JOHN C. WILLIAMS
PRESIDENT

September 24, 2019

VIA E-MAIL

Senator Cory A. Booker
717 Hart Senate Office Building
Washington, D.C. 20150

Dear Senator Booker:

Attached are the New York Fed's responses to your June 27, 2019, letter regarding student debt in majority-minority neighborhoods. As I noted previously, you have identified issues that are important to student loan policy makers.

Our responses reflect conversations at the staff level, which allowed my New York Fed colleagues to convey where we lack data that you requested and to clarify other questions so that we could respond better to other questions you posed.

We look forward to assisting you, other Members of Congress, Congressional staff, and other policy makers with student loan data that is available to us.
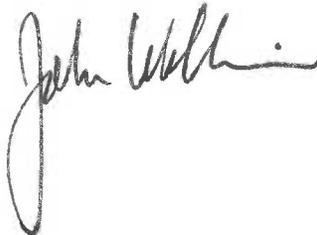
Respectfully yours,
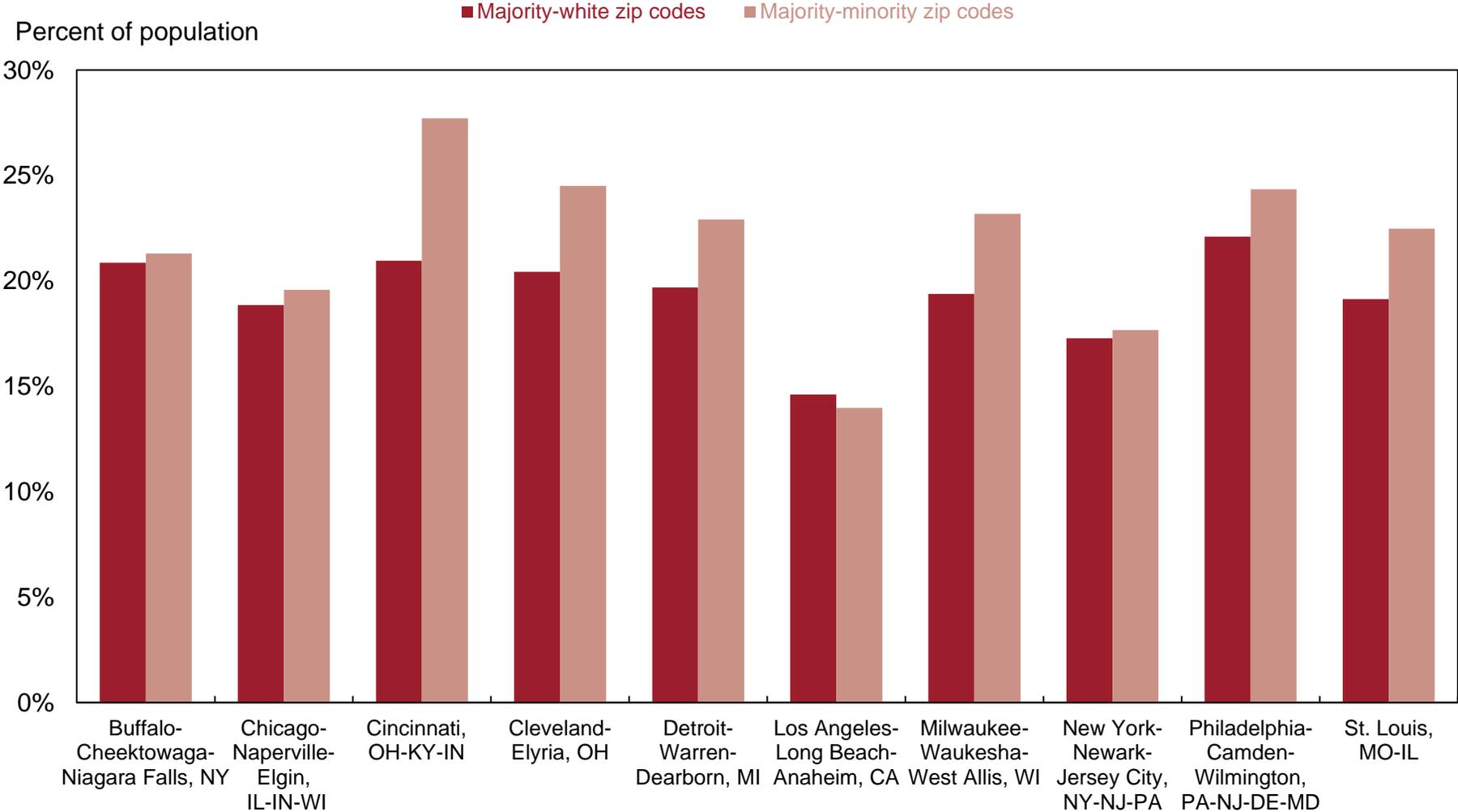
John C. Williams
President

