DEBT, DOUBT, AND DREAMS: UNDERSTANDING THE LATINO COLLEGE COMPLETION GAP

Kate Sablosky Elengold, Jess Dorrance, and Robert Agans
Contributors: Amanda Martinez and Patricia Foxen

EXECUTIVE SUMMARY

Researchers at the University of North Carolina-Chapel Hill teamed up with UnidosUS to explore whether and how our debt-driven higher education system makes it difficult for students to finish a college program or degree.[1] Recognizing the increased national attention to equity in higher education and the dearth of data focused on Latino students, we pursued a research project to untangle and explore the role that debt plays in the Latino/non-Latino college completion gap. The research was generously funded by Lumina Foundation.

Current literature suggests that Latinos are, on average, more debt averse than non-Latinos. When applied to education debt, debt aversion is "an unwillingness to take a loan to pay for college, even when that loan would likely offer a positive long-term return."[2] Because there is a significant difference in long-term financial returns for those who complete their college program relative to those who don't complete, especially when that education is financed with loans, the relationship between debt aversion and college completion is a matter of education equity.

How do attitudes about debt affect postsecondary completion for Latino students?
We surveyed more than 1,500 individuals aged 18-40 who began, but never finished, a college program and were no longer enrolled. Thirty-five percent of our respondents identified as Latino. We asked about the college experience, barriers to college completion, college financing, motivators for taking loans or not taking loans, financial stressors during the college program, current financial well-being, and demographic data.

Key Findings

Latinos exhibit higher levels of debt aversion with respect to education debt compared to non-Latinos.
Across three statistical measures, Latinos in our sample evidenced greater debt aversion with respect to education debt than non-Latinos. The data further supports the notion, however, that debt aversion is a complex and nuanced construct and is deeply connected to other stressors and experiences. For Latinos in our study, family relations and family concerns arose as a theme in describing a hesitancy to borrow.

What we found was illuminating. The data both supports and complicates the traditional Latino debt aversion narrative. It uncovers profound financial stressors for students who cannot finish college, which disproportionately burden Latinos. And it points to transportation as a critical barrier that is persistent and significant for Latinos attempting to complete college.

Debt aversion is only one of several financial barriers to completion for Latino students.
Among our financial barriers to completion, the cost of college had the most power in explaining the completion gap between Latinos and non-Latinos. Latinos exhibited heightened barriers across the financial spectrum, including a sudden change in personal finances, desire not to take on debt, and the need to work more hours; the cost of college, however, was the most powerful variable for explaining the completion gap between Latinos and non-Latinos. Although financial pressures were a significant driving force for leaving school across the board, Latinos exhibited a heightened concern about the financial barriers in total *and* in each of the four financial barriers individually.

[1] "College" included any two-year program, four-year program, or certificate program at a community college, college, university, or trade school.
[2] Alisa F. Cunningham and Deborah A. Santiago, Student Aversion to Borrowing: Who Borrows and Who Doesn't, Institute for Higher Education Policy and Excelensia in Education 28 (December 2008).

Transportation consistently emerged as a barrier disproportionately burdening Latino students and had significant power in explaining the completion gap between Latinos and non-Latinos.
When identifying *what* costs drove the need to leave college, respondents pointed to tuition (85%), school fees (82%), books and supplies (82%), food (44%), housing (41%), and transportation (35%). In comparing Latinos and non-Latinos, transportation surfaced as the greatest differentiator with respect to financial stressors driving drop out. Transportation problems also emerged as a stand-alone barrier to college completion separate from the cost of college, disproportionately burdening Latinos.

Policy Takeaways

It will take a combination of policy initiatives inside and outside of the higher education sphere to close equity gaps. The primary lessons of this data offer insights relevant to current policy proposals and discussion.

1. **Information *and* consumer protections are critical in designing, marketing, and implementing financial products and programs aimed at higher education financing.**
   Information is critical, but it is not sufficient. Latinos have previously been targeted for low-oversight, high-cost financial products. Therefore, it is essential that any new funding mechanism include adequate legal and regulatory protections.

2. **Decreasing college costs will empower students to make efficient and effective college choices.**
   Our data make clear that Latinos disproportionately exit their college programs because of financial pressures and distress. Rethinking the formula for grant funding, increasing grant amounts, lowering college costs, offering free programs, or providing transportation and basic needs supports would benefit all lower-income students, but would have a disproportionately positive effect on Latinos.

3. **Additional scholarships and grants should be marketed to Latinos through trusted sources.**
   Because Latinos appear to exhibit heightened levels of debt aversion, information and counseling about college financing, including loans and grants, would be best received through trusted sources. One possibility is to further invest in and expand existing programs like TRIO, GEAR UP, HEP, and CAMP.

4. **The more data, the better.**
   To diagnose and treat inequities in higher education, we must better understand the inequities and maintain a healthy respect for their complexity. In addition to race and ethnicity-specific data, our systems should maintain and make public federal data on borrowing and completion by multiple characteristics, such as students exceeding 150 percent time enrolled, older students, full/part-time status, and students benefitting from Parent PLUS loans.