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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 Excelencia 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.





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KATE SABLOSKY ELENGOLD, JESS DORRANCE,
AND ROBERT AGANS

CONTRIBUTORS: AMANDA MARTINEZ AND
PATRICIA FOXEN

I. Results in Brief

We surveyed individuals who had matriculated to, but never completed, at least one college program (community college, college, university, trade school, or certificate program). With a survey sample of more than 1,500 respondents, 35 percent of whom self-identified as Latino* (Latino = 522; non-Latino = 985), we gathered critical information about the most salient barriers to college completion, especially those that disproportionately burden Latino students. Based on prior literature and research, we paid particular attention to the relationship between debt, attitudes about debt, and college completion. We organized the barriers to college completion into four categories: precollege, institutional, environmental, and financial. Precollege factors account for one's experience and environment *before* entering a higher education program, including high school academic experience, social capital, and motivation and/or fit at college. Institutional factors account for one's experience and environment *with and at the chosen college institution* and include academic integration and cultural integration. Environmental factors account for the responsibilities and challenges in one's life *outside of school* while in a college program, and include family responsibilities, health concerns, and transportation concerns. Financial factors account for the financial pressures and stressors facing students, including financial crises, need to work, and desire to avoid debt.

[*] This data includes as "Latinos" people who self-identified as Spanish, Hispanic, or Latinx. For purposes of this report, we use "Latino" to refer to the population as a whole. We use the term "Hispanic" to refer to federal data using that terminology and in reference to other literature where "Hispanic" is used. Otherwise, we use "Latino".

Here is what we found:

1

Across three different debt aversion measures, Latinos exhibited greater levels of aversion to education debt than non-Latinos.

2

Looking more deeply into that debt aversion, Latino respondents pointed to family relations and family concerns in describing their hesitancy to borrow.

3

Overall, respondents reported more often that precollege and financial factors were the most significant barriers to completing a first college program. More specifically, the overall sample reported that a lack of motivation and inability to afford the cost were the most salient barriers to completing their first college program.

4

For Latinos, environmental and financial barriers were more salient obstacles to college completion, as compared to non-Latinos. The data did not show any significant difference between Latinos and non-Latinos with respect to precollege or institutional barriers to completion.*

[*] One institutional barrier did show a difference between Latinos and non-Latinos: "The school I was attending shut down or was shutting down." Although this is unsurprising given that Latinos disproportionately attend for-profit colleges and universities, we did not include it as a primary finding because of the small overall percent of the sample that identified this as a barrier.

5

Transportation problems arose as the primary differentiating environmental barrier to completion between Latinos and non-Latinos.

6

Latinos exhibited greater financial barriers to completion than their non-Latino peers, reporting that the cost of school, a sudden change in personal finances, a desire not to take on debt, and the need to work more hours drove them to leave college.

7

Although Latinos exhibited disproportionately high levels of debt aversion, our data suggests that the most salient predictors of the college completion gap between Latinos and non-Latinos are transportation and the overall cost of college.

II. Background — The Details

A. Latinos in the United States

In the last decade, the Latino population in the United States has grown dramatically. Now exceeding 18 percent of the total United States population,¹ Latinos accounted for more than half of all domestic population growth between 2010 and 2019. Although the population growth has recently slowed, the more than 60 million Latinos in the United States represent the second largest racial or ethnic group in the country.² By 2060, Latinos are projected to make up approximately 30 percent of the United States population.³

Latinos in the United States are disproportionately young. Latinos' median age is 30 years old, younger than the median age for Blacks (35), Asians (38) and Whites (44).⁴ Between 1990 and 2016, Latino postsecondary enrollment increased by more than 300 percent.⁵ Latinos represent 17 percent of the labor force in the United States.⁶ By 2025, it is projected that Latinos will account for one out of every two new workers entering the workforce.⁷

Latinos are extraordinarily diverse, originating from different regions, with varied cultural histories and labels, diverse educational experiences, and facing multiple and assorted barriers in higher education and more generally.⁸ In fact, none of the racial and ethnic groups that we and other researchers identify are monolithic, or have the same experiences across backgrounds and circumstances. But recognizing that Latinos are not a monolithic group does not mean that it is impossible to research, understand, and orient policy to the common themes and trends that arise in the Latino community. In fact, because Latinos are under-studied, their needs are underserved.⁹ Research and related action are understandably focused on the equity gaps between Black and white communities and, although some of this work mentions Latinos or other “people of color,” it often lacks specific data and information about the goals, needs, and vulnerabilities of Latinos in the United States.

Latinos today face structural discrimination and unequal opportunity in education, wages, and wealth accumulation. The global health and economic crises associated with COVID-19 have, in many cases, exacerbated those existing inequalities. Twenty-five percent of Latinos report that they,

a family member, or friend has become ill due to the coronavirus; of those, more than 30 percent reported that the ill person died.¹⁰ The economic effects have been similarly devastating. More than one-third of Latinos reported that someone in their household lost a job due to the coronavirus pandemic, 46 percent reported that they had hours or pay cut, and half reported difficulty buying or finding necessities such as food, household supplies, or medicine.¹¹

With a young and growing population, Latinos in the United States are a critical population to understand and support. One way to do that is through higher education. As is generally the case with other races and ethnicities, Latinos with bachelors' degrees out-earn Latinos without college degrees at a rate of approximately two-to-one.¹² Although increasing access to affordable and credible college degrees is not a singular answer to racial and ethnic inequalities,¹³ it is a vital part of the conversation. "Given the relationship between higher education and economic productivity, investing in efforts to increase Latino degree attainment is in the state and national interest."¹⁴

B. Latinos in Higher Education

Although Latinos in the United States currently hold fewer college degrees than Whites, Blacks, and Asians, much progress has been made toward closing that gap. Data show that Latino students are entering college at record numbers, nearly matching the matriculation of White students.¹⁵ Today, almost 3.5 million Latinos are enrolled in colleges and universities across the country.¹⁶

But barriers to equity in higher education remain. Critically, there is a difference between starting a college program and graduating.¹⁷ According to Martha J. Bailey and Susan M. Dynarski, "Inequality in college persistence explains a substantial share of inequality in college completion." Bailey and Dynarski further explain that, "[t]hese differences in persistence may be driven by financial, academic, and social factors. Identifying these factors and coming up with effective policy responses should be a major research focus given that it is clear that inducing more low-income youth into college will not, by itself, serve to close income gaps in educational attainment."¹⁸

This is an issue that cuts across communities: in 2019, 36 million Americans reported that they attended college but did not get a degree and were no longer enrolled.¹⁹ But, the problem disproportionately affects communities of color. Although the numbers are hard to measure exactly because of the way the data is collected and disseminated, Latinos trail Whites and Asians in post-

secondary completion across metrics. Latinos lag ten percentage points behind their White peers and twenty percentage points behind their Asian peers in graduating from four-year degree-granting programs.²⁰ And between 2003 and 2016, that gap widened.²¹ In comparing 613 public and private institutions, which accounted for 85 percent of all first-time, full-time Latinos at four-year colleges, Andrew H. Nichols found that completion gaps vary across institutions and when comparing graduation rates for Whites and Latinos at similar types of institutions.²² The Georgetown Center on Education and the Workforce compared Latinos and Whites with similarly high SAT/ACT test scores, and found that, while the two groups enroll in college at a similar rate, only 64 percent of the Latinos completed their degree or credential, as compared to 78 percent of Whites.

Latino undergraduates are also overrepresented at for-profit and two-year institutions,²³ both of which traditionally report lower graduation rates than four-year public and not-for-profit private colleges.²⁴ Because Latinos are overrepresented in two-year programs, from which only 36 percent graduate, the overall completion gap between White and Latino students exceeds ten percentage points.²⁵ The 2017 Georgetown study determined that, overall, 43 percent of Latinos earn some postsecondary award or degree within six years of enrollment, as compared to 68 percent of Whites.²⁶

One primary barrier to educational equity, especially for Latinos, is the cost of college. Research shows that Latino young adults are more concerned about having enough money to pay for higher education than their non-Latino peers.²⁷ And indeed, “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.”²⁸ At the same time that Black and Latino families lost disproportionate wealth in the decade following the Great Recession, college costs have risen and the purchasing power of federal grant aid has diminished. After accounting for grant aid, the average cost to Latinos to attend college in 2016 was slightly higher than the average cost to a White student in the same year.²⁹ And yet, seventy percent of Latino students are first-generation students and nearly half have an expected family contribution (EFC)—a measure of the family’s financial strength—of zero.³⁰

There is little doubt that Latino parents and their children highly value postsecondary education.³¹ In fact, surveys show that Latinos value higher education at a rate that exceeds that of the general population. Additionally, Latino students who leave their college programs report (in surveys and focus groups) a significant drive to return.³² But research shows that pressures—including financial pressures—make attaining that goal difficult.

C. Debt-Driven Higher Education

As costs have risen, more and more Latino students and their families have turned to student debt to finance their education. Seventy-four percent of Latino students applied for federal financial aid in 2016, almost two-thirds of whom qualified for a Pell Grant.³³ But that was insufficient to cover the costs; twenty percent of Latino parents reported taking out a loan for their child's education,³⁴ and nearly one in three Latinos in their twenties and thirties have student loan debt.³⁵ Almost three-quarters of Latino students take out loans to attend college, relative to two-thirds of their White peers.³⁶

Latino students, of course, are not the only ones burdened by education debt. As of May 2020, Americans owed more than \$1.54 trillion in student loan debt.³⁷ Even as the Department of Education has placed current loan holders into forbearance under the CARES Act, seven percent of the debt remains more than 90 days past due. Prior to that temporary legislation, student loan delinquency exceeded credit card default, mortgage default, auto loan default, and home equity revolving loan default as the principal kind of household debt default.³⁸

And although Latino students borrow less money, on average, than their peers, they report a higher level of stress related to that debt and report higher delinquency rates than their White counterparts.³⁹ A qualitative study analyzing listening sessions and interviews with 78 Latinos concluded that “[t]he reality of financial instability or volatility was front and center for the students...noting that their family's financial situation affected every decision they made throughout their college life.”⁴⁰ This finding is unsurprising. Economists Marshall Steinbaum and Kavya Vaghul find that, “among minority student borrowers, those most adversely affected are the middle class—those who have taken out debt to go to college but who haven't been able to find jobs or don't have sufficient family wealth to pay it back.”⁴¹

D. Debt and Non-Completion

For those who have debt and do not complete their degrees, the effects of the debt are magnified. Borrowers who fail to complete their degrees stare down a compounded economic conundrum: student debt without the earning power associated with a degree.⁴² And while Latino borrowers report an average of more than \$40,000 in student debt, one-third of those who took on debt did not complete their college program.⁴³

Latino borrowers default on their loans nearly twice as often as their White peers.⁴⁴ A recent report of student debt holders in New York City showed that 16 percent of borrowers in predominantly Black and Hispanic neighborhoods have student debt in collections, compared to 8 percent in predominantly White and Asian neighborhoods.⁴⁵ Default on federal loans carries strict penalties that reverberate through a family’s economic life: decreased credit scores; administrative wage garnishment; offsets to social security, tax return, and earned income tax credit (EITC) payments; inability to seek additional federal education loans; and extremely limited opportunity to use the consumer bankruptcy system to get a fresh start. Scholars and advocates have explained the student debt crisis through a civil rights lens, arguing that “the cost of America’s runaway student debt crisis falls disproportionately on Black and Latinx communities.”⁴⁶ This is unsurprising when we look at student debt in the context of both (1) racial and ethnic wealth gaps affecting students trying to pay for college and (2) racial and ethnic employment and income disparities for borrowers trying to pay back their education loans.

