

Unequal Burden: Black Borrowers and the Student Loan Debt Crisis

July 2020



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Mayor

Consumer and
Worker Protection

Lorelei Salas
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Preface

Unequal Burden was written before the COVID-19 pandemic and before the death of George Floyd which sparked worldwide protests about racial inequities. Originally scheduled to be the final brief in our “vulnerable borrowers” series, its release now seems both timely and imperative.

In New York City, data has shown that Black New Yorkers have suffered disproportionately from COVID-19: higher rates of infection; higher rates of

death; higher risk of income and job loss relative to other New Yorkers. National data shows the same disproportionate impact.

Also, as the city and the nation are engaged in a powerful discussion about race, we acknowledge that the roots of the student loan debt crisis for Black borrowers can be directly connected to historical inequities too numerous and complex to address fully in this brief.

Introduction

In March 2020, the Department of Consumer and Worker Protection (DCWP) released *Ill-Served: Why NYC Veterans Should Use Extra Caution When Choosing a For-Profit School*, the first of three briefs in our “vulnerable borrowers” series. Like the first brief, which examined attendance at a for-profit institution, this second brief documents our expanded research into another factor associated with student loan default:

Being Black.¹

Indeed, in our research, which dates to 2017 and includes three reports², we found that rates of student loan default are higher in predominantly Black neighborhoods than in predominantly White neighborhoods.

In diving deeper into the student loan debt struggles of Black New Yorkers, we seek to raise awareness of the specific challenges that Black Americans have faced—and continue to face—not just in pursuing an affordable college degree but in pursuing other aspects of financial stability, such as a well-paid job and a home that can serve as a nest egg. While a critical topic in its own right, student loan debt can be a valuable point of entry into broader discussions about creating a society and a city that is inclusive and equitable and based on shared prosperity.

In the sections that follow, we:

- Provide a visual representation of the difficulty Black student loan borrowers face, namely loans in collection.
- Highlight a few factors that make Black student borrowers vulnerable to student loan debt and how they are interconnected. Factors include the racial wealth gap, unequal access to quality schooling, and labor market discrimination.
- Provide DCWP’s conclusions and an overview of municipal efforts to combat structural racial inequities in New York City.

1 Throughout this brief we capitalize the “B” in Black and “W” in White to underscore the social and political importance assigned to these distinctions beyond the color of a person’s skin. For a more thorough explanation why it is important to capitalize, see <https://cssp.org/2020/03/recognizing-race-in-language-why-we-capitalize-black-and-white/>

2 See *Student Loan Borrowing Across NYC Neighborhoods*, a collaboration with the Federal Reserve Bank of New York; *Student Loan Debt Distress Across NYC Neighborhoods: Identifying Indicators of Vulnerability*; *Student Loan Debt Distress Across NYC Neighborhoods: Public Hearing and Policy Proposals*.

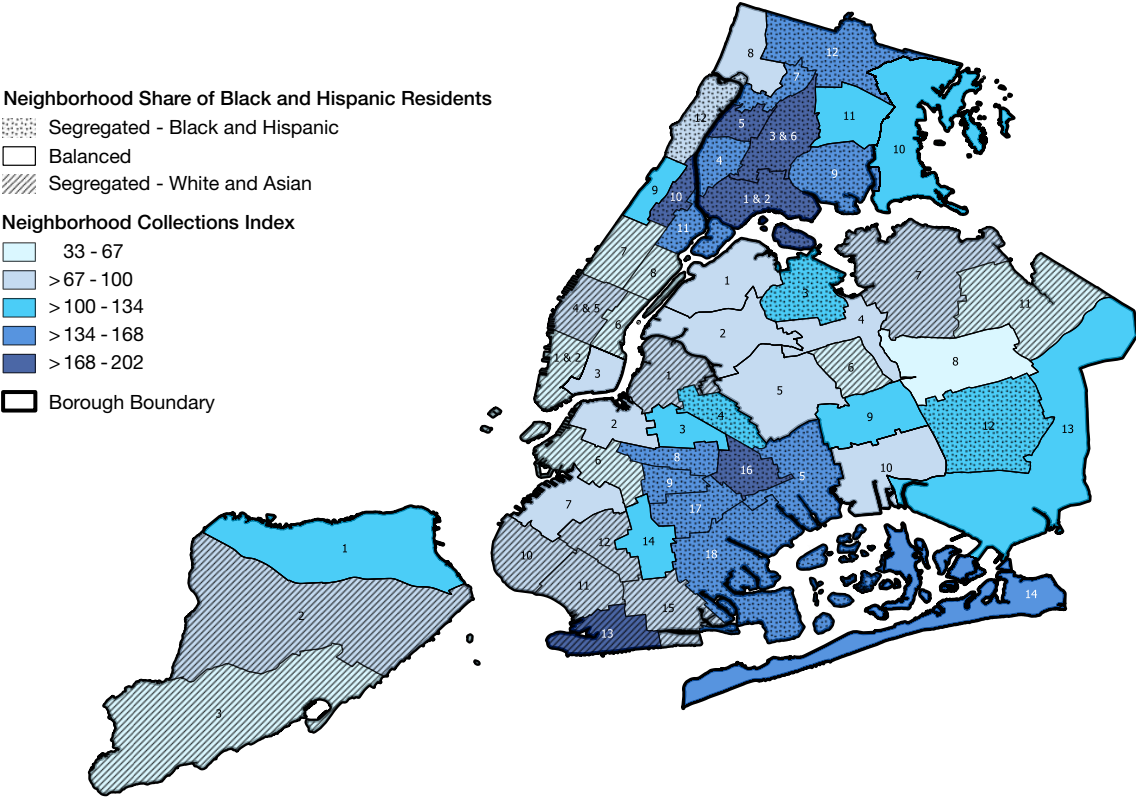
Racial Inequities in Borrowing: Where Are New Yorkers Struggling the Most

