PRICED OUT: A CLOSER LOOK AT POSTSECONDARY AFFORDABILITY FOR LATINOS

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A key barrier to college access and completion for Latinos is financial. Latino families experience the college affordability landscape in dramatically different ways than White and Asian families, whose needs may well be met by their own ability to pay for college and by existing federal, state, and institutional aid. Latinos, however, are being priced out of college because this cohort is disadvantaged by high rates of poverty, limited financial, academic and social capital, high levels of unmet financial need, high risk of accruing unmanageable debt, and financial illiteracy.

Consequently, the objectives of this knowledge essay are to: 1) illuminate the importance of college affordability for Latino students and families, 2) highlight the extent of borrowing and debt for Latinos, 3) identify challenges to accessing financial aid, and 4) provide federal policy recommendations that can facilitate Latino student financing of higher education.

Key Findings

- College affordability is especially critical for Latinos due to a legacy of poor high school and college attainment and high rates of poverty which can put college out of reach.
- An abundance of research evidence substantiates that financial aid has both tangible (receipt of aid to offset college costs) and intangible (reduction of stress and development of positive academic and social attitudes) benefits. Financial aid is also associated with college persistence, academic performance, degree attainment and transfer.
- No matter what sector they enroll in, low-income Latinos, as represented by those receiving Pell Grants, typically face the highest levels of unmet need of all racial/ethnic groups.
- College costs, including tuition, room and board, can be two to five times greater than the median net worth of Latino households.
- As Latino enrollments rise in the for-profit sector, students will be at risk of accruing unmanageable debt burden because for-profit graduates have the highest loan default rates.
- Public community college students have the lowest loan debt.
- Low-income Latinos experience financial literacy challenges making it difficult to complete the FAFSA and to understand financial aid forms and processes.
- Financial and legal barriers can put postsecondary education out of reach for an estimated 65,000 undocumented
students — those born abroad who are not U.S. citizens or legal residents — who graduate from U.S. high schools each year.

- Undocumented Latino students are largely ineligible for state or federal financial aid. Only three states—California, New Mexico and Texas—allow undocumented students to receive state financial aid.

- Although many undocumented families file tax returns using individual taxpayer identification numbers (ITINS), the majority face complex, highly technical tax payment circumstances. They are often reluctant—due to fear or lack of knowledge of their rights—to release confidential information that might jeopardize their lives in the U.S (Olivas, 2009).

### Recommendations

Federal policy recommendations are offered to address information and financial barriers, to minimize risks and to address research gaps. These recommendations include:

**Recommendation 1:** Continue Efforts to Simplify the FAFSA and Create a Latino FAFSA Review Advisory Commission.

**Recommendation 2:** Develop Culturally Responsive Financial Literacy Centers Connected to College Affordability.

**Recommendation 3:** Restore the Duration of Eligibility for Pell Grants to 18 semesters (or equivalent).

**Recommendation 4:** Increase Federal Work Study Funding.

**Recommendation 5:** Expand Loan Forgiveness Programs for Latino Students.

**Recommendation 6:** Create Demonstration Projects to Provide for Community-Based College Savings Accounts (CBCSA).

**Recommendation 7:** Fund an Integrated Program of Federal Research Examining the Relationship of Financial Aid and Student Outcomes.
One of the most important educational policy issues of our time is college affordability for the nation’s native-born and immigrant Latino population. Although arguably one of the best investments, low- and middle-income Latinos are finding it increasingly difficult to afford postsecondary education. At a time when state funding for higher education is lagging relative to demand, when tuition is rising, and when the purchasing power of need-based aid is declining, overall Latino wealth has diminished and non-affluent Latinos are being priced out of college.

Latino families experience the college affordability landscape in dramatically different ways than White and Asian families, whose needs may well be met by their own ability to pay and by existing federal, state, and institutional aid. Consequently, the objectives of this knowledge essay are to: 1) illuminate the importance of college affordability for Latino students and families, 2) highlight the extent of borrowing and debt for Latinos, 3) identify challenges to accessing financial aid, and 4) provide federal policy recommendations that can facilitate Latino student financing of higher education.