Today, in the midst of a global pandemic and the related surge in economic insecurity, the racial and ethnic equity gaps in higher education will likely be exacerbated.⁴⁷ Current students report heightened concern about staying on track to graduate from their postsecondary programs due to COVID-19 related stress; exceeding 80 percent, this concern is disproportionately felt by Blacks and Latinos.⁴⁸

III. Background — The Research

What do we know about the relationship between financial distress, debt, and college completion? What do we know about how those variables interact with other barriers to college completion? What can that tell us about the causes of, consequences of, or interventions to close the college completion gap for Latinos? This section sets out the different strands of research that speak to such questions.

A. College Completion Barriers for Latino Students

Recognizing the college completion gap for Latino students, scholars and advocates have worked to understand the barriers to completion. Scholars point to a variety of other significant obstacles: low family income, inadequate preschool opportunities, lagging K-12 public educational systems, increasing college costs, lack of college-ready skills, lacking a sense of belonging or support at their institution, the need to work full time, and disproportionately higher enrollment in postsecondary institutions that record low graduation rates.⁴⁹

The federal government reports that “personal reasons” are the primary reasons why students report leaving their postsecondary program (50%) and “financial reasons” are secondary barriers (23%).⁵⁰ When that data is broken down by race and ethnicity, Latinos pointed to personal reasons (61%) and financial reasons (35%) for stopping out of college, and reported both at higher percentages than the general population.

Consuelo Arbona and Amaury Nora offer a useful three-classification framework for categorizing the identified barriers to Latino college completion: (1) precollege factors including academic resources and social capital; (2) college-related factors including academic performance, academic integration, enrollment status, and continuity of enrollment; and (3) environmental factors including family responsibilities and work responsibilities while enrolled in school.⁵¹ Arbona and Nora recognize that these are not distinct factors but rather, collectively, make the difference between withdrawal and persistence.⁵²

While scholars and advocates have looked at both college completion and student debt as it relates to Latino students, it has been difficult to understand how those barriers layer on top of one another. Importantly, we lack the research to understand and unpack how our debt-financed higher education payment scheme interacts with other identified barriers to completion.

This research offers data and insights to begin developing that understanding which will, in turn, affect policymaking and advocacy efforts aimed at increasing higher education equity.

B. The Latino Debt Aversion Narrative

Higher education expert Alisa F. Cunningham and Deborah A. Santiago, Chief Executive Officer of Excelencia in Education, explain that “one of the most persistent truisms about student financing of higher education is that Latinos in particular have a strong aversion, or ‘cultural reticence,’ to taking out loans.”⁵³ Cunningham and Santiago define debt aversion as “an unwillingness to take a loan to pay for college, even when that loan would likely offer a positive long-term return.”⁵⁴ They note that “[t]his definition is broad in scope, capturing aversion to borrowing related to individual personality traits as well as aversion based on cultural and familial considerations.”⁵⁵ Utilizing quantitative and qualitative data, Cunningham and Santiago conclude that Latino and Asian students exhibit signs of aversion to borrowing.

Others have come to similar conclusions, using similar definitions.⁵⁶ For example, studying American attitudes toward debt-financed higher education from 1959 to 1983, Thomas Mortenson concluded that, while the great majority of the population showed a high degree of willingness to borrow for higher education, women, older persons, less educated persons, persons with low household income, and Hispanics were relatively less favorably inclined.⁵⁷ Importantly, in the latter years of the study, Hispanics’ positive attitude toward education loans *decreased* by seven percentage points (from 85 to 72 percent).⁵⁸

A UnidosUS report analyzing interviews and listening sessions with 78 Latino participants evidenced a similar theme. The report found that “parents were most adamantly against loans, and students echoed their parents’ concerns about the long-term effects of taking on debt.”⁵⁹ And yet, “many noted that they had no choice but to take out loans due to their changing and volatile financial situation.”⁶⁰ In light of that tension, participants explained that they attempted to keep loan balances low, even if that meant increasing off-campus work hours.

Scholars have made similar findings with respect to other credit products. Researchers have found that Hispanic households are less likely to hold risky assets than non-Hispanics, even when controlling for household net worth.⁶¹ They have also noted that Hispanics experience higher stress levels related to debt⁶² and report lower levels of risk tolerance relative to White peers.⁶³

C. Debt-Driven Education and Completion

The relationship between debt aversion and college completion is a greater unknown. Cunningham and Santiago did not make conclusive statements about the relationship between debt aversion and college completion. They did, however, recognize that Latino students who did not borrow in their first year of college, despite financial need, were more likely to drop out of college within three years than their peers who borrowed (36% non-completion rate versus 31% non-completion rate).⁶⁴ Although Asian students showed similar aversion to borrowing, Cunningham and Santiago did not find the same effect on completion.⁶⁵

After surveying more than 6,000 individuals, Angela Boatman, Brent J. Evans and Adela Soliz found heightened debt aversion levels for Hispanic survey respondents. They concluded that, “given that student loans are the primary policy mechanism by which to relieve credit constraints, a reluctance to borrow implies loan-averse students could potentially underinvest in higher education. This underinvestment could manifest itself in a variety of ways: working more hours while enrolled, enrolling in 2-year instead of 4-year colleges, enrolling part-time instead of full-time, delaying college enrollment after high school, or forgoing college altogether. These decisions may adversely affect enrollment, persistence, and success in college.”⁶⁶

It is not at all clear, however, that encouraging additional borrowing would necessarily increase completion; researchers have found *both* a positive correlation between student loans and completion⁶⁷ and a negative correlation between student loans and persistence.⁶⁸

D. Complicating the Narrative

Debt aversion is neither illogical nor unambiguous. Pamela Burdman recognizes that “[c]aution about borrowing could be a rational response to a student’s circumstances, especially for those who face uncertainty about future job prospects.”⁶⁹ Sociologists Louise Seamster and Raphaël Charron-Chénier explain that not all debt is the same in terms of promoting agency and granting opportunity.⁷⁰ Seamster argues that “[j]ust as predatory mortgages took advantage of Black and Latinx buyers wanting a piece of the American dream, the racially-specific changes in education debt indicate similar processes of ‘predatory inclusion’ are at play.”⁷¹ Predatory inclusion is “the incorporation of formerly excluded communities into financial arrangements—on terms that negate

the advantages of incorporation.”⁷² On the flip side of the coin, research shows that Latino households have difficulty accessing traditional financial systems, remaining unbanked or underbanked. Latino households, for example, represent almost 30 percent of the underbanked population, far exceeding their national representation.⁷³

Behavioral economists and sociologists have looked at what might appear on its face to be “debt aversion” and recognized that it might actually be something else: an unwillingness or inability to provide the personal information necessary to apply for aid, unawareness of or discomfort about the process for applying for aid, lack of information about the risks and responsibilities of seeking financial aid, prior negative experiences in credit markets, or a reaction to economic uncertainty or insecurity.⁷⁴ One Canadian study found loan aversion in under-represented groups, but found that the link is not very clear-cut; “[l]oan aversion appears to be more a function of low numeracy, a tendency to discount future rewards, and perceptions that the costs of PSE [postsecondary education] may be high relative to its benefits.”⁷⁵ When these factors are accounted for, the study finds that the group differences vanish.⁷⁶ This is in keeping with our conclusion that debt aversion is a complex and nuanced construct.

Debt aversion in the Latino community is not a clear-cut narrative. Janette Martinez, senior policy and research analyst at Excelencia in Education, has suggested that we “tak[e] an asset-based approach rather than a deficit-based approach” to understanding Latino student borrowing and persistence. “We need a narrative that understands the perseverance of Latino students, rather than the narrow and commonly heard stories about debt aversion and non-completion.”⁷⁷ Because federal data on both completion rates and borrowing are limited in their time, scope, and demographic breakdown, it is easy to see how a simple narrative is shaped out of incomplete data.

IV. Research Project

Recognizing the need for additional data, nuance, and understanding about the relationship between higher education equity, debt-driven higher education, and racial/ethnic college completion gaps, this project asks the question: **How do attitudes about debt affect postsecondary completion for Latino students?**

The cause of the completion gap is difficult to trace to discrete variables; that includes, of course, debt aversion as a stand-alone variable. We must recognize that individual students attend and attempt to complete college in the context of their complicated lives, complex community needs, and the burden of systemic discrimination and diminished access to opportunity. We cannot separate the college experience from the lived experiences that bookend postsecondary education, including metrics of childhood well-being and access to and opportunities in the labor market. Nor can we separate the concept of debt aversion from other barriers to college completion. Too often, when layered, all of the barriers coalesce to create something new; the straw that breaks the camel's back is rarely the only cause of the break.⁷⁸

And yet, we must better understand discrete variables to be able to build a more complete picture. To that end, we do identify and test a discrete variable of those who did not complete their college program(s): debt aversion. We ask: **Do Latinos exhibit higher levels of debt aversion with respect to education debt than non-Latinos? Is debt aversion a salient barrier for non-completion amidst the many barriers? Is it more or less salient for Latinos as compared to non-Latinos?**

By placing debt aversion alongside and intermingled with the myriad other barriers to college completion for Latinos, this project helps us better understand the role of debt aversion in the college completion gap between Latinos and non-Latinos.

A. Aims

The goals of this research are:

- To test whether Latinos exhibit greater debt aversion in the context of educational debt;
- To better understand the relationship between debt aversion and college completion, with a particular eye toward differences between Latinos and non-Latinos;
- To understand the salience of debt aversion as relative to other predictive barriers to college completion; and
- To provide context and add complexity to the debt aversion narrative as applied to Latinos in higher education.

