

**RACE & ETHNICITY AS A BARRIER TO  
OPPORTUNITY:**

**A BLUEPRINT FOR HIGHER  
EDUCATION EQUITY**

February 2017

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 **YOUNG INVINCIBLES**

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# INTRODUCTION

The United States is in the midst of one of the most significant demographic shifts in the history of the country. Already, America's young adults are the largest and most diverse generation ever. Among the 75 million Millennials, about 40 percent are people of color—African Americans, Latinx<sup>1</sup> individuals, Native Americans, and Asian & Pacific Islanders—significant growth from the previous generation.<sup>2,3</sup> The country is on track to be a majority-minority nation in just three decades.<sup>4</sup>

Simply put, people of color will become the new majority in educational and workforce settings during our lifetime. At the same time, our country is plagued by deep and persistent inequities by race and ethnicity from classrooms to boardrooms. According to federal reports, our K-12 public school system is increasingly racially segregated, with schools with high concentrations of black and Hispanic schools offering “disproportionately fewer math, science, and college preparatory courses and had disproportionately higher rates of students who were held back in 9th grade, suspended, or expelled.”<sup>5</sup> On the other end of the spectrum, of the Forbes 500 Companies, only five CEO's are African American.<sup>6</sup> These gaps are bad for communities of color and the country's success and prosperity.<sup>7</sup> The country will thus soon depend on the very people who have been often left behind, to move it forward.

In addition to the moral imperative, the country cannot resolve its desire to remain a global powerhouse without strategies to ensure that people from communities of color are upwardly mobile and have a real shot at the American Dream. One of the most important investments we can make in our future is to ensure that access to education, including a postsecondary education, is high quality, accessible, and affordable for everyone. We know that education alone won't fix inequality or close gaps, but increased education attainment for communities of color can improve income and economic security.<sup>8</sup> This will require a commitment to equity-focused solutions that will close gaps from individual families, communities, state governments, and the federal government.

This paper explores racial and ethnic disparities in higher education and proposes a package of equity-focused federal policy solutions that can help close gaps moving forward. We identify a set of measures—informed by a series of conversations with young people across the country—of higher education equity with the goal of highlighting gaps between racial and ethnic groups along three categories: college access and affordability, attainment and success, and repayment and post-collegiate outcomes. We then offer equity-focused solutions that will contribute to closing gaps over time. We keep those often left behind—low-income communities of color—at the center of our analysis of

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1 Latinx (pronounced “La-TEEN-ex”) is a gender-inclusive way of referring to people of Latin American descent.

2 Paul Taylor, *Millennials in Adulthood*, (Washington DC: Pew Research Center, 2014), 6, <http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/>.

3 Richard Fry, *Millennials Overtake Baby Boomers As America's Largest Generation*, Pew Research Center, April 25, 2016, <http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/>.

4 William Frey, *Diversity Defines the Millennial Generation*, Brookings, June 28, 2016, <https://www.brookings.edu/blog/the-avenue/2016/06/28/diversity-defines-the-millennial-generation/>.

5 Government Accountability Office, *Better Use of Information Could Help Agencies Identify Disparities and Address Racial Discrimination*, (Washington D.C.: 2016), <http://www.gao.gov/assets/680/676745.pdf>, 2.

6 Gregory Wallace, “Only 5 black CEOs at 500 biggest companies”, CNN Money, <http://money.cnn.com/2015/01/29/news/economy/mcdonalds-ceo-diversity/>.

7 PolicyLink, “Data to Build an Equitable Economy,” (Oakland, CA: 2016), accessed December 15, 2016, <http://nationalequityatlas.org/data-summaries>.

8 Amy Traub et al., *The Asset Value of Whiteness: Understanding the Racial Wealth Gap*, (Washington, DC: Demos, February 6, 2017), [http://www.demos.org/sites/default/files/publications/Asset%20Value%20of%20Whiteness\\_0.pdf](http://www.demos.org/sites/default/files/publications/Asset%20Value%20of%20Whiteness_0.pdf).

postsecondary education inequities in order to examine racial and ethnic gaps. While focused on low-income students of color, many of the solutions we offer will help all students.

### WHY ADVANCE A HIGHER EDUCATION EQUITY AGENDA?

Higher education is an essential component of the American ideals of equality and opportunity. Colleges and universities and their graduates have shaped our democracy and ability to remain a global economic powerhouse. In addition to the wider societal benefits of postsecondary education, participation in higher education improves individual social capital and mobility. Today more than ever, college graduates earn more over a lifetime, tend to be more civically engaged, and are able to contribute to their family's intergenerational wealth in ways that are less likely without a college education.<sup>9</sup>

America needs an equity agenda for higher education because closing gaps between groups is both a moral and economic issue. Systemic barriers, such as uneven access to resources and discrimination, make it more difficult for people of color to achieve the American Dream on a daily basis including attending college and earning a degree. At its core then, an equity agenda for higher education should be focused on the goal of improving the outcomes for students from communities of color, and ensuring that the color of one's skin or where a student grows up does not dictate future opportunity or success<sup>10</sup>. It also should acknowledge that students enter postsecondary education with different needs and that targeting resources can improve outcomes.

Despite being the most educated generation, not all young adults have benefited equally from the gains experienced during a period of expanded access to postsecondary education. People from communities of color are especially impacted by insufficient public policy and institutional practice that have yet to level the playing field.

### EQUITY AND EQUALITY DEFINED

Before launching into our examination of inequities in higher education, it is important that we define equity and differentiate it from equality. For our purposes, equity is about fairness; advancing it ensures that each person gets what he or she needs for a fair chance of success. Often confused with equity, equality is actually about sameness and making sure that each person gets the same thing.

In this paper, our goal is to focus on solutions that advance equity because we acknowledge that some students come with significant disadvantages and thus require more resources to have a shot at success. In particular, communities of color face numerous opportunity gaps that translate into serious inequities in their college completion and postgraduate experiences, gaps that equity-focused policy solutions can close.

### STORIES FROM THE GROUND

Conversations with young people across the country were critical as we framed this paper and developed the equity measures. Out of a series of roundtables, we heard numerous stories from students who have serious concerns about college affordability and questions about whether policies are reflective of the changing demographics happening on college campuses.