In New York City, the struggle with student loan debt disproportionately impacts neighborhoods with high rates of Black and Hispanic³ residents, where 70 percent of New York City’s Black residents live. In these predominantly Black and Hispanic neighborhoods, approximately 16 percent of student loan debt holders have debt in collections compared to 8 percent of student loan debt holders in predominantly White and Asian neighborhoods.⁴

in New York City. With only two exceptions,⁵ these segregated neighborhoods, primarily Black and Hispanic, comprise all of the neighborhoods with the highest rates of student loan debt in collections. Most of the racially balanced neighborhoods have student loan debt collection rates that are below the median or only slightly above the median. All but one of the neighborhoods that are segregated with a high level of White and Asian residents have rates of student loan debt in collections at or below the median.⁶

The map in Figure 1 illustrates the impact of student loan debt distress in segregated neighborhoods

Figure 1. Segregation and Index of Student Loan Debt Distress (100=Neighborhood Median of 11%) Across NYC



Note: Labeled with the Community Districts contained in the geographic boundaries. Index categorized using even breaks.
 Source: U.S. Census Bureau; American Community Survey (ACS), Table DP05, Five-Year Estimate, 2014-2018, generated by DCWP using Data.Census.Gov on 5/29/2020 and Urban Institute tabulations from a major credit bureau (2018).

3 “Latinx” is a gender-neutral word increasingly used with “Hispanic” to acknowledge that not all people of Latin American descent speak Spanish.
 4 Source: U.S. Census Bureau; American Community Survey (ACS), Table DP05, Five-Year Estimate, 2014-2018, generated by DCWP using Data.Census.Gov on 5/29/2020 and Urban Institute tabulations from a major credit bureau (2018). Predominantly Black and Hispanic neighborhoods have greater than 70 percent Black and Hispanic residents and White and Asian neighborhoods have fewer than 30 percent Black and Hispanic residents.
 5 The exceptional neighborhood areas include Brighton Beach and Coney Island and Far Rockaway, Breezy Point, and Broad Channel.
 6 The exception being Brighton Beach and Coney Island.

The map illustrates the prevalence of residential segregation on the one hand and racially coded student loan debt outcomes on the other. This disparity of racialized debt in collections is an important aspect of the wider student loan debt crisis

and raises the need for more attention to the ways in which the crisis impacts Americans of different races both as a matter of public policy and for the appropriate targeting of resources and remedies.

The Racial Wealth Gap⁷ and Increased Borrowing

To finance higher education, students have two main options:

1. Use family wealth to fund all or part of their education.
2. Borrow money, including federal or private loans.

But mobilizing family wealth or borrowing are not always real choices for many students, particularly Black students.

Research has shown that Black young adults take on substantially more student loan debt than their White counterparts and, furthermore, this gap is partially attributable to differences in family wealth and family contributions to college costs (Addo et al., 2016). This outcome is not surprising, considering that the median wealth of a Black household in 2016 stood at only 12 percent of the accumulated wealth of a typical White household, a pattern that has persisted largely unchanged for the past 70 years (Kuhn, Schularick, & Steins, 2018).

In America, the principal path through which wealth is built, held, and passed on to the next generation is homeownership. Nationwide, there is a Black-White gap in homeownership and home equity (Shapiro, Meschede, & Osoro, 2013). In 2018, the homeownership gap was approximately 30 percentage points, with 73 percent of White households owning their home compared to 43 percent of Black households (Veal & Spader, 2019).

Research has also shown that racial disparities in home equity and wealth have important implications

for student loan debt levels and contribute to a feedback loop in which student loan debt exacerbates the racial wealth gap. Specifically, researchers from the Institute on Assets and Social Policy at Brandeis University studied a cohort of students who were in high school in 1997 and went on to attend college. When the cohort turned 30, the researchers conducted an analysis of wealth accumulation holding many factors constant, including:

- income;
- education level; and
- family income in high school.

The researchers made three pertinent findings.

1. Student loan borrowers had a net worth, independent of student loan debt, that was \$8,200 less than their non-borrowing peers.
2. Holding the impact of borrowing on net worth constant, Black college attendees had a net worth that was \$8,500 less than their White peers.
3. The median homeowner who held student loan debt had \$9,300 less in home equity than a homeowner who never held student loan debt (Sullivan et al., 2019).

⁷ The racial wealth gap—defined in this brief as the gap between the wealth of Black households and White households—has been well documented. Researchers who traced the same households over 25 years found that the total wealth gap between White and Black families nearly tripled, from \$85,000 in 1984 to \$236,500 in 2009. These researchers found that the biggest drivers of the growing racial wealth gap are racial differences in years of homeownership; household income; unemployment; college education; and inheritance and other forms of financial support from family and friends (Shapiro, Meschede, & Osoro, 2013).

In the absence of data on household wealth at the New York City level, we provide indicative evidence of a racial wealth gap by comparing the homeownership rate of Black households and White households in the city. See Figure 2.

