

RIISING HIGHER EDUCATION COSTS HARM LATINOS

Rising college costs is requiring students and families to pay more for college and fill in the gaps with student loans.¹ This problem is heightened by the decreasing purchasing power of federal student grant aid. Between 2000 and 2016, the average in-state cost at a four-year public institution increased by 65%, from \$11,776 to \$19,488.² The cost of two-year public colleges increased by 48% over that same period.³ Moreover, the disinvestment in higher education by states following the Great Recession burdens low-income Latino* students as they are responsible for filling a larger gap between college costs and grant aid.⁴ The Pell Grant, a federal grant for low-income students, now only covers 28% of tuition at four-year public colleges and 13% at four-year nonprofit colleges.^{5,6} For Latinos, who have a median household income of \$50,486, loans have become a growing and increasingly untenable college financing option.⁷ Worse, far too many Latino students are taking on a large financial burden without gaining the economic advantage of a degree to offset that debt. Even when Latinos graduate with a bachelor's degree, young Latino graduates working full-time, year-round have the lowest earnings among other racial and ethnic groups.⁸ As the source of federal financial aid and student loan borrowing, the federal government has an important role to play in improving affordability.

Latinos struggle to afford college even after receiving federal financial aid, and some continue to be barred from receiving federal aid.

The ability of Latinos to finance postsecondary education is particularly challenging: they are more likely to live in poverty, be first-generation college goers, have lower median incomes, and lower wealth compared to their White peers.⁹ To help low-income students attend postsecondary programs, the federal government administers the Pell Grant and student loans. While a majority of Latino students (64%) received a Pell Grant in 2016, the average award was \$3,855—not enough to adequately cover college costs. In 2016, the average cost of college for Latinos —after subtracting expected family contribution (EFC) and all grant aid—was over \$8,700, higher than the average cost for White students (\$8,060).¹⁰ Despite the shortfalls of the Pell Grant, federal grants and student loans are critical to providing Latino students with access to college financing. However, to qualify for federal financial aid students must complete the FAFSA, a complex financial aid application that often poses a barrier to low-income and first-generation students. In the 2011-2012 academic year 17% of Latino undergraduates who were eligible for a Pell Grant did not submit a FAFSA and therefore missed the opportunity to access federal student aid.¹¹ College affordability issues are further compounded for Deferred Action for Childhood Arrivals (DACA) recipients, undocumented students, and previously incarcerated students who are ineligible to access federal financial aid. For these reasons, postsecondary education is becoming a larger financial burden for Latinos with the least familial wealth.

Latino families and students are contributing significant amounts of their own income and taking on more debt to afford the rising price tag of postsecondary education.

Despite lower earnings and wealth, Latino parents contribute a significant percentage of scarce financial resources to help pay 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.¹² Latino parents also borrow

* 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.

to contribute to their children's college costs; 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.¹³ Latino students are also contributing toward their educations by working while enrolled in school; in 2016, 41% of both Latino and White students worked 20 hours or more. Despite working while in school and receiving parental contributions, Latino families and students are taking on more debt over time. Latino families with educational debt increased to nearly 20% in 2016 from 14% in 2007. Nearly one in three (31.4%) of Latino GenZ and 30.8% of Latino millennials have student loans. The implications of carrying debt are high, especially for Latinos who are less likely to complete their degree and Latino borrowers who are more likely to default at rates higher than their White peers.¹⁴ Delinquency or default on student loans can have profound effects on opportunities for wealth-building, including damaging credit scores and limiting opportunities to access home mortgages, and other credit-building assets.