Figure 1: Percent of population with a student loan

■ Majority-white zip codes   ■ Majority-minority zip codes
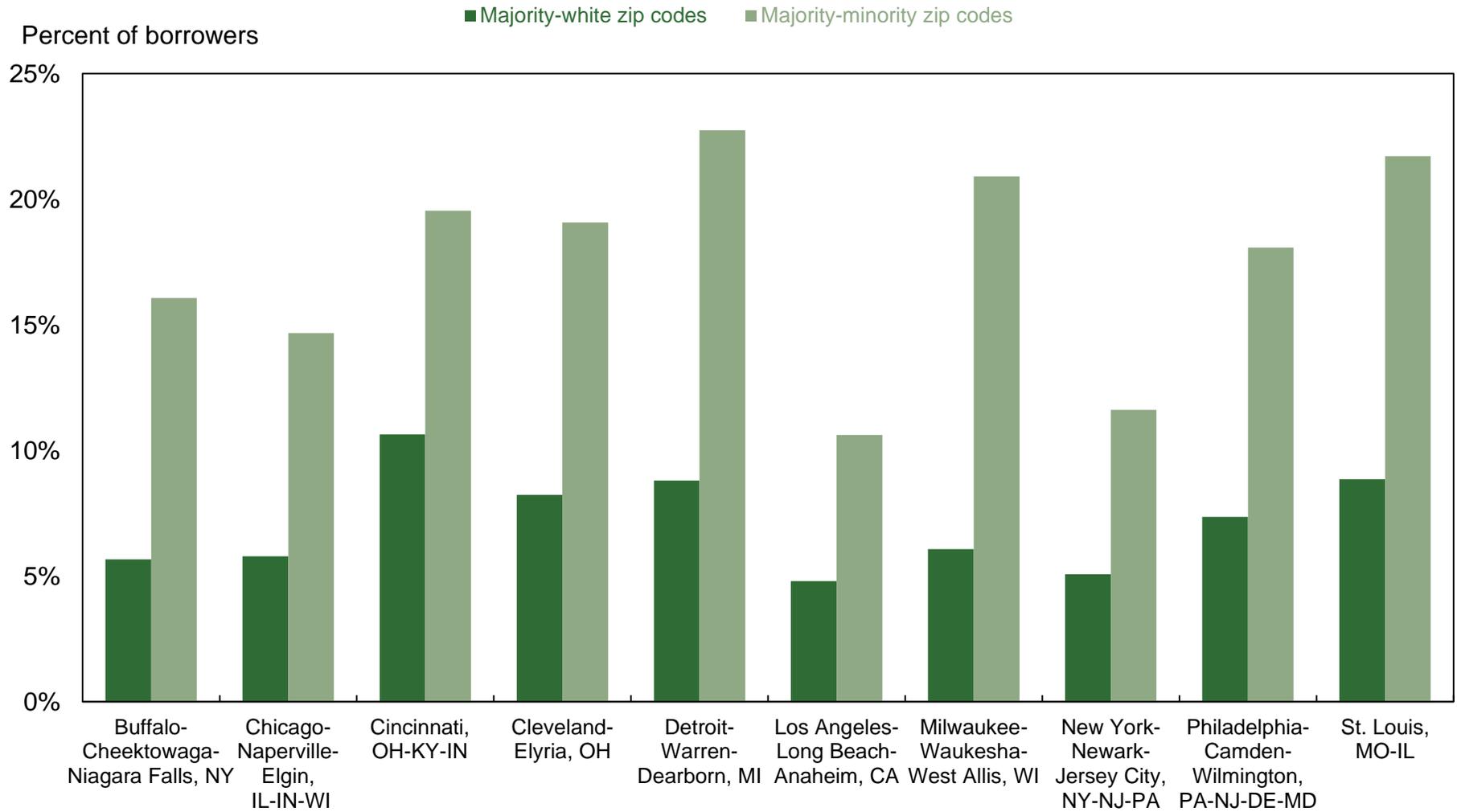
Percent of population