B. Methods — In Brief

This project is a partnership between the University of North Carolina School of Law, UnidosUS, and the UNC Center for Community Capital, funded by Lumina Foundation. It has been undertaken with the guidance of the University of North Carolina-Chapel Hill's Institutional Review Board.

To fully develop our research questions and hypotheses, we conducted a thorough literature review and interviewed a series of key informants (policy, program, and academic experts) utilizing a flexible and iterative key informant interview guide.⁷⁹ Thereafter, we hypothesized that:

- Aversion to taking on (more) debt is a greater barrier to completion of higher education for Latino students than non-Latino students; and
- Aversion to taking on (more) debt is integrally connected to other barriers that have been correlated to non-completion for Latino students.

To test our hypotheses, we developed a survey targeting Latino and non-Latino individuals, aged 18-40, with some college education but no degree. We limited our survey respondent to this age group because we wanted to capture the way that the current college financial landscape—most specifically, the heavy reliance on federally-financed student loans—affected college completion. In the last few decades, college has become increasingly expensive and financing has become increasingly focused on student loans.⁸⁰ At the same time, more and more Latino students have sought higher education degrees

and credentials. Therefore, we excluded older adults who may have had experiences that existed in a different higher education financial, social, and cultural landscape. Because we were interested in testing issues related to federal student loans, which is primarily limited to citizens and students with legal permanent residence, we also excluded individuals who were not citizens or legal permanent residents. Finally, because debt is considered a “sensitive topic,” an online instrument provided privacy and anonymity to respondents.⁸¹

After development, we pilot tested the survey with more than 600 subjects through a Qualtrics online survey panel. We fielded the final survey through Qualtrics, which returned 1,507 eligible surveys; 35 percent of the respondents self-identified as “Spanish, Hispanic, or Latinx.” For more information on methods and limitations, see Appendix A.

C. Sample

1. Demographics (See Table in Appendix A for more detailed information)

In many ways, our sample of survey respondents deviates from the national population of those who report some college but no degree. On some fronts, that was an intentional choice. For example, Latinos represent 35 percent of the full sample, but only 21 percent of the national population of individuals with some college, but no degree. We did that purposefully so that we could have a sufficient sample of Latinos to speak to our research questions. We note that our sample of non-Latinos includes respondents across racial groups.

Figure 1: Ethnicity

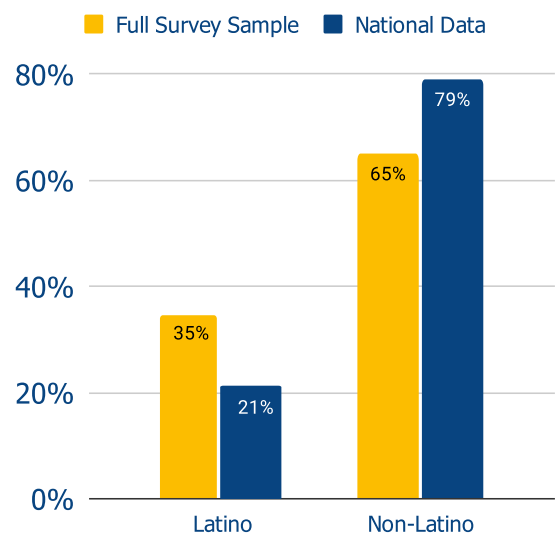


Figure 2: Gender

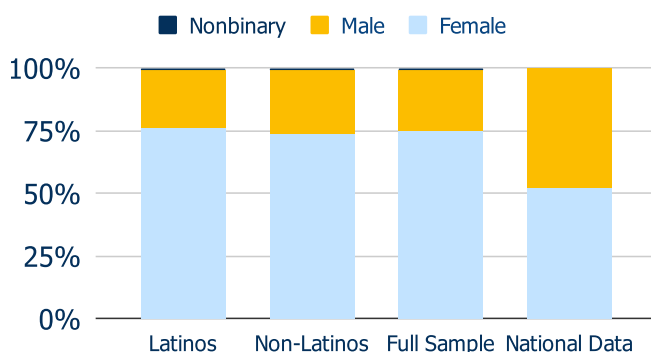
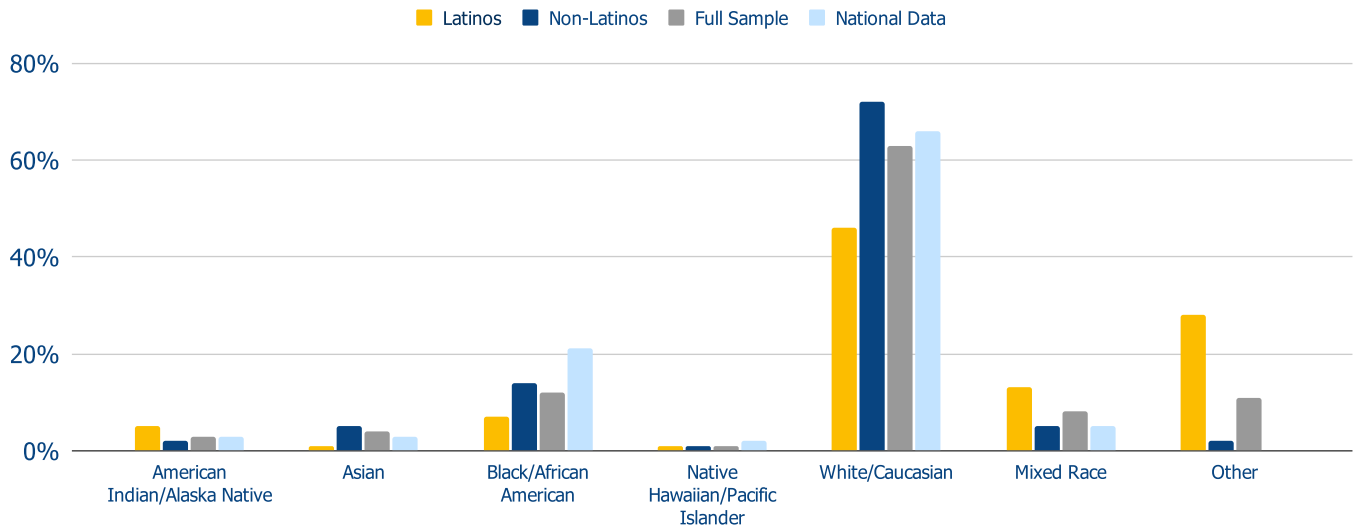


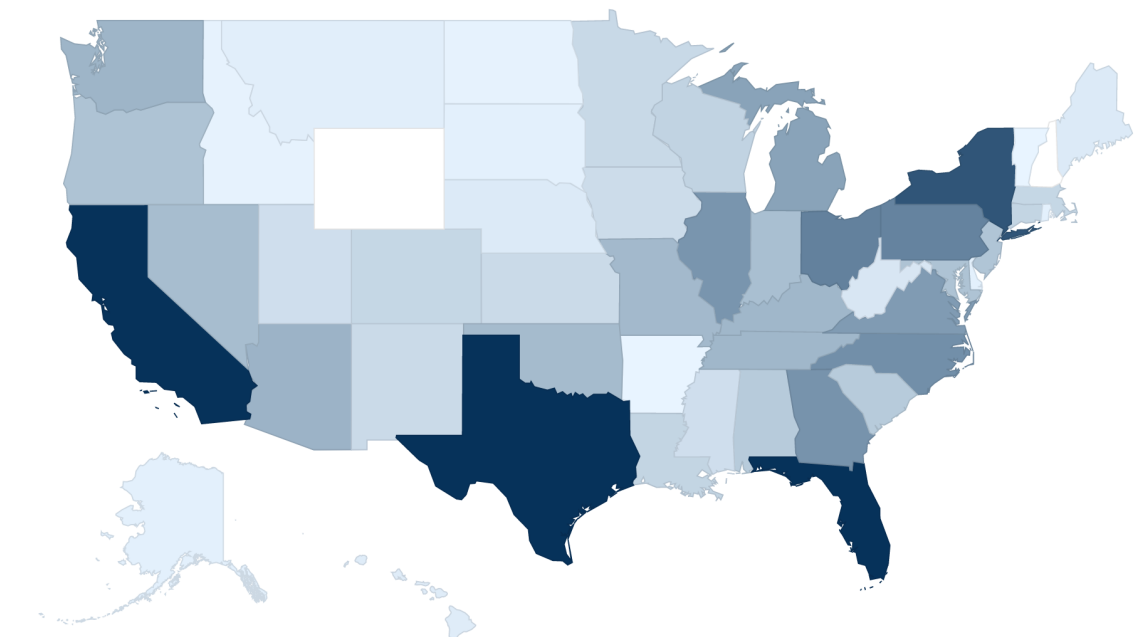
Figure 2 shows seventy-five percent of all respondents identified as female. Although Latinas enter college at a greater rate than Latinos,⁸² that does not fully explain the gender skew in our survey. And, as is common for Hispanics, Figure 3 shows that almost one-third of the Latino sample and one in ten of the overall sample selected “Other” to represent their race.⁸³

Figure 3: Race

In other ways, our survey respondents mirror specific national statistics that are not unique to our population. More than half of our Latino respondents trace their ancestry at least in part to Mexico; the majority of Latinos in America are of Mexican descent.⁸⁴ Our non-Latino sample was 53 percent in the 18-30 range and 47 percent in the 31-40 range.

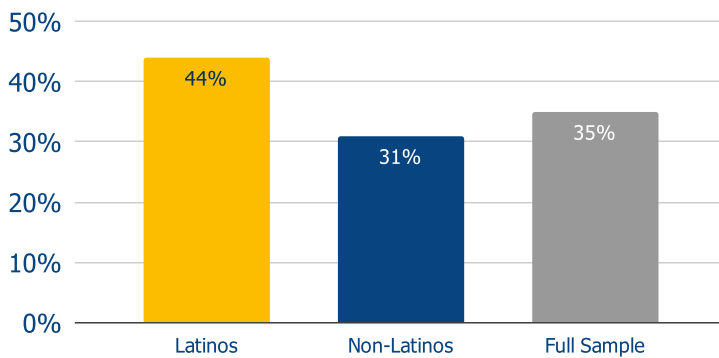
The Latino sample skewed younger, which is consistent with the national population. We drew respondents from 48 states, along with Puerto Rico and the District of Columbia.

For more information on sample demographics, see Appendix A.