**Why College Affordability Is Critical for Latino Students**

Being able to afford college is especially critical for Latinos due to a legacy of poor high school and college attainment—see Table 1, Appendix B. Further, high rates of poverty are reducing their ability to afford, as well as to complete college. When considering Latino higher education attainment, it is important to note where Latinos attend college. For Latinos, the main entry point into college remains community colleges. Nationally, in Fall 2010 nearly half of all Latino students were enrolled in public, 2-year colleges (49.3 percent), and in public 4-year the enrollment was at 29.8 percent—see Figure 1, Appendix A. Despite the benefit of relatively lower tuition charges, the question of return on investment is of particular concern for students in community colleges, which have low rates of degree completion and transfer (Bensimon & Dowd, 2009; Dowd, 2007). Many Latino students who aspire to transfer and earn bachelor’s or graduate degrees never realize that goal (Bensimon & Dowd, 2009). About 45.8 percent of all degrees earned by Latino students in 2010-11 were earned at public, four-year colleges, and the comparable share at public two-year colleges was 22.4 percent.—see Figure 2.

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1 We use the terms Latino and Hispanic interchangeably in this paper, while recognizing the distinctive demographic and cultural meanings. References to statistics retain the term used in collecting the data, which is most often Hispanic based on the collection of federal data in the major categories adopted for race and ethnicity.
College affordability is related to financial status. The Pew Research Center (Taylor, Kochhar, Fry, Velasco & Motel, 2011) reported that the nation’s Latino population experienced the largest single decline in net worth (assets minus debts) of any ethnic/racial group during the recession. The median wealth of Whites is now 20 times that of Black households and 18 times that of Hispanic households. In 2005, including home equity value, Latino households had a median net worth of $18,359, which represented a small percentage of the median net worth of White ($134,992) and Asian ($168,103) households. But by 2009, this already-low total of $18,359 had sharply declined to $6,325, a drop of 66 percent — the biggest drop among all groups in percentage terms. Further, Pew estimated that in 2010 the 6.1 million Hispanic children among the poor were the largest group, compared with 5 million non-Hispanic White and 4.4 million Black children. In 2010, the official poverty line for a family of four, including two related children, was $22,113. When income for this family of four falls below this line, then all family members are termed to be in poverty (Lopez & Velasco, 2011). The relationship between class and educational attainment points to stark inequalities between the rich and the poor, a point that has long been substantiated in research studies (Adelman, 2004; Reardon, 2011). Privileged students, many who attend elite, selective colleges and universities with large endowments, not only possess more wealth (as well as social and academic capital), but are also more likely to graduate from college on time. Because many Latino college students are low-income and first-generation and have attended poorly resourced school systems, they do not have the financial, social and academic capital to understand or to navigate the world of college (Rendon Linares & Munoz, 2012; Rendon, 1994; Venegas, 2007; Way & Holdern, 2009).

**Unmet Financial Need, Borrowing and Unmanageable Debt Burden**

Between 1999–2000 and 2009–10, estimated prices for undergraduate tuition, room, and board at public institutions rose 37 percent, and prices at private institutions 25 percent, after adjustment for inflation (NCES, 2011). For the 2009–10 academic year, average annual prices for full-time undergraduate tuition, room, and board at public four-year institutions was $15,014 and at public two-year, $7,703 when adjusted for inflation. The comparable tuition at private four-year colleges was $32,790 and at two-year, $24,483. Consequently, tuition can be two to five times greater than the median net worth of Latino households discussed above.

**Pell Grants, While Helpful, Are Insufficient Sources of Aid**

Access to college for many Latinos is made a reality through federally-sponsored financial aid, including Pell Grants, subsidized loans, and work-study aid. This is true across the different types of postsecondary institutions that Latino students attended. The largest source of financial aid for low-income students comes from the federal government’s need-
based Pell Grants.\textsuperscript{2} Most Pell recipients come from families where the household income falls below $20,000 a year. However, Pell Grants have not kept up with either inflation or tuition increases. As shown in Figure 3, the purchasing power of the Pell grant has declined over time. Students have to find a way to cover greater amounts of the cost of college that is not covered by financial aid, what is called the “unmet need.”

The role the Pell Grant plays today in promoting college affordability for Latino students is best understood by examining patterns of college financing by institutional type. Data from the National Postsecondary Student Aid Study (NPSAS) revealed that in the 2003/04 academic year\textsuperscript{3}, 80 percent of Latino undergraduates applied for financial aid, and 63 percent were awarded some form of financial assistance. While Latinos were more likely to receive federal aid than the other racial/ethnic groups, they received the lowest average aid award of any group. For example, in 2003-05 an average of $5,415 was awarded to Latino students compared to $6,230 to Whites. The average Pell Grant is a better representation of how much money is actually awarded to students. In 2010-11, when the maximum Pell Grant was $5,550, 9.1 million students received an average of $3,828 (College Board, 2011).