Source: New York Fed Consumer Credit Panel/Equifax (2019Q2), ACS 2012-2016

Note: the percent of population with a student loan is equal to the number of student loan borrowers as a share of the ACS 18+ population.
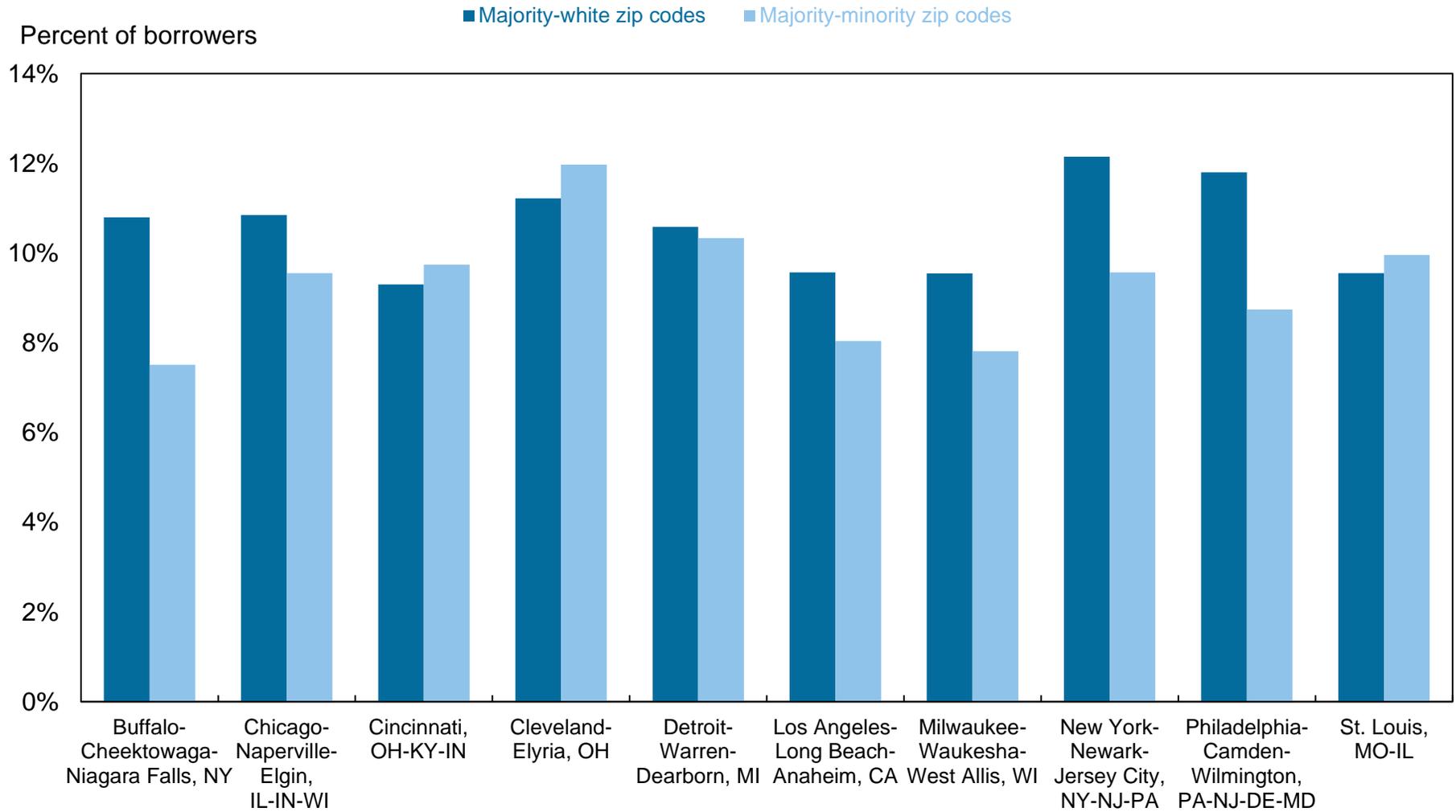
Figure 2: Percent of student loan borrowers in default