**Figure 4:
Respondent
state of
residence**

2. Their College Experience (See Table in Appendix A for more detailed information)

Figure 5: First-Generation Student



Thirty-five percent of our overall sample were first-generation college students, defined by both mother and father not having a U.S. college degree; when looking only at Latinos, 44 percent were first-generation college students. Using a similar definition of first-generation college students, federal data shows that 44 percent of Latino students are first-generation.⁸⁵

Using other federal definitions of first-generation college student, the number of Latino first-generation can reach closer to 70 percent.⁸⁶ As Figure 6 shows, just over half of our sample started college at a two-year degree-granting program, 38 percent at a four-year degree-granting program, and 9 percent at a certificate program. This is consistent with national averages.

As shown in Figure 7, more than half of our sample financed their higher education at least in part with savings or income, primarily their parents' and/or their own. Not quite half reported taking out loans to help finance their education, the great majority of whom (86%) reported taking out federal student loans. Latinos were less likely to take on loans relative to non-Latinos, $\chi^2(1, N=1507)=6.2905$, $p=0.0121$ OR $p<.05$. Interestingly, that gap widened when focusing specifically on federal loans; 82 percent of Latino borrowers turned to the federal government for loans as compared to 87 percent of non-Latinos, $\chi^2(1, N=726)=3.9606$ $p=0.0466$. Our data suggests that Latino students more often made up that difference with their own income—Latinos were statistically more likely to use income or savings to pay for college than non-Latinos, $\chi^2(1, N=1505)=4.4677$, $p=0.0345$.

Figure 6: Institution Type

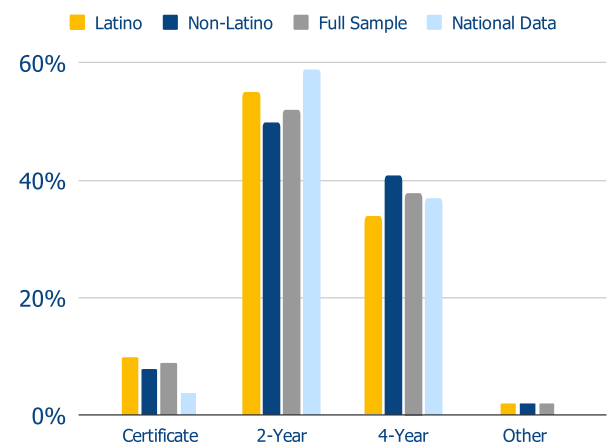


Figure 7: Used Loans

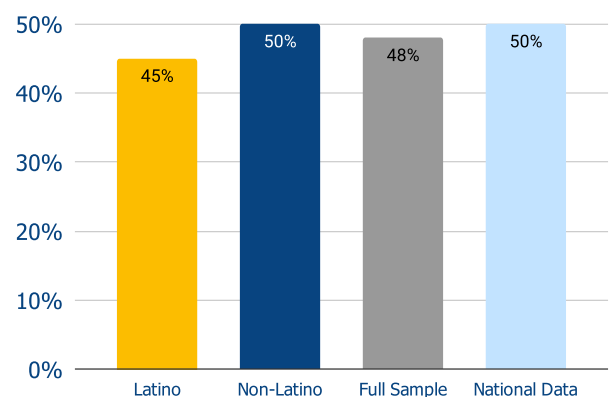
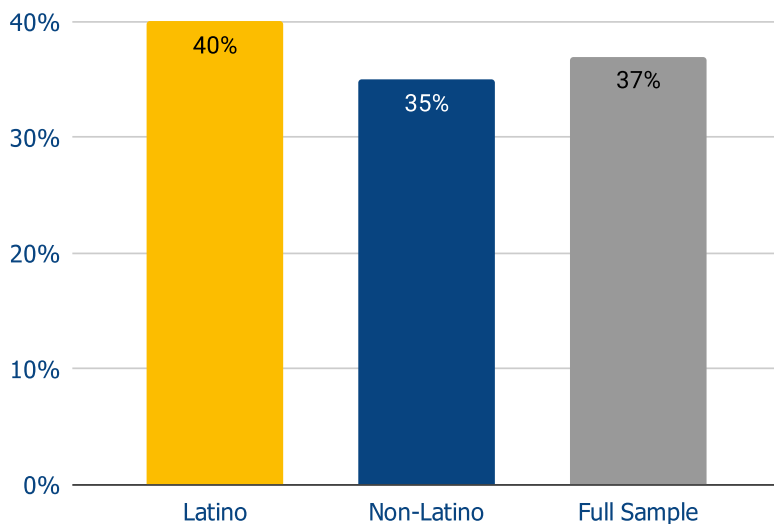


Figure 8: Intent to Re-enroll

Consistent with previous research, Latinos outpaced non-Latinos by more than five percentage points in answering that they intended to re-enroll in higher education. Latinos have a greater intention of re-enrolling in college than non-Latinos, $\chi^2(1, N=1507)=3.9697$, $p=0.0463$.

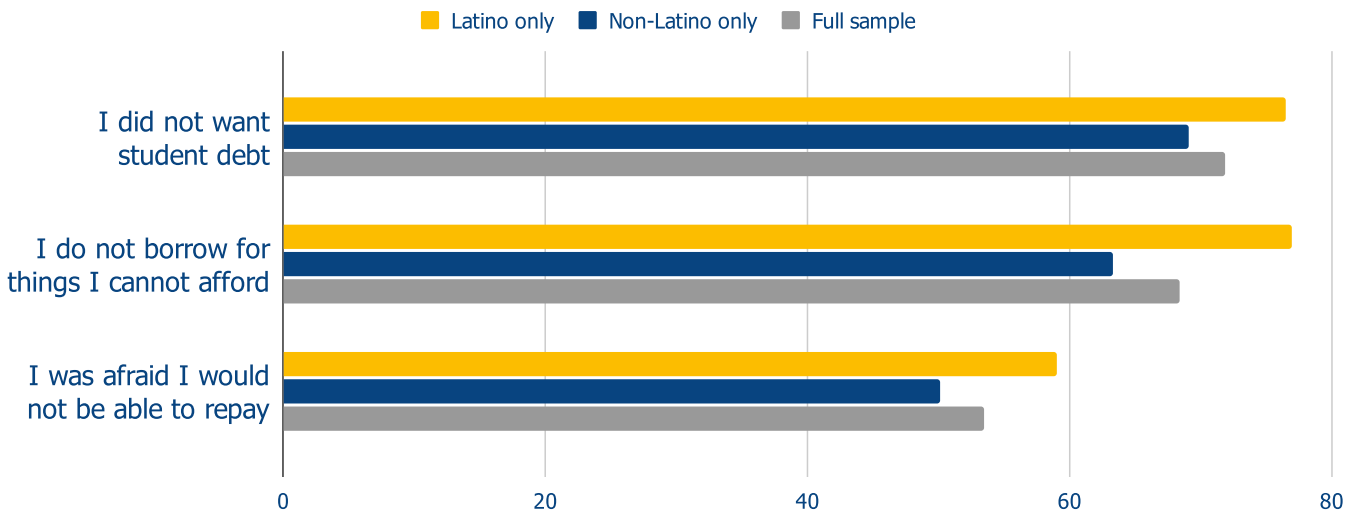
D. Findings

Debt aversion in education has previously been defined as “an unwillingness to take out a loan to pay for college, even when that loan would likely offer a positive long-term return.”⁸⁷ Critically, we recognize that there is compelling evidence that higher education has uneven payoff.⁸⁸ Elliott and Lewis caution that “[h]igher education cannot be an equalizing force if it delivers an unequal product with highly disparate incomes.”⁸⁹ For purposes of this study, we define “debt aversion” as “an unwillingness to take out a loan to pay for college because of a reluctance to take on debt or borrow money.” We tested both (1) whether Latinos exhibited heightened evidence of debt aversion, and (2) how debt aversion measured against other identified barriers to college completion, particularly with respect to Latino respondents.

1

LATINOS EXHIBIT GREATER DEBT AVERSION

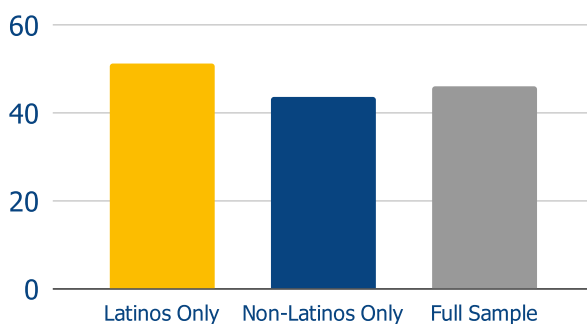
Nearly half of our survey respondents ($n=723$) did not take on loans to finance their higher education studies. Overwhelmingly, they reported that the reason was that they did not want student debt and/or that they do not borrow for things that they cannot afford. Latinos pointed to these reasons, along with a fear of ability to repay, at greater rates than non-Latinos. This challenges the standard line that college students over-borrow,⁹⁰ especially as applied to Latinos.

Figure 9: I did not take out student debt because...

$\chi^2(1, N=722)=5.3528, p=0.0207$; $\chi^2(1, N=722)=14.6659, p<.0001$; $\chi^2(1, N=722)=4.5368, p=0.0332$.

Latinos exhibit greater education debt aversion than non-Latinos. Because debt aversion is a complicated concept and difficult to measure, we measured our data in three different ways. In each measurement, Latinos exhibited statistically greater debt aversion than non-Latinos.

First, we asked respondents to self-identify debt aversion. When given the opportunity to identify the obstacles that prevented them from completing college, Latinos reported that the desire to avoid debt was a barrier to completion at a rate of almost eight percentage points more than non-Latinos (see Figure 10).

Figure 10: I left my program in part because I did not want to take on (more) debt

Second, we removed the self-identification from the equation and found that Latinos still exhibited evidence of debt aversion at higher rates than non-Latinos. Here, we drew on the accepted definition of debt aversion in the education literature as an unwillingness to take out a loan to pay for college, even when that loan would likely offer a positive long-term return. Thus, we identified individuals as “debt averse” if they *both* (1) did not take out education loans *and* (2) reported significant financial distress during school. Here, we found that almost 25 percent of the entire sample could

labeled “debt averse” and that Latinos were statistically more likely to be labeled debt averse than non-Latinos.

Third, we combined the self-identification with objective action, identifying those respondents who **both** (1) did not take out education loans or stopped taking out education loans during their studies **and** (2) agreed that it was because they did not want to take on student debt and/or do not like to borrow money to pay for things they cannot currently afford. Fifty percent of the overall sample were labeled “debt averse” using this measurement and Latinos were statistically more likely to be labeled debt averse than non-Latinos (56 percent as compared to 47 percent).