9 Jennifer Ma, Matea Pender, and Meredith Welch, Education Pays 2016, (New York, NY: College Board, 2016), 3-4, <https://trends.collegeboard.org/sites/default/files/education-pays-2016-full-report.pdf>.

10 The Higher Education Act (HEA) is due for reauthorization and contains many provisions critical for supporting disadvantaged students in higher education. It is the major federal piece of legislation that many of the proposals we make in this paper can be carried out.

## EQUITY MEASURES

Entrenched stratification along racial and ethnic lines enables us to predict with embarrassing accuracy not only whom accesses higher education, but also where students go if they enroll at all.<sup>11</sup> Gaps in college completion and postgraduate experiences such as loan burden also associate strongly with race and ethnicity are further evidence of a “color line” that plagues American society and higher education.<sup>12,13</sup> With these inequities in our education system, we should not be surprised to see inequities persist in other socio-economic outcomes, such as increased poverty rates, lack of savings, stunted wealth creation, and even health outcomes.<sup>14</sup>

In this paper, we examine ways to advance an equity agenda for federal higher education policymaking, acknowledging that states still have a huge role to play in advancing equity in higher education. We do so to better understand how well our current policies and practices promote student mobility and equitable outcomes, and what needs to change.

### MEASURES OF INEQUITY IN POSTSECONDARY EDUCATION

*All indicators compare by target demographics, low-income African American/Black, low-income Hispanic/Latino, against either the mean, median, or white/non-Hispanic observation. These indicators are meant to define the inequities in our current system, specifically identifying challenges for low-income and minority students.*

<b>ACCESS &amp; AFFORDABILITY</b>	<b>Enrollment</b>	<ul style="list-style-type: none"> <li>Enrollment in public/private/for-profit sectors</li> <li>Enrollment in 2-year or 4-year institutions and research intensity</li> </ul>
	<b>Family budget</b>	<ul style="list-style-type: none"> <li>Cost of Attendance as percent of income</li> <li>Percent of student cohort who took out student loans</li> <li>Median amount of debt taken out by borrowers</li> </ul>
	<b>FAFSA Completion rates</b>	<ul style="list-style-type: none"> <li>Percent of students who applied for federal aid through the FAFSA</li> <li>Reported reason for not submitting FAFSA</li> </ul>
<b>ATTAINMENT &amp; SUCCESS</b>	<b>Postsecondary Attainment Rate</b>	<ul style="list-style-type: none"> <li>Percent of population who have earned a postsecondary degree</li> <li>Historical trends of attainment gaps</li> </ul>
<b>REPAYMENT &amp; OTHER OUTCOMES</b>	<b>Student loan repayment rate</b>	<ul style="list-style-type: none"> <li>Percent of borrowers having repaid their loans, currently repaying, deferred, or defaulted on their loans.</li> </ul>

11 Anthony P. Carnevale and Jeff Strohl, *Separate & Unequal: How Higher Education Reinforces Reproduction of White Racial Privilege*, Center on Education and the Workforce, July 2013, [https://cew.georgetown.edu/wp-content/uploads/2014/11/SeparateUnequal.FR\\_.pdf](https://cew.georgetown.edu/wp-content/uploads/2014/11/SeparateUnequal.FR_.pdf).

12 Linda Darling-Hammond, *Unequal Opportunity: Race and Education*, Brookings, March 1, 1998, <https://www.brookings.edu/articles/unequal-opportunity-race-and-education/>.

13 Jillian Berman, *Why the gap between minority and white college graduates is growing*, MarketWatch, November 22, 2016, <http://www.marketwatch.com/story/why-the-gap-between-minority-and-white-college-graduates-is-growing-2016-11-18>.

14 Kasey Wiedrich et al., *The Steep Climb To Economic Opportunity for Vulnerable Families*, (Washington, DC: Corporation for Enterprise Development, January 2016), [http://assetsandopportunity.org/assets/pdf/2016\\_Scorecard\\_Report.pdf](http://assetsandopportunity.org/assets/pdf/2016_Scorecard_Report.pdf).

## RACE, RACISM, AND OPPORTUNITY IN THE UNITED STATES

It is difficult to unravel conversations about proposals intended to improve equity and close opportunity gaps from the real consequences of living in a society that used the relevance of race and racism as its foundation. The pathways to and through colleges and universities are not exempt. For example, given the strong and enduring association between race and K-12 funding and quality, race operates in some way during every competitive institutional admissions process in the United States.<sup>15</sup> For example, many schools rely on standardized tests which have a long history of racial trends and bias that disadvantage students of color.<sup>16</sup>

Although intended to close equity gaps and disproportionately benefit communities of color, proposals like ours below do not account for this country's long history of race-based discrimination which often explain why certain communities have excelled and others struggled to succeed.<sup>17</sup> Moreover, one cannot legislate goodwill, prevent all discrimination, or force changes to chilly campus climates that students of color have challenged for years.



15 Gillian White, The Data Are Damning: How Race Influencing School Funding, The Atlantic, September 30, 2015, <http://www.theatlantic.com/business/archive/2015/09/public-school-funding-and-the-role-of-race/408085/>.

16 William G. Bowen and Derek Bok. The Shape of the River: Long-term Consequences of Considering Race in College and University Admission. New Jersey: Prince University Press, 1998. Alexander, Michelle. The New Jim Crow. New York: New Press, 2011.

17 Ta-Nehisi Coates, My President Was Black: A history of the first African American White House—and of what came next, The Atlantic, January 2017, <https://www.theatlantic.com/magazine/archive/2017/01/my-president-was-black/508793/>.

## ACCESS AND AFFORDABILITY

Institutions vary greatly on availability of programs, quality of instruction, selectivity of student body, and campus resources. Furthermore, years of state retrenchment of higher education funding per student has caused tuition to skyrocket making college unaffordable in real and/or perceived terms for millions of Americans.<sup>18</sup> Simultaneously, stagnant wages and the ever-increasing cost of living contribute to the burden of being a college student. As a result, college is now less affordable and more stratified during the exact timeframe when having a certificate or degree is more important than ever.