■ Majority-white zip codes ■ Majority-minority zip codes

Percent of borrowers

Source: New York Fed Consumer Credit Panel/Equifax (2019Q2)

Note: the percent of student loan borrowers currently in default is equal to the number of student loan borrowers with a defaulted balance as a share of the total number of student loan borrowers.

Figure 3: Percent of student loan borrowers aged 55 to 64

■ Majority-white zip codes ■ Majority-minority zip codes
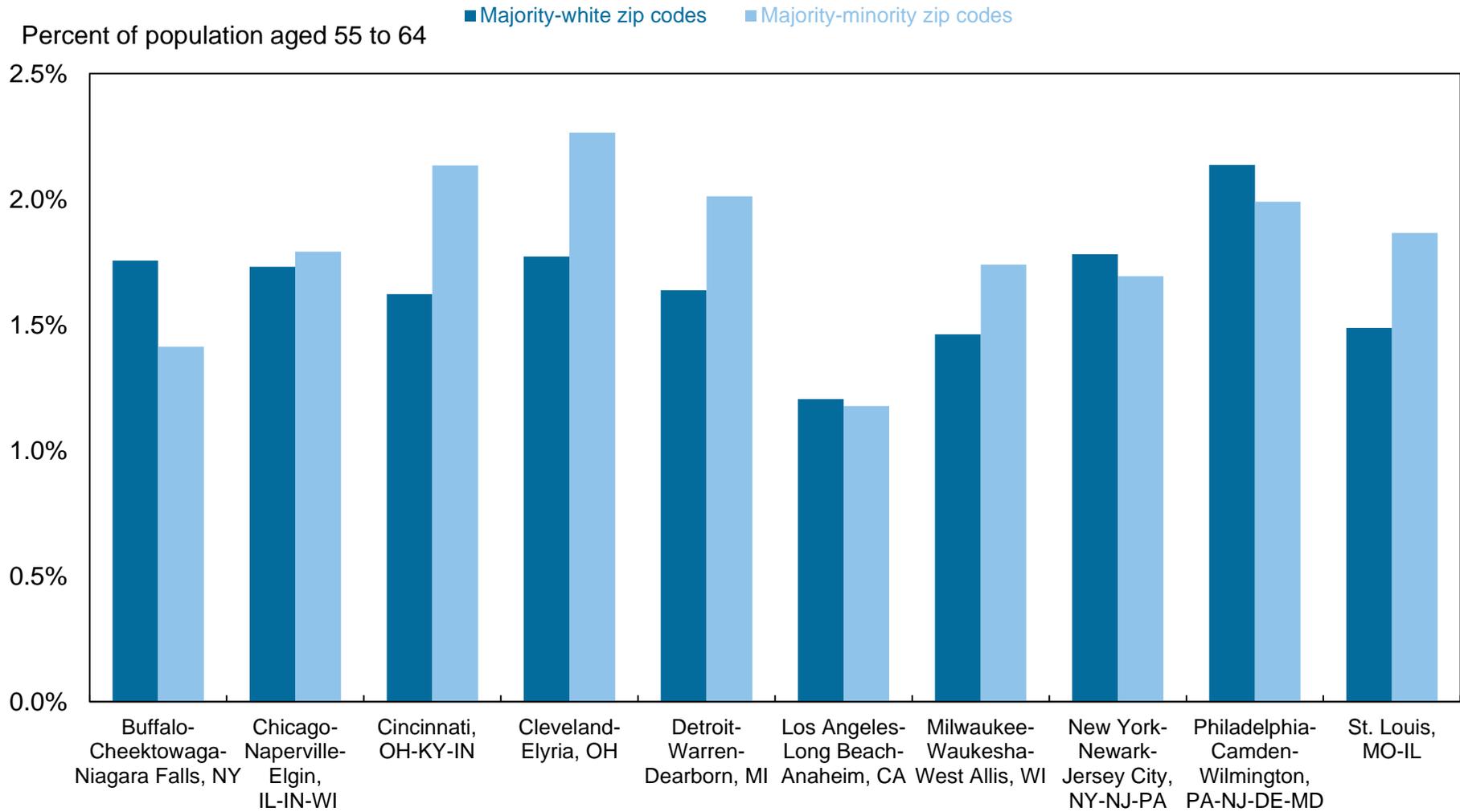
Percent of borrowers