Figure 4 represents a breakdown of different sources of financial aid awarded to Latino students by institutional type. Student loans\textsuperscript{4} accounted for the majority of financial assistance at private, non-profit institutions and also, overwhelmingly, at for-profit institutions. The second highest source of aid came in the form of Pell Grants. At public four-year institutions, the highest source of financial assistance came in the form of state aid, followed by student loans, Pell Grants, and institutional aid. Those Latino students attending a community college paid for their education mainly through institutional and state aid, followed by Pell grants, and student loans. Notably, the proportion of Latino students taking student loans at community colleges is much lower, at 15 percent, than in the other sectors. Further, community college students are less likely to receive state or institutional grants, work study aid, and subsidized federal loans.

**Unmet Need**

The lack of college affordability facing Latinos is best illustrated by examining levels of unmet financial need. This is illustrated in Figure 5, which displays the percentages of the total costs of attending college that were not met through a combination of financial aid awarded (grants, loans, etc.) among Pell Grant recipients, disaggregated by race/ethnicity and

\textsuperscript{2} Federal financial aid is determined through the Free Application for Federal Student Aid (FAFSA) and the formula known as Federal Methodology (FM). Pell Grants are awarded to individual students based on the Expected Family Contribution (EFC). The government conducts a “need analysis” based on financial information, such as income, assets, and other family information, which students (and parents if a dependent student) provide when applying for aid. Eligibility for subsidized Stafford Loans is based on both the EFC and the cost of attendance at the student’s institution.

\textsuperscript{3} NPSAS 2003/04 is the most recent data collection of this federal survey.

\textsuperscript{4} This statistic represents loans of all types that students applied for and received, but the majority of student loans are awarded by the federal government. States, for example, fund need-based and merit aid, but few provide subsidized loans (AASCU Report, 2012).
institutional type. The figures represent that portion of the total costs of attending college that was not met by the student’s total financial aid packet. Higher values mean a higher burden on student ability to pay for college. For example, Latinos in public four-year institutions have higher unmet need, 76 percent of their college costs. Conversely, unmet need for Latinos in public two-year colleges represented 72 percent of their costs.

Figure 5 makes clear that no matter what sector low-income Latinos enroll in, as represented by those receiving Pell grants, they typically face very high levels of unmet need. The highest levels of unmet need for Latino students were found among those that attended private, four-year for-profit institutions and those enrolled in private, four-year non-profit institutions. However, even for those Hispanic students enrolled in public two- and four-year colleges nearly three-fourths of the costs were not covered by financial aid received. Notably, other racial/ethnic groups who are Pell recipients also have high levels of unmet need especially at private non-profit and for-profit sectors, but because Latinos have on average less wealth this unmet need is more burdensome for them.

Borrowing and Unmanageable Debt Burden

Considerable attention has been given to the notion that Latinos are risk or loan averse. However, patterns of borrowing tell a much more nuanced story. Sixty-seven percent of Hispanic students graduating in 2008 with bachelor’s degrees had federal student loan debt. This rate of borrowing was, in fact, higher than the 62 percent average rate among all students, and the typical amount of debt was also relatively high. Hispanic debt in the 2008 bachelor’s degree cohort averaged $22,886, compared to $18,200 among their counterparts of all racial/ethnic groups (Cataldi, Green, Henke, Lew, Woo, Shepherd & Siegel, 2011).

Those statistics illustrate that for Latinos who complete a bachelor’s degree, borrowing is slightly more common than among other groups and the average debt is higher. However, among all undergraduate students (not restricting the view only to those students who earned bachelor’s degrees) borrowing by Hispanics has traditionally been somewhat lower than by others. For example, in 2003-04, 30 percent of Hispanic undergraduates borrowed, compared to 35 percent of total undergraduates (Santiago & Cunningham 2005). It is possible that the proportion of borrowers goes up among graduates because those who chose not to borrow—the “risk averse”—suffered from their failure to borrow in their academic pursuits. For example, longer work hours may have reduced study time or made it more difficult to enroll in required courses. It is also possible that other risk-averse Latinos never entered college due to an unwillingness to consider taking loans or to even contemplate how to pay college costs that were nearly equivalent to or a high share of their total income.
The lower rate of borrowing among Latino undergraduates is due, in part, to their heavy use of community colleges as gateways to postsecondary degrees, particularly in states with extensive community college systems such as California, Florida, and Texas. Among associate’s degree graduates of any race or ethnicity, the majority (62 percent) who graduated from a public two-year college graduated with no debt (College Board, 2011). The fact that the majority of associate’s degree holders were able to use a no debt strategy for associate’s degree completion is attributable to the relatively low costs of community colleges and to students’ receipt of Pell grants, institutional aid, and state grants.

