



Center for Social Development

GEORGE WARREN BROWN  
SCHOOL OF SOCIAL WORK

# **Disentangling the connections between student debt, race, and material hardship**

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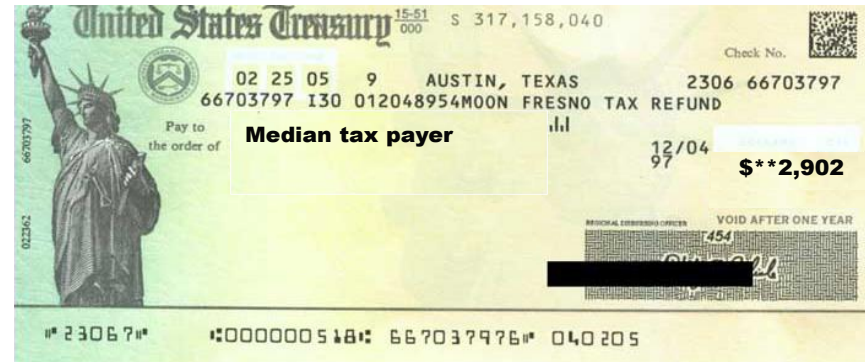


Note: Statistical compilations disclosed in this document relate directly to the bona fide research of and public policy discussions concerning the use of the IRS “split refund” capability and promotion of increased savings in connection with the tax compliance process. All compilations are anonymous and do not disclose cells containing data from fewer than ten tax returns. IRS Reg. 301.7216



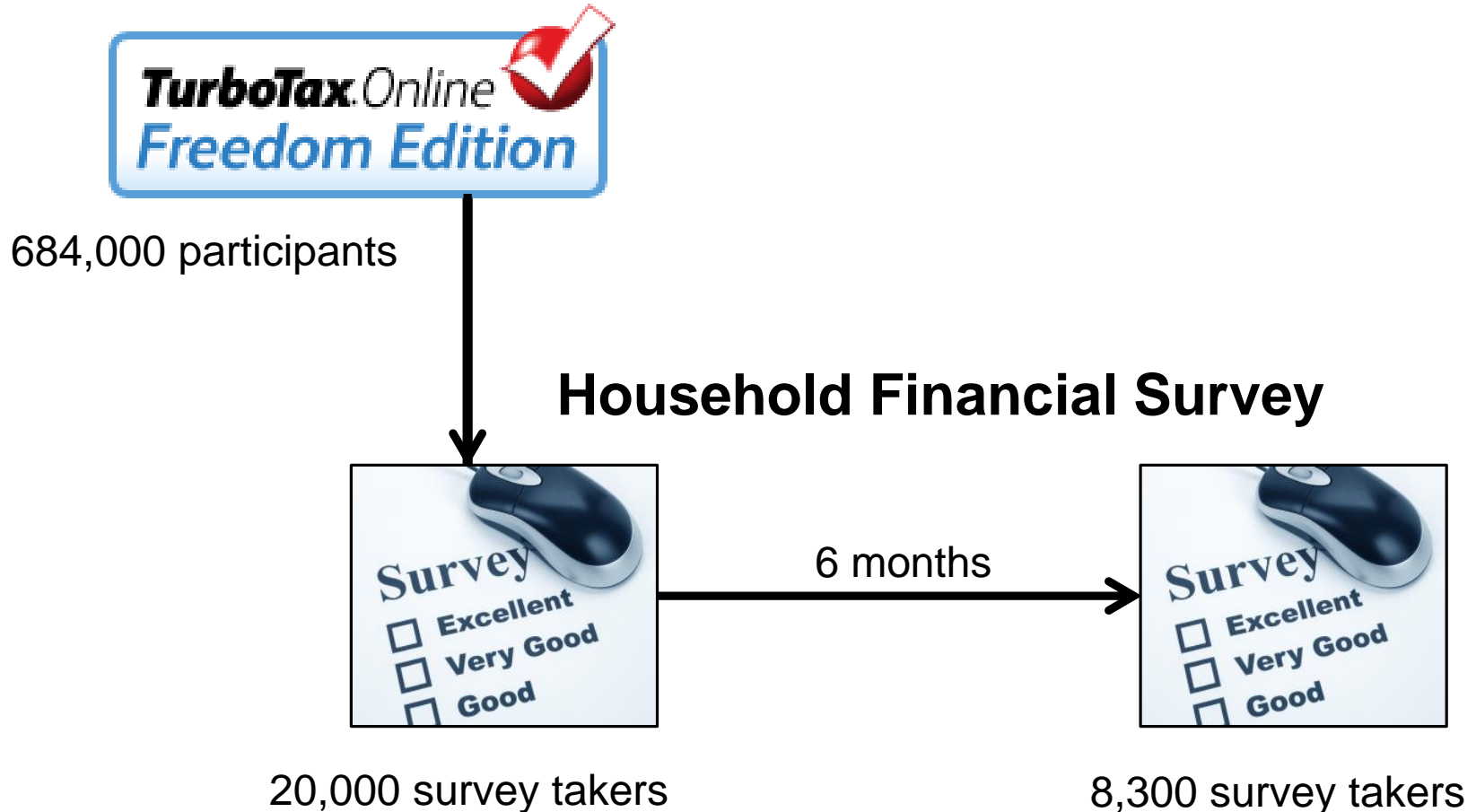
# About the Refund to Savings Initiative