Source: New York Fed Consumer Credit Panel/Equifax (2019Q2)

Note: the percent of student loan borrowers aged 55-64 is equal to the total number of student loan borrowers aged 55-64 as a share of the total number of student loan borrowers.

Figure 4: Percent of population aged 55 to 64 with a student loan

■ Majority-white zip codes ■ Majority-minority zip codes
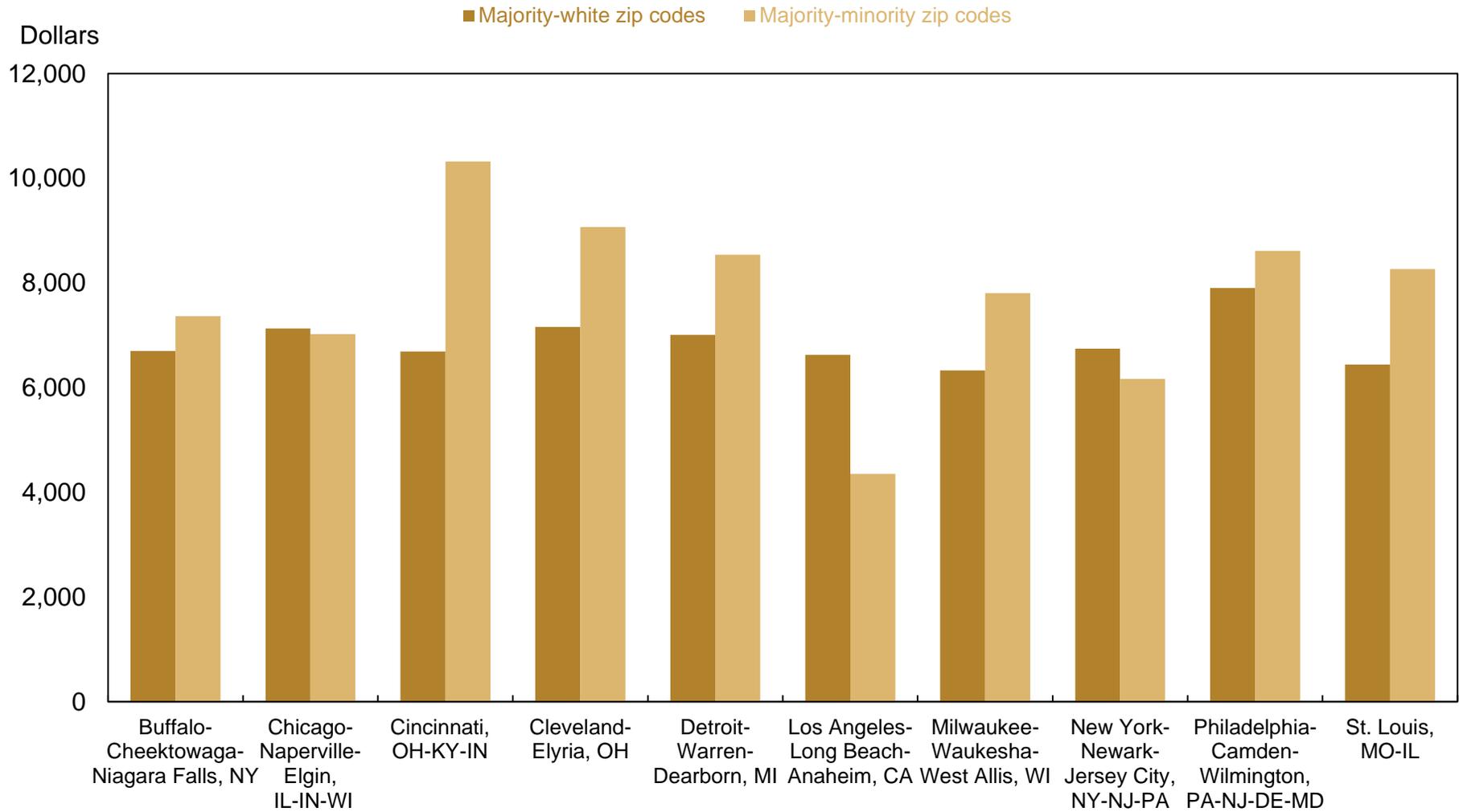
Percent of population aged 55 to 64