### PROBLEM 1 | College access has improved, but enrollment still stratified

Solution 1a: **Protect Students from Predatory Colleges (GE Rule)**

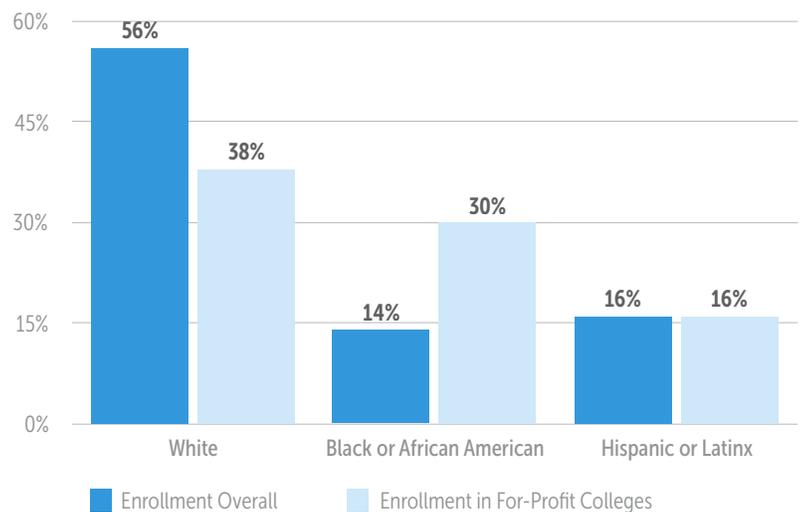
Solution 1b: **Improve Consumer Information (Scorecard)**

Solution 1c: **ED Guidance on Transfer Policy**

Generally, college access for communities of color has improved in recent years. In 1986 for instance, African American and Latinx high school graduates enrolled in college at rates at least fifteen points below white high school graduates.<sup>19</sup> Today, African American and Latinx high school graduates enroll in postsecondary institutions at very similar rates to their white peers.<sup>20</sup> However, there are many disparities in college enrollment amongst different high schools, with lower rates of college enrollment for high schools with high concentrations of African American and Latinx students. Students graduating high schools with these populations 40 percent or higher are eleven points less likely to enroll in college the first fall after graduation, and twenty points less likely to graduate college within six years.<sup>21</sup>

Additionally, the level, selectivity, and quality of the institutions students enroll in segregate along racial and ethnic lines. As seen in Figure 1.1, African American students attend for-profit institutions at double their enrollment rate over-

**Figure 1.1 African American students disproportionately enroll in for-profit schools**



Source: U.S. Department of Education Digest of Education Statistics, 2015

18 Michael Mitchell, Michael Leachman, and Kathleen Masterson, Funding Down, Tuition Up State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges, (Washington DC: Center on Budget and Policy Priorities, August 15, 2016), <http://www.cbpp.org/sites/default/files/atoms/files/5-19-16sfp.pdf>.

19 National Center for Education Statistics, Digest of Education Statistics, Table 302.20 Percentage of recent high school completers enrolled in 2- and 4-year colleges, by race/ethnicity: 1960 through 2014, [http://nces.ed.gov/programs/digest/d15/tables/dt15\\_302.20.asp](http://nces.ed.gov/programs/digest/d15/tables/dt15_302.20.asp).

20 National Center for Education Statistics, "Immediate College Enrollment Rate", May 2016, [http://nces.ed.gov/programs/coe/indicator\\_cpa.asp](http://nces.ed.gov/programs/coe/indicator_cpa.asp).

21 National Student Clearinghouse Research Center, High School Benchmarks 2016: National College Progression Rates, October 2016, 5, 7, <https://nscresearchcenter.org/wp-content/uploads/HighSchoolBenchmarks2016.pdf>.

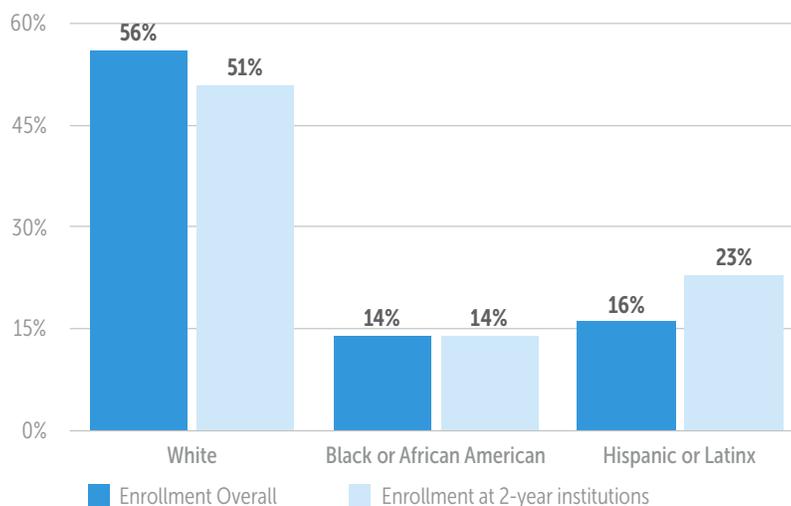
all. Put another way, African American students make up 14 percent of all college students, but 30 percent of students at for-profit institutions.<sup>22</sup> For-profit colleges also enroll low-income students receiving Pell grants at nearly double the rate of public and private non-profit colleges.<sup>23</sup>

The fact that African Americans students enroll in the for-profit sector matters because these institutions are more likely to have poor student outcomes combined with high levels of student debt. For-profit colleges only enroll about nine percent of all college students in America, yet they cause nearly half of all student loan defaults.<sup>24</sup> Borrowers who attended for profit schools default on their loans 22 percent of the time, well above the average for non-profits. For-profit student borrowers also take on higher levels of debt, with nearly a quarter of borrowers taking on more than \$40,000 in debt.<sup>25</sup>

Fewer students of color also attend selective four-year institutions and tend to be concentrated in community colleges. This is especially true for Latinx students who make up nearly a quarter of students at two-year public institutions, but make up only 16 percent of students overall (Figure 1.2). To be clear, community colleges play a vital role in America's education system. As open-access institutions, community colleges serve as the first point of contact for millions of students who otherwise might not pursue education past high school. Community colleges also act as unique partners with the workforce, providing the skills and training that keep local economies moving forward.