Citywide, there is a 15 percentage point gap between Black and White household homeownership rates. Homeownership rates for Black households range from a low of 10 percent in Manhattan to a high of 49 percent in Queens. For White households, the lowest homeownership rate is in Manhattan, at 33 percent, and the highest rate is in Staten Island, at 78 percent. The Black-White homeownership gap ranges across boroughs from 2 percentage points in Queens to 41 percentage points in Staten Island.

Even among Black households in the city who have achieved homeownership, racial disparities in property values still impede the ability to build home equity.

A 2018 report by the Brookings Institute estimated that homes in majority-Black neighborhoods in the New York City metro area⁸ were valued at an average of

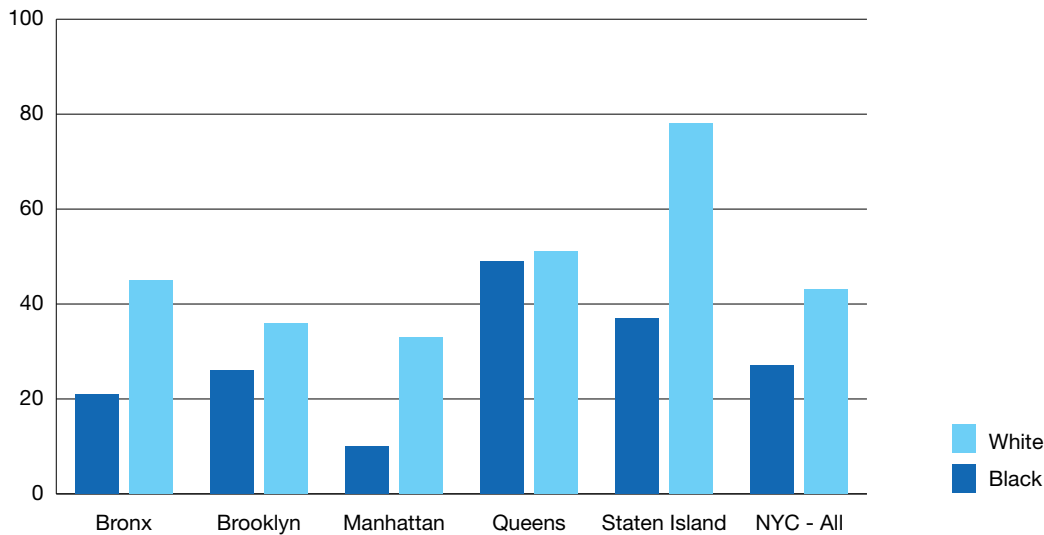
9.8 percent less than homes in neighborhoods with similar amenities and neighborhood quality but where fewer than 1 percent of residents are Black (Perry, Rothwell, & Harshbarger, 2018).

In addition to driving disparities in student loan debt burdens, wealth gaps have implications for degree completion, too.

Students from families with lower wealth attend college and complete their degrees at lower rates than students from families with greater wealth and this disparity is growing (Pfeffer, 2018). Black borrowers are more likely than White borrowers to drop out of college; approximately 39 percent of Black borrowers drop out of college compared to 29 percent of White borrowers (Huelsman, 2015).

Survey evidence points to financial struggles. A 2019 survey of respondents aged 25 to 64 with some college and no degree found that the top two reasons for degree non-completion were “work-related” and “financial pressure” (Strada Education Network, 2019).

Figure 2. Share of Households Who Own Their Home Outright or with a Mortgage, by Race and Borough



Source: DCWP analysis of U.S. Census Bureau; American Community Survey (ACS), Five-Year Public Use Microdata Sample (PUMS), 2014-2018

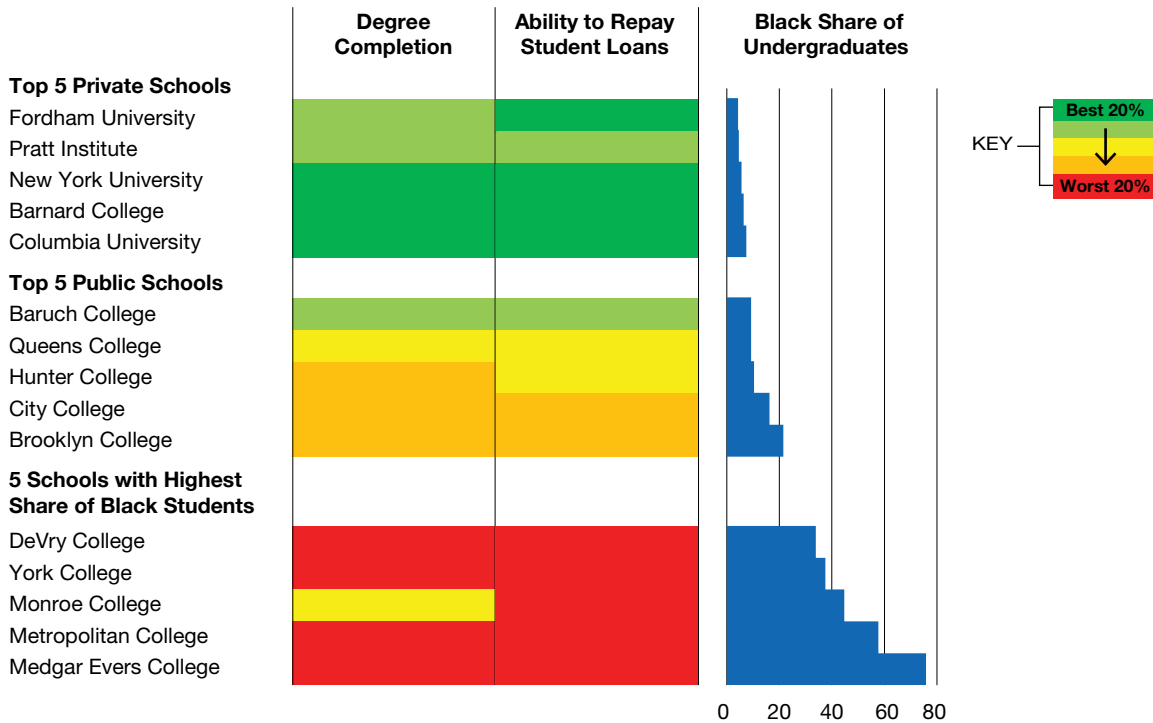
⁸ This data includes counties outside of New York City.