Source: New York Fed Consumer Credit Panel/Equifax (2019Q2), ACS 2012-2016

Note: the percent of population aged 55-64 with a student loan
is equal to the total number of 55 to 64 year-old student loan
borrowers as a share of the ACS population of that age.

Figure 5: Average student debt among population

■ Majority-white zip codes ■ Majority-minority zip codes

Source: New York Fed Consumer Credit Panel/Equifax (2019Q2), ACS 2012-2016

Note: Average student debt is equal to the total amount of student debt divided by the ACS 18+ population.

Figure 6: Average student debt among borrowers

■ Majority-white zip codes ■ Majority-minority zip codes
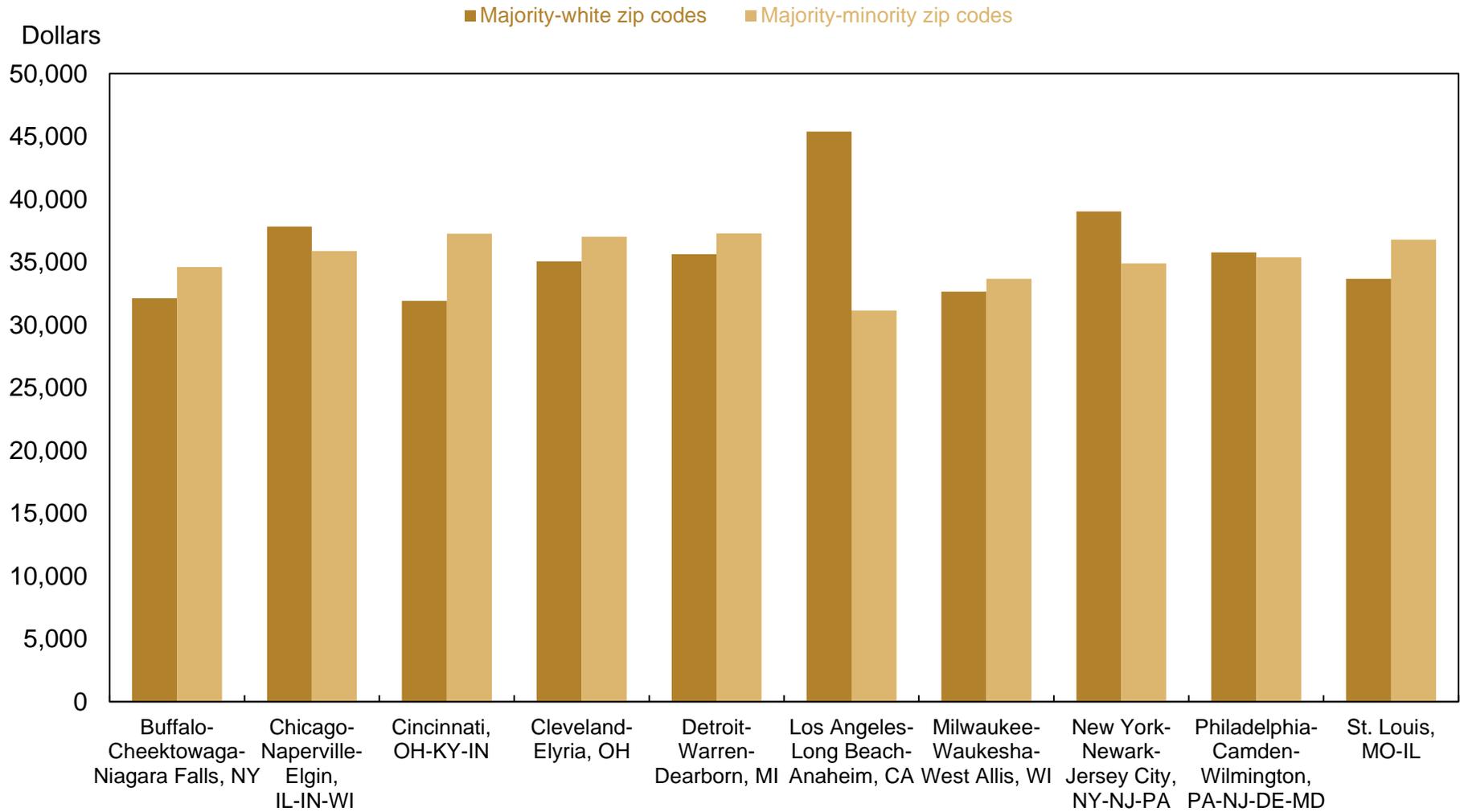
Source: New York Fed Consumer Credit Panel/Equifax (2019Q2)