The facts remain however, that community college students end up with lower incomes and default on their loans at higher rates,<sup>26,27</sup> and not enough students of color who start at a community college transfer to four-year institutions. These deficits in community college outcomes compared to four-year schools reflect community colleges' lack of funding and capacity.

**Figure 1.2 Latinx students more likely to enroll at 2-year schools**



Source: U.S. Department of Education Digest of Education Statistics, 2015

22 National Center for Education Statistics, Digest of Education Statistics, Table 306.40. Fall enrollment of males and females and specific racial/ethnic groups in degree-granting postsecondary institutions, by control and level of institution and percentage of U.S. resident enrollment in the same racial/ethnic group, [https://nces.ed.gov/programs/digest/d15/tables/dt15\\_306.40.asp](https://nces.ed.gov/programs/digest/d15/tables/dt15_306.40.asp).

23 Tom Allison, Why the Feds Should Regulate For-Profit Colleges, Huffington Post, May 14, 2014, [http://www.huffingtonpost.com/tom-allison/why-the-feds-should-regul\\_b\\_5324701.html](http://www.huffingtonpost.com/tom-allison/why-the-feds-should-regul_b_5324701.html).

24 Ibid.

25 Ibid.

26 U.S. Department of Education, "Student Loan Volume and Default Rates", 2015, 4, [https://nces.ed.gov/programs/coe/pdf/coe\\_cug.pdf](https://nces.ed.gov/programs/coe/pdf/coe_cug.pdf).

27 Andrew Nichols, The Pell Partnership: Ensuring a Shared Responsibility for Low-Income Student Success, (Washington, DC: The Education Trust, September 2015), [https://edtrust.org/wp-content/uploads/2014/09/ThePellPartnership\\_EdTrust\\_20152.pdf](https://edtrust.org/wp-content/uploads/2014/09/ThePellPartnership_EdTrust_20152.pdf).

*Problem: College access has improved, but enrollment still stratified*

### **SOLUTION 1A** | *Protect Students from Predatory Colleges (Gainful Employment Rule)*

As noted above (see Figure 1.1), low-income African American students are more likely to attend for-profit colleges. These institutions promising gainful employment often target young people of color in their marketing strategies, hiring black celebrities as spokespeople and targeting advertising to black and brown audiences.<sup>28</sup> The federal government has a responsibility to protect people from fraud and false advertising, particularly when the most vulnerable are targeted. In particular, consumer protections should ensure that low-income students of color are not exploited as they pursue higher education and career readiness. Because of their practices and outcomes, many institutions in the for-profit sector act as agents of inequity, and must be addressed in order to improve the opportunity for low-income and minority students.

The federal government created the gainful employment (GE) rule to protect students and taxpayers from career education programs at public and for-profit colleges that do not produce graduates with marketable skills and reasonable debt loads.<sup>29</sup> The rule requires institutions meet minimum performance standards on debt-to-earnings ratios for graduates. In other words, graduates need to earn adequate incomes compared to the amount of student loans they took out.

Failing institutions that do not improve risk losing their access to federal financial aid. As many of these institutions cannot operate without federal funds, cutting off bad actors essentially reduces the chances of a student enrolling in a predatory institution. Students will still be able to access public community colleges that often offer a better deal than comparable programs at for-profit colleges with higher price tags and poorer outcomes.<sup>30</sup>

In January 2017 the Department of Education published the final ratings for the gainful employment rule, identifying 803 failing programs, at 230 institutions.<sup>31</sup> The GE rule does not just apply to for-profit institutions—public and private non-profit institutions are also measured, and programs at Harvard University and University of Southern California programs failed the rule—but 98 percent of failing programs are in the for-profit sector.<sup>32</sup>

At the minimum, we urge policymakers not to roll back these basic consumer protections—and instead to consider strengthening the rule to add a metric on default rates and loan repayment rates for all students, thus holding institutions accountable for students that do not graduate.<sup>33, 34</sup>

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28 Mark Huelsman, *Betrayers of the Dream: How sleazy for-profit colleges disproportionately targeted black students*, *The American Prospect*, July 12, 2015, <http://prospect.org/article/betrayers-dream>.

29 Young Invincibles represented students throughout the gainful employment negotiated rulemaking process.

30 U.S. Department of Education, "Education Department Releases Final Debt-to-Earnings Rates for Gainful Employment Programs", January 9, 2017, <https://www.ed.gov/news/press-releases/education-department-releases-final-debt-earnings-rates-gainful-employment-programs>.

31 *Ibid.*

32 *Ibid.*

33 The Institute for College Access & Success, "Statement on Final Gainful Employment Regulation", October 30, 2014 [http://www.ticas.org/sites/default/files/pub\\_files/TICAS\\_Statement\\_on\\_Final\\_GE\\_Rule.pdf](http://www.ticas.org/sites/default/files/pub_files/TICAS_Statement_on_Final_GE_Rule.pdf).

34 Young Invincibles, "Young Invincibles' Statement on the Obama Administration's Gainful Employment Rule", October 30, 2014, <http://younginvincibles.org/young-invincibles-statement-on-the-obama-administrations-gainful-employment-rule/>.

*Problem: College access has improved, but enrollment still stratified*

### **SOLUTION 1B** | *Improve Consumer Information*

Choosing where to go to college and how to pay for it is one of the highest stakes decision a person makes. With so much on the line, we owe it to students and families to provide reliable information about colleges and programs. The stratification in enrollment in types of institutions warrants more and better information for students of color. Improving consumer information is especially important for first-generation students of color who do not have the benefit of parents who attended college and can help navigate the complexities of the higher education system. The federal government should provide quality and usable information for these students that will improve the college choice process and assist in making more informed decisions and avoid fraudulent programs.