School Quality and Higher Education Outcomes

Since aspiring college students demonstrate their college preparedness through grades, test scores, and the reputation of the high school they attend, Black college applicants may find that the limiting effect of lower wealth accumulation on access to high-performing primary and secondary schools impedes their access to quality higher education options. As the Center for American Progress has shown, Black students on average get their degrees from less selective and lower performing schools,⁹ revealing a direct outcome of lower Black wealth accumulation.

In Figure 3, we provide evidence of a Black-White disparity in access to quality higher education opportunities, as measured in this case by graduation rates and student loan repayment rates, two minimum thresholds indicating college attendance led to success.¹⁰ In the chart, we compare the degree completion and student loan repayment outcomes for students who attend the top five public and top five private schools listed in The Wall Street Journal (WSJ)/Times Higher Education (THE) College Rankings 2020¹¹ to the five schools with the highest share of Black undergraduate students in New York City.¹²

Figure 3. Outcomes at Top 5 Best Value Public and Private Schools Compared to 5 Schools with the Highest Share of Black Students in NYC



Source: Top 5 based on The Wall Street Journal/Times Higher Education College Rankings 2020. Institution outcome data collected from College Scorecard 2016-2017. See Appendix A: Data and Methodology for more information.

9 As measured by proxies, including educational spending per student, average SAT score, faculty salary, and student-faculty ratios (Libassi, 2018).
 10 Completing a degree and being able to repay student loans are both necessary but not sufficient indications of the benefits of college attendance. The seven-year repayment rate is the share of students who entered repayment on their student loans at the same time and were able to pay at least \$1 of their student loan principal seven years later. See Appendix A: Data and Methodology for quintile ranges.
 11 We removed Yeshiva University, as their racial and ethnic compositions may be driven more by religious affiliation than by other external factors. See Appendix A: Data and Methodology for more information.
 12 Analysis was limited to four-year institutions to maintain comparability between the most prestigious schools and the schools with the highest share of Black undergraduate students in New York City.

We find that three out of five of the top private schools fall in the top 20 percent of schools in terms of degree completion within six years, and four out of five of the top private schools are in the top 20 percent in terms of students' ability to repay their loans. Unfortunately, the share of Black students at these top five private schools is less than 8 percent compared to a citywide Black undergraduate share of approximately 16 percent.¹³

When we examine the top five public schools, we find the share of Black students is higher (between 9 and 22 percent), but the graduation and repayment outcomes are far less favorable. Four out of five of the top public schools fall in the middle of the distribution or below when it comes to degree completion and ability to repay student loans. Public schools tend to be the most affordable options for postsecondary students, so the fact that these schools produce average and below average repayment outcomes indicates that the dependence on debt to finance higher education is unsustainable.

When we consider the outcomes at the five New York City four-year institutions with the highest share of Black students, with a Black student share between 34 and 76 percent, we find a disturbing pattern. With the exception of one college, the schools in the city with the highest shares of Black students fall at the bottom of the distribution when it comes to rates of degree completion. Furthermore, all five of the schools with the highest shares of Black students fall at the bottom of the distribution when it comes to the ability of student borrowers to repay their student loans seven years after entering repayment.

Two of the schools with the highest share of Black undergraduates are for-profit schools. On average, for-profit institutions have been shown to have:

- higher net prices;
- higher borrowing rates;
- lower graduation rates;
- worse employment outcomes; and
- higher student loan debt default rates (Smith & Parish, 2014).

Some for-profit schools target Black college aspirants, among other vulnerable populations (McMillan Cottom, 2017; Taylor and Appel, 2014).

We see this in our own research: students from plurality Black neighborhoods attend for-profit schools

at twice the rate of students from plurality White neighborhoods (NYC DCA, 2018). We also found that New York City resident students receiving Post-9/11 GI Bill funding attend for-profit institutions at nearly double the rate as their closest comparison group, independent students, and that Black GI Bill recipients attended these schools at over twice the rate of White GI Bill recipients (NYC DCA, 2020).

For-profit schools often justify their poor student outcomes by asserting that their education offerings are a service to higher risk groups who otherwise would have fewer options to study and improve their job prospects (Devaney, 2014). This assertion would hold if attending a for-profit school always succeeded in improving the livelihoods of attendees. Instead, at some schools we see the pernicious phenomenon of “predatory inclusion,” an expansion of education access funded through personal debt and the subsequent growth of an exploitative industry that meets the increased demand for higher education with low-quality, high-cost programs (Seamster and Charron-Chennier, 2017). Student loan debt and aggressive recruiting by some for-profit colleges have allowed more Black students through the doors of colleges around the country, but the results of this increased access have in too many cases undermined the financial health of Black college-goers.