Digging deeper, we asked those respondents to consider *why* they avoided education debt, offering the following choices: my parents encouraged me to avoid debt, my family/friends/teachers/mentors encouraged me to avoid debt, my church/religious institution encouraged me to avoid debt, someone in my family had a bad experience with debt, I was concerned about stories I had heard/read about student debt, I already had too much other debt, and/or my family already had too much other debt. In addition to pointing to the concerning stories about student debt, respondents were primarily driven by family concerns: encouragement from family to avoid debt, knowledge of family that had bad experience with debt, and family that already had too much debt. When we scaled and scored these debt aversion drivers, Latinos reported significantly higher debt aversion drivers than non-Latinos.

In each of the three different debt aversion measurements, in our sample of individuals who did not complete their college degrees, Latinos were statistically more likely to exhibit debt aversion than non-Latinos. Although all three measurements showed that Latinos exhibited more debt aversion than non-Latinos, the measurements did not correlate well with one another. This is likely because the concept of debt aversion is complex and difficult to define, and it is only one in a web of circumstances and rationale that lead to the decision to take out a loan or drop out of school. In fact, even those who do take out loans might *feel* averse to that debt. Of the 727 respondents who reported that they did take out loans to finance their higher education, more than 90 percent agreed that they took out loans because they had no other choice; nearly 70 percent strongly agreed with that statement. While there was no difference between the Latinos and non-Latinos who agreed that they took on loans because they had no other choice, Latino borrowers *did* report that they took out loans because they needed to use their savings, income or assets to provide assistance to their family, $\chi^2(1, N=726)=7.5672$, $p=0.0059$. This is further evidence of the complexity and nuance needed to understand how and why students do not finish a degree and what the determinative differences are between Latinos and non-Latinos. Highlighting and acknowledging this complexity is critically important to understand and respond to inequities in higher education.

Why I Left College...

Precollege:

- Not the right fit
- Lacked academic preparedness
- Lacked social capital
- Low grades
- Lacked motivation

Institutional:

- School was not welcoming
- School did not give academic support
- School made me take remedial courses
- School was shutting down

Environmental:

- Need to care for spouse and/or children
- Need to care for parent, grandparent, sibling, or other family
- Transportation problems
- Health-related problem
- Concern about immigration consequences
- Pregnancy
- Mental health was suffering

Financial:

- Sudden change in my personal or family finances
- Need to work more
- Could no longer afford cost of college
- Desire to avoid (more) debt

2

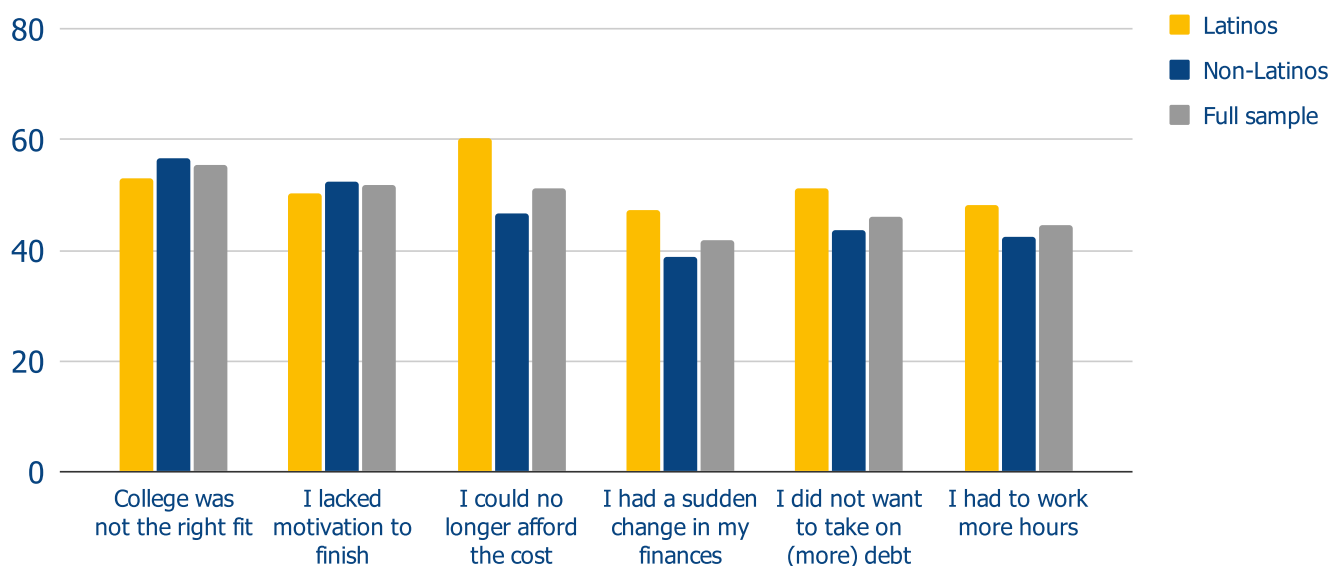
TRANSPORTATION AND FINANCIAL STRESSORS ARE DRIVING THE COMPETITION GAP

We took a funnel approach to understanding which barriers to completion appear to be driving the Latino/non-Latino completion gap, adding debt aversion into the mix. First, we measured twenty barriers across four categories: precollege, institutional, environmental, and financial [see sidebar]. The categories were adapted from Arbona and Nora's original three-category framework. Precollege factors account for one's experience and environment *before* entering a higher education program, including high school academic experience, social capital, and motivation and/or fit at college. Institutional factors account for one's experience and environment *with and at the chosen institution* and include academic and cultural integration. Environmental factors account for the responsibilities and challenges in one's life *outside of school* while in college, and include family responsibilities, health concerns, and transportation concerns. Financial factors account for the financial pressures and stressors facing students, including financial crises, need to work, and desire to avoid (additional) debt. For a list of the specific questions and categorizations, see Appendix B. We found that, in addition to measuring higher on our debt aversion indexes, Latinos reported that they experienced cumulatively more barriers to completion than their non-Latino peers, $t(1494)=-3.13, p=0.0019$.

When viewed overall, our data support previous research that those who did not complete their college program point to precollege (motivation and fit) and/or financial barriers as the primary obstacles to completion.⁹¹ Although greater numbers of respondents pointed to precollege barriers to college completion, when broken down by strength of agreement, respondents reported greater overall financial barriers to completion.

When we drill down to look at the four different categories of barriers (precollege, institutional, environmental, and financial), we find that the Latino respondents reported greater barriers than non-Latinos in environmental ($t(1500)=-2.28$, $p=0.0229$) and financial ($t(1504)=-5.03$, $p<.0001$) categories. This suggests that environmental and financial barriers are contributing to the completion gap between Latinos and non-Latinos more than precollege or institutional factors.

Figure 11: I left my college program in part because...

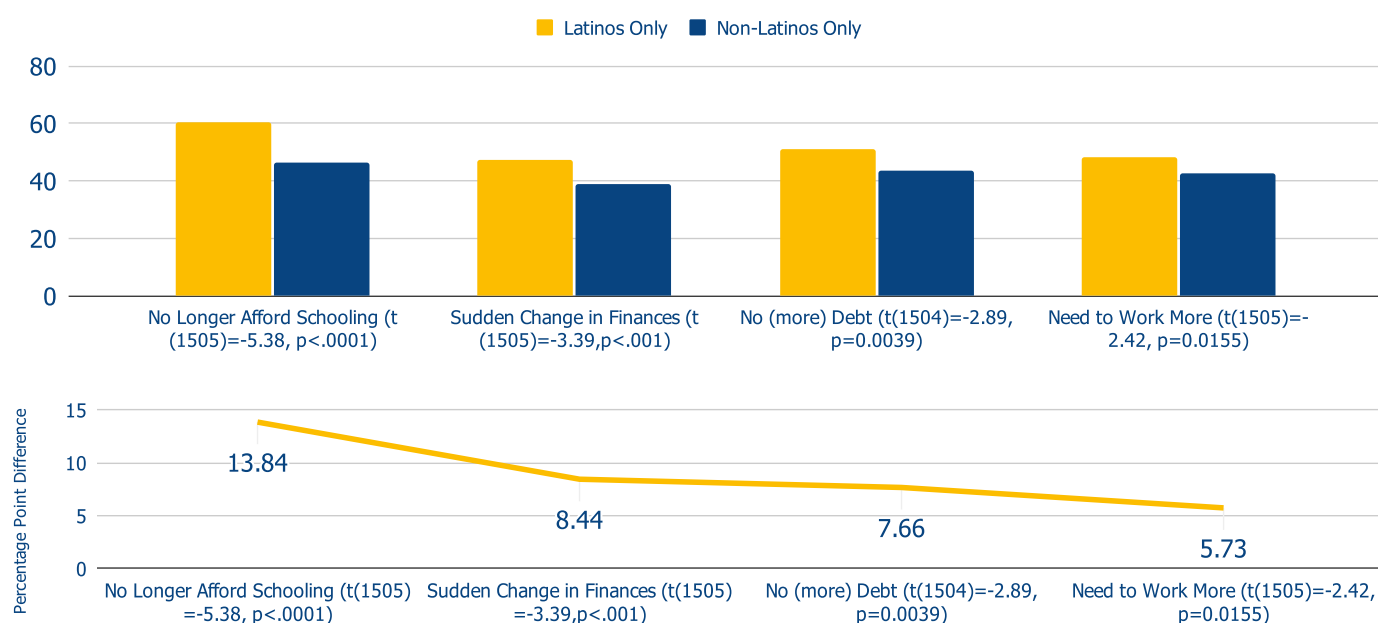


We tested seven environmental barriers: the need to care for spouse or children, need to care for other family, transportation programs, health-related issue, immigration concerns, pregnancy, and mental health. Of those, respondents reported that mental health concerns were a driving factor in leaving school more often than any other environmental factor; 43 percent of all respondents agreed that mental health was a factor in leaving school. While that is a shocking and concerning number to explore more fully, one that is likely a manifestation of other barriers, that factor did not show any statistical difference between Latinos and non-Latinos in this survey. Rather, the environmental factor that appears to be driving the Latino/non-Latino completion gap is transportation, $t(935)=-4.33$, $p<.0001$.

We tested four financial barriers to college completion: the cost of school, sudden change in personal finances, desire not to take on debt, and the need to work more hours. Overall, the respondents showed heightened levels of agreement with each of the four identified barriers. In fact, nearly 39 percent of the respondents strongly agreed that they left school at least in part because they could no longer afford the cost, representing the strongest presentation of any of the barriers.

Even recognizing that financial pressures were a significant driving force for leaving school across the board, Latinos exhibited a heightened concern about the financial category overall **and** each of the four financial factors.

