

LATINOS IN HIGHER EDUCATION:

Financing and Student Loans

Trends in Latino* enrollment and completion show that more Latinos than ever are enrolling in postsecondary institutions†. While this is certainly a positive trend, significant increases in Latino enrollment have occurred alongside rising college costs; since 2000, the cost of college‡ has increased faster than inflation.¹

Collective student debt has reached \$1.5 trillion and each year more than eight million American students take out a total of over \$80 billion in federal student loans to help pay for college.² As record numbers of Latinos are enrolling in college, they must grapple with rising costs.³ Latinos' ability to finance their postsecondary education is particularly challenging: they are more likely to live in poverty, be first-generation college goers, have lower median incomes, and have lower wealth compared to their White peers. Being born into wealth and privilege continues to highly advantage students pursuing higher education, while students of less means continue to struggle, knitting together funds from a varied of sources to finance their education.

Nearly half of Latino undergraduates (47%) received a Pell Grant, a federal grant for low-income students to help them attend a postsecondary program, in the 2015-2016 school year.⁴ However, the purchasing power of Pell Grant has not kept up with average college costs. In 1979, Pell Grants covered 76% of the total cost of attendance at public colleges and 35% of costs at private institutions. In 2015, Pell Grants only covered 30% of public college costs and 14% of private institution costs.^{5,6} The erosion of Pell, coupled with rising costs, has increased the complexity of financing education for students and parents.

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

† The terms college, postsecondary, and higher education are used interchangeably. They include a range of institution types, including two-year colleges that lead to a certificate or an associate degree (community colleges, vocational-technical colleges and career colleges), and four-year programs that lead to a bachelor's degree.

‡ This includes tuition and fees, room and board.

Studies now show that where Latinos enroll, the type of institution, and their ability to complete a degree or program is related to affordability—a growing challenge for Latino families as the U.S. moves toward a debt-funded higher education system. Rising student loan debt, particularly for students that come from low-income backgrounds, has broad implications on those students and society. Whether or not higher education serves as the great socio-economic equalizer we hoped it to be, depends increasingly on the institutions that students enroll in and how that education is financed.

This brief outlines the rising cost of college and how Latino students finance their education, including how they knit together financial resources from their families, their own income, aid from higher education institutions, federal financial support, and student loans, to afford the rising price tag of postsecondary education.

FINANCIAL INDICATORS, 2016		
Average Annual Cost, Four-Year, Public	\$19,488	
Average Annual Cost, Two-Year, Public	\$10,091	
	LATINOS	WHITES
Median Household Income ⁷	\$46,882	\$63,155
Median Wealth ⁸	\$20,600	\$175,728
Undergraduates Receiving Pell Grants	46.9%	31.5%

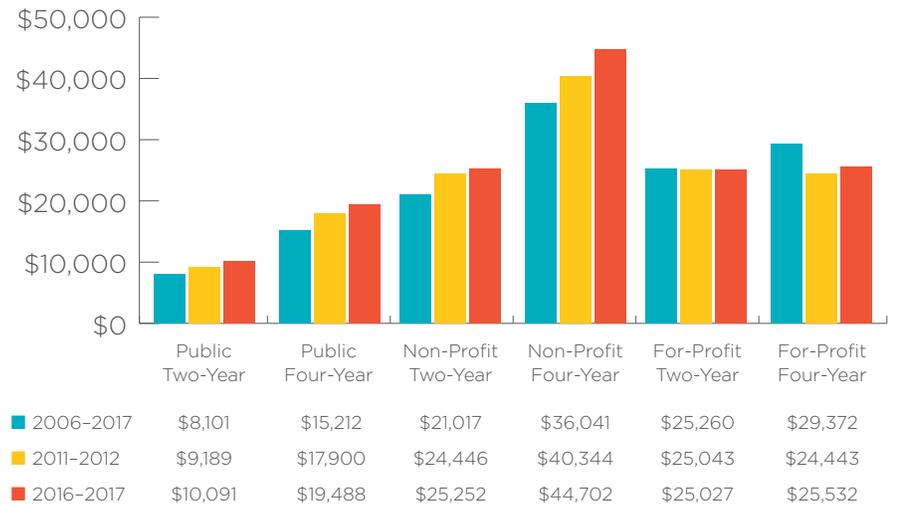
Source: UnidosUS calculation using U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study, NPSAS:16." Washington, DC, 2017, unless otherwise noted.