13 DCWP OFE analysis of College Scorecard 2016-2017 downloaded 6/3/2020.

The Labor Market and Difficulty Repaying

When Black young adults enter the labor market, a college degree is no guarantee of financial security, as many Black college graduates experience the unjust effects of the racial wage gap (Patten, 2016). Several factors contribute to Black graduates receiving a lower college wage premium¹⁴ compared to their White peers, including:

- **Education quality gap**

Compared with White students, Black graduates are more likely to have attended institutions of lower educational quality (Libassi, 2018).¹⁵ Graduates from schools that are more selective in their admissions and, therefore, presumably of better quality earn 11 percent more than graduates from a nonselective school (Chakrabarti & Jiang, 2018). In addition, graduates from selective schools are endowed with social capital and professional connections that otherwise elude their peers who attend less selective institutions.

- **Occupational segregation**

The process by which members of different demographic groups sort into different professions due to social norms and other factors—for example, women are more likely to work in child care than men¹⁶—begins for many students after high school when students select programs, schools, and majors. Black students are overrepresented in majors that lead to work in lower-paying fields, such as social work, and underrepresented in high-earning fields, such as engineering (Carnevale et al., 2016).

- **Credential gap**

White students are more likely to earn bachelor's degrees, the undergraduate credential that yields the highest return on a student's investment in terms of future earnings. Black students, by

contrast, are more likely to complete a certificate or associate's degree, which yield lower returns (Libassi, 2018).

- **Labor market discrimination**

Black workers experience significantly higher un- and underemployment when compared to White workers; little of the difference can be explained by observable characteristics (Cajner et al., 2017). Even with higher education credentials from elite institutions, Black graduates experience the effects of racial discrimination in hiring. Research indicates that Black graduates of elite universities receive only as many callbacks for jobs as White candidates from less selective universities. Even when employers respond to Black applicants, the employers are more likely to offer jobs with lower starting salaries and lower prestige (Gaddis, 2014).

In Figure 4 on page 11, we illustrate the racial credential gap in New York City. The chart shows the college attainment rates for both Black and White adults aged 25-45.¹⁷ We find that a smaller share of Black New Yorkers in this age group have attained some college or more, 63 percent, compared to 86 percent of White New Yorkers. Of all Black New Yorkers who attended college, nearly half either did not complete a degree or attained an associate's degree only. Of White New Yorkers who attended college, over 80 percent attained a bachelor's degree or higher.

Figure 5 shows the confluence of forces—degrees from lower-quality institutions, lower or no credentials, fewer students in high-paying fields, and labor market discrimination—by presenting median earnings for New York City residents aged 25-45, by level of education.

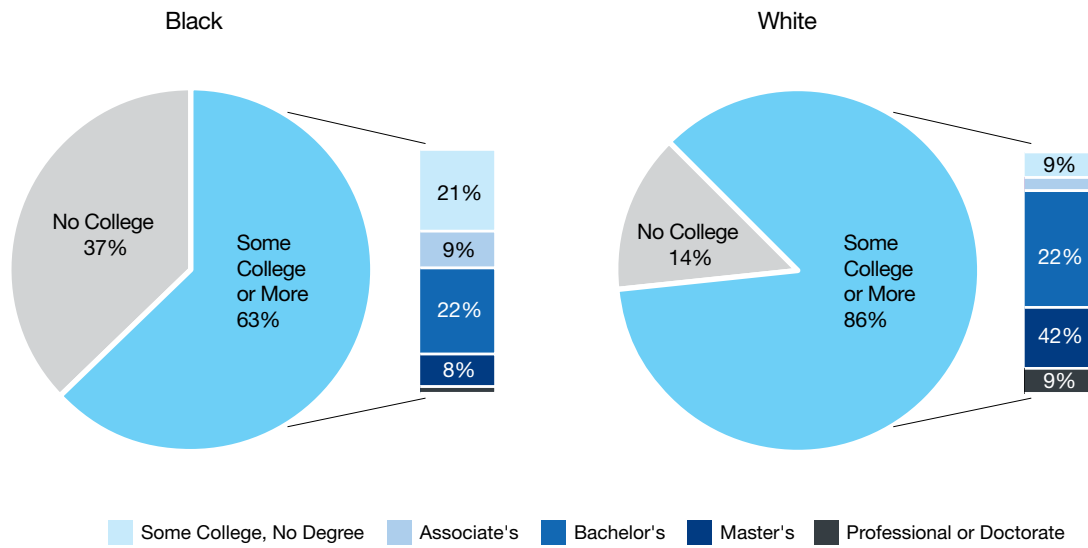
¹⁴ The college wage premium is the difference between the average earnings of those with a college degree and the average earnings of those who do not have a college degree.

¹⁵ See footnote 6.

