

STUDENT DEBT IS HARMING THE MENTAL HEALTH OF BLACK BORROWERS

AUTHORS:

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THIS BRIEF IS THE SECOND IN A FOUR-PART SERIES using qualitative data from the National Black Student Debt Study. The first brief examined "[How Black Women Experience Student Debt](#)." Forthcoming briefs will be released in the coming months and will cover income-driven repayment plans and Parent PLUS loans. For a comprehensive report based on the study, please read "[Jim Crow Debt: How Black Borrowers Experience Student Loans](#)."

Approximately 45 million Americans carry \$1.7 trillion in student loan debt, but the financial challenges facing Black borrowers are numerous. Black students are more likely to borrow, borrow more, and are more likely to struggle with repayment than their peers, because they collectively have fewer resources due to the generational and ongoing effects of structural racism. This debt burden has far-reaching financial consequences, and research also shows that student debt contributes to poor mental health.¹ In fact, the toll of student debt on people's mental health can be just as devastating as the financial harm it can cause.

"Jim Crow Debt: How Black Borrowers Experience Student Loans," a report published by The Education Trust in partnership with Jalil B. Mustaffa, Ph.D., an assistant professor at Villanova University and co-founder of the Equity Research Cooperative, highlights the crisis of Black student debt and the experiences of Black borrowers.² The report is based on the National Black Student Debt Study, which was led by Mustaffa and includes a survey of nearly 1,300 Black borrowers and in-depth interviews with 100 borrowers. At participants' request, we replaced their names with pseudonyms. In their own words, these borrowers describe how student debt has harmed their mental health. This brief highlights their experiences.

BLACK BORROWERS CARRY THE HEAVIEST STUDENT DEBT BURDEN

Because of systemic racism, the inequitable distribution of wealth, a stratified labor market, and rising college costs, Black borrowers are among those most negatively affected by student loans.³ Black people borrow the most and struggle the most with repayment. One year after completing their bachelor's degree, Black borrowers owe \$39,043, on average, in principal and interest, compared to \$28,661 for White borrowers.⁴ Black borrowers owe \$55,532 in graduate loans, compared to \$27,962 for White borrowers.⁵ And Black borrowers who are in repayment owe more than their White counterparts. [Twelve years](#) after starting college, the typical Black borrower owes 13% *more* than they originally borrowed and has paid down none of their balance, while the typical White borrower has successfully paid down 35% of their original loan balance.⁶

THE RACIAL WAGE AND WEALTH GAPS HELP FUEL THE BLACK STUDENT DEBT CRISIS

The racial wage and wealth gaps make student loan repayment especially challenging for Black borrowers. In 2020, Black workers aged 25 to 64 who held a bachelor's degree or higher and worked full time and year-round had median earnings of \$65,135, compared to \$77,162 for White workers with a bachelor's degree.⁷ In fact, Black workers need a professional degree to outearn White workers with a bachelor's degree.⁸ The racial wealth gap is even more significant than the racial wage gap, and the former reflects the accumulated negative effects of centuries of systemic racism, which include but are not limited to slavery, Jim Crow laws, redlining, lending discrimination, and labor market and wage discrimination.⁹ In 2019, the median Black household had just \$24,100 in wealth next to \$188,200 for the median White household.¹⁰ What's more, obtaining a higher education does not erase that gap. In fact, the median Black household headed by a person with a bachelor's degree has *less wealth* than the median White household headed by a person without a high school diploma.¹¹ According to a 2021 report by Andre Perry, Ph.D., a senior fellow at Brookings Metro and a scholar-in-residence at American University, 52% of Black households with student loans have zero or negative wealth — while just 25% of Black households without student debt are in as deep a wealth hole.¹²

Several borrowers noted that their lack of familial wealth was a source of stress and that the high cost of college makes it unrealistic for Black people who face systemic oppression to pursue a higher education without assuming crushing levels of debt. Maya, for one, said, "*I feel as though, from day one, the chips were stacked up against the Black/African American community*" more so than "other minority communities," because "Black African Americans disproportionately do not have the access."

DEBT CAN TRIGGER MENTAL HEALTH PROBLEMS

Financial stress can affect a person's physical and mental well-being. A 2015 study of the impact of student loan debt on adults aged 25-31 found that having student loans is associated with poorer mental health. Meanwhile, numerous studies suggest that a heavy debt burden can be detrimental to one's health: A March 2021 survey of over 2,300 borrowers with high loan balances noted that 1 in 14 had suicidal thoughts during repayment and that a high debt-to-income ratio was the main factor linked to poor mental health.¹³ Data based on surveys of 8,400 young adults from the National Longitudinal Study of Adolescent Health found that having a high debt relative to available assets is associated with higher perceived stress and depression¹⁴; a survey of 1,430 older adults also found that debt is linked to dire mental health consequences, including increased rates of depression, anxiety, and anger.¹⁵

Our study echoes those findings: 64% of our survey participants reported that student debt had negatively impacted their mental health.¹⁶ And while income-driven repayment plans are routinely offered up as a solution to the student debt crisis, most of the study participants enrolled in these plans still said that student debt is a primary source of financial stress for them and has taken a toll on their mental health (see Table 1). Participants said the stress came from having a debt balance that was growing and unpayable and a monthly payment that limits their ability to meet basic needs, even when the payment is based on their income.