The cost of college

In 2000, the average in-state cost at a four-year public institution was \$11,776 per year. In 2016, the cost rose to \$19,488, a 65% increase.⁹ The cost of two-year public schools increased by 48% over that same period (Figure 1).¹⁰ Concurrently, state investments in higher education fell, leaving many students facing higher tuition and fees to cover budget gaps once covered by state investments. Despite an increase in state funding for higher education over the last several years, current funding levels in 46 states still fall short of those before the Great Recession and state spending on higher education per-student are lower by an average of \$1,400 than they were in 2008.¹¹

For millions of families, the recession's reach also hit closer to home, deeply impacting household finances—exacerbating historic state divestments in higher education. Compared to White families, Latino families were more vulnerable to the financial shocks brought on by the Great Recession because of historic gaps in income and wealth as well as occupational and housing segregation. In the decade between 2007 and 2017, the gap between Latino and White median household income widened, making rising college prices even less affordable for Latinos compared to Whites.

Figure 1: Average Annual Undergraduate College Costs 2006, 2011, 2016



Source: U.S. Department of Education, National Center for Education Statistics, "Digest of Education Statistics," Table 330.10, Washington, DC, 2017.

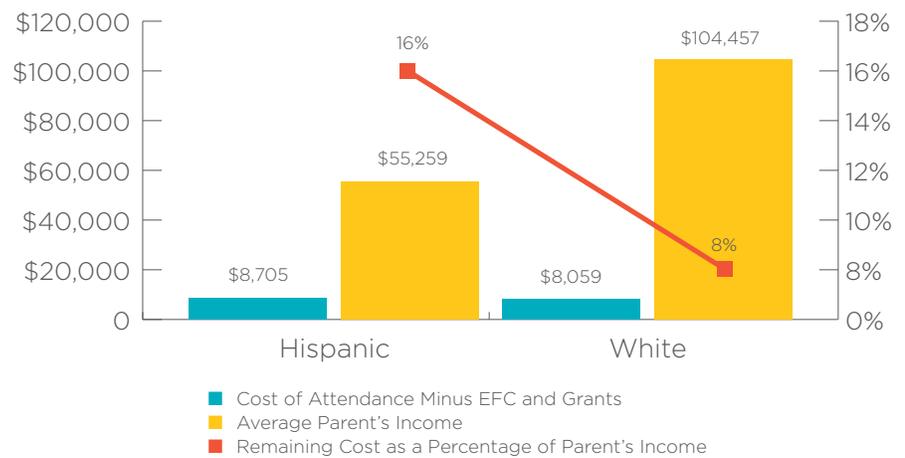
College costs comprise a larger proportion of Latino families' incomes, even after factoring in expected family contribution and grant aid.

- In 2016, the average cost of college—after subtracting expected family contribution (EFC) and all grant aid—for Latinos was over \$8,700, higher than the average cost for White students (\$8,060).
- Latino students and families were responsible for filling a larger gap between college costs and grant aid than their White peers.
- The remaining amount represented twice as much of Latino dependent students' parental income compared to Whites (16% of the average income of Latino parents of dependent students, compared to 8% of the average income of White parents; Figure 2).

Completing the FAFSA: A Potential Barrier to Accessing Federal Financial Aid

For students to get a Pell Grant or a federal student loan—and even some institutional grants—they must first file a FAFSA. Completing the FAFSA requires parental tax information and many students, particularly first-generation college goers, find the FAFSA's more than 100 questions confusing.¹³ Studies have shown many do not believe they are eligible for financial aid so they do not complete the FAFSA, missing out on Pell Grants and other aid opportunities. Seventeen percent of Latino undergraduates who were eligible for a Pell Grant did not submit their FAFSA in the 2011-12 academic year.¹⁴ Further, a disproportionate number of all non FAFSA applicants attend community colleges, though over a third would still qualify for a Pell Grant at two-year colleges.¹⁵

Figure 2: Average Cost of College Average Parent Income, Average Cost as Percentage of Income



Note: Parent income here is different from income on Table 1 due to differences in sources. Income in Table 1 is based on Census bureau data from the American Community Survey.

Source: UnidosUS calculation using U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study, NPSAS:16." Washington, DC, 2017.

Paying for college

Polls have shown that Latinos highly value higher education, with 87% of Latino respondents noting a college education was extremely important, higher than the national average of 78%. As more Latino students enroll, families are piecing together financing sources to afford postsecondary education.¹² There are several sources of financial aid that students and families may use, including federal or private student loans, federal or state grants, and other scholarships or work-study programs.

A majority of Latino students receive the Pell Grant; fewer Latinos receive institutional grants than their White peers, with lower average amounts.

- In 2016, 74% of Latino students applied for federal financial aid.
- Of those students that applied, 64% received a Pell Grant, with an average award of \$3,855.
- The same year, only 19% of Latinos received merit or need-based awards from their higher education institution compared to 26.9% of White students. This is the lowest of any racial or ethnic group. Among those who did receive awards, Latino students received less than their White peers: \$7,107 compared to \$8,607.
- At four-year public universities, 26% of Latino students received an institutional award, compared to 31% of White students.
- At four-year private colleges, 48% of Latino students received an institutional award, compared to over 60% of White students.

