A Comparative Analysis of Student Loan Default Rates Among Black Students in HBCUs and Non-HBCUs (Proposal)

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1 INTRODUCTION

Historically Black Colleges and Universities (HBCUs) face a significant problem concerning their loan default rate for students seeking high-level education. A research study organized by the United States General Accounting Office in 1997 showed that HBCUs have a higher default rate than non-HBCUs (GAO, 1997). These variations lead to financial assistance availability issues for both students and HBCUs and cause worries about their financial future. For example, many HBCUs have faced the risk of losing accreditation for government funding over the years as a result of these high loan default rates (Lee et al., 2013). Despite serving a large number of low-income students, HBCUs' limited financial resources and institutional funding raise student debt loads (Smith, 2025), which contributes to already existing disparities in higher education.

Previous studies have compared the loan default rates between HBCUs and non-HBCUs with little attention given to black students across these institutions. Additionally, studies did not examine how academic major selection influences loan repayment and how the availability of loans affects academic choices for black students.

This study aims to compare the loan default rates of black students in both HBCUs and non-HBCUs while analyzing academic major selection for loan repayment and examining how financial aid disparities influence black students' choices and the borrowing patterns in these institutions. We hypothesize that black students at HBCUs are facing systemic financial disadvantages, while black students at non-HBCUs benefit from the institutional funding and financial aid, which lowers their financial burden. Finding affordable education can be made easier for black students when understanding these distinctions.

1.1 Motivation

The loan default rate of HBCUs has historically been higher compared to non-HBCUs. A 1997 report by the U.S. Government Accountability Office (GAO) indicated that, for fiscal year 1993, the average loan default rate at HBCUs was 21.1%, compared to the 7.2% rate at non-HBCUs. The high loan default rate has put HBCUs at risk of being ineligible for continued participation in federal student loan programs in the past (GAO, 1997) and has led to several regulations placed on loan default rates over the years. Since HBCUs primarily serve low-income students who are dependent on federal loans to finance their education, it is anticipated that this could be a long-term problem for these institutions (Lee et al., 2013).

While researchers have previously compared HBCUs and non-HBCU schools, they fail to clarify whether the high student loan default rates are due to factors specific to HBCUs, such as limited post-graduation earning potential, or if Black students, regardless of the institution they attend, experience similar financial disparities. As a group consisting mostly of international students of color, we became interested in finding out the answer to this question. We also intend to analyze if black students attending non-HBCUs receive significantly different loan packages compared to black students attending HBCUs. Similarly, we plan to explore if the amount of loans black students receive will be an indicator of the field of study they pursue in college and if this significantly differs between these students at HBCU vs non-HBCU schools. Through this study, we aim to find novel insights into the financial disparities affecting Black students across HBCUs and non-HBCUs.

1.2 Research Questions

In this project, we aim to explore the following research questions:

- **(RQ1)** How does the loan default rate vary between Black students in HBCUs and non-HBCUs, or is it relatively the same across all universities?
- **(RQ2)** Does the choice of major affect loan repayment outcomes for Black students, and is this different between HBCUs and non-HBCUs?
- **(RQ3)** Is there a disparity in the financial aid package Black students receive in HBCUs and non-HBCUs, and does this disparity affect the loans these students receive and the academic choices they make in college?
- **(RQ4)** What institutions offer the best financial freedom for Black students based on family income, field of study, and financial aid availability?

2 DATA DESCRIPTION

The College Scorecard dataset was collected by the U.S. Department of Education and was last updated on Jan 16, 2025. It contains data regarding student completions, demographics, debt amounts, and other relevant information for all registered colleges and universities in the U.S.

The data originally had 6484 observations and 3305 variables. The data was manually combed to remove any variables that were either outdated, redundant, or not relevant to the purposes of this study. The final dataset had the same number of observations with 236 variables. The NA values have not yet been removed.

An Excel file codebook will be attached.

2.1 Description of what we expect to find

Based on our research questions, we have the following hypotheses: Black students in non-HBCUs generally have a lower loan default rate than Black students in HBCUs because non-HBCUs receive large research funding, endowments, and generous financial aid donations. HBCUs, on the other hand, are poorly funded and do not have the resources to help students cut down loan costs.

The academic choices of Black students are affected by the loans they owe. Black students who owe higher loans are more likely to major in courses that earn higher salaries than Black students with lower loans. In addition to testing the correctness of our hypotheses, we also hope to give a clearer picture of the predicament of Black students in HBCUs and non-HBCUs and assess the types of institutions that are cost-effective for Black students based on their background, interest, and financial situation.

Having preliminarily cleaned the college scorecard dataset, we will first attempt to understand the data at a high level using descriptive statistics to compare loan default rates, major selections and financial metric distributions among Black students at HBCUs and non-HBCUs. We also plan to apply linear and logistic regression models on the data to assess how differences in funding, loan amounts and major choices correlate with default rates across institution types. We will then test our hypotheses to provide novel insights into financial disparities and academic choices and their correlation with loan default rates.

3 GROUP CONTRACT

We expect all members to contribute to the project to the best of their abilities (either through coding, writing, creating the presentation, or leading). We expect a division of responsibilities and the prompt completion of said responsibilities. Communication is the number one priority.

REFERENCES

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[3] Smith, D. A. (2025, January 14). *Nourishing the nation while starving: The underfunding of Black land-grant colleges and universities.* The Century Foundation. Retrieved from https://tcf.org/content/report/nourishing-the-nation-while-starving-the-underfunding-of-black-land-grant-colleges-and-universities/