

Congress of the United States
Washington, DC 20510

June 18, 2018

The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Dear Secretary DeVos:

We write to express serious concerns regarding the challenges facing students of color in our federal student loan system, which are the result of long-standing inequities between racial groups and have been exacerbated by recent decisions by the U. S. Department of Education (“Department”). We urge the Department to fully enforce borrower protections, continue to process pending borrower defense claims, fully discharge and refund the loans of students who have been cheated by their college, and collect and report data on student loan repayment status disaggregated by race and ethnicity.

Barriers Facing Student Loan Borrowers of Color

Students of color often face significant barriers to accessing and completing their higher education, including “inequities in family wealth, race-based differences in earnings, and Black and Latino students’ overrepresentation in high-cost, low-quality for-profit colleges and universities.”¹ For example, Black high school graduates are 20 percent less likely to immediately enroll in college than their White peers.² Moreover, in 2015, only 23 percent of American Indian and Alaska Natives and 24 percent of Pacific Islander Americans between the ages of 18-24 enrolled in degree-granting postsecondary institutions, compared to 42 percent of White students in the same age group.³ These trends continue through graduation, as well, with Black and Latino students being respectively 24 and 16.2 percentage points less likely to complete college as their White peers.⁴

These significant barriers for students of color are the result of this country’s substantial racial and ethnic gaps in income and wealth.⁵ A recent study noted that between 1983 and 2013, the median Black household wealth declined from \$6,800 to \$1,700 and the median Latino household wealth declined from \$4,000 to \$2,000, while the median White household wealth increased from \$102,000 to \$116,800.⁶ This study suggests that, if these disturbing trends continue, White households will amass 86 and 68 times more wealth than Black and Latino households respectively by 2020.⁷

These statistics are even more notable in urban areas. In the Greater Boston area, for example, the median Black household has a net worth of only \$8, and Dominican households – one of the largest Latino populations in the Boston area – is nearly \$0, while the median net worth in White

households is \$247,500.⁸ Multiple Asian American subgroups, including Hmong and Nepalese, also have household incomes well below the national median.⁹ And in 2016, Native Americans were nearly twice as likely to live in poverty.¹⁰

Furthermore, people of color are paid statistically less than their majority peers for equal work. Studies have even suggested that Black and Latino workers with college degrees or some college education have the same wealth prospects as White workers with lower levels of education.¹¹ These differences in wealth and salary underscore the structural inequalities that impact people of color when seeking higher education.

Analysis of Recent Student Loan Repayment Data

An October 2017 report from the Department's National Center for Education Statistics (NCES) examined long-term trends in student loan repayment for two cohorts of student borrowers.¹² An analysis of these data highlighted the disproportionately negative outcomes for student loan borrowers of color, particularly for Black students. The report found that Black students were on average nearly 20 percentage points more likely to borrow federal student loans and less likely to pay down this debt, ultimately resulting in a significantly larger student debt burden than their peers.¹³

These financial realities are even more apparent at historically Black colleges and universities (HBCUs) and predominantly Black institutions. HBCUs have a historic mission driven focus on the education of students of color. That mission means their target student population has a lower income background and are more likely to be first generation college enrollees compared to students attending non-HBCUs. Coupling these realities with the decreased purchasing power of the Pell grant, wealth and income inequalities among people of color lead to students at HBCUs borrowing at a higher rate and greater amounts of federal loans than students at predominantly White institutions.¹⁴

Although high interest rates negatively impact all borrowers, they disproportionately affect student borrowers of color more over time as their balances grow and income disparities widen. The Department's data reveals that the median Black student in the 2003-04 cohort owed 113% of what they originally borrowed 12 years after starting college compared to the median White borrower, who owed around 65% of their original loan balance.¹⁵ The Department's data also suggests that almost half of Black student borrowers in the 2003-04 cohort defaulted on their federal student loans after 12 years.

The racial disparities in student debt are even notable among borrowers who graduate from college. For students who entered college in 2003-04 and obtained a bachelor's degree, Black student borrowers owed 114% of their original balance in 2015, while White student borrowers who obtained a bachelor's degree owed only 47% in 2015.¹⁶ Black college graduates default at five times the rate of White college graduates. In fact, Black college graduates are more likely to default than White college dropouts.¹⁷

These findings align with several previous reports,¹⁸ including a 2016 analysis, which found that for 2008 graduates, the average Black student graduated with about \$7,400 more student loan

debt than their White peers.¹⁹ According to this report, the Black-White student debt gap more than tripled to a \$25,000 difference in just four years after graduation.²⁰ This disproportionate debt burden makes it increasingly difficult for Black student borrowers to manage their student debt and other life expenses, often resulting in default.

These data suggest that, in our personal debt-based model of financing higher education, graduating from college is simply not enough to avoid financial calamity for many borrowers of color. This also emphasizes, once again, the underlying structural inequalities that people of color face – these individuals continually make the right decisions to invest in their education, but cannot reap the benefits as easily as their White peers.