Recommendations to Make Higher Education Affordable for Latinos

To improve postsecondary affordability, a reauthorized Higher Education Act should include the following recommendations:

- **Restore the Pell Grant's Inflation Indexing.** The Pell Grant amount should be increased and indexed to inflation to restore its efficacy as a tool to increase affordability for low-income students attending college.
- **Mandate Appropriations Spending for Pell Grant.** Pell Grants are the primary mechanism used to help low-income students pay for college. Mandating spending for the program will guarantee students can receive predictable financial aid.
- **Authorize DACA, Undocumented, and Incarcerated Students to be Eligible for Federal Financial Aid.** Federal financial aid should not exclude students from accessing grants or loans due to immigration status or whether an individual has been incarcerated.
- **Require the Department of Education to Partner with Institutions to Standardize Financial Aid Award Letters and Terminology.** Standardized financial aid award letters containing clear and comparable information will help students and families make an informed financial decision.

Endnotes

- 1 UnidosUS, *Latinos In Higher Education: Student Loan Repayment*, Statistical Brief (Washington, DC: UnidosUS, 2019), http://publications.unidosus.org/bitstream/handle/123456789/1937/studentloanrepayment_brief_32519.pdf?sequence=2&isAllowed=y (accessed May 19, 2019).
- 2 UnidosUS calculation using U.S. Department of Education, "Digest of Education Statistics," National Center for Education Statistics. Washington, DC, 2017, https://nces.ed.gov/programs/digest/d17/tables/dt17_331.10.asp (accessed January 2019), Table 330.10.
- 3 Ibid.
- 4 UnidosUS, *Latinos In Higher Education: Financing and Student Loans*, Statistical Brief (Washington, DC: UnidosUS, 2019), http://publications.unidosus.org/bitstream/handle/123456789/1937/financingstudent_loans_brief_32519.pdf?sequence=1&isAllowed=y (accessed May 24, 2019).
- 5 The Institute for College Access & Success, *How to Secure and Strengthen Pell Grants to Increase College Access and Success* (Washington, DC: The Institute for College Access & Success, 2018) https://ticas.org/sites/default/files/pub_files/pell_rec_s_one_pager.pdf, (accessed May 24, 2019)
- 6 UnidosUS calculation using College Board, "Trends in College Pricing 2018," College Board. New York, NY, 2018, <https://bit.ly/2is8e4j>, (accessed May 24, 2019), Table 2 and U.S. Department of Education, "Pell Grant Maximum for 2019-20 Announced," <https://studentaid.ed.gov/sa/about/announcements/pell-2019-20> (accessed May 24, 2019).
- 7 U.S. Census Bureau, "Income and Poverty in the United States: 2017," *Current Population Survey*. Washington, DC, 2018.
- 8 Cristobal de Brey et al. "Status and Trends in the Education of Racial and Ethnic Groups 2018 (NCES 2019-038)" (Washington, DC: U.S. Department of Education, 2019), <https://nces.ed.gov/pubs2019/2019038.pdf>.
- 9 UnidosUS. *Latinos In Higher Education: Financing and Student Loans*, Statistical Brief (Washington, DC: UnidosUS, 2019), http://publications.unidosus.org/bitstream/handle/123456789/1937/financingstudent_loans_brief_32519.pdf?sequence=1&isAllowed=y (accessed May 16, 2019).
- 10 Ibid.
- 11 Ibid.
- 12 Sallie Mae and Ipsos, *How America Pays for College*, 2017, (Newark, DE: Sallie Mae, 2017), <https://www.salliemae.com/assets/Research/HAP/HowAmericaPaysforCollege2017.pdf> (accessed January 2019).
- 13 Federal Reserve, 2016 Survey of Consumer Finances Chartbook (Washington, DC: Federal Reserve, 2016), <https://www.federalreserve.gov/econres/files/BulletinCharts.pdf> (accessed January 2019).
- 14 UnidosUS, *Latinos in Higher Education: Student Loan Repayment*, Statistical Brief (Washington, DC: UnidosUS, 2019), http://publications.unidosus.org/bitstream/handle/123456789/1937/studentloanrepayment_brief_32519.pdf?sequence=2&isAllowed=y (accessed May 24, 2019).