

Affordability

Excelencia knows college is not affordable for many Latino students. They adjust their attendance patterns to fit into a financial aid system not built for them. Additionally, the COVID-19 pandemic has disproportionately impacted Latinos' incomes, making it harder to afford a postsecondary education. As the pandemic has made clearer students' financial needs, policymakers have an opportunity to address affordability by making it easier for students to navigate financial aid systems and providing additional funding to programs that support Latino student success.

How can policy help Latinos afford a degree?

1. Strengthen the Pell Grant by doubling the grant and making it a fully mandatory program.

Latinos are already active participants in the Pell Grant program, and doubling the amount can make postsecondary education more affordable for them. *Excelencia's* research of federal data has found that Latinos are more likely to receive a Pell Grant (47%) compared to state aid (29%), federal loans (29%), or institutional aid (19%).¹ Latinos receive a larger average Pell Grant than their peers (\$3,855 vs. \$3,731 for all).²

The current Pell Grant is far from enough to cover the full cost of college. When the Pell Grant was first established, the maximum amount covered the full cost of tuition. Today, the maximum (\$6,395) only covers about a quarter of college costs; Latinos receive, on average, half of the maximum amount, leaving them with steep costs to cover.

Additionally, Pell Grants are currently subject to annual renewals of funding from Congress (discretionary) instead of guaranteed annual funding, like Social Security (mandatory). Making the Pell Grant a fully mandatory program guarantees students receive their funds.

2. Simplify the financial aid system, including student loan repayment and emergency aid applications.

From application to repayment, Latino students face multiple rounds of paperwork, making it difficult to access the funding available to them. Further simplifying the financial aid and loan repayment processes could improve Latinos' access to affordable higher education.

Applying for aid:

As the COVID-19 pandemic continues, students need funding to persist in their education. Eligibility for emergency funding needs to be clear for students and institutions. Moreover, Latino students are likely to have reduced incomes—almost half of Latinos have had their hours reduced or lost a job altogether due to the pandemic.³ However, students applied for financial aid based on their 2018 income. The process to apply for additional financial aid must be clear and simple for both students and institutions so their financial aid packages reflect their true need.

Loan repayment simplification:

Student loans are a piece of the affordability puzzle, but few Latino students borrow. Less than one-third of Latino students borrow to pay for college (29% of all Latino students borrow, an average of \$6,600 total), and those who complete a degree borrow much more (68% of Latino bachelor's degree earners borrow, an average of \$25,700 total).⁴ While reasons for not borrowing vary, making repayment easier could increase confidence in borrowing to pay for college.

Simplifying student loan repayment could make it safer for Latino students to borrow. Seven repayment options are available for students, but the majority of Latino borrowers are in a standard repayment plan (57%), with fewer in an income-driven repayment plan (26%).⁵ These

various repayment plans were intended to meet borrowers' varying needs, yet many Latino borrowers still default and at a higher rate than their White peers. About 35% of Latino borrowers defaulted at least once in 12 years compared to 20% of White students.⁶ Income-based repayment plans can offer a \$0/month payment, which helps borrowers avoid default and still make progress on their loans. However, borrowers must re-enroll annually. Making it easier to enroll in an income-driven repayment plan can help Latino borrowers avoid default.

3. *Improve Federal Work-Study by revising the federal campus-based aid distribution formula to more strategically support needy students, reducing administrative burdens to program participation, and increasing funding.*

As students prepare for a continually changing workforce, the Federal Work-Study (FWS) program can help Latino students access experiential learning opportunities, like internships. It also supports students' ability to access on-campus resources, which can increase retention and completion. However, Latinos access to the program is limited because of its set-up, but addressing the formula, administrative burdens, and increasing funding can improve access.

First, Federal Work-Study is allocated based on a formula that prioritizes an institution's previous participation in the program, disadvantaging the institutions where Latinos enroll. The formula's Base Guarantee ensures institutions in the program in 1999 receive the same amount each year. Over half (51%) of FWS recipients are at private four-year institutions.⁷ Fewer funds are distributed to institutions who have a higher concentration of low-income and Latino students, such as communities. Currently, only 4% of Latinos receive Federal Work Study.⁸

Second, administrative hurdles to FWS participation can make it difficult for the institutions where Latinos enroll to participate. Colleges must match the amount they receive—or apply for a waiver—and cover the administrative costs of the program.⁹

Third, funding levels for FWS have remained stagnant over the last decade, despite increased student enrollment, including more Latino student enrollment. Currently, about \$1,600 is allocated per FWS participant.¹⁰ Without additional funding, the institutions where Latinos enroll are unable to access FWS, limiting Latinos' participation.

4. *Allow DREAMers to access federal financial aid, including emergency aid distributed in response to the COVID-19 pandemic.*

Undocumented students are unable to access federal financial aid, regardless of need. While just 2% of Latino students are not U.S. citizens or residents, undocumented students are an important part of the Latino community.¹¹ There are almost half a million undocumented postsecondary students, and 46% of them are Latino.¹² Considering the growing financial need of this core group of Latino students, ensuring access to financial aid can support Latino student success.

¹ Excelencia in Education. (April 2019). *Latinos in Higher Education: Compilation of Fast Facts*. Washington, DC: Excelencia in Education.

² *Ibid.*

³ Krogstad, Jens Manuel, and Ana Gonzalez-Barrera. (April 2020). *U.S. Latinos among hardest hit by pay cuts, job losses due to coronavirus*. Washington, D.C: Pew Research Center.

⁴ Excelencia in Education. (April 2019). *Latinos in Higher Education: Compilation of Fast Facts*. Washington, D.C: Excelencia in Education; National Center for Education Statistics. (2020). *One Year After Bachelor's Degree::A Profile of 205-16 Graduates*. Washington, DC.: US Department of Education.

⁵ National Center for Education Statistics. (2020). *One Year After Bachelor's Degree::A Profile of 205-16 Graduates*. Washington, DC.: US Department of Education.

⁶ National Center for Education Statistics. (2019). *Beginning Postsecondary Students: 2004/2009*. Washington, DC: US Department of Education.

⁷ National Association of Student Financial Aid Administrators. (September 2020). *National Student Aid Profile: Overview of 2020 Federal Programs*. Washington, DC: National Association of Student Financial Aid Administrators.

⁸ *Ibid.*

⁹ Siqueiros, Michelle. (September 2020). *Expanding Federal Work-Study Opportunities for California Community College Students*. Los Angeles, CA.

¹⁰ Baum, Sandy. (March 2019). *Rethinking Federal-Work Study*. Washington, DC: Urban Institute. f

¹¹ Excelencia in Education. (April 2019). *Latinos in Higher Education: Compilation of Fast Facts*. Washington, DC: Excelencia in Education.

¹² Presidents' Alliance on Higher Education and Immigration. (April 2020.) *Undocumented Students in Higher Education*

How Many Students are in U.S. Colleges and Universities, and Who Are They? Washington, DC: Presidents' Alliance on Higher Education and Immigration.