹¹ on the 2012 4-year follow up of the 2008 cohort. We also include new data first published in 2021 from the 10-year follow up of the same 2008 cohort conducted in 2018. (Cominole et.al. 2021).¹² As with NPSAS data, to adjust for inflation, we present all dollar amounts in 2019 dollars.
- **The Institute for College Access and Success (TICAS)**. The [TICAS Project on Student Debt](#) presents state by state estimates in its yearly report, *Student Debt and the Class of 2019, 15th Annual Report*.
- **The Office of Federal Student Aid** displays the federal student loan portfolio provides yearly data on student loans and default rates.
- **Bureau of Economic Analysis** Report on the [Economic Well-Being of U.S. Households in 2019 - May 2020](#).

¹⁰ Cominole, M. & Bentz, A. Web-Tables, Debt After College: Employment, Enrollment, and Student-Reported Stress and Outcomes, U.S. Department of Education, National Center for Education Statistics, Baccalaureate and Beyond (B&B) study 2012 follow-up of the 2007-08 graduation cohort, March 2018, NCES 2018-401

¹¹ Scott-Clayton, J. & Li, J. Black-white disparity in student loan debt more than triples after graduation, Brookings, Evidence Speaks Reports, Vol 2, #3, October 20, 2016. Brookings Institution <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>

¹² Cominole, M., Thomsen, E., Henderson, M., Velez, E.D. & Cooney, J. (2021). Baccalaureate and Beyond (B&B:08/18): First Look at the 2018 Employment and Educational Experiences of 2007–08 College Graduates (NCES 2021-241). U.S. Department of Education. Washington, DC: National Center for Education Statistics. Retrieved [date] from <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2021241>