The portrait of borrowing is quite different for students of all racial/ethnic groups who earn associate’s degrees from for-profit colleges. Average student loan aid in 2009-10 was highest in the for-profit sector ($9,641). For-profit institution graduates (compared to those from other sectors) were the most likely to have accrued the highest levels of debt, and most students (86 percent) had taken on debt (College Board, 2011; Fuller, 2012). Therefore, it is not surprising that for-profit college graduates have the highest loan default rates. Many low-income students take out private loans without exhausting choices and surplus federal financial aid (Loonin, 2012). The number of Hispanic students who initiate their studies at a for-profit college, although relatively small in relation to the total number of Latino undergraduates, has been increasing dramatically since the 1990s (Soto, 2012). A consequence of this shift from the public to the private sector is that more Latinos will be at risk of accruing unmanageable debt burdens.

**Challenges to Accessing Financial Aid for Latinos**

The first step to being awarded federal financial aid is the timely completion of the FAFSA. This step is also critical to obtaining other forms of financial aid because most states, colleges and universities use the FAFSA to determine eligibility for grants, loans, scholarships, and work study opportunities they administer. The FAFSA must be filed by January 1, but the process for filing should begin much earlier. Federal aid is limited and much of it is offered on a first-come, first-served basis (FAFSA Website, n.d.).

**Financial Literacy Challenges**

Completing the FAFSA and working through financial aid applications can be daunting for Latino students and families. Many Latino families have much less experience than affluent families with formal financial institutions and their processes, including establishing checking and savings accounts, securing car loans, applying for credit cards, or setting up retirement accounts. This lack of experience is in part due to distrust or harmful experiences with mainstream financial institutions. Latinos disproportionately held subprime mortgages and had higher rates of default during the economic downturn.

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5 Besides the FAFSA, some states and colleges require that students file other applications for aid—http://studentaid.ed.gov/types
downturn. Further, low-valued customers, such as those with low depository balances, are sometimes excluded from conventional financial institutions. As a result many Latinos are “unbanked,” meaning that they tend not to use mainstream, insured financial institutions, and even view conventional banking with suspicion or fear of harm (National Council of La Raza, 2004; Venegas, 2007). While a wide range of financial literacy programs presently exist, these initiatives are often difficult to implement in schools because teachers have many demands and limited time. Little, if any training is given to staff teaching financial literacy. Financial education and debt management programs are unevenly administered and rarely rigorously evaluated. There is also a dearth of research on the effectiveness of these programs and their impact on subsequent money-management and college-going behavior. In addition, these programs may not always be connected to college affordability and graduation (Way & Holdern, 2009).

**Challenges Faced by Undocumented Latino Students**

Financial and legal barriers can put postsecondary education out of reach for an estimated 65,000 undocumented students—children born abroad who are not U.S. citizens or legal residents—who graduate from U.S. high schools each year (College Board, n.d.). Thirteen states have provided important leadership to reduce financial aid barriers (Flores, 2010). The states—California, Connecticut, Illinois, Kansas, Maryland, Nebraska, New Mexico, New York, Oklahoma, Texas, Utah, Washington, and Wisconsin—allow undocumented students to register at in-state tuition rates, which are considerably lower than public tuition charges for out-of-state students. Three of these states—California, New Mexico and Texas—also allow undocumented students to receive state financial aid. Unfortunately, students without legal immigrant status are ineligible for federal aid. The Development, Relief, and Education for Alien Minors (DREAM) Act, which would have made undocumented students who met certain criteria eligible for federal financial aid and that would have created a pathway to U.S. citizenship, was defeated in Congress in 2010. Although many undocumented families file tax returns using individual taxpayer identification numbers (ITINS), the majority face complex, highly technical tax payment circumstances. They are often reluctant—due to fear or lack of knowledge of their rights—to release confidential information that might jeopardize their lives in the U.S., thus losing out on financial opportunities (National Conference of State Legislatures, 2011; Olivas, 2009).