Figure 12: Financial Barriers to College Completion



Drilling down even further, we considered the five barriers that individually showed a heightened effect for Latinos—transportation problems, the cost of school, sudden change in personal finances, desire not to take on debt, and the need to work more hours—in combination to determine the most salient barriers driving the Latino/non-Latino completion gap. To do that, we created a model that measured the predictive value of each of these barriers. The model was significant and two barriers stood out: transportation problems and the cost of college. Latinos reported transportation problems as a salient barrier to college completion at a 19-percent higher rate than non-Latinos. For example, transportation problems could include car troubles, difficult commute, or overwhelming cost of commute. Latinos also reported the cost of college as a salient barrier to college completion, at a 22.5 percent higher rate than non-Latinos. In other words, of all of these significant findings, transportation and cost have the most power in explaining the completion gap between Latinos and non-Latinos.

3

FINANCIAL PRESSURES ARE SQUEEZING ALL STUDENTS,
WITH A SIGNIFICANT EFFECT ON LATINOS

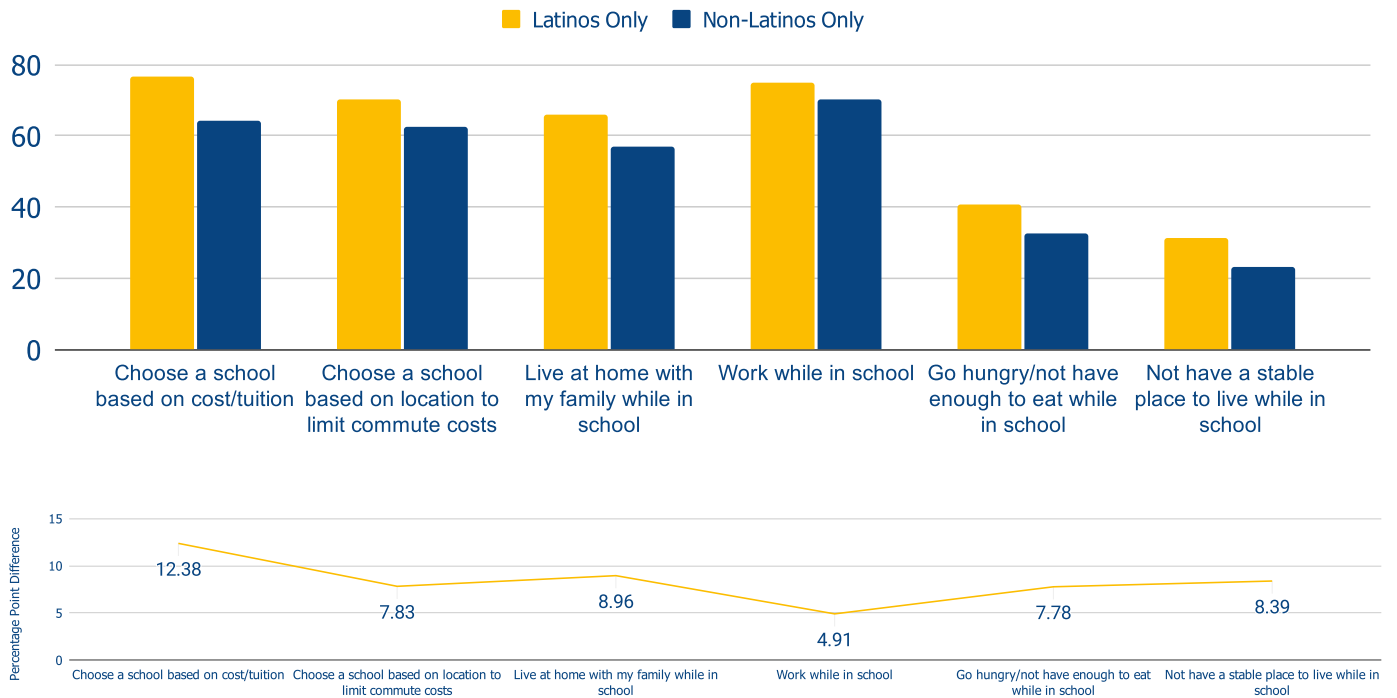
As is clear from the statistics above, financial pressures are a constant threat to college completion across the board. For Latinos, financial barriers are even more significant as a driving factor for leaving college than non-Latinos.

Financial considerations are not limited to the costs of tuition and school fees. Financial distress drives significant life choices that affect one's schooling and school choices. Almost seven out of every ten of our survey respondents reported that a desire or need to save money led them to choose a school based on cost, choose a school based on location, and work while in school. Six out of every ten respondents reported that a desire or need to save money led them to live at home during school. And, importantly, more than 35 percent responded that a need or desire to save money led them to go hungry while in school and 26 percent reported housing insecurity. This is consistent with recent research coming out of the Hope Center for College, Community, and Justice. Their 2019 survey of 167,000 college students across 227 institutions found a 39-percent rate of food insecurity in the prior 30 days, 46-percent rate of housing insecurity in the previous year, and a 17-percent rate of homelessness in the previous year.⁹²

For Latinos, *every metric* of financial distress while in school exceeded non-Latinos by an average of more than nine percentage points. When scaled and measured for reliability, this is significant, $t(1492)=-5.77, p<.0001$. Recognizing that Black, Indigenous, American Indian/Alaskan Native, and Pacific Islander/Native Hawaiian students report basic needs insecurities at similar or greater rates than Latino students,⁹³ were we to compare Latinos only to their White peers in our survey, we are confident that the disparities would only rise.

We then created a model that measured the predictive value of each measurement of distress. The model was significant, and one distress measurement appears to drive the gap between Latinos and non-Latinos: choosing a school based on cost or tuition. Latinos reported that they chose a college based on the cost at a 60-percent higher rate than non-Latinos. Most of our sample reported financial distress while in school, Latinos reported greater relative distress, and the greatest relative effect was on the choice of where to attend college.

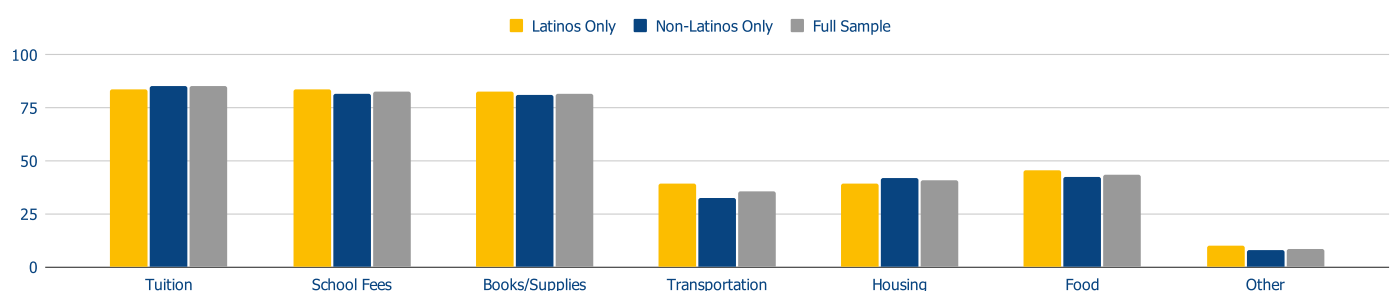
Figure 13: A desire or need to save money during college led me to:



$\chi^2(1,N=1507)=24.1395, p<0.0001$; $\chi^2(1,N=1503)=9.1796, p=0.0024$; $\chi^2(1,N=1504)=11.3912, p=0.0007$; $\chi^2(1,N=1503)=4.0432, p=0.0443$; $\chi^2(1,N=1505)=9.0043, p=0.0027$; $\chi^2(1,N=1505)=12.4325, p=0.0004$.

Of the 772 respondents who reported that they left their higher education program because they could no longer afford the cost of college, tuition, school fees, and books and supplies caused the most financial consternation. At least a third of the respondents reported transportation, housing, and food as causes of their financial distress. This shows an across-the-board recognition that financing higher education—beyond just tuition—is a major barrier for completion, regardless of race or ethnicity. Transportation issues once again arise as a critical driving force in the college completion gap between Latinos and non-Latinos; Latinos reported that transportation caused financial stress at almost seven percentage points more than non-Latino respondents.

Figure 14: Financial distress drivers where cost was a barrier to completion



In addition to exhibiting greater stress about paying for college, greater financial stress while in college, and greater stress about repaying education loans, our survey also showed that Latinos experience marginally more financial stress and anxiety about their current financial situation, generally, than their non-Latino peers, $t(1500)=-1.75$, $p=0.0804$. This is unsurprising, particularly in the midst of the COVID-19 pandemic. Latinos reported that the pandemic has affected their ability to make payments on their student loans ($\chi^2(1,N=578)=5.4585$, $p=0.0195$) and their overall financial well-being ($\chi^2(1,N=1506)=19.1844$, $p=0.0001$) more often than non-Latinos. While the majority of all respondents agreed that the pandemic affected their ability to pay their student loans, Latino respondents disproportionately reported a pandemic effect (65 percent of Latino respondents compared to 55 percent of non-Latino respondents). Latinos are experiencing significantly heightened levels of financial distress due to the COVID-19 pandemic; almost half (49%) of the Latino respondents reported that the COVID-19 pandemic has affected their feelings of financial well-being a lot, as compared to 38 percent of non-Latinos.

4

THE RELATIONSHIP BETWEEN DEBT AVERSION AND THE COLLEGE COMPLETION GAP

Our project does not conclude whether debt aversion is a cause of non-completion. It *does* suggest that debt aversion is one of the barriers to college completion that is more salient for Latino students than non-Latino students. Our data does not conclude that debt aversion is the *most* salient barrier driving the Latino/non-Latino completion gap. Looking at the data in its totality, it does seem clear, however, that the debt aversion barrier is deeply connected to general and specific financial stressors. In other words, it is doubtful that it operates as a stand-alone driver of the college completion gap. Additional research into the ways in which debt aversion causes, contributes to, and/or is an effect of financial distress would shed important light on these complex relationships.

V. What Does This Mean for Policy?

Policymakers, scholars, and advocates have put forth a significant number of policy ideas and proposals to increase access to, decrease the costs of, and increase equity in higher education. People have also proposed policies specifically targeted at eliminating or limiting education debt, or otherwise altering the current debt-financed higher education model. Proposals run the gamut from incremental to sweeping. In terms of closing the racial and ethnic completion gap, policy proposals generally map into the following: (1) increase data availability and transparency; (2) ease access to financial aid programs by simplifying applications and providing increased counseling; (3) alter Pell Grant eligibility rules and financial formulas to account for negative expected family contribution (EFC); (4) streamline transfer process from two-year to four-year programs; (5) support programs aimed at underserved populations (i.e. Latinos) and institutions serving those populations (i.e. Hispanic-Serving Institutions⁹⁴); (6) increase faculty diversity; and (7) change the mechanisms for providing financial support for higher education/change the structure or substance of Title IV financial aid funding. The last—changing the current debt-financed model for higher education—could take many different forms: creating an insurance-style program, income-share agreements, free college, increased grants, or crowd-sourcing low-interest loans. Furthermore, it is worth noting that policy proposals that alter the economic or labor market (i.e. federal jobs guarantee, debt jubilee, increased anti-discrimination measures, increased minimum wage, etc.) could significantly affect college access, completion, and equity.