¹⁶ For more on this, see <https://equitablegrowth.org/fact-sheet-occupational-segregation-in-the-united-states/>

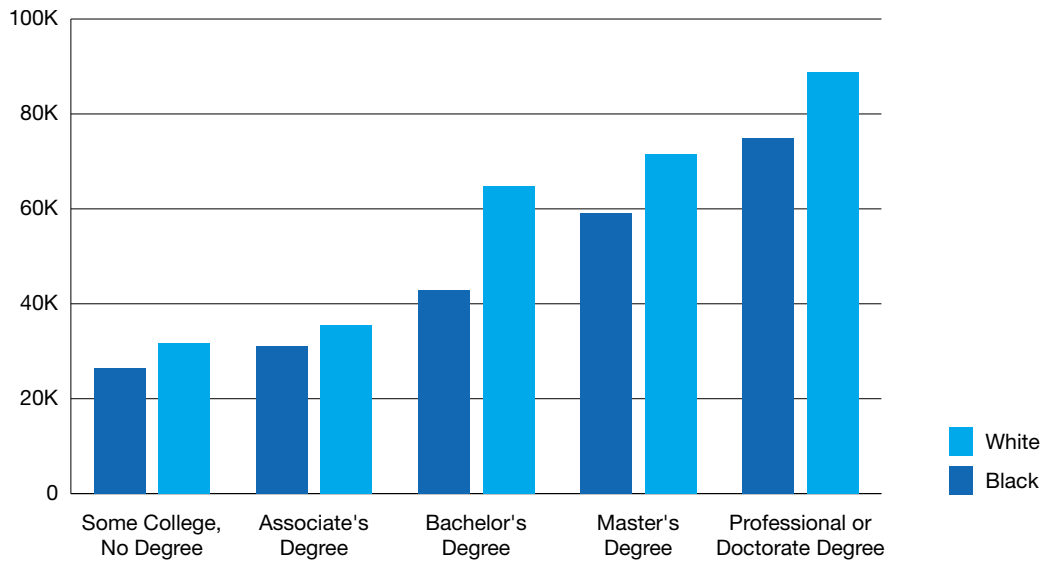
¹⁷ Age range was chosen to allow readers to compare results with Figure 4.

Figure 4. Degree Completion for Black and White NYC Residents Aged 25-45



Source: DCWP analysis of U.S. Census Bureau; American Community Survey (ACS), Five-Year Public Use Microdata Sample (PUMS), 2014-2018

Figure 5. Median Annual Pre-tax Wage/Salary for NYC Residents Aged 25-45 with Some College or More, by Highest Level of Education Attained and Race



Source: DCWP analysis of U.S. Census Bureau; American Community Survey (ACS), Five-Year Public Use Microdata Sample (PUMS), 2014-2018

Across all degree types, Black New Yorkers earn less than their similarly educated White peers. The annual income discrepancy ranges from a low of \$5,300 for workers who have attained some college but did not complete a degree to a high of \$21,900 for bachelor's degree holders.¹⁸ This racial earnings gap for bachelor's degree attainment underscores the point that education is no longer the "great equalizer" it was once thought to be.

The pairing of the racial wage gap and Black students' higher student loan debt burden, as well as the "diminishing market value of any given degree" as more young people acquire higher education credentials (Morgan & Steinbaum, 2018) leaves Black young adults in a vulnerable position. Further, racial discrimination means that Black young adults need more credentials to compete with White workers, but obtaining those credentials leads to an often unsustainable debt burden (ibid). Recent findings point to a crisis in student loan repayment among Black borrowers and a stark race- and gender-based gap in repayment outcomes. A report by Demos found that 12 years after starting college, the typical

White male borrower has reduced his balance by 44 percent compared to the typical Black female borrower whose balance has increased by 13 percent (Huelsman, 2019).

Finally, the likelihood that Black student loan debt holders will be able to accumulate a significant amount of wealth in their lifetimes is significantly hampered by the combination of high debt and lower earnings.¹⁹ Researchers who created a model to study the effects of student loan debt on wealth accumulation found that, for a two-income household, a student loan debt burden of \$53,000 leads to a lifetime wealth loss of nearly \$208,000 (Hiltonsmith, 2013).²⁰

Once again, the disparate impact of student loan debt on Black borrowers persists, as student loan debt accounts for an estimated 13 percent of the racial wealth gap at age 25, growing to 23 percent by age 30 for adults with some college or more (Houle & Addo, 2018). Scholars refer to this process as the "reproduction of the fragile Black middle class" (ibid), a reference to the cycle of Black student loan debt and the racial wealth gap.²¹

Conclusion

Rather than delivering education's promise as the "great equalizer," our higher education system actually perpetuates the racial wealth gap by requiring high levels of borrowing. Moreover, the very same structural racial inequities behind our country's racial wealth, education quality, and wage gaps drive the cycle that leads to Black students' heightened level of student loan debt distress. If structural racial inequities are left unaddressed, Black borrowers in New York City, as in the rest of the country, will continue to struggle to repay debt, which will perpetuate higher default rates for Black borrowers,

which will contribute indefinitely to the racial wealth, education quality, and wage gaps, and vice versa.

There is some promising movement to report.

The alarming racial disparities in student loan debt distress have come to the attention of researchers, policymakers, and politicians, primarily at the national level.²² Although a national spotlight is important, racial disparities occur at the local level and deserve cities' dedicated attention and solutions alongside other significant social challenges like residential and school segregation.

18 Age range was chosen to cut off the peak earning years. A smaller share of Black New Yorkers have college experience in these years, inflating the wage gap. The earnings discrepancies reported for New Yorkers aged 25-45 remain when the data is limited to New Yorkers aged 25-35.