- Largest saving experiment ever conducted in the United States in terms of sample size
- Developing and testing model for a universal, scalable savings policy
- Tax time is a major financial event for households
  - 146M individual returns filed
  - \$323 billion refunded



# 2013 Refund to Savings Initiative

## Randomized controlled trial in TurboTax





# Research Qs

## Student Debt & Race:

- How much does student debt burden differ by race?
- Can we account for the factors that result in the racial disparity?

## Student Debt & Hardship:

- What are the material consequences of student debt burden?



# Sample characteristics

	White	Black
<b>n</b>	13,221	1,974
<b>% Female</b>	59%	74%
<b>Mean age</b>	36.9	35.9
<b>Currently enrolled</b>	25%	31%
<b>College grad</b>	45%	40%
<b>Filing Status</b>		
<b>Single</b>	64%	45%
<b>Head of household</b>	18%	47%
<b>Married filing jointly</b>	17%	7%



# Financial Characteristics

	White	Black
n	13,221	1,974
Has student loan	49%	65%
\$ Student debt (with)	\$31,493	\$35,555
Income	\$17,284	\$17,613
Credit card debt	\$2,655	\$1,965
Kinds of assets	2.98	2.66
Kinds of debts	1.73	2.15

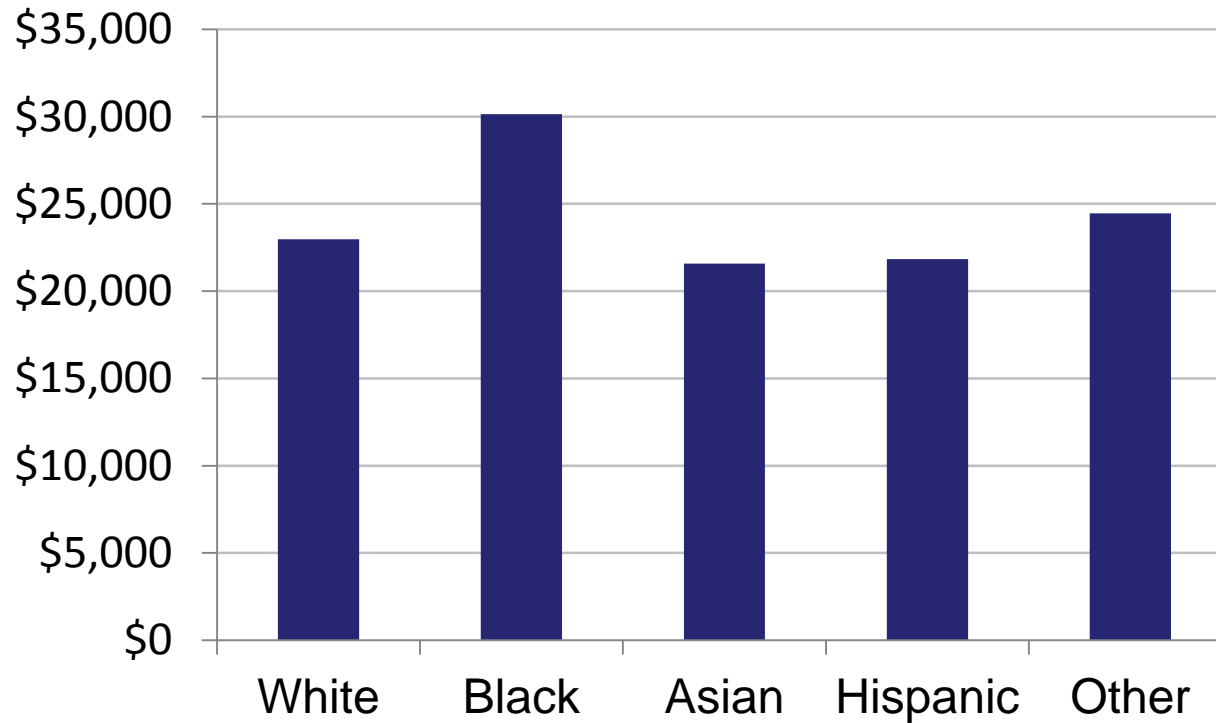


# Factors Accounted For

- Age, age<sup>2</sup>
- Sex
- Immigrant status (native/non)
- Student status (enrolled)
- Level of education
- Filing status
- Household income
- Amount of credit card debt
- Number of kinds of assets
- Number of kinds of liabilities<sup>†</sup>



# Student Debt Burden by Race







# Matching Estimator Technique

\$6,482 more student debt





# Summary: Race & Student Debt

- After carefully accounting for observed SES differences and risk factors, blacks still have more student debt than whites
- *What wasn't accounted for?*
- How well do student aid policies compensate for these factors?
- Is the black/white contrast the most relevant comparison?



# More Student Debt ... So What?

- Material hardship: “going without”
- Some of the same factors associated with student debt are associated with material hardship
- Does student debt contribute to material hardship?



# Predictors of Having Student Debt

- Education level
- Student status
- Income
- Age
- Sex
- Race
- n adults in household

