

Latinos, Student Debt, and Financial Security

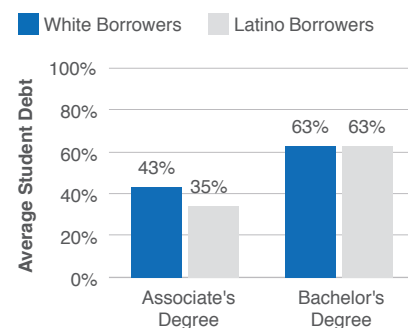
Over the past 15 years, states have made deep cuts to their funding for higher education, causing tuition to rise rapidly, and household incomes have failed to keep up. As a result, student debt has skyrocketed, quintupling from just \$240 billion in 2003 to more than \$1.3 trillion today. The burdens of this debt-based higher education system are being disproportionately borne by those with the highest hurdles to obtain higher educations: students of color and low-income students. The necessity for these students to go into debt for a degree affects them throughout the higher educational pipeline: it affects whether and where they enroll, whether they finish, and their financial security for the rest of their lives.

The good news is, despite these obstacles, millions of students of color are pursuing higher educations; the bad news is that the results of pursuing a higher education are mixed, due to the barrier debt creates to a higher education and the lower economic returns to a degree. This factsheet provides key data on Latinos and student debt, depicting both the outsized effect of student debt on Latinos, and illustrating why reforming our higher education system to enable students to pursue a degree without mortgaging their futures is so important to young Latinos. Latinos recognize its importance: 85 percent support returning to the days when students could pay for college by working part-time, and not take on debt,¹ and more than 3 million Latino students are enrolled at degree-granting institutions.²

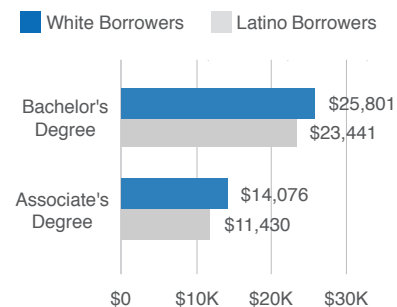
Most Latino Grads Have Student Debt, but Lower Debt Burdens³

- Latino students borrow at about the same rate as white students but borrow smaller amounts, on average, in part because they attend less-expensive institutions.
- In 2012, **63 percent** of Latino students who graduated with a bachelor's degree from a public university borrowed for their degree, equal to the share of white public bachelor's degree recipients who do so.
- Indebted Latino graduates borrowed an average of **\$23,441** for their bachelor's degrees in 2012, about **\$2,500 less** than the average debt of white public college graduates.

Share of Graduates with Student Debt, 2012



Average Student Debt, Indebted Graduates, 2012



Latinos without Documentation Face High Barriers to Higher Ed

- Around 65,000 young people without documentation, many of them young Latinos, graduate from high school every year, **yet fewer than 6,500** go on to attend college.
- Eighteen states allow people without documentation to pay in-state tuition, but even in these states, they may not get the information and assistance they need to make a college education possible. Young people without documentation in the remaining states face the even greater hurdle of out-of-state tuition, which averages \$15,000 more per year than in-state.⁴

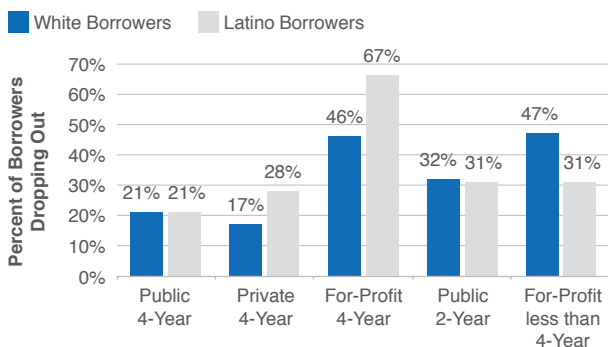
Student Debt Makes Latino Students More Likely to Drop Out

- Latino borrowers are more likely to drop out because they or their families are more likely to face financial pressures than white borrowers. Overall, **31 percent** of Latino students with student debt dropped out of college in 2009 (the most recent data available).
- The gap between the dropout rates of white and Latino borrowers is greatest at private and for-profit 4-year schools, caused by these schools' hefty price tags.

Higher Dropout Rates, Lower Incomes Cause Latino Student Debtors to have High Default Rates

- Higher dropout rates in turn cause Latino borrowers to have higher default rates, due to the

Dropout Rates of Borrowers, by Institution Type and Race, 2009



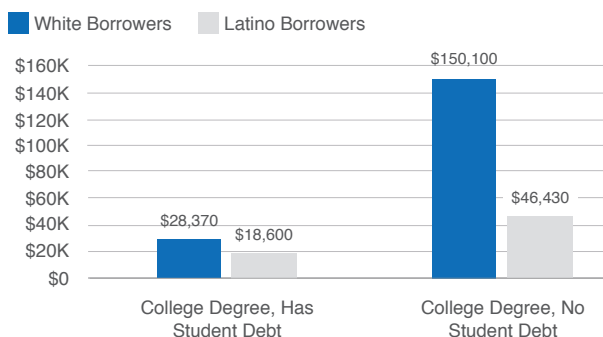
pressures of loan repayment without the higher earnings from a degree.

- Of Latino borrowers in repayment on their student loans, **15 percent** were in default and another **29 percent** were seriously delinquent on their payments (90 days or more past due).⁵

Debt Diminishes Income and Wealth of Young College-Educated Latino Households⁶

- The average indebted young Latino household with a college degree and student loan debt earns **\$66,151**, about **\$6,000 less** than the average young debt-free Latino household with a degree. Both figures, however, are much lower than the incomes earned by comparable white households with college degrees.
- On average, a young Latino household with a degree and student debt has **\$18,000 in wealth**. This is about **\$28,000 less** than the median wealth of young debt-free Latino households with degrees, which was \$46,430 as of 2013.
- The median wealth of young Latino households with college degrees, with and without student debt, was significantly lower than that of their white counterparts.

Median Wealth, Households Ages 25-40, By Debt and Race, 2013



Endnotes

1. Demos, *Voters Agree: It's Time to Address the College Affordability Crisis*.
2. National Center for Education Statistics, "Digest of Education Statistics, Table 306.20." 2015.
3. Source for all data, unless otherwise noted, is: Mark Huelsman, "The Debt Divide: The Race and Class Bias Behind the 'New Normal' of Student Borrowing." Demos, 2015.
4. National Center for Education Statistics, "Digest of Education Statistics, Table 330.20." 2015.
5. Demos analysis of Experian credit record data, December 2014.
6. Demos analysis of Survey of Consumer Finances Data, 2013 survey.