In September 2015, the Obama administration created the College Scorecard, housing new data about college access, affordability, and performance, which provides unprecedented transparency in higher education for students and families, institutions, and policymakers. Since its creation, the Department of Education has leveraged the information to create solid consumer-friendly lists such as “Affordable Four-Year Schools with Good Outcomes” and “25 Community Colleges that Advance Opportunities for Low-income Students.” We encourage the Department or independent groups to continue to innovate around ways to use the data to spotlight institutions that exceed in serving students of color. They should consider materials that are easy to understand, bite sized, and targeted to students and families most in need such as first-generation students.

Research demonstrates that when provided with the labor market outcomes of programs, low-income students change their behavior and enroll in programs that produce higher chances of earning higher incomes.<sup>35</sup> The College Board even estimated a marginal but significant impact from the earnings data on which college students sent their SAT scores.<sup>36</sup> Another study found that providing high-achieving, low-income students customized information (and a no-fee application) causes them to apply and be admitted to more colleges, particularly those with high graduation rates, and more resources.<sup>37</sup> Just as importantly, these students achieved similar grades as other students. In summary, quality information about colleges matters.

In a study conducted by Young Invincibles, the vast majority of high school students surveyed found the Scorecard easy to use and well designed.<sup>38</sup> Further, 70 percent of students either “Strongly Agree” or “Agree” that the Scorecard would help them in the college search process. Unfortunately, most of the students had never heard of the tool before, suggesting that better outreach and communications is needed.

The Department should, at the minimum, maintain the College Scorecard as an essential consumer information tool, and Congress should support the Department in this work. To remedy that, the Department should explore new outcomes data to provide to students, particularly those disaggregated by race and ethnicity and economic background. For instance, success rates or other outcomes measures for disadvantaged students in high value programs such as STEM degrees would help students find high quality programs with a track record of serving students like them.

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35 Justine Hastings, Christopher Neilson, Seth Zimmerman, The Effects of Earnings Disclosure on College Enrollment Decisions, (Cambridge, MA: NBER 2015), 33, <http://www.nber.org/papers/w21300.pdf>.

36 Michael Hurwitz and Jonathan Smith, Student Responsiveness to Earnings Data in the College Scorecard (Washington, DC: College Board, 2016), [https://papers.ssrn.com/sol3/Data\\_Integrity\\_Notice.cfm?abid=2768157](https://papers.ssrn.com/sol3/Data_Integrity_Notice.cfm?abid=2768157).

37 Caroline Huxby and Sarah Turner, Expanding College Opportunities for High-Achieving, Low Income Students, (Cambridge MA: NBER, 2013.) [http://siepr.stanford.edu/sites/default/files/publications/12-014paper\\_6.pdf](http://siepr.stanford.edu/sites/default/files/publications/12-014paper_6.pdf).

38 Beatrice Ohene\_Okhae “The College Scorecard: Making an Informed Decision”, Young Invincibles, <http://yischolars.tumblr.com/post/147247676529/the-college-scorecard-making-an-informed-decision>.

Currently, the Scorecard tool largely sits independent from the wider college search process. For instance, the Department could partner with organizations administering the SAT and ACT tests, and provide Scorecard information to students that they request to receive their standardized test scores. The Department should also integrate the Scorecard tool into the FAFSA. Students select the institutions to which they would like their financial aid information sent; this represents a unique opportunity to provide students with information about the colleges in which they've expressed interest. This would also be an opportunity to allow students to compare and contrast the colleges.

The research is clear: tools like the Scorecard and quality information leads to better decisions. Introducing high school students and families to these resources, as well continuing to build on previous work, will strengthen their ability to make more informed decisions about college.

*Problem: College access has improved, but enrollment still stratified*

### **SOLUTION 1C** | *Federal Guidance on Transfer Policy*

Community colleges (public 2-year degree granting) make up the largest sector of our higher education system.<sup>39</sup> And as noted above, low-income students of color, particularly Latinx students, disproportionately enroll in these institutions. An estimated 40 percent of the community college students transferred to a different institution in a single year, triple the amount of students at 4-year institutions who transferred.<sup>40</sup> Unfortunately, half of these students did not have their credit accepted at their new institution, losing an average of 8.2 credits per student.<sup>41</sup> These lost credits represent the costs of committing time and money to college, but not the benefit of progress towards a degree. Moreover, a 2012 College Board study found that while most community college students aspire to transfer to a 4-year institution, the transfer process is too complex, and financial aid is often not aligned to encourage transfers.<sup>42</sup>

We make three recommendations to assuage this problem: that the Department of Education help states and systems improve transfer pathways by updating its resources page on best practices for creating articulation policies to improve credit transfer; that the Department of Education create a competitive grant process to incentivize institutions to streamline the transfer process; and that the Department incorporate articulation agreements and transfer-out rates (if feasible) into the College Scorecard.

The first recommendation is straightforward: advocates and researchers have outlined the best practices and strategies for states and systems to encourage transfer to 4-year institutions. The report and others like it make recommendations to states and institutions to improve transfer policy. However, the website for the Office of Career, Technical and Adult Education has not updated its research and evaluation publications since 2003.<sup>43</sup>

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39 The College Board, "The Initiative on Transfer Policy & Practice", <https://professionals.collegeboard.org/higher-ed/community-colleges/initiative-transfer-policy-and-practice>.

40 U.S. Department of Education, Transferability of Postsecondary Credit Following Student Transfer or Coenrollment (Washington, DC: 2014), 25, <https://nces.ed.gov/pubs2014/2014163.pdf>.

41 Ibid, 28-29.

42 College Board, Institute for Higher Education Policy, Understanding the Transfer Process (Washington, DC: 2012), 5, <https://secure-media.collegeboard.org/digitalServices/pdf/advocacy/policycenter/understanding-transfer-process-community-college-ihep-121217.pdf>.

43 U.S. Department of Education, Office of Career, Technical and Adult Education, "Transferring from Community Colleges to Baccalaureate Institutions", 1, <https://www2.ed.gov/about/offices/list/ovae/pi/ccto/transfer.html?exp=3>.

Going a step further, we also strongly encourage the Administration and the Department of Education to create a competitive grant process similar to Race to the Top that incentivizes states to work with institutions to implement tailored policies that streamline the transfer process and improve rates and credit retention, especially for low-income students of color.