19 Also decreasing Black borrowers' ability to build wealth is the fact that college-educated Black individuals are much less likely to receive a large financial gift (for example, money from a parent) than college-educated White individuals. When Black households do receive financial gifts, they are significantly smaller than the median gift that a White household receives (Meschede et al, 2017). Indeed, in what has been colloquially termed a "second racial wealth gap" and a "Black tax" (Jones, 2015), Black college graduates are more likely to transfer money to their parents than to receive money from their parents. In one study, nearly three times as many college-educated Black households as college-educated White households provided financial support to their parents (Meschede et al., 2017).

20 Nearly two-thirds of this lost wealth comes from lower retirement savings, and over one-third comes from lower home equity (Hiltonsmith, 2013).

21 The effects of the racial wealth gap on the racial *borrowing gap* are not limited to the college-going generation. Black parents with low incomes are more likely than White parents with low incomes to take on debt through the federal Parent PLUS loan program to cover their children's college costs (Fishman, 2018), imperiling these parents' financial well-being and eventual retirement security.

22 See, for example, U.S. Senator Cory Booker's recent request for additional research on this topic in his *Letter to NY Fed regarding Race Disparities in Student Loan Borrowers*: <https://www.scribd.com/document/414778761/Letter-to-NY-Fed-regarding-Race-Disparities-in-Student-Loan-Borrowers>

The City of New York has taken steps toward acknowledging the scale and importance of local racial disparities and has mobilized the City’s unique resources to address them.

Homeownership

Recognizing that homeownership is one of the primary methods of accumulating wealth, the City has developed several programs to address affordability for New Yorkers with low to moderate incomes. Two notable programs are:

- **HomeFirst Down Payment Assistance Program²³**
This program provides down payment assistance for first-time homebuyers with incomes up to 80 percent of the area median income.
- **Open Door Program²⁴**
This program funds the construction of condominiums and cooperatives sold at an affordable price to New Yorkers with moderate and middle incomes.

Education

To address inequities and to ensure more students are prepared to attend higher-quality postsecondary schools, New York City launched several diversity and integration initiatives²⁵, including:

- **Adopting School Diversity Advisory Group (SDAG) Recommendations**
The SDAG was established in June 2017 as part of the NYC Department of Education’s (DOE) first citywide diversity plan, “Equity and Excellence for All: Diversity in New York City Public Schools,” and is comprised of over 40 members, including local and national experts on school diversity; parents; teachers; advocates; students; and other community leaders. DOE adopted most recommendations from SDAG’s preliminary report.
- **Diversity in Admissions Pilots**
Nearly 100 New York City public schools are participating in Diversity in Admissions. Through the admissions processes, these schools prioritize targeted groups of students, including,

Programs and Initiatives That Combat Racial Disparities in New York City

Homeownership

HomeFirst Down Payment Assistance Program
Open Door Program

Education

School Diversity Advisory Group
Diversity in Admissions Pilots
District Diversity Grants

Employment

OneNYC 2050

Student Loan Debt Help

Student Loan Debt Clinics

Public Awareness Campaigns

When it comes to money, we could all use a coach sometimes (2018)
Be Real about Student Loans (2019)

Wealth Building

NYC Financial Empowerment Centers
NYC Free Tax Prep

but not limited to, low-income students, English Language Learners, and students in temporary housing.

- **District Diversity Grants**
Five districts (9, 13, 16, 28, 31) received grant funding in 2019 after putting forward compelling ideas that demonstrated their commitment to community-driven processes to increase diversity, integration, and equity across their schools.

Employment

As part of the **OneNYC 2050** strategic plan, detailed in Volume 3 “An Inclusive Economy,” the City has made commitments to decreasing income disparity by race. Highlights include:

- a strategy to increase the supply of “good jobs” and the number of New Yorkers qualified to fill them;
- expansion of DCWP’s mission to include the enforcement of new laws and

23 For more information, see <https://www1.nyc.gov/site/hpd/services-and-information/homefirst-down-payment-assistance-program.page>

24 For more information, see <https://www1.nyc.gov/site/hpd/services-and-information/open-door-program.page>

25 For more information, see <https://www.schools.nyc.gov/about-us/vision-and-mission/diversity-in-our-schools>

rules to ensure fair wages and working conditions for all New Yorkers;

- commitments to increase the number of worker cooperatives and City-certified Minority and Women-owned Business Enterprises and to relocate City agencies to ensure equitable growth across the city (New York City Mayor’s Office, 2019).

On behalf of the City, DCWP’s Office of Financial Empowerment (OFE) is committed to doing our part to help remedy racial inequities, as well.

Student Loan Debt Help

Based on neighborhood-level research, beginning in January 2018, DCWP coordinated student loan debt clinics in the Bronx and Brooklyn—two boroughs with significant borrower distress—where borrowers could get free one-on-one financial counseling with an NYC Financial Empowerment Center counselor and free consultation with a legal aid professional. For those unable to attend a clinic, we developed comprehensive student loan debt tips to help New Yorkers shop around for an affordable education, understand their student loan options, and repay their student loan debt.

DCWP also launched public awareness campaigns in June 2018 and April 2019 targeted to vulnerable borrowers in target neighborhoods:

- **When it comes to money, we could all use a coach sometimes (2018)**

This campaign played on the parallels between physical and financial health, with one of the goals being “Lose that student loan debt.”

- **Be Real about Student Loans (2019)**

This campaign sought to bridge the information gap between borrowers’ understanding about student loans and the financial realities of student loan debt and to raise awareness about NYC Financial Empowerment Centers. DCWP hosted additional student loan debt clinics—in the Bronx, Brooklyn, and also Queens—as part of the campaign.