There is no quick fix for undoing the long history of racial and ethnic inequality in higher education. Rather, it will take a combination of policy initiatives both inside and outside of the higher education sphere, undertaken with care, over a period of time to close the equity gaps. Therefore, this section aims to apply the primary lessons of the study to the ideas and theories underlying some of the current policy proposals.

A. Information and Consumer Protections are Critical in Designing, Marketing, and Implementing Financial Products and Programs Aimed at Higher Education Financing

There have been calls for additional and clearer information for students financing their higher education. Information is critical, but it is not sufficient.⁹⁵ Financial products marketed to postsecondary students should not only be clear and transparent but must also be accompanied by carefully designed and implemented consumer protection regulation.

One takeaway from this study is that Latinos who did not complete college appear to be more financially stressed and more debt averse than their non-Latino peers. Therefore, it is conceivable that Latinos will be drawn to alternative higher education financing mechanisms that are not traditional debt products. For example, there is some evidence that Latinos show a particular interest in income-share agreements (ISAs), where a student receives higher education funding in exchange for a commitment to pay a certain percent of his or her income for a period of years after graduation.⁹⁶ While there are mixed opinions on the value or utility of ISAs,⁹⁷ it is likely that we will see new and different higher education funding mechanisms in the future. To the extent that they mimic loans or otherwise constrain the student, information must be clear and the instruments must comply with sufficient regulatory oversight and consumer protections. It is not without precedent that vulnerable populations have been targeted for low-oversight, high-cost financial products. “Light touch” regulation on ISAs, fintech products, or other new funding mechanisms opens the door for predation, especially of Latino students.

Another takeaway from this study is that “debt aversion” is a complicated construct and is deeply connected to financial distress and inequalities. It is not a solution simply to encourage Latinos to borrow more. Rather, there must be a reckoning with the facts that not all loans are equal, not all debts are equal, not all programs are equal, and the current debt-financed higher education scheme is not set up to support all students. Therefore, any additional information or encouragement to take on student debt should be provided with full and fair information that is centered on the student and his/her needs, not on the system and its needs.

B. Decreasing College Costs Will Empower Students to Make Efficient and Effective College Choices

Our survey data suggests that Latinos are disproportionately burdened with costs that make it difficult to complete their college degrees. Therefore, it is helpful to consider how grant funding, especially federal Pell Grants, is calculated and can be structured to support a student's financial reality while in school.

Seventy percent of Latinos have a zero-dollar EFC. EFC is a measure of a family's financial strength, is calculated based on information submitted with the FAFSA form and determines grant eligibility. Scholars and advocates have argued (1) that the EFC formula should measure for "negative need" or "negative EFC" that accounts for students who provide money and financial support to their families;⁹⁸ and (2) for further increased grant funding at the bottom of the tiered levels of income that qualify for a zero EFC.⁹⁹ Our data make clear that Latinos disproportionately exit their college programs because of financial pressures and distress. Rethinking grant funding, including by changing the grant formula, increasing the grant amounts available, or pursuing universal debt-free college programs, would benefit all lower-income students, but would have a disproportionately positive effect on Latinos.

Relatedly, the amount of financial aid available to each student is capped at the "cost of attendance" at the student's chosen institution.¹⁰⁰ Although "living costs" outside of tuition and fees are included in the cost of attendance, scholars have found that schools "have an incentive to keep a low sticker price to attract prospective students," which creates an incentive to "underestimate the living costs," which then "caps the financial aid allowance," making it difficult or impossible for a student to actually live on that amount.¹⁰¹ For students living with family during college, research has found that one in five institutions identify living expenses a full 20 percent below what would be needed for a "very modest standard of living."¹⁰² Further, researchers have found that students living at home are more likely to contribute to their household needs, making it even more difficult to attend school and meet basic needs. Latinos in our study disproportionately reported living at home while in school, making this point particularly salient for equity conversations. Further, the Latinos in our study reported heightened levels of food and housing insecurity as relative to their non-Latino peers. Therefore, to achieve greater educational equity, it is important to reassess (1) the levels of grant funding, (2) the mechanisms for measuring grant need, and (3) the definitions of "living expenses" necessary to succeed in higher education.

Of all the costs associated with higher education, our study revealed that transportation costs hinder Latinos' ability to complete college at a significantly higher rate than their non-Latino peers. This is a critical takeaway. To the extent that policymakers seek to close the completion gap between Latinos and non-Latinos, the data suggest that transportation programs, subsidies, and support would be a fruitful avenue to explore.

Taken together, the barriers to completion and financial distress markers that weigh more heavily on Latinos than non-Latinos suggest that decreasing the costs of college would allow Latinos more choices, more time, and more flexibility that would allow for greater success in higher education.

C. 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 loans would be best received through trusted sources. Generic information and financial literacy through online portals would not be as effective in providing useful, fulsome, and targeted information about financial aid to Latino students and their families.

One possibility is to further invest in and expand existing programs like TRIO,¹⁰³ GEAR UP,¹⁰⁴ HEP,¹⁰⁵ and CAMP.¹⁰⁶ Such programs create relationships with first-generation and low-income youth, which allow for targeted counseling about college and college financing. Allowing for more holistic support programs for low-income and first-generation students who “grapple with a complex and interrelated set of barriers on their path to degree attainment” could go a long way to closing the information gap.¹⁰⁷ *But based on the heightened levels of financial distress and financial barriers to college reported by the Latinos in our study, without additional and more accessible grant funding, information by itself will fall flat.* Therefore, emergency grants and completion grants aimed specifically at getting students to the completion line would be valuable.

One of the biggest concerns about debt aversion in the Latino community is that Latino students will forego grant funding because it is lumped in with loans as part of the federal financial aid program. One study found that approximately 850,000 students did not file for financial aid in 1999-2000 but were likely to have been eligible for a Pell Grant.¹⁰⁸ Another study shows that 17 percent of Latino undergraduates who were eligible for a Pell Grant did not submit their FAFSA in the 2011-12 academic year.¹⁰⁹ Therefore, decoupling loans from grants and/or re-branding grants as scholarships may incentivize more Latinos to seek out grant aid.¹¹⁰

Finally, our study confirmed previous research suggesting that many Latino students would like to return to college after initially dropping out.¹¹¹ Therefore, programs and financial assistance aimed at returning students (e.g., re-enrollment campaigns) would likely benefit Latinos. For the same reasons, financial aid rules limiting additional federal funding for borrowers who defaulted should be amended. Further, as others have suggested, secondary institutions should take steps to better serve older students “by eliminating barriers around procedures and policies on campus that are typically built around traditional college students and are not adult-learner friendly.”¹¹² These barriers include “student support services, childcare, credit transfer, class scheduling, and financial aid.”¹¹³

D. The More Data, The Better

To diagnose inequities in higher education, we need to have a better handle on those inequities and a healthy respect for their complexity. It would thus be helpful to publicly make available the data of postsecondary outcomes by demographic and other factors (e.g., race, ethnicity, income, student enrollment status), thereby exposing disparities and providing necessary evidence to inform policy decisions.¹¹⁴

In addition to race and ethnicity-specific data, it would be helpful to collect and publicize more fulsome completion and debt data. Federal data should be collected and made publicly available on borrowing and completion rates for students exceeding 150 percent of time enrolled, students outside of the 18-24 year age range, part-time students, and students who benefit from Parent PLUS loans.

This data would also help improve federal oversight by identifying predatory programs that target Latino students.¹¹⁵ Highlighting poor outcomes by race and ethnicity is important to holding institutions accountable, particularly for-profit and certificate-granting institutions with traditionally low completion rates and where Latino students are overrepresented.

VI. Next Steps:



It is challenging to understand the nuance and context of quantitative data pulled from 1,500 surveys. Such quantitative data allows us to identify trends and themes. But, to understand the nuance behind the numbers, it is critical to speak with individuals who are part of the research population. Therefore, the next step in our research project is to undertake a series of semi-structured, in-depth interviews of 25-50 of our Latino survey respondents. We will follow up on the themes and trends that arose in the numbers, seeking to understand, for example, what exactly constitutes transportation problems and the role of family relationships in making decisions about attending and financing higher education. By engaging intimately with individuals directly affected by laws, policies, and systems, qualitative work adds context and nuance to quantitative research.

We are also cognizant that we are undertaking this project at a particular moment in time, while a global pandemic rages and we face urgent and important racial justice questions. Although our survey and data collection are largely retrospective, we understand how institutional, economic, and public health insecurity may affect our respondents. We also believe that our critical questions—those about the relationship between our debt-financed higher education, college completion, and educational equity—will be deeply affected by this crisis and post-crisis rebuilding. Therefore, we will supplement our direct respondent interviews with interviews with program or policy staff at UnidosUS-affiliated organizations around the country. We will seek input on what their clients and community members are continuing to experience today (e.g. post CARES act, any new legislative action, repayment experiences, re-enrollment efforts, changes in the higher education financing landscape, etc.), and guidance and advice based on their expertise for what Latino borrowers, particularly those who have not completed their degree or certificate program, need in terms of additional support in repayment and/or re-enrollment.

The data and analysis from the complete project will be released in a comprehensive report expected summer 2021.

A. Methods

SURVEY

The participants in this project were recruited from an online panel purchased from and administered by Qualtrics, an American experience management company with co-headquarters in Provo, Utah and Seattle, Washington (<https://www.qualtrics.com/research-services/online-sample/>). Qualtrics screened survey respondents based on three key eligibility criteria: In order to be eligible to participate in our survey, individuals had to meet the following criteria: (1) You are between the ages of 18 and 40; and (2) You attended one or more college program(s) (community college, college, university, trade school, or certificate program), but never completed a degree/certificate; and (3) You currently are not enrolled in a college program.

Although we attempted to collect 1,000 surveys from Latino respondents and 1,000 surveys from non-Latino respondents, we were only able to get 1,007 surveys of those who did not identify as Latinos and 561 surveys of those who did identify as Latinos. We dropped 61 ineligible survey responses, primarily because they were not U.S. citizens or Legal Permanent Residents. This resulted in a total of 1507 survey responses, 35 percent of whom self-identified as “Spanish, Hispanic, or Latinx.”