Furthermore, the Higher Education Act requires institutions disclose the articulation (credit transfer) agreements they have with other schools as well as publish their “transfer-out” rates.<sup>44</sup> However, these rates and agreements are not available in the Department’s premier search tool, the College Scorecard. Incorporating these transfer policies into the Scorecard might help community college students, who are disproportionately Latinx and low-income students, better understand their transfer pathway options, and thus successfully navigate the system without losing credits.

Specifically, the Scorecard could flag community colleges with explicit articulation agreements with four-year institutions, especially those that offer automatic admissions with adequate test scores. Using the Scorecard data, the Department should create consumer-friendly lists the top “Community Colleges for Transferring to a Four-Year Institution.” Furthermore, the Department might be able to identify the programs of study students took to successfully transfer, as well as estimate the amount of money potentially saved by enrolling in the community college before transferring to earn the bachelor’s degree.

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44 U.S. Department of Education, National Postsecondary Education Cooperative, “Information Required to Be Disclosed Under the Higher Education Act of 1965: Suggestions for Dissemination,” <https://nces.ed.gov/pubs2010/2010831rev.pdf>, A-7.



**PROBLEM 2 | Significant disparities in affordability**

Solution 2a: **Modernize the Pell Grant**

Solution 2b: **Rework federal work study**

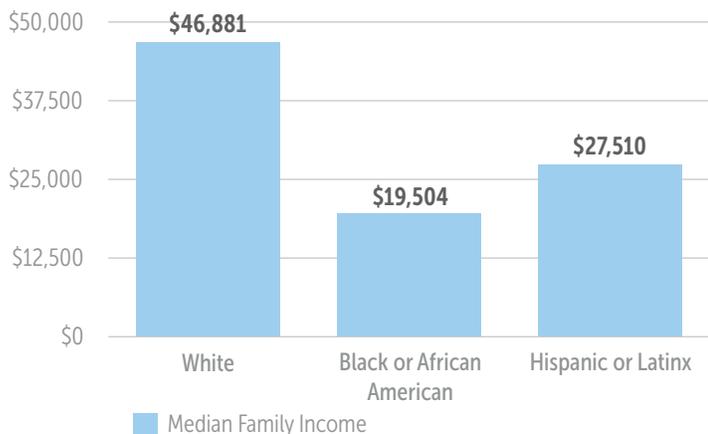
Solution 2c: **Pell for incarcerated individuals**

Solution 2d: **Explore New Protections for Undocumented Students**

Any discussion of closing equity gaps in higher education requires an examination of disparities in income and wealth. The Pew Research Center found that in 2013, white households owned 13 times the median wealth of black households. This represents the widest gap since 1989 and significant growth since before the Great Recession in 2007.<sup>45</sup> Furthermore, non-white and Hispanic households saw their median income decline 9 percent between 2010 and 2013, compared to only a one percent decline for white households.<sup>46</sup> A Young Invincibles analysis found that young African Americans and Latinx individuals earn 57 cents and 64 cents, respectively, for every dollar earned by young whites.<sup>47</sup>

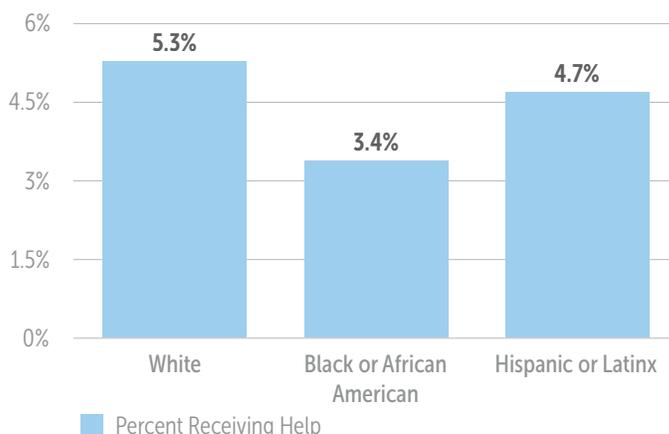
Such disparities in wealth income impact families’ ability to pay for college. As seen in Figure 1.3, income disparities are even starker for the population pursuing higher education. Median household income for students from African American households is \$19,504, and \$27,510 for Latinx households, compared to \$46,881 for student from white households.<sup>48</sup> In other words, African Americans have 42 cents and Latinx students have 59 cents for every dollar

**Figure 1.3 Black and Latinx students come from families with lower incomes**



Source: Young Invincibles’ analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12). For dependent students, their parental household income is counted and personal income is counted for independent students

**Figure 1.4 White Families More Likely to Get at Least \$1,000 in Help from Family or Friends**



Source: Young Invincibles’ analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12). For dependent students, their parental household income is counted and personal income is counted for independent students

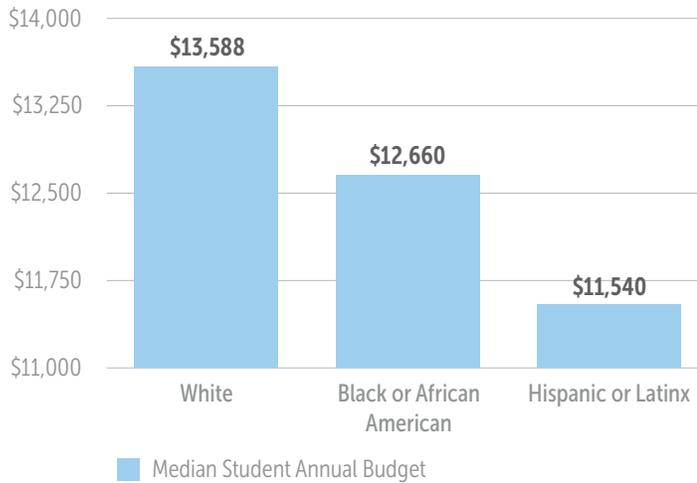
45 Rakesh Kochhar and Richard Fry, Wealth inequality has widened along racial, ethnic lines since end of Great Recession (Washington, DC: Pew Research Center, 2014), 9, <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>.