In addition, DCWP supports federal legislation aimed at forgiving student loan debt in some form for all borrowers, in line with what is proposed in the Student Debt Emergency Relief Act.²⁶ We note the need for other broad-based federal reforms to make higher education more affordable and accessible for future scholars, as was proposed in the College for All Act of 2019.²⁷

Further, to protect students from educational options with low or no return on investment, DCWP calls on the U.S. Department of Education to reinstate the Gainful Employment regulations that were terminated in 2019.²⁸

Wealth Building

In choosing locations for NYC Financial Empowerment Centers and NYC Free Tax Prep sites, we consider a number of data points related to financial health, including race and income, to ensure that historically marginalized New Yorkers—and neighborhoods—have access to critical *free* financial empowerment services.

DCWP looks forward to continuing and expanding our work on behalf of the New Yorkers who are most vulnerable to the negative effects of student loan debt. Through our research, interventions, and policy advocacy, we hope both to call attention and to correct inequities in our city.

26 For more information, see <https://www.congress.gov/bill/116th-congress/house-bill/6363/text>

27 For more information, see <https://www.congress.gov/bill/116th-congress/house-bill/3472/text>

28 For more information on DCWP’s opinion on the rescinding of the Gainful Employment regulations, see <https://www1.nyc.gov/assets/dca/downloads/pdf/partners/Advocacy-DOE-Gainful-Employment-091318.pdf>

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Appendix A: Data and Methodology

We compiled our data from three different sources.

I. For higher education outcomes patterns, we relied on data from the U.S. Department of Education College Scorecard for the 2016-2017 academic year.

The College Scorecard provides data at the institution level.

To demonstrate the disparity in outcomes between top schools and schools that target Black students, we compared the top five public and private New York City institutions based on The Wall Street Journal/Times Higher Education (WSJ/THE) College Rankings 2020 to the five schools in New York City that served the highest rate of Black students. Analysis was limited to four-year institutions to maintain comparability between the most prestigious schools and the schools with the highest share of Black undergraduate students. In addition, we removed Yeshiva University, as their racial and ethnic compositions may be driven more by religious affiliation than by other external factors.

The WSJ/THE Rankings are based on a composite indicator that considers resources, engagement, outcomes, and environment. For more information about the methodology of the rankings, see https://www.timeshighereducation.com/USmethodology2020?mod=article_inline

Schools were compared based on completion and student loan repayment outcomes.

Degree completion is measured for first-time, full-time students entering in fall 2010 or Academic Year 2010-2011. To evaluate the relative performance of schools, we classified all New York City four-year institutions, for which data were available, into quintiles based on completion rates. See the ranges below.

	Minimum	Maximum
Best 20%	85%	100%
	66%	82%
	55%	64%
	44%	53%
Worst 20%	13%	39%
All Schools (N=47)	13%	100%

Completion Quintile Ranges

Loan repayment is determined using the repayment rate for both completers and non-completers for a two-year cohort entering repayment in 2009 and 2010, as measured seven years later in 2016 and 2017, respectively. To evaluate the relative performance of schools, we classified all New York City four-year institutions, for which data were available, into quintiles based on repayment rates. See the ranges below.

	Minimum	Maximum
Best 20%	82%	94%
	72%	81%
	64%	72%
	55%	61%
Worst 20%	28%	54%
All Schools (N=47)	28%	94%

Repayment Quintile Ranges

II. For data on student loan debt in collections, we received tabulations of data from a major credit bureau from the Urban Institute (UI).

UI provided us with a snapshot of credit outcomes for New York City residents on the same day in 2018. The data came from a random sample of 2 percent of U.S. consumers with a credit file—in our case, limited to observations collected on New York City residents—and was sourced from one of the three credit bureaus operating in the United States. For the purposes of anonymity, UI provided us with ZIP code and Public Use Microdata Area (PUMA) level—a census designation closely related to the Community District boundaries used in New York City government—aggregations.

It should be noted that the collections data was received at the ZIP code level and aggregated to the PUMA level using an assignment strategy compiled from public sources by Baruch College's Geospatial Librarian.²⁹ Because ZIP codes are not a census designation, the assignment strategy matches ZIP codes to U.S. Census Bureau geographies using ZIP code tabulation areas (ZCTAs)—geographies created by aggregating census blocks to mirror ZIP codes. More importantly, while in our data set ZIP codes are assigned to ZCTAs and then combined to form PUMAs that coincide with Community Districts, in reality ZIP codes do not perfectly nest into ZCTAs, ZCTAs do not perfectly nest into PUMAs, and PUMAs do not necessarily share the exact same boundaries as Community Districts. We do, however, feel that in the absence of a perfect assignment to Community District boundaries, this method provides a reasonable proxy for Community Districts—or what we refer to as neighborhood areas.

III. The third data source was the American Community Survey (ACS), from which we pulled data on race, homeownership, degree completion, and median household income by highest degree completed.

All ACS data comes from the U.S. Census Bureau's 2014-2018 American Community Survey 5-Year Public Use Microdata Sample (PUMS). To remove overlap in categories:

- White refers to White, non-Hispanic residents, adults, or household heads; and
- Black refers to Black, non-Hispanic residents, adults, or household heads.

²⁹ For details, see <https://www.baruch.cuny.edu/confluence/display/geoportal/NYC+Geographies>