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6 In addition, four states—Arizona, Colorado, Georgia and Indiana—have passed legislation that specifically prohibits undocumented students from receiving in-state tuition rates.

7 The 13th state, Wisconsin, did allow such eligibility but revoked that legislation in 2011.

8 Typical requirements for eligibility include attending an in-state high school for a specified period (for example, one to three years) and graduating or receiving a GED.
Recommendations

President Barack Obama’s plan for college affordability includes many features that are being welcomed by Latinos and Latino advocates. Helpful federal initiatives include: increasing Pell grants to $5,635 for the 2013-14 award year, conversion to direct loans, public service loan forgiveness, income-based repayments, and tax credits. In Congress there has also been a push to support the DREAM ACT to provide a pathway to citizenship for undocumented immigrants. While the act was not passed, legislation that supports eligibility for federal and state financial aid for undocumented students should be at the forefront of the federal education policy agenda. Proposed legislation such as the “True Cost of College” Act, which will give students and families a clear idea of how much it costs to attend and enroll in the college of their choice deserves funding and support. Similarly, President Obama’s proposed College Affordability and Success Scorecard would make indicators of college affordability and value such as college costs, time to graduation, loan repayment, average cumulative borrowing, and earnings potential more easily accessible to students and their families.

While constituting less than 10 percent of colleges and universities in the non-profit sector, Hispanic Serving Institutions provide the most access to Latinos with 54 percent enrolled in 2009-10 (HACU, 2012). Federal policy should target this sector which numbered 293 institutions in 2009-10. Much of the growth in college enrollment among young Hispanics has been at community colleges, which deserve increased support to boost degree completion and transfer rates to four-year institutions. In 2011, 47 percent of all HSIs (137) were community colleges.

Recommendations Aimed at Eliminating Information Barriers

We now know that low-income Latinos grapple with information barriers such as: not understanding how to complete the FAFSA and the importance of submitting it on time; not comprehending financial institutions and their processes; inability to distinguish which financial aid packages make better sense for them (i.e., differences between private and federal subsidized loans); and not understanding the wide range of postsecondary institutions and major fields of study. Undocumented Latino students face additional complexities in releasing personal information. We also know that students require the support of validating “institutional agents” (i.e. financial aid advisers, faculty and counselors) who serve as brokers of their success (Bensimon 2007; Bensimon & Dowd, 2012; Bensimon & Dowd, 2009; Pak, Bensimon, Malcom, Marquez, & Park, 2006; Dowd, Sawatzky, Rall & Bensimon, in press; Rendon Linares & Munoz, 2012). What will not work is treating Latino students as if they had the wealth, financial, and educational experiences associated with privileged, affluent students whose parents have graduated from high school and likely completed college (National Council of La Raza, 2004; Venegas, 2007; Way & Holdern, 2009).
**Recommendation 1:** Continue Efforts to Simplify the FAFSA with a Special Focus on User Friendliness for Latinos and Other Low-Income Student Groups and Create a Latino FAFSA Review Advisory Commission.

A federal Latino FAFSA Review Advisory Commission and counterparts at the state level with representatives from low-income communities should be created. The commission should annually review and recommend periodic changes to the FAFSA for user friendliness and coordination with the disbursement of available state aid. Information should be targeted at the Latino community through local community-based organizations, school district offices that enroll large numbers of Latino students, and media events involving outlets that reach Latino youth.

**Recommendation 2. Develop Culturally Responsive Financial Literacy Centers Connected to College Affordability.**

Culturally-responsive Financial Literacy Centers attuned to the needs and experiences of Latinos and low-income students and families should be established in all schools and colleges serving Latino communities. The centers should be staffed by bilingual, certified Financial Literacy Professionals (FLPs) who can become the key institutional agents charged with providing students information about financing their college education. The centers should develop a culturally-sensitive curriculum, connecting financial literacy with life goals, college enrollment, college completion, and career planning. The FLP’s staffing the centers should be trained and certified as knowledgeable about the laws, policies and regulations that govern access to financial aid for native and undocumented Latino students. The centers should partner with guaranty agencies, community-based organizations, banks, and credit unions.