Despite lower earnings and wealth, Latino parents contribute significant amounts to their children’s college expenses.

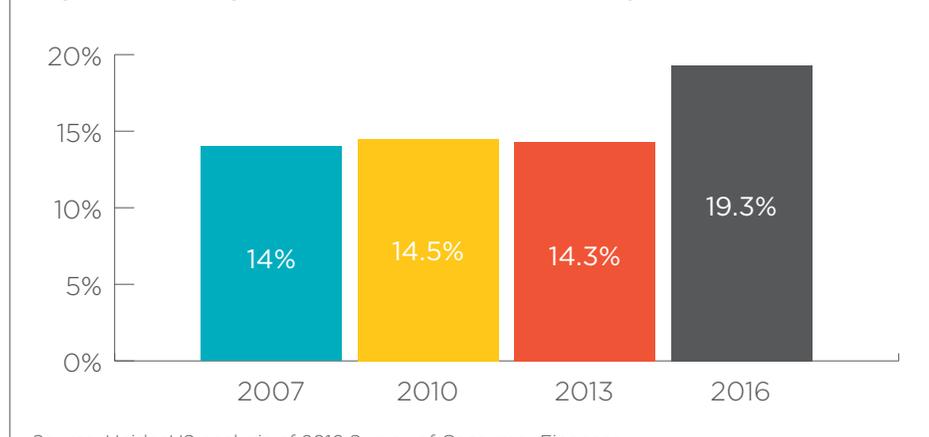
- According to Sallie Mae, which conducts an annual survey of how families finance college, in 2017, Latino parents covered 14% of the total cost of their child’s attendance with their own income, compared to 13% covered by White parents.¹⁶ In 2016, those numbers were 24% and 18% respectively.¹⁷
- PLUS loans may not fully reflect Latino parents borrowing to contribute to their children’s education. In 2016, 3.1% of Latino parents took out PLUS* loans, borrowing an average amount of \$12,152.¹⁸ This is compared to 4.7% of White parents with PLUS loans, an average amount of \$14,834.¹⁹
- Based on 2016 data from the Survey of Consumer Finances, one in five Latino parents take out loans for a child’s education, making them more likely to do so than parents of other racial and ethnic groups.²⁰

Educational debt is growing quickly among Latino families.

- Among major debt categories, Latino families witnessed the largest increases in educational debt between 2007 and 2016 (Figure 3). While only 14% of Latino families held educational debt in 2007, close to 20% had acquired educational debt by 2016.²¹
- Nearly one in three (31.4%) of Latino GenZ and 30.8% of Latino millennials have student loans. As a young population, it is likely that student debt will continue to grow for Latino students and families given that the rate of those with student loans among younger cohorts is significantly higher than previous generational cohorts.²²
- Though Latinos take out student loans at rates comparable to White borrowers, they take out a larger percentage of private loans (18% for Latinos, compared to 16% for Whites). Private loans often have less secure terms and fewer repayment and servicing protections than federal loans.²³

* Direct PLUS loans are available to parents of a dependent undergraduate student enrolled at least half-time at an eligible school; this is the average of all those indicating they took out PLUS loans and excludes values of \$0.

Figure 3: Change in Educational Debt Held by Latino Families



Source: UnidosUS analysis of 2016 Survey of Consumer Finances.

Latino students also contribute a large amount to their own education, with many working while enrolled.

- In 2016, 61% of Latino students worked at least five hours a week, compared to 65% of White students.²⁴ A significant portion of students worked 20 hours or more: 41% of both White and Latino students.
- According to Sallie Mae, Latino students used their savings and income to cover 11% of their college costs, compared to 8% covered by the savings and income of White students.²⁵
- In 2016, 4.4% of Latino students participated in federal work-study programs, which are not available at all institutions. Latino participants earned an average award of \$2,543, the highest award of any racial or ethnic group.²⁶

DACA Students and Paying for College

Undocumented students, including Deferred Action for Childhood Arrivals (DACA) recipients, are ineligible to access the most common sources of federal financial assistance for higher education including Pell grants and Department of Education backed student loans. Over 700,000 young people in the U.S. have DACA, a form of administrative relief that protects eligible undocumented youth from deportation while providing an avenue to work legally in the U.S. through a work permit. Though DACA students cannot access federal financial aid, they are eligible to receive in-state tuition in 16 states and state-based financial aid in nine states.²⁷ While these states have passed policies that create opportunities for DACA students to access higher education, they also require DACA recipients to share personal identification information through FAFSA to receive financial aid.²⁸

Sharing personal identifying information through the FAFSA can raise safety concerns for students and families due to fears of deportation. These issues may also be heightened for DACA students and their families due to concerns over increased immigration and deportation enforcement. Even after receiving some form of state-based financial aid, some DACA students may look toward private loans lenders to fill the gap between state-based aid and college costs. Due to their documentation status, DACA students may also encounter obstacles to accessing safe and affordable financial products and services. Private education loans often lack the protections and repayment options of federal student loans, making defaulting more likely for financially vulnerable DACA students.