Much of these disparities arise from the for-profit college industry. For-profit colleges enroll a disproportionate share of students of color compared to non-HBCU and non-minority serving nonprofit and public institutions. Nearly 50% of for-profit college undergraduate students identify as students of color.²¹ The predatory practices, higher average tuition costs, and poor job prospects that students face at many of these for-profit institutions makes these enrollment numbers especially concerning. According to a recent analysis, 95 percent of Black students attending a for-profit college took out student loans, and a staggering 75 percent of Black students who did not complete their program defaulted.²²

Because student loans are not dischargeable in bankruptcy, a student loan default is an inescapable devastation to the financial lives of borrowers. A student loan default can result in destroyed credit, federal wage garnishment, seizure of federal tax refunds, Social Security offset, and other consequences that amount to financial ruin.

Considering these statistics in conjunction with the structural inequality students of color face underscores an overwhelmingly difficult situation. These individuals enter college with a significantly smaller base of financial support from parents and family, which leads them to have to take out more student loans. However, once they graduate, borrowers of color face employment discrimination and disparate incomes, eroding their ability to repay these loans.

The Department's Actions Exacerbate the Student Debt Crisis for Borrowers of Color

Nevertheless, the Department, under your leadership, has not sought to address this crisis, despite growing public and media attention.²³ Instead, the Department threatens to make the student loan debt crisis even worse for students of color by continuing to delay the implementation of the critical Borrower Defense to Repayment (“Borrower Defense”) and Gainful Employment rules, and rewriting these rules in ways that would likely push more low-income borrowers and borrowers of color even deeper into debt, and make it harder for them to get out of debt.²⁴

The Borrower Defense and Gainful Employment rules provide important protections for all college students—including students of color—regarding their educational investment, greater information on the quality of schools, real accountability for schools that fail to serve students, and a process for students to get their federal student loans discharged if their schools defraud them.

These protections are especially important for students of color, as they are disproportionately affected by the institutions, most notably for-profit colleges, which engage in fraudulent practices and fail to prepare students for employment. However, the Department has delayed the implementation of all or parts of both of these rules, and is rewriting both rules.²⁵ Given the scope of the student debt crisis, the Department is moving backwards by delaying and rewriting the very policies designed to protect students and mitigate the racial divide among student loan borrower outcomes.²⁶

Moreover, many issues facing all borrowers of color are only brought to the public's eye when a study receives significant media attention. This is undeniably a function of the Department's and the Department's Office of Federal Student Aid's long-standing failure to collect and release student loan data disaggregated by race and ethnicity, except in periodic sample surveys conducted by NCES. This Administration has not committed to releasing aggregate student loan program data disaggregated by race and ethnicity. The Department's unwillingness to share this information has made it more difficult for Congress to conduct meaningful oversight and propose thoughtful policy solutions to the student debt crisis facing diverse borrowers of color.

Steps to Address the Problems Facing Student Loan Borrowers of Color

Ultimately, the Department's negligence in addressing the challenges of student borrowers of color is unacceptable, and recent actions have made this problem even worse. In order to start addressing some of these urgent issues, we urge the Department to immediately take the following actions:

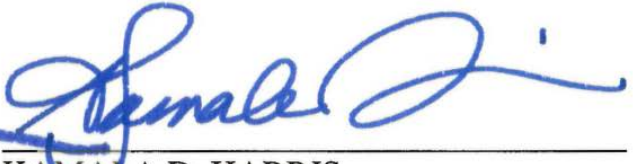
- Create a task force to study the specific challenges facing student loan borrowers of color and to propose policy solutions that help get borrowers of color out of debt, dramatically reduce delinquencies and defaults among borrowers of color, and eliminate the need for many of these borrowers to go into debt in the first place.
- Collect and report annual data on loan default rates, repayment rates, forbearance status, and loan delinquency status, disaggregated by race, ethnicity, sex, loan type, loan servicer, and school attended in an appropriate manner that protects borrower privacy.
- Create a task force to study the impact of student loan borrowing on individuals in extreme financial distress, including borrowers who have defaulted, are forced to declare bankruptcy, or deal with wage garnishment. This task force must study how this subpopulation compares to the overall student loan borrowing population and data on how many borrowers, including borrowers of color, are able to successfully avail themselves to the "undue hardship" exception to non-dischargeability of student loans in bankruptcy.
- Continue to process the nearly 100,000 borrower defense claims currently pending and *fully* discharge the loans of all defrauded students. In addition to many of these individuals being persons of color, many of these borrowers have been waiting years for

their applications to be reviewed, which has negatively impacted their quality of life and ability to make long term plans.²⁷

- Immediately and fully enforce the Borrower Defense and Gainful Employment rules as they were finalized in 2014 and 2016 respectively.

It is critical that the Department considers in every decision how best to protect the education and well-being of students of color. Thank you for your attention to this important matter.

