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Fear of student loan debt can keep black and Latino students from graduation

by Amber Davis

WHAT'S HAPPENING

- Afraid of the long-term effects of loan debt, some students are going to lengths to avoid taking out any loans at all — even putting their ability to graduate at risk.
- A study by Excelencia in Education and The Institute for Higher Education Policy (IHEP) found Latinos and Asian Americans to be the most debt averse, borrowing at lower rates than whites even when they have higher financial need (NPR.org, 27 November 2011).
- But taking on too little debt has the greatest consequences for African Americans. Among black students who decided not to borrow despite having financial need, 51% ended up leaving school without a degree vs. 39% for those who took out loans.
- Among Latinos, 41% of non-borrowers failed to finish vs. 32% who borrowed (IHEP.org, November 2011).

WHAT THIS MEANS TO BUSINESS

- In a tough job market, taking out five-figure loans with no guarantee of employment after graduation looks particularly risky. For financially strapped African American and Latino students, who are facing higher unemployment rates and pay inequalities even when they do secure jobs, the risks can seem to outweigh the rewards.
- New legislation to help decrease the burden of student loan debt may help convince some of these students to borrow. But until the job market improves or education costs plateau, it's still a matter of taking out just slightly less-crippling loans.
- According to some experts, new Latino immigrants often lack banking relationships and may be more used to operating in a cash economy where one spends within one's means. That may make the psychological barriers to taking on huge debt even more pronounced.

RESOURCES

- [Excelencia in Education](#)
- [The Institute for Higher Education Policy](#)

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