For a copy of the survey instrument, please contact Kate Elengold at elengold@email.unc.edu.

NATIONAL COMPARISONS

It is important to situate this work and these data in a larger context, as compared to national data. To do this, we accessed data from National Center for Education Statistics’ (NCES) DataLab, from the Beginning Postsecondary Students (BPS) survey. Using the PowerStats data analysis tool, we accessed BPS data for the most recent years available (2012/2017). The BPS includes 22,500 total respondents and tracks hundreds of variables and outcomes, including persistence and degree attainment, which is of particular importance for this research.

To offer the best national comparison with our sample, we reported BPS data including only individuals who did not attain a degree as of June 2017 and were not currently enrolled. We did not utilize filters for any variables. The BPS data is measured six years after college enrollment, which likely skews variables such as income and marital status. When appropriate, we created categories for some continuous variables, such as number of children and total loan amounts, that match the categorical response options in our survey.

There are many similarities in the variables collected in our study and in the BPS, but there are also some important differences. In addition to the time of data collection, we note that our survey sample is limited to people ages 18 to 40; the BPS does not have age restrictions. Some variables, such as household income, are not reported in the same way in our survey and the BPS; for example, we use the annual salary variable from the BPS as a comparison to total household income as it is the closest approximation to our income variable.

Sample Demographics:

	LATINO	NON-LATINO	FULL SAMPLE	NATIONAL*
GENDER	Female: 76% Male: 23% Nonbinary: 1%	Female: 74% Male: 25% Nonbinary: 1%	Female: 75% Male: 24% Nonbinary: 1%	Female: 52% Male: 48% Nonbinary: N/A
RACE	American Indian/Alaska Native: 5% Asian: 1% Black/African American: 7% Native Hawaiian/Pac Islander: <1% White/Caucasian: 46% Mixed Race: 13% Other: 28%	American Indian/Alaska Native: 2% Asian: 5% Black/African American: 14% Native Hawaiian/Pac Islander: 1% White/Caucasian: 72% Mixed Race: 5% Other: 2%	American Indian/Alaska Native: 3% Asian: 4% Black/African American: 12% Native Hawaiian/Pac Islander: <1% White/Caucasian: 63% Mixed Race: 8% Other: 11%	American Indian/Alaska Native: 3% Asian: 3% Black/African American: 21% Native Hawaiian/Pac Islander: 2% White/Caucasian: 66% Mixed Race: 5% Other: N/A
LATINO			Latino: 35% Non-Latino: 65%	Latino: 20% Non-Latino: 80%
HOUSEHOLD INCOME	Less than \$25,000: 34% \$25,000 - \$50,000: 38% \$50,001 - \$75,000: 16% \$75,001 - \$100,000: 5% \$100,001 - \$150,000: 5% More than \$150,000: 2%	Less than \$25,000: 34% \$25,000 - \$50,000: 30% \$50,001 - \$75,000: 18% \$75,001 - \$100,000: 10% \$100,001 - \$150,000: 6% More than \$150,000: 2%	Less than \$25,000: 34% \$25,000 - \$50,000: 33% \$50,001 - \$75,000: 17% \$75,001 - \$100,000: 8% \$100,001 - \$150,000: 6% More than \$150,000: 2%	Less than \$25,000: 52% \$25,000 - \$50,000: 41% \$50,001 - \$75,000: 5% \$75,001 - \$100,000: 1% \$100,001 - \$150,000: 1% More than \$150,000: 1%
MARITAL STATUS	Divorced: 3% Married/living with partner: 39% Never married: 58% Separated: 1% Widowed: 0%	Divorced: 4% Married/living with partner: 44% Never married: 50% Separated: 2% Widowed: 1%	Divorced: 4% Married/living with partner: 42% Never married: 53% Separated: 2% Widowed: <1%	Divorced: 3% Married/living with partner: 29% Never married: 66% Separated: 2% Widowed: >1%
CHILDREN	None: 58% 1: 19% 2: 13% 3: 10%	None: 54% 1: 18% 2: 15% 3: 13%	None: 55% 1: 18% 2: 15% 3: 12%	None: 60% 1: 19% 2: 12% 3: 10%
1ST GENERATION AMERICAN	9%	3%	5%	18%

* Source: U.S. Department of Education, National Center for Education Statistics, 2012/17 Beginning Postsecondary Students Longitudinal Study (BPS:12/17).

Additional Characteristics:

	LATINO	NON-LATINO	FULL SAMPLE	NATIONAL*
1ST GENERATION COLLEGE STUDENT:	44%	31%	35%	46%
INSTITUTION TYPES:	Certificate: 10% 4-year: 34% 2-year: 55% Other: 2%	Certificate: 8% 4-year: 41% 2-year: 50% Other: 2%	Certificate: 9% 4-year: 38% 2-year: 52% Other: 2%	Less than 2-year: 9% 4-year: 38% 2-year: 52% Other: 2%
NUMBER OF INSTITUTIONS	1: 69% 2: 25% 3 or more: 7%	1: 65% 2: 26% 3 or more: 9%	1: 67% 2: 25% 3 or more: 8%	1: 65% 2: 25% 3 or more: 10%
INTENTION TO RE-ENROLL	40%	35%	37%	N/A
USED LOANS	45%	50%	48%	50%
LOAN AMOUNTS	\$100 - \$5,000: 22% \$5,001 - \$15,000: 35% \$15,001 - \$25,000: 22% \$25,001 - \$50,000: 13% \$50,001 - \$75,000: 8% \$75,001 - \$100,000: 0% More than \$100,000: 0%	\$100 - \$5,000: 21% \$5,001 - \$15,000: 34% \$15,001 - \$25,000: 20% \$25,001 - \$50,000: 16% \$50,001 - \$75,000: 7% \$75,001 - \$100,000: 1% More than \$100,000: <1%	\$100 - \$5,000: 21% \$5,001 - \$15,000: 35% \$15,001 - \$25,000: 21% \$25,001 - \$50,000: 15% \$50,001 - \$75,000: 7% \$75,001 - \$100,000: 1% More than \$100,000: <1%	\$100 - \$5,000: 29% \$5,001 - \$15,000: 41% \$15,001 - \$25,000: 15% \$25,001 - \$50,000: 12% \$50,001 - \$75,000: 2% \$75,001 - \$100,000: <1% More than \$100,000: <1%

ANALYSIS

TTEST and Chi Squared notations are marked in the text above. For the two models run, the logistic regression is in the charts below.

Logistic Regression Model of Barriers:

	Log-Odds	Effects on Odds	p-value
Latinx (Intercept)	-1.6034		***
Had transportation problems	0.1713	1.187	**
Cost of schooling	0.2025	1.225	**
Sudden change in personal or family finances	0.0421	1.043	ns

Didn't want to take on more debt	-0.0313	0.9669	ns
Had to spend hours working	0.0441	1.045	ns
Chi-Square (df)	43.78(5)	48%	***

*** p<.0001; ** p<.01, ns=non-significant

Logistic Regression Model of Financial Distress:

	Log-Odds	Effects on Odds	p-value
Latino (Intercept)	-2.2005		***
Chose school based on cost/tuition	0.4727	1.604	***
Chose school based on location	0.0094	1.009	ns
Lived at home while in school	0.1966	1.217	ns
Work while in school	-0.0191	0.981	ns
Went hungry while in school	0.1312	1.140	ns
Did not have a stable place to live	0.2184	1.244	
Chi-Square (df)	33.830(6)		***

*** p<.0001; ** p<.01, ns=non-significant

B. Limitations

First, this is a convenience-based online survey, meaning that our data is not nationally representative. Although an online survey was more likely to reach our low-incidence population, convenience samples of minorities can be unreliable.¹¹⁶ Importantly, our sample is heavily skewed female: almost seventy-five percent of the respondents self-identified as female. Further, although our self-administered questionnaire may moderate the bias, research shows that Latinos have a higher non-response rate than non-Latinos and tend to err on the side of agreement with survey questions.¹¹⁷

We also chose a convenience-based sampling method because Latinos in the United States are considered a “hard-to-reach” population. Further complicating data collection, our population is a “low incidence” population, “a group of individuals who share a common characteristic and make up a relatively small proportion of the broader population.”¹¹⁸ To increase the number of respondents and best understand the studied population, we partnered with UnidosUS, a known and trusted Latino-serving organization.¹¹⁹

Second, we limited our sample population to those aged 18-40 because (1) there has been a recent surge in Latino college enrollment; (2) the financial aid landscape has changed dramatically in the last few decades; and (3) the American Latino population is significantly younger than the non-Latino American population.¹²⁰ Limiting ourselves to this population, however, does not allow our data to capture the significant number of adults returning to college. Because our survey omits those voices, it calls for additional research targeting returning students.

Third, the survey asks respondents to self-report about the barriers that contributed to their need to drop out of their higher education program. This asks for both a self-analysis and a backward-looking assessment.¹²¹ Thus, it cannot be re-tested and it remains subjective.

Fourth, we recognize that Latinos in the United States are not a monolithic group. A first-generation immigrant might not have the same experience as a second-or third-generation immigrant. A Latino who traces his roots to Mexico may have a different experience than a Latino who traces his roots to Colombia. Finally, we recognize that, by including all races in the non-Latino category, the results are different than they would be if we measured Latinos against non-Latino Whites. Based on previous research, we anticipate that would have shown even greater differences.

Adapted from Arbona and Nora (2007)

Precollege:

- I left my program in part because college did not feel like the right fit for me.
- I left my program in part because I was not academically prepared.
- I left my program in part because I was not prepared to navigate the college social environments.
- I left my program in part because I was not able to keep up my grades.
- I left my program in part because I lacked motivation to finish school.

Institutional:

- I left my program in part because my school did not feel welcoming/accepting.
- I left my program in part because my school did not provide me necessary academic support.
- I left my program in part because my school had me take courses for no credit (for example, remedial courses).
- I left my program in part because the school I was attending shut down or was shutting down.

Environmental:

- I left my program in part because I had to take care of my spouse and/or child(ren).
- I left my program in part because I had to take care of my parent, grandparent, sibling, or other family.
- I left my program in part because I had transportation problems.
- I left my program in part because I had a health-related issue.
- I left my program in part because I was concerned that staying in school might negatively affect my immigration situation or the immigration situation of a family member.
- I left my program in part because I got pregnant.
- I left my program in part because my mental health was suffering.

Financial:

- I left my program in part because there was a sudden change in my personal or family finances (for example, my parent lost a job).
- I left my program in part because I had to spend more hours working.
- I left my program in part because I could no longer afford the cost of my schooling.
- I left my program in part because I did not want to take on any (or more) debt.

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