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Impact of Student Loan Debt On Low-Income Black Students

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IMPACT OF STUDENT LOAN DEBT ON LOW-INCOME BLACK STUDENTS

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THE ISSUE AT HAND

African American, low-income students are disproportionately impacted by student loan debt compared to their White counterparts.

THE IMPACTS

- Credit impact from loan default
- Continuation of low-income
- Continuation of hardship in adulthood
- Lack of adequate income (as a result of keeping up with repayment)
- Impact of eligibility for home ownership and receiving other loans

HISTORICAL ORIGINS

- Many of today's financial aid programs stem from the Higher Education Act of 1965. President Lyndon Johnson signed this legislation as a means of promoting higher education and eliminating financial barriers. Over the last decade, families have increasingly turned to loans as a means of financing college. This, in turn, has resulted in the steady increase of student loan debt. A 2004 special report on college financing found that the average amount of loans borrowed by Black and White college graduates in the early and late 1990s were about the same. However, it was found that those Black students that did not complete their degree had a significantly larger amount of student loans than their White peers. (Jackson and Reynolds 2013).

EFFORTS TO ADDRESS THE ISSUE

- The Higher Education Opportunity Act (HEOA) of 2008 contains provisions that aim to educate families and students on financing college and the possible options
- College Cost Reduction and Access Act (CCRA) of 2008 provided more substantive changes for student borrowers. This act increased the Pell Grant limits, created a forgiveness provision that discharges outstanding federal student loan debt after 10 years of full-time employment in the public sector, and instituted an income-based repayment plan that caps monthly payments at a percentage of the borrower's income. (Jackson and Reynolds 2013)

IMPLICATIONS FOR FURTHER RESEARCH

- Info on how much more black students take out loans than their white counterparts (provided in the lit review)
- Data showing how student loan debt impacts Black students transitioning into their career.
- Data showing how student loan debt impacts Black students transitioning into their career compared to their White counterpart

PROPOSED SOLUTION

Proposed solutions on a micro level

It should be mandated that a designated guidance counselor(s):

- provide information about external resources (community/state scholarships, grants) that could connect students to potential financial aid.
- work with students one on one, based on their own circumstances and unique career path, to connect them with programs or school-specific scholarships that may apply to them.
- A student interested in the education field would be encouraged to apply for Teaching Fellows, a program for prospective teachers. The program is at many schools, and offers aid.
- Ex. A student with a parent(s) who served in the military are eligible to receive financial assistance through government aid.

PROPOSED SOLUTION

Proposed solution on a Mezzo level

Start support groups for families of low-income students/families of first generation students. The support group would be accompanied by a school official (i.e. a guidance counselor or financial aid advisor) who can provide information early on to parents about the positive and negative impacts of student loan debt, while also exploring financial resources.

- Ex. The single parent of a sophomore in high school joins the support group. Her child is interested in journalism. By joining, the parent is able to connect with a specialist to explore financial routes overtime to adequately prepare for their child to go to college.

PROPOSED SOLUTION

Proposed solution on a macro level

Social workers should advocate for policies that:

- allow loan forgiveness for people who come from families that make less than a certain income
- Allow loan forgiveness for recent graduates of an accredited institution who make less than a certain income
- Allow forgiveness if loan delinquency is rectified within a certain time frame
- Restore negative impacts once a defaulted loan is paid off (i.e. restored credit score)

RESOURCES

Addo, F. R., Houle, J. N., & Simon, D. (2016). Young, black, and (still) in the red: Parental wealth, race, and student loan debt. *Race and Social Problems*, 8(1), 64-76.

Houle, J. N. (2014). Disparities in debt: Parents' socioeconomic resources and young adult student loan debt. *Sociology of Education*, 87(1), 53-69.

Jackson, B.A., & Reynolds, J. R. (2013). The price of opportunity: Race, student loan debt, and college achievement. *Sociological Inquiry*, 83(3), 335-368.