**Recommendations Aimed at Addressing Financial Need**

Research evidence substantiates the importance of financial aid within the student persistence process (e.g., Cabrera, Nora, & Castaneda, 1993; Chen & DesJardins, 2007; Crisp & Nora, 2010; Curs & Singell, 2002; DesJardins, Ahlburg, & McCall, 2002; Gross, 2011; Nora, 1990; Nora, Barlow, & Crisp, 2006; Olivas, 1985; Singell, 2004). These findings address the tangible component of receiving financial aid (receipt of aid to offset college costs), as well as the intangible benefits associated with receiving financial aid, such as the reduction in stress and the development of positive academic and social attitudes. Financial aid has proved to assist students in not only preventing dropout behavior but also in exerting a positive impact on student outcomes such as persistence (Hu & St. John, 2001), academic performance (Cabrera, Castaneda, Nora & Hengstler, 1992; Woo & Choy, 2011), transfer from two- to four-year institutions (Crisp & Nora, 2010; Woo & Choy, 2011) and degree attainment (Dynarski, 2003, 2005). Finally, we know that federal work study benefits students by enabling them to work on campus, where they can remain engaged in the campus community rather than experiencing an environmental pull towards the world of work (Crisp & Nora, 2010). The most beneficial
contribution made by the Federal Work Study (FWS) program is providing students the opportunities to earn money to pay for college expenses while remaining engaged, academically and socially, on their campuses.

Recognizing the importance of financial aid, what will not work is assuming Latino students have the monetary resources to make up unmet need and that the Pell Grant is sufficient to keep Latinos students enrolled in college because the amount of the Pell Grant award has not kept pace with the increases in tuition and fees across the country. Effective in the 2012-13 award year, Pell Grant aid was reduced from 18 full-time semesters (or equivalent) to fund only 12 semesters (or equivalent) of college study. This removes the ability for students to receive two Pell Grant awards during any one particular school year, and compromises receipt of a summer Pell Grant if students already received a full award during the previous spring, winter or fall semesters.

**Recommendation 3: Restore the Duration of Eligibility for Pell Grants to 18 Semesters (or equivalent).**

Pell Grant policy should not be made on a vision of traditional students who graduate in four years, including summer school. Part-time, older, and remedial students, as well as community college students and those who transfer, do not fit that image. The majority of Hispanics do not enroll full-time making it impossible to adhere to the four-year period (Santiago & Cunningham, 2005).

**Recommendation 4: Increase Federal Work Study Funding.**

President Obama’s proposal to double the number of work study opportunities within the next five years is a step in the right direction. Also, the federal government can build on recent legislative achievements that will invest a billion dollars in the present decade in HSI’s that develop partnerships between community colleges and four-year public university partners to boost transfer to degrees in STEM fields of study where Latinos are sorely missing (Malcom & Dowd, 2012). There should be a set aside in work study funding that is focused on developing opportunities for Latinos to gain work in STEM fields, including health-related fields of study where Latinos are least represented (Dowd & Malcom, 2012; Malcom 2008; Malcom & Dowd, 2012). There should be STEM work study research assistantships and internships, selecting those with demonstrated capacity to create a bridge between community colleges and state universities or liberal arts colleges.

**Recommendations Aimed at Minimizing Risk**

While Latinos are not completely loan averse, it is inadvisable to graduate with a huge loan debt. We know that attending for-profit institutions carries a huge risk for Latino students. Students in this sector typically have high levels of unmet need and are likely to take out private loans, which usually results not only in high loan debt, but also in loan default.
Even attending more affordable community colleges carries risk because of low retention and transfer rates in this sector. While public service loan forgiveness is already provided for in federal policy, such efforts should be expanded in ways that specifically target Latino students, parents, and communities.

Recently, there has been a federal focus toward Children’s Savings Accounts (CSA’s) designed to help families contribute early savings toward college. However, our review of research substantiating the effect of CSA’s on student outcomes indicates studies have mixed results and some suffer from serious methodological flaws. We do not believe it is fair to ask low-income Latino families to save when they are already poor, when they do not have health insurance and when they fear that whatever they save could be used against them when considering their eligibility for food stamps, home health services and even Pell grant awards. Further, the minimal savings that might be accrued are simply not enough to make a significant difference in funding a college education. What is needed is greater community support, from both the public and private sectors to reduce individual student risk.