Note: Average student debt among borrowers is equal to the total amount of student debt divided by the number of student loan borrowers.

The file contains six charts. Figure 1 is intended to set the stage for what follows. It shows the percentage of the population with a student loan, in majority-white and majority-minority zip codes in each of the 10 metropolitan areas your letter identified.[1]

Figure 2 is our response to your first question, "Across all 10 of the most segregated metropolitan areas in the nation, what is the likelihood that a student loan borrower in a majority-minority neighborhood defaults on a student loan, when compared to a student loan borrower in a majority-white neighborhood?" The figure shows the proportion of student loan borrowers in default on at least one student loan as of June 30, 2019.

As we discussed with your staff on August 27, our data do not allow us to answer all the questions you posed in part 2 of your request. For example, our data do not indicate whether a borrower is enrolled in affordable student loan repayment options, meaning that we are unable to address the first two bulleted questions in part 2. Similarly, our data do not indicate parental income, making it impossible for us to answer the third bulleted question. Finally, the Consumer Credit Panel does not include information on degrees attained, making us unable to address the fourth bulleted question using the Consumer Credit Panel alone.[2]

Our data do include borrower age, and Figure 3 reports the share of student loan borrowers aged 55-64 in each type of neighborhood in each metro area. We believe you may also be interested in Figure 4, which is the share of the whole population aged 55-64 that has a student loan.

The last two bullets ask about the total dollar amount of student debt in the two types of neighborhoods. As we define neighborhoods as zip codes and with population sizes varying widely across zip codes, we are concerned about the interpretation of the estimated total amount of student debt for an average majority-minority neighborhood by MSA. We believe that a comparison of these aggregates across MSAs and a comparison between average majority-minority and majority-white neighborhoods would be misleading. Instead, we produced Figures 5 and 6 which put those amounts in per borrower (Figure 5) or per capita (Figure 6) terms. The difference in the two is the denominator of the calculation. Figure 5 divides the debt amount by the number of student loan borrowers, while Figure 6 divides by the total population (as measured by the ACS).

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[1] The charts here are based on a merged dataset of the New York Fed's Consumer Credit Panel (CCP), which is a 5% representative sample based on anonymized credit records from Equifax. Information on race and ethnicity is not available in the CCP. We use the 2016 American Community Survey (ACS) from the Census Bureau to identify borrowers' zip codes as majority-minority or majority-white. Majority-minority zip codes are those with a resident population that is over 50% black or Hispanic. Majority-white zip codes are those with a resident population over 50% White non-Hispanic. We use the 2016 ACS civilian non-institutional 18+ population.

[2] For a relatively small subsample of individuals in the Consumer Credit Panel, we have matched the CCP with data from the National Student Clearinghouse. For this subsample, we have information on attendance and degree attainment. However, the samples for most of the MSAs you have listed are too small to provide reliable estimates by neighborhood type, and the information is not current, but rather the data range from the late 1990s to 2014.