

Student Aversion to Borrowing: Who Borrows and Who Doesn't, By Race/Ethnicity

As student loans become an increasingly important piece of higher education financing, discussion about the potential for loan aversion—what it is, who is most impacted, and why—is essential. The Institute for Higher Education Policy and *Excelencia* in Education partnered to explore this issue. The report, *Student Aversion to Borrowing: Who Borrows and Who Doesn't*, provides analysis using available data to describe a pattern of college choices that suggests an aversion to borrowing to pay for college for some students. The knowledge of the types of students who are less likely to borrow despite remaining financial need can help financial aid administrators, high school counselors, and others target students who may need additional help in deciding how to finance their college career. The following are findings on the relationship between loan aversion and undergraduate students' race/ethnicity from the report:

Patterns of borrowing:

- The general perception that certain racial/ethnic groups are more averse to borrowing than other groups may have some validity. In 2003-04, Hispanic¹ and Asian students were less likely to borrow than their White and Black counterparts—30 percent and 25 percent, compared with 35 and 43 percent, respectively. In addition, immigrants were less likely to borrow than native-born students.
- Asian and Hispanic students are less likely to borrow to pay for college, even if they have substantial remaining financial need after receiving federal, state, or institutional grants. In 2003-04, 35 percent of Asian and 40 percent of Hispanic students with remaining financial need took loans to pay for college, compared to 54 percent of Black students. The lower likelihood of borrowing for Hispanic and Asian students holds true across all types of institutions, income quartiles, and categories of attendance.
- Black students were the most likely to borrow to pay for college of all groups. In 2003-04, 43 percent of Black undergraduate students borrowed to pay for college compared to 35 percent of all undergraduates. This borrowing pattern was consistent for Black students at all types of institutions—community colleges, public universities, private not-for-profit institutions, and for-profit institutions—perhaps because of their relatively high levels of financial need.
- Hispanics were more likely to borrow to attend private for-profit institutions than to attend public four-year institutions. In 2003-04, 68 percent of Hispanic undergraduates at for-profit institutions borrowed to pay for college, compared to 41 percent of Hispanics at public four-year institutions. This illustrates the complexity of attributing debt aversion to a group based solely on borrowing patterns.
- Borrowing trends to pay for college have changed over time. In 1992–93, only 20 percent of all undergraduate students took out a loan, and very similar levels of White (19 percent), Hispanic (18 percent), and Asian students (18 percent) took out loans. In 2003-04, 35 percent of all undergraduate students, 35 percent of White, 30 percent of Hispanics, and 25 percent of Asian students took out a loan to pay for college.

¹ This was particularly true for Hispanics of Mexican descent.

What are non-borrowers doing?

- Black and Hispanic nonborrowers (38 and 36 percent) were more likely than White students (29 percent) to work full time, while Asian nonborrowers were less likely (20 percent).
- Nonborrowing Black and Hispanic students with remaining need who started college in 2003–04 were considerably more likely than borrowers from the same racial/ethnic groups to have left school without a degree by 2006—51 and 41 percent, respectively, compared with 39 and 32 percent for borrowers. This was not true for Asian students, among whom nonborrowers and borrowers had similar (low) rates of departure without a degree.
- In focus groups, some Latino students and parents expressed reluctance to take out loans because of concerns for repayment if they do not complete college. They would rather make their college choices based on their current economic situation while managing their family and personal responsibilities. They commented that they would rather “pay as they go,” and believe they can get a quality education wherever they enroll, as long as they are motivated.
- Other Latino students and parents said they chose a college or university on the basis of the “sticker price,” or published price, and did not really factor in potential financial aid or the possible use of loans. Perhaps as a result of these feelings, almost half (46 percent) of Latino students chose to attend community colleges (because they are less expensive, close to home, and have open admissions), in 2003-04, even though they might be eligible for more selective and expensive institutions that provided sufficient financial aid to make them the same or less expensive than other options. About half of Latino students also attended on a part-time basis.
- While Asian parents’ greater ability to pay for college may mitigate the low percentage of students borrowing, even in lower income families other factors may dissuade borrowing. In focus groups, some Asian parents said that debt was generally seen as a negative condition for families. In fact, several parents said it was not uncommon for families to band together to financially support a student in college to minimize debt.

These findings are based on an analysis of nationally representative data from the National Center for Education Statistics as well as focus groups and interviews with students, parents, and financial aid administrators. The full report, *Student Aversion to Borrowing: Who Borrows and Who Doesn't*, can be found at www.ihep.org or www.EdExcelencia.org.



Excelencia in Education aims to accelerate higher education success for Latino students by providing data-driven analysis of the educational status of Latino students, and by promoting education policies and institutional practices that support their academic achievement. A 501(c)(3) organization, *Excelencia* is building a network of results-oriented educators and policymakers, adding value to their individual efforts with the means and momentum to address the U.S. economy's need for a highly educated workforce.



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