Sincerely,

	
ELIZABETH WARREN United States Senator	KAMALA D. HARRIS United States Senator

	
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ADRIANO ESPAILLAT Member of Congress



PATTY MURRAY
United States Senator



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RICHARD BLUMENTHAL
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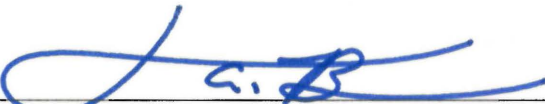
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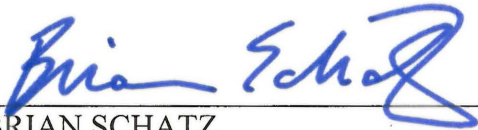
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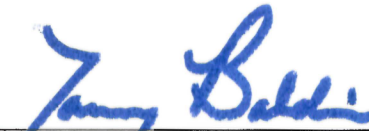
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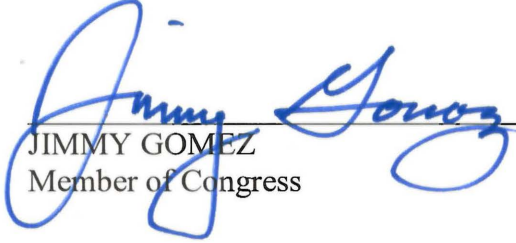
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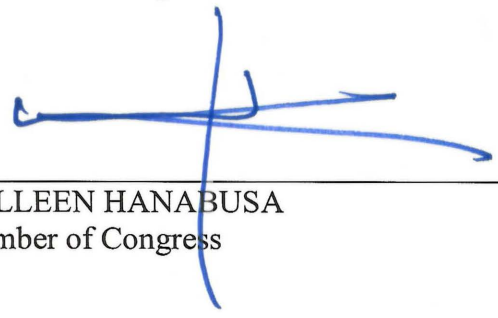

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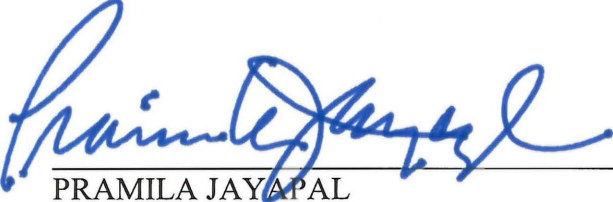

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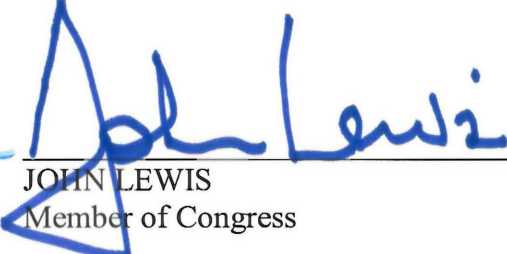

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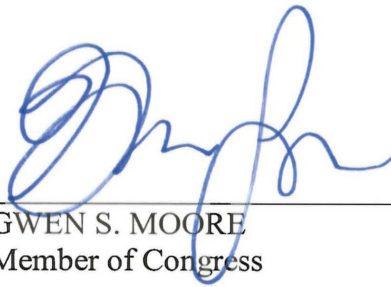

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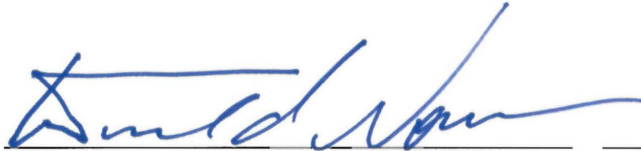

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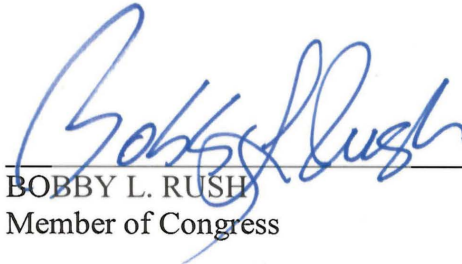
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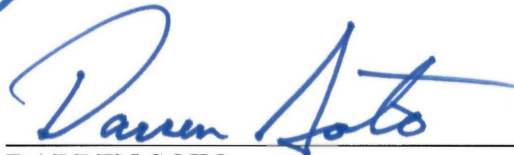
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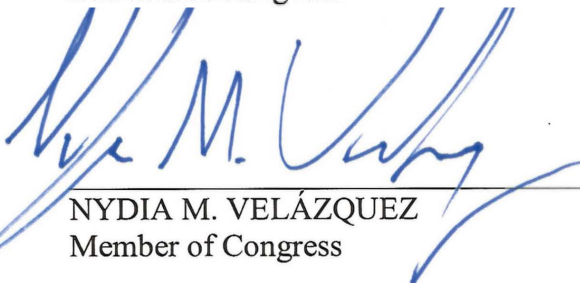
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Member of Congress



DARREN SOTO
Member of Congress



NYDIA M. VELÁZQUEZ
Member of Congress

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