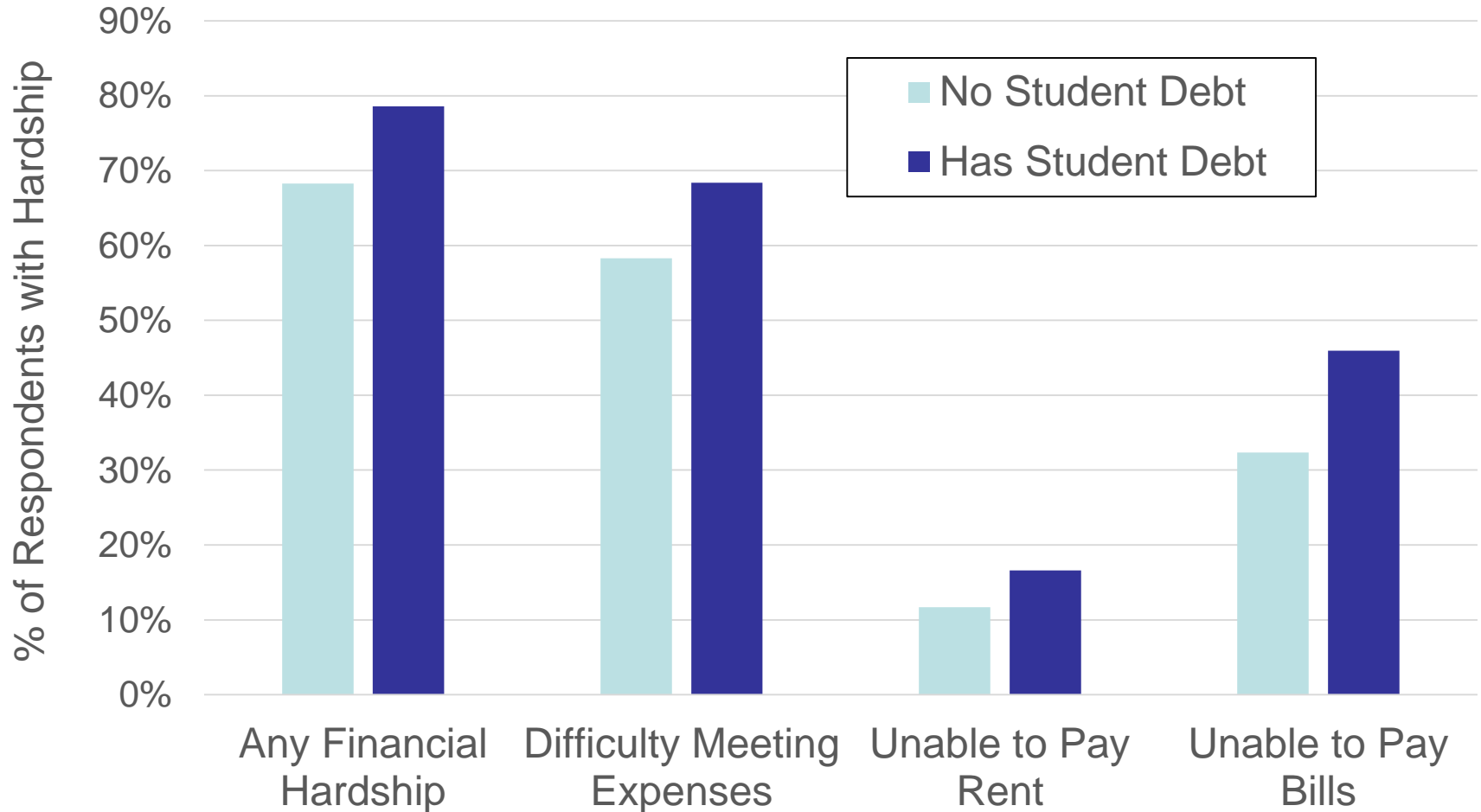


# Predictors of Hardships

- Filing status
- Federal refund amount
- Dependents
- Filing date
- Has savings account
- Number of kinds of debts
- Number of financial shocks