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TABLE 1: IMPACT OF LOANS ON MENTAL HEALTH, QUALITY OF LIFE, AND FINANCIAL STRESS
 (BY INCOME-DRIVEN ENROLLMENT PLAN STATUS)

STATEMENT	OVERALL	NO	YES
Loans Have Negative Impact on Quality of Life			
Agree	69%	66%	71%
Disagree	7%	21%	15%
Neither agree/disagree	14%	13%	15%
Loans Primary Source of Financial Stress			
Agree	76%	71%	78%
Disagree	17%	22%	15%
Neither agree/disagree	7%	7%	7%
Loans Have Negative Impact on Mental Health			
Agree	64%	55%	67%
Disagree	21%	27%	8%
Neither agree/disagree	15%	8%	14%

Please note that 'NO' corresponds to those borrowers who have entered repayment and are not enrolled in an IDR plan; 'YES' corresponds to those who have both entered repayment and are enrolled in an IDR plan.

Source: [Jim Crow Debt: How Black Borrowers Experience Student Loans](#)

What's more, Black people are already 20% more likely than White people to experience serious psychological distress, due to racism, economic distress, and a host of other societal factors. According to the National Institute on Minority Health and Health Disparities, "African Americans' depressive occurrences are more disabling, persistent, and resistant to treatment than those experienced by Whites."¹⁷

To compound matters, mental health care is costly and often inaccessible in the United States, especially for Black people. Less than half of Americans who have a mental disorder receive the treatment they need. And the proportion of Black people who need mental health treatment and receive it is half that of White people.¹⁸ A typical hour-long therapy session costs between \$65 and \$250, on average, without insurance. This is a serious financial barrier, since only 56% of psychiatrists accept insurance compared to 90% of non-mental health doctors.¹⁹ Additionally, in 2018, 11.5% of Black people were uninsured versus 7.5% of White people.²⁰

IN THEIR OWN WORDS

Black borrowers in the study said that high balances, unaffordable monthly payments, and default had caused them great psychological distress. Many of them said they'd experienced depression, a loss of confidence, high levels of stress, anxiety, and suicidal ideation. While the borrowers had different experiences, all of them noted the profound impact that student debt has had on their lives.

Many of them said they regretted borrowing in the first place, noting that the harm caused by student loans outweighed the benefits of their degree. Many feel their future is bleak because they see no way to repay their debt. Negus, who owes \$160,000, said, *"I feel like my future has been shrunken down into something that you could fit in your pocket. And it's just really sad. I thought I was making these financial decisions to have a future" but now "I wish I never had gone [...] because it's just so stressful."*

After defaulting on her loans and having her wages garnished, Yvonne, who borrowed \$58,000 fell into depression: *"That was a very dark time in my life,"* she said. *"I felt like I wasn't providing for my family fully, because I wasn't getting a full paycheck. But, again, it was because of my own decision. So, for me, it was a double-edged sword. I did become depressed. And I'm a very transparent kind of a person. I did more drinking then, I will honestly say. And I didn't know where to go. I didn't know who to talk to. I didn't know how to remedy it."*

After a borrower misses nine monthly payments and defaults on their federal student loan, their wages may be garnished. Default ruins a person's credit, making it harder for them to rent an apartment, buy a car or a home, or even get a job. In addition, if a borrower defaults on a federal student loan, the government may garnish or withhold their Social Security income, tax refunds, and other public benefits,²¹ which can heighten their stress and financial instability. A loan in default may be sent to a debt collector, who may harass the borrower and/or wreak havoc on their financial life and mental health. Some collection agencies have been known to repeatedly call, threaten, or even sue borrowers, which can, needless to say, increase anxiety.

Nina, for example, had suicidal thoughts after her private loan lender refused to lower her \$900 monthly payment, even though her monthly income ranged from \$700 to \$1,500 a month. She asked the lender, *"What happens if I die? This is enough to make anybody want to kill himself. What all of you are doing to people, like ruining my life."* The lender responded, *"We would go after [your father]."* And I just remember thinking, *"You all are so evil,"* Nina said. At that point, *"They called the police,"* she recalled. After the police came and did a wellness check, Nina called the lender again and told them: *"I'm unemployed or low income. I can prove this. And you guys won't even give me a break on a monthly payment, but, at the same time, you all sent over someone to make sure I wasn't dead, but you all still let me know that, if I die, we're going to come get your dad."*

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Many borrowers in the study described student debt as a lifetime sentence. For Nina and others with cosigned private loans taken out before 2018, it's potentially that and more: Their debt could well survive them and leave their cosigners on the hook. The Economic Growth, Regulatory Relief, and Consumer Protection Act update to the Truth in Lending Act now requires lenders to discharge cosigners from their loan obligation if the borrower dies, but that change doesn't apply to private loans made before 2018.²²

RECOMMENDATIONS

Student debt is growing, as is the mental health crisis among Black borrowers. But while the situation is dire, it's also a byproduct of failed and intentionally racist policies going back generations,²³ which means it can be solved by better public policies, like those listed below.

1. More than 80% of the participants in the "Jim Crow Debt" study think the federal government should cancel all student debt, and policymakers would be wise to listen to them and help ease their debt burden. The Education Trust supports canceling at least \$50,000 of federal student debt per borrower and opposes limiting eligibility for cancellation by income, loan type, or degree level (e.g., undergraduate versus graduate degree).
2. In addition to total broad-based debt cancellation, the Biden administration should make significant improvements to income-driven repayment (IDR) plans to make monthly payments more affordable, reduce negative amortization, ensure reliable loan servicing, and shorten the time-to-forgiveness window.
3. To make college more affordable, Congress should double the Pell Grant and create federal-state partnerships to make public college debt-free.

A higher education should be the key to a better future, instead of a lifetime debt sentence. It's up to the Biden administration and Congress to end the student debt crisis and make college affordable for future students.

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