46 Jesse Bricker, Lisa J. Dettling, Alice Henriques, et al, Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances (Washington, D.C.: Board of Governors of the Federal Reserve System), 6, <https://www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf>.

47 Tom Allison, The Financial Health of Young America, (Washington DC: Young Invincibles,2017), 5, <http://younginvincibles.org/wp-content/uploads/2017/01/FHYA-Final2017-1.pdf>.

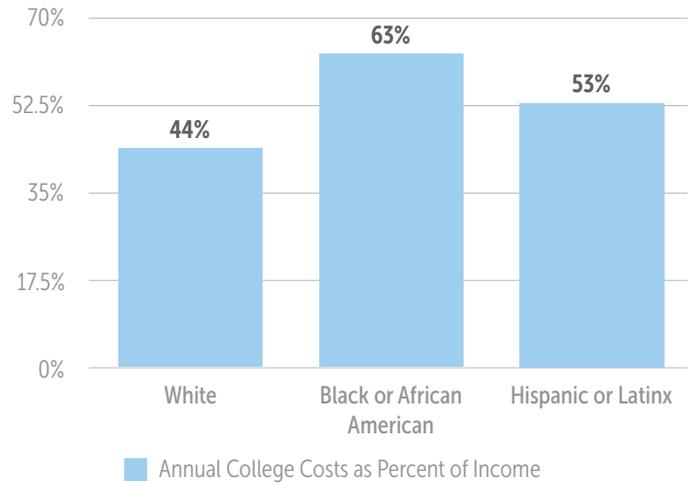
48 Young Invincibles’ analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12). For dependent students, their parental household income is counted and personal income is

**Figure 1.5 White Families Spend More on College**



Source: Young Invincibles' analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

**Figure 1.6 White Families Have Lower Cost Burdens**



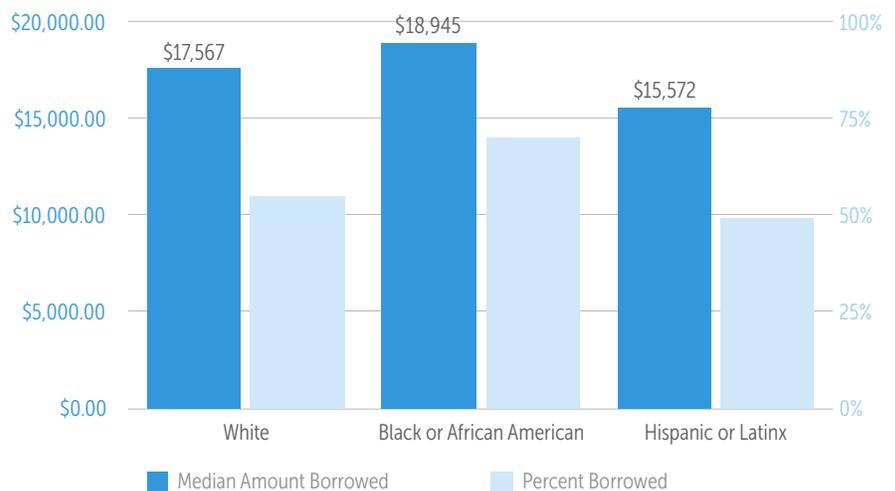
Source: Young Invincibles' analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

available to a white student. This disparity plays into the percent of household income that can be allocated to pay for college. And for dependent students, white students are more likely to receive at least \$1,000 in financial assistance from family and friends (Figure 1.4).

The fact that students of color disproportionately enroll in less selective institutions might lead one to believe that they carry a lower cost burden. Indeed, as seen in Figure 1.5, white households on average spend nearly \$1,000 more than African American families and \$2,000 more than Hispanic families, per year, on college costs.<sup>49</sup> However, as seen in Figure 1.6, college costs take up an average of 63 percent of African Americans' family income, controlled for the type and price of institutions they choose. For Hispanic families their college costs make up 53 percent of family income. For white families, it's 44 percent. In sum, while it's true African American and Latinx families spend less than white families, they're still forced to spend a far larger portion of their total income on postsecondary education.

African American households come to the table with lower incomes to pay for college, and so African American families rely on loans at greater rates. Indeed, 70 percent of African American families take out student loans. That's 26 percent more likely than white students, 55 percent

**Figure 1.7 African American Students More Likely to Borrow & Borrow More**



Young Invincibles' analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

counted for independent students.

<sup>49</sup> Young Invincibles' analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12). For dependent students, their parental household income is counted and personal income is counted for independent students.

of whom borrow. African American families also borrow more than other groups, with a cumulative median debt load of \$18,945, compared to \$17,567 for white families. Latinx families are actually less likely to borrow, and when they do, borrow less (Figure 1.7).

Policymakers might expect financial aid to compensate for these income disparities, but they would be mistaken. As seen in Figure 1.8, when subtracting grants awarded to students, college costs still eat up 48 percent of African American families' income, while white families need to allocate an average of 24 percent (Hispanic families' is 31 percent). Even when including loans, which students have to pay back with interest, African American and Latinx families still must dedicate a larger percentage of their income to college than white households. What's more, African American families make up more of the cost of college with loan debt than other families. Even after subtracting all grants and loans, African American and Hispanic families dedicate 22 and 27 percent of their income, respectively, compared to only 16 percent for white families.