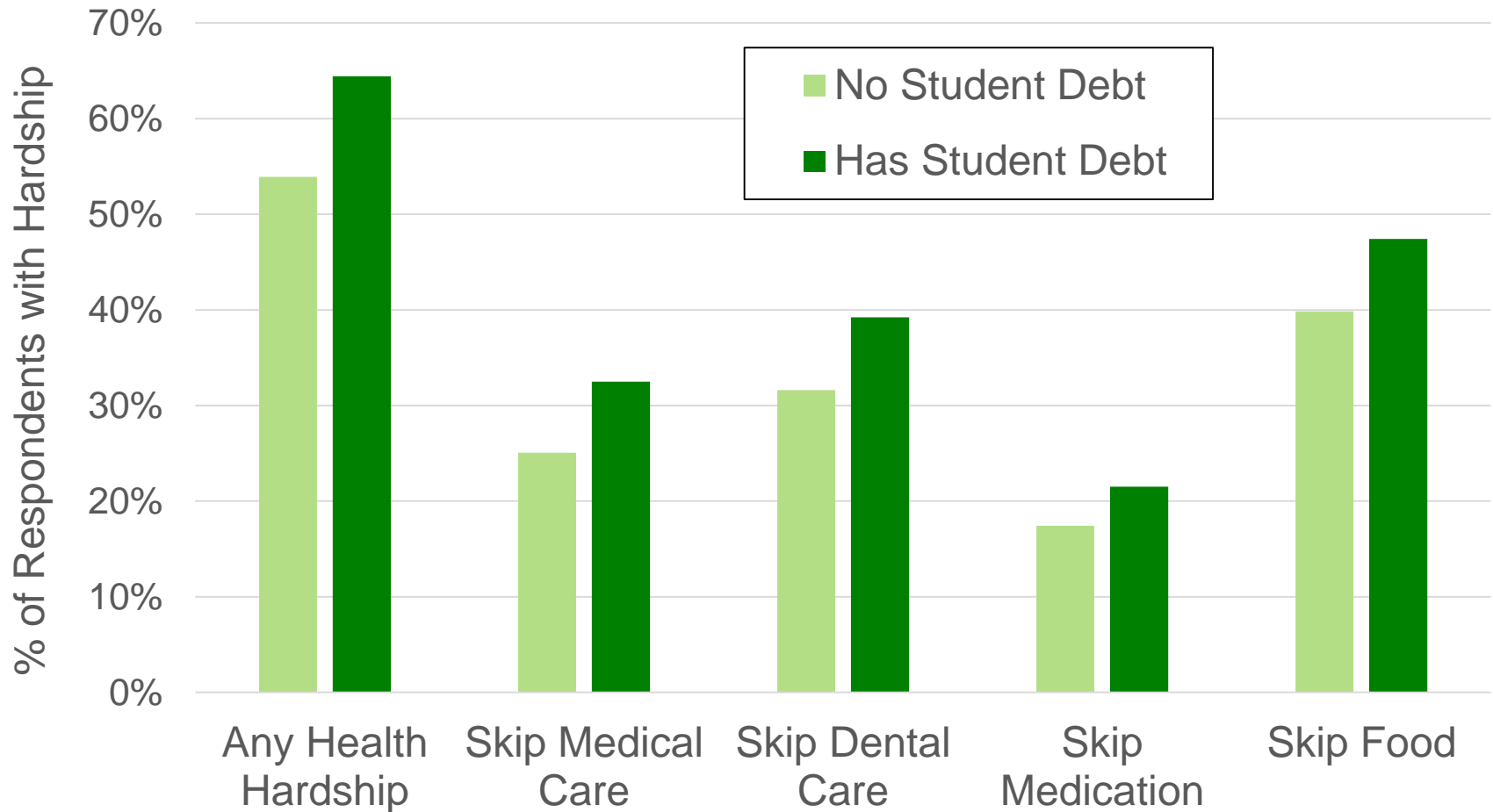


# Student Debt and Financial Hardships



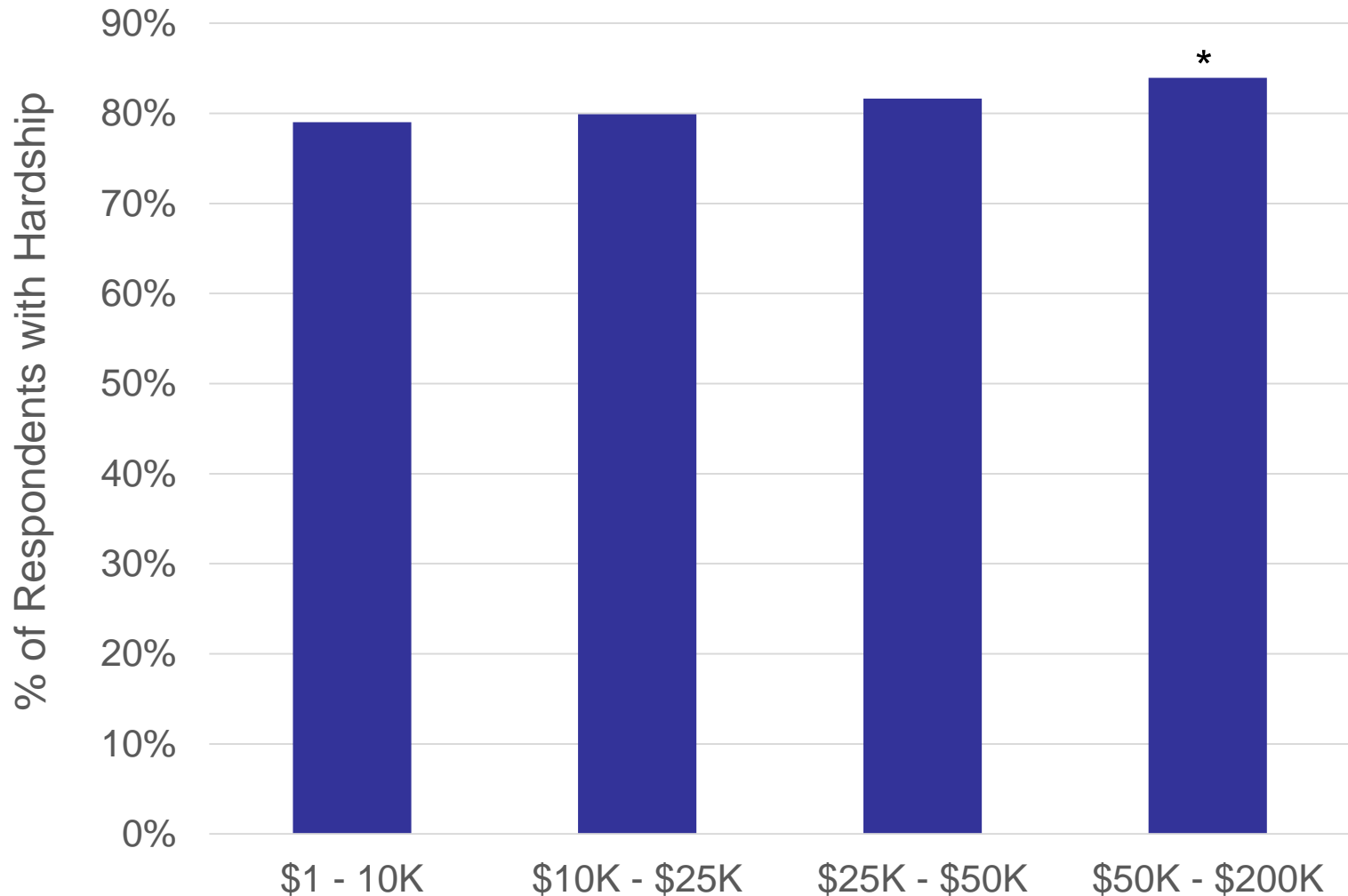


# Student Debt and Health Hardships





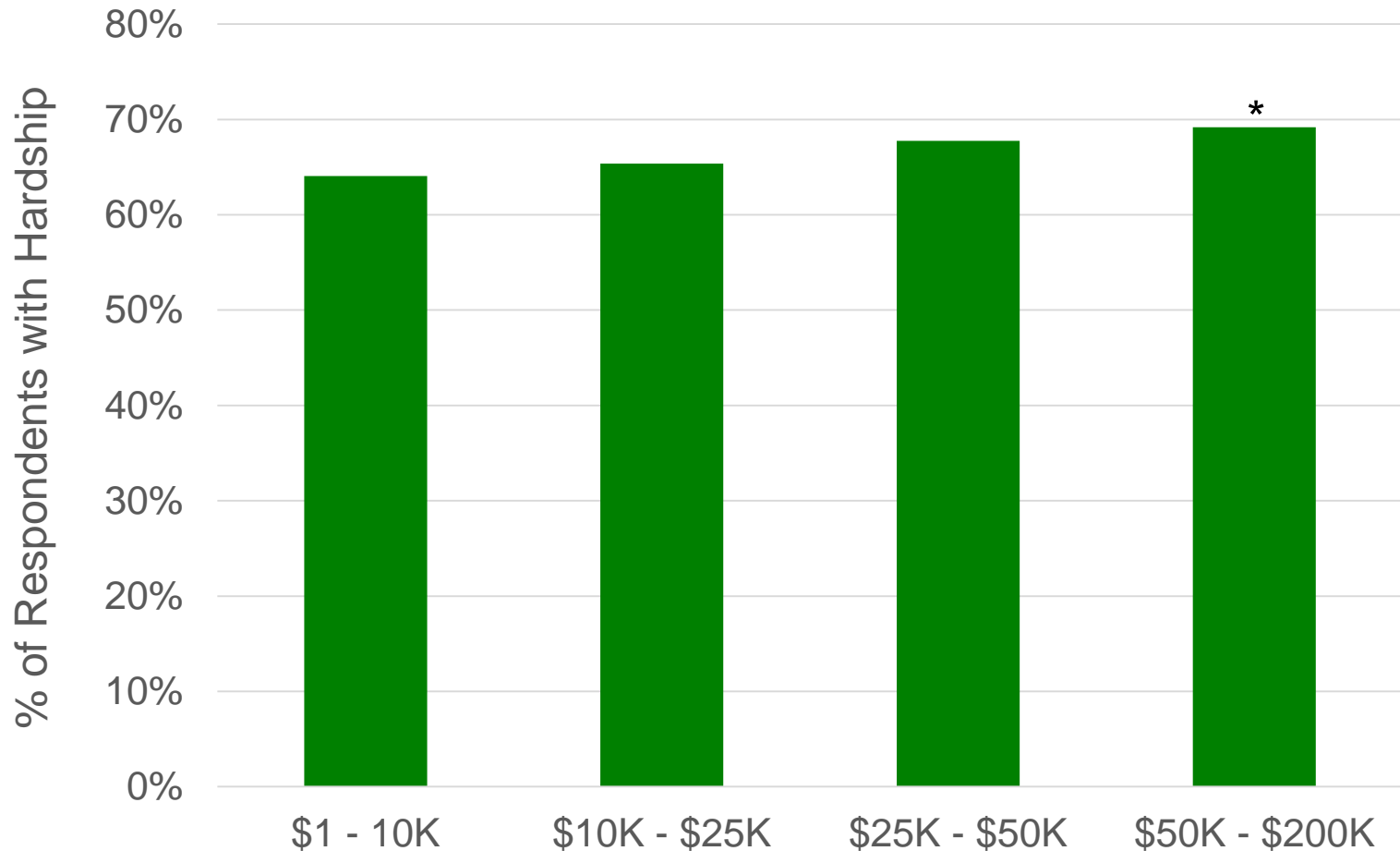
# Financial Hardships by Amount of Student Debt







# Health Hardships by Amount of Student Debt





# Summary: Material Consequences of Student Debt

- Having student debt is associated with increased risk for financial and health hardships
- Amount of student debt is associated with increased risk for hardships, especially more than \$50,000





# Policy Implications

- Eliminate the racial disparity
  - Criteria for aid should be based on relevant contributing factors
  - The relevant criteria have yet to be identified
- Reduce the burden of student debt
  - Low or no-cost education
  - Savings plans
  - Criteria for loan disbursement
  - Criteria for loan forgiveness