

As *Excelencia* has worked to meet its mission of accelerating Latino student success, we have heard college is not affordable. Financial aid is just one part of the affordability puzzle. Students also adapt their college-going habits to address their sense of what's affordable. Affordability policies should factor in financial aid, college costs, and how students respond through college-going choices.

Latinos actively apply for financial aid, enroll in institutions with low tuition and fees, attend part-time, live at home, and work to make higher education more affordable. These patterns can impact a student's ability to complete a degree. Policymakers seeking to improve Latino students' outcomes should contextualize issues and strategies with an accurate profile in mind. Below, we provide context and recommendations to help address affordability and ultimately, college completion.

What We Know

Latinos and Financial Aid

- **Latinos have low Expected Family Contributions (EFCs).** The EFC is used to determine a student's need and how much aid they receive. The lower a family's income, the lower the EFC and the more need-based aid they should receive.
 - Latino students are more likely to be low-income and thus, have lower EFCs.
 - Latinos' average EFC is \$5,911, much lower than the overall average of \$10,052.¹
 - Despite low EFCs, Latinos receive the lowest average financial aid awards among all racial/ethnic groups at \$10,256.²
- Latinos face an average net price for college—total costs after subtracting grant aid—of \$12,006.³
- **Latinos actively apply for financial aid, but receive lower average awards and mostly federal aid.**⁴
 - About 74% of Latinos apply for federal financial aid, and over half of Latino undergraduates receive federal aid (56%). Few receive state (29%) or institutional (19%) aid.⁵
 - Latinos receive less in institutional grants (\$7,107) than their White peers (\$8,6017).⁶
- More Latinos (47%) received a Federal Pell Grant than other racial/ethnic groups, except African-Americans (58%).⁷
- Latinos receive larger Federal Work Study awards (\$2,444) than the overall average (\$2,340).⁸
- About 9% of Latino undergraduates receive Federal Supplemental Educational Opportunity Grants (FSEOG)—campus-based aid distributed to the neediest students—and receive an average award of \$627, higher than the average award for White students (\$606).
- **Latinos are less likely to take out federal student loans (29%)** and when they do, borrow less (\$6,571), on average, than other racial/ethnic groups.⁹
- **Latino students who take out loans are more likely to default.** About 35% of Latino students who began college in 2004 had defaulted at least once in 12 years compared to 20% of White students.¹⁰

Latinos' Responses to College Costs

- **About 62% of Latino students have a job or work-study position** while in school to cover their educational expenses, and 51% work 30 hours or more.¹¹
- The majority of Latino students enroll part-time or mixed full- and part-time (60%).¹²
- **Most Latino undergraduates (69%) enroll in a public institution**, and 41% of Latino undergraduates enroll in a public two-year institution.¹³
- About 36% of Latino students live with their parents while attending school, the highest of all groups, and much higher than their White peers (22%)¹⁴
- Latinos tend to be first-generation college students. Almost 44% of Latino students are first in their family to attend college, the highest percent among all racial and ethnic groups.

What We Can Do

Simplify the Free Application for Federal Student Aid (FAFSA). Although 75% of Latinos apply for federal aid, just over half receive it. Latinos are likely to be low-income and thus qualify for financial aid, so the gap between applying and receiving could partially be contributed to the application and verification process itself. Many Latino students are first generation and less likely to have a familial resource to help them—making access to aid easier can impact Latinos' college-going habits.

Simplify student loan repayment. About 29% of Latinos borrow to pay for college, and over a third of Latino borrowers default at least once. Options currently exist to help students avoid default but navigating nine different repayment options is complicated. By simplifying the options, Latinos can be on a repayment plan that works for their income and avoid default.

Increase and protect the Pell Grant. Latino students heavily rely on Pell Grants but the current maximum grant (\$6,095) is not enough. A Pell Grant should be able to cover tuition at public institutions, where the majority of Latinos enroll, as it did when it was established. Additionally, Pell Grants are currently subject to funding from Congress instead of guaranteed like Social Security. Making the Pell Grant a mandatory program guarantees students receive their funds.

Revisit the campus-based aid allocation formula to reflect the demographic distribution of needy students across the country. Latino students with access to this aid are likely to receive it. However, campus-based aid is allocated based on an institution's previous participation in the program, which, based on our own preliminary analysis, means FWS dollars are more concentrated in private institutions and in the mid-Atlantic although population growth and financial need are more concentrated in community colleges and in the Southwest. Institutions are left with fewer funds to distribute to a needier group of students.

Increase Federal Work-Study (FWS) funding to allow for greater student participation. Latino students participate in FWS and these programs can be a retention tool since it can keep students on campus and creating opportunities to become aware of and use institutional resources.

Ensure financial aid programs allow part-time student participation. Financial aid programs often require full-time enrollment to qualify. However, the Pell Grant varies based on enrollment intensity, which is one reason why Latino students are more likely to receive federal aid rather than state or institutional aid.

Distribute financial aid based on need, not merit. Merit-based aid is based on socioeconomic status. Those with higher socioeconomic status are more likely to receive merit aid and Latinos are less likely to be in that group. As more institutions, especially public institutions, use merit instead of need to distribute financial aid, Latinos run the risk of being left out of financial aid opportunities.

¹ U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study 2015-16.

² Ibid.

³ Ibid.

⁴ Santiago, D. and Cunningham, A. (2005). *How Latino Students Pay for College: Patterns of Financial Aid in 2003-2004*. Retrieved from <https://www.edexcelencia.org/media/1156>

⁵ U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study 2015-16.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ U.S. Department of Education, National Center for Education Statistics, Beginning Postsecondary Students: 2004/2009.

¹¹ U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study 2015-16.

¹² Ibid.

¹³ U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2017, Fall Enrollment component. (This table was prepared October 2017.)

¹⁴ U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study 2015-16.