**Recommendation 5: Expand Loan Forgiveness Programs for Latino Students.**

A loan forgiveness program should be created for low- and middle-income Latino students who earn an undergraduate degree and enroll immediately in graduate or professional schools thereby incentivizing graduate school opportunities for Latinos. There should also be a loan forgiveness program for students who complete an associate’s or bachelor’s degree in a STEM-related field, including health professions where Latinos are underrepresented.

**Recommendation 6. Create Demonstration Projects to Provide for Community-Based College Savings Accounts (CBCSA) for Latinos Enrolling at HSI’s.**

Incentives should be provided for public-private partnerships that will fund community-based college savings accounts (CBCSAs) for Latino students enrolling at HSIs. The federal government can seed the development of CBCSAs, for example, by tying initial funding to supplementary programs associated with grantees in the Title V HSI-STEM program or by directing funds towards the federal Promise Neighborhoods.

The CBCSA demonstration projects should be guided by an advisory group comprised of representatives of the business community, such as the Chamber of Commerce, as well as HSI presidents or other high-level education leaders, a member of the state financial aid commission, representatives of local elected officials, and school district leaders. Business Council members would be called on to request investments in the CBCSAs. The projects should focus on 1) providing no to low interest loans to Latino students in the CBCSA community to fund their living costs, 2) allowing students who graduate from college using CBCSA funding to qualify for deferred interest payments on federal loans associated with...
those programs while they are employed at companies that contributed to the CBCSA fund, and 3) creating an income-based payment provision for Latino graduates who develop their own businesses to promote business start-ups and economic development in Latino communities.

**Recommendations to Address Research Gaps**

To inform and drive future practice and policy, the empirical knowledge base connecting financial aid and student outcomes must be kept up to date.

**Recommendation 7: Fund an Integrated Program of Federal Research Examining the Relationship Between Financial Aid and Student Outcomes.**

- Support research that examines the extent that asset-building tools such as Individual Development Accounts, Children’s Savings Accounts and College Savings Accounts impact college access and persistence.
- Expand research on the connection among student debt, financial aid, and financial literacy with college success for Latinos and other low-income populations. The Department of Education should establish a funding priority for this type of research to be conducted in schools, colleges and universities.
- Fund research to ascertain the impact of the private student loan market on low-income students in the for-profit sector.
References

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Appendix A

Figure 1: Percentage of Undergraduate Latinos Enrolled in Each Sector, Fall 2010
Data obtained from the National Center for Education Statistics, 2012, *Enrollment in Postsecondary Institutions, Fall 2010; Financial Statistics, Fiscal Year 2010; and Graduation Rates, Selected Cohorts, 2002-07.*
Figure 2: Percentage of undergraduate degrees earned by all Latino students in each sector in 2010-11

Source: Data obtained from the National Center for Education Statistics, 2012, *Postsecondary Institutions and Price of Attendance in 2011-12.*
Figure 3. Average Amount of Pell Grant for all Undergraduates by Institutional type compared to Total Cost of Attendance

![Chart showing average Pell Grant amounts for 1995-96, 2003-04, and 2007-08 for Two-year Colleges, Four-year Institutions, and Total Cost of Attendance.]


Figure 4. Percentage of Latino Undergraduates Receiving Financial Aid, by Institutional Type and Source of Aid, 2007-2008

![Chart showing percentage of Latino undergraduates receiving financial aid by institutional type and source for 2007-08 and 2003-04.]

Figure 5. Average Unmet Need among Pell Grant Recipients, by Institutional Type, by Race/Ethnicity, 2007-2008

Source: NPSAS 2007-2008, Author’s Calculations Using QuickStats
Appendix B
Table 1. Educational Attainment by Race and Hispanic Origin: 2010

In percent. For persons 25 years old and over. Based on data from the Current Population Survey as of March. Persons of Hispanic origin may be of any race.

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Asian and Pacific Islander</th>
<th>Total Hispanics</th>
<th>Mexican</th>
<th>Puerto Rican</th>
<th>Cuban</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School Graduate or More</td>
<td>87.1</td>
<td>87.6</td>
<td>84.2</td>
<td>88.9</td>
<td>62.9</td>
<td>57.4</td>
<td>74.8</td>
<td>81.4</td>
</tr>
<tr>
<td>College Graduate or More</td>
<td>29.9</td>
<td>30.3</td>
<td>19.8</td>
<td>52.4</td>
<td>13.9</td>
<td>10.6</td>
<td>17.5</td>
<td>26.2</td>
</tr>
</tbody>
</table>