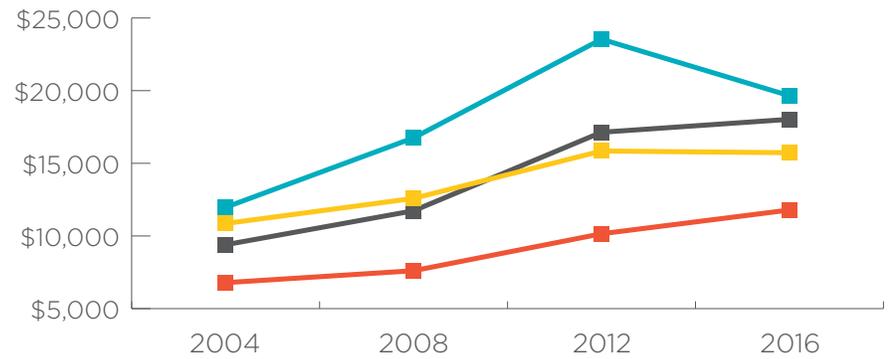
Just under half of Latino undergraduates had student loans in 2016; students enrolled at two-year public schools saw the greatest increases in the number of students that borrowed while those enrolled in for-profit programs were most likely to borrow.

- A survey conducted in 2015 found that 34% of all Latino respondents had student loan debt, compared to 22% of Whites.²⁹
- From 2004 to 2016, there was a modest increase in the number of Latino students borrowing student loans (42% to 46%). The greatest increase in borrowing occurred by those attending public, two-year schools, where the increase was seven percentage points (18% to 25%).
- A majority of Latino students attending four-year public and nonprofit private schools took out loans (52% and 72%, respectively). More than 76% of students attending for-profit schools took out loans.

The average amount borrowed by Latino students has steadily increased over time.

- In 2016, the overall average student loan burden for Latinos was \$15,797, a 60% increase from 2004. Average increases in student debt varied by institution type (Figure 4), with the largest increase being for those who attended for-profit institutions.
- Based on the Survey of Consumer Finances data, Latino borrowers in 2016 borrowed an average of \$41,489, with a median amount of \$24,000.³⁰
- On average among those who borrowed, Whites borrowed just \$3,113 more than Latinos.
- Concerningly, one-third of Latinos that took out a student loan did not complete their program of study, compared to one in four Whites.³¹

Figure 4: Cumulative Loan Debt For Latinos by Institution Type



All	\$9,883	\$11,811	\$15,572	\$15,797
■ Four-year Public	\$10,857	\$12,585	\$15,847	\$15,727
■ Four-year Private Non-profit	\$11,971	\$16,752	\$23,540	\$19,652
■ Two-year Public	\$6,786	\$7,608	\$10,151	\$11,786
■ Private for-profit	\$9,396	\$11,733	\$17,137	\$18,028

Source: UnidosUS calculation using U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study, NPSAS:04/08/12/16." Washington, DC, 2017.

Conclusion

Latino students have made impressive gains in college enrollment rates over the past decade yet, these successes have been tempered by the ever-rising costs of higher education. Latinos students are entering college with less familial wealth and lower median incomes than White students, meaning they have little savings and assets to rely on to pay for college. Many are turning to student loans to cover costs—which, on average, are higher than the costs facing White families.* In addition to increased borrowing to finance their education, Latino students are facing obstacles to completion.

Far too many Latino students are taking on a large financial burden without gaining the economic advantage of a degree to offset that debt. Because Latinos are more likely than their White peers to be first-generation college students navigating the complex financial aid system, they may not have the ability or opportunity to maximize the amount of aid they qualify for. Borrowing and graduation outcomes for Latinos at two-year public colleges also pose a threat to Latinos' economic security. As the price of two-year public schools has significantly increased, Latino students—who are more likely to attend these schools—are facing stagnant graduation outcomes but borrowing more.

The government has an interest in ensuring equal access to higher education for all and encouraging the development a globally competitive and highly educated and skilled workforce. As the source of federal financial aid and student loan borrowing, the federal government has an important role to play in increasing access to high quality postsecondary education, and for many, improving affordability is the key to achieving that end.

* See Figure 2 above; after accounting for expected family contribution and grant aid.

Endnotes

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