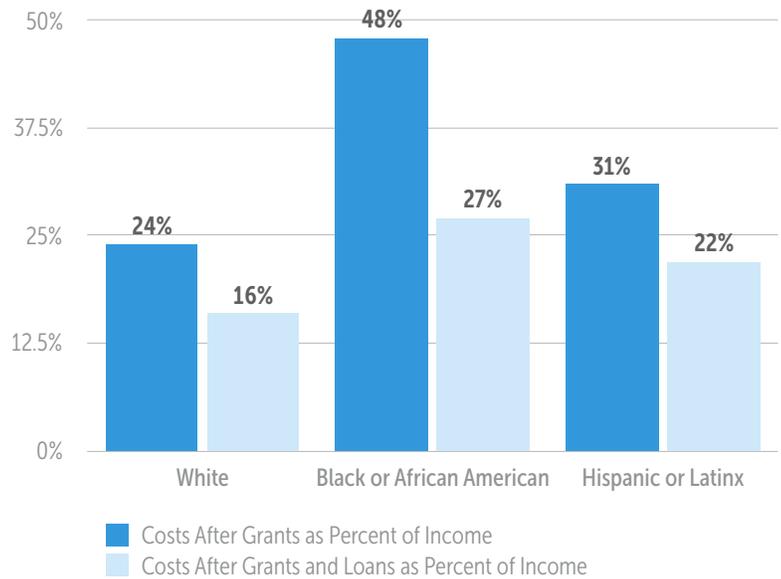
*Problem: Significant disparities in affordability*

### **SOLUTION 2A | Modernize the Pell Grant**

Tuition has skyrocketed in America. It has increased by 42 percent at in-state public four-year institutions in the last decade.<sup>50</sup> And as noted above, students of color are particularly burdened by today's college costs. Students of color are also more likely to benefit from Pell grants, the keystone program to help low-income students afford college (Figure 1.9).

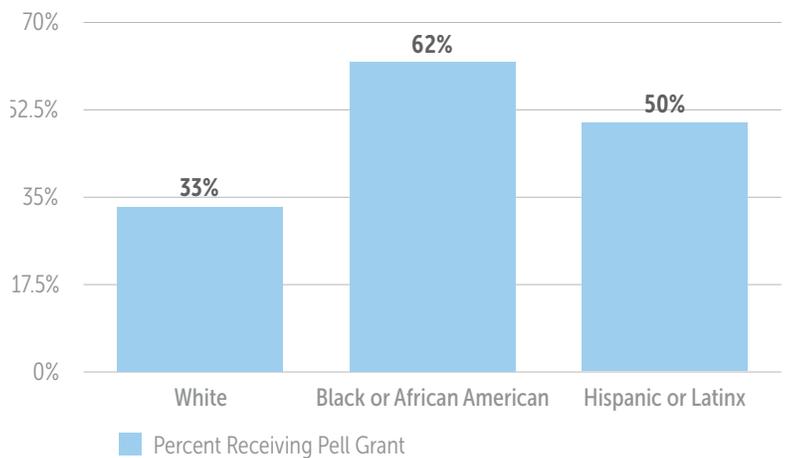
Unfortunately, the Pell Grant has not kept pace with the rise in college costs. In the 1980s, Pell could cover over half of the cost a four-year public degree; presently, it covers less than a third.<sup>51</sup> We recommend modernizing the Pell Grant so that its

**Figure 1.8 Financial Aid Not Enough to Close Cost Gaps**



Young Invincibles' analysis of U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

**Figure 1.9 Students of Color More Likely to Receive Pell Grant**



Young Invincibles' analysis of 2011-12 National Postsecondary Student Aid Study

50 Young Invincibles calculations, The College Board, "Trends in College Pricing", Table 2a, <http://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-roomboard-time-1974-75-2014-15-selected-years>, accessed May 12, 2015.

51 The Institute of College Access and Success, "Impact of House and Senate Budget Proposals to Freeze The Maximum Pell Grant for 10 Years: Making College Even Less Affordable", (Washington D.C., 2015), accessed May 18, 2015, <http://ticas.org/blog/impact-house-and-senate-budget-proposals-freeze-maximum-pell-grant-10-years-making-college-even>.

buying power reflects the rising cost of tuition, particularly for in-state students at public institutions.<sup>52</sup> Doing so would restore and maintain its value for low-income students of color (and all low-income students), even in the face of rising costs.

*Problem: Significant disparities in affordability*

### **SOLUTION 2B** | *Redesign Federal Work Study*

Congress created the Federal Work Study (FWS) program in 1964 as a part of the Economic Opportunity Act to allow low-income students to defray college costs by working while enrolled.<sup>53</sup> The current formula for how Federal Work Study aid is distributed suffers from significant flaws. The formula rewards older and more expensive institutions that enroll predominantly white student bodies, prioritizing those students over more diverse students who attend community colleges, more affordable institutions, and institutions with shorter histories.<sup>54</sup> As a result, FWS disproportionately benefits white students and families over black and Latinx students and families (Figure 1.10).

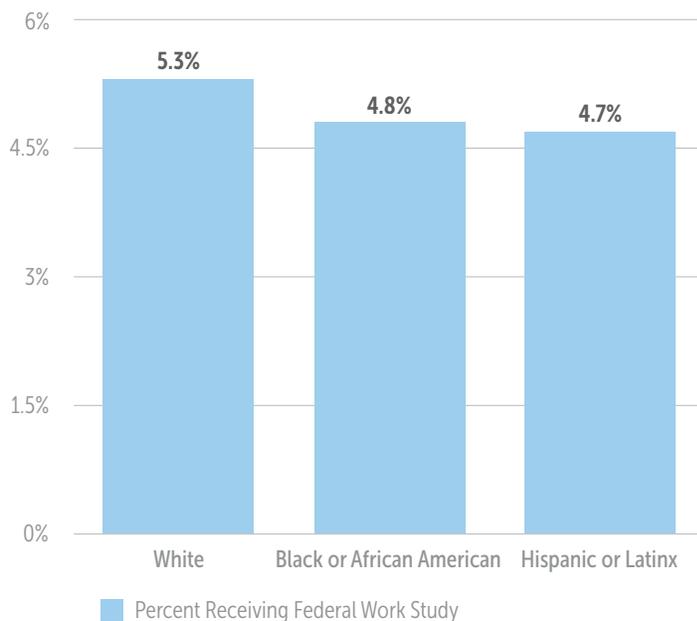
Young Invincibles recommends multiple changes to the FWS formula (for more details see A Federal Work Study Reform Agenda to Better Serve Low-Income Students), including granting larger awards to institutions that enroll and graduate Pell-eligible students at higher rates.<sup>55</sup> This reform would benefit low-income students of color as they disproportionately qualify for Pell grants, and would benefit public institutions that enroll a majority of students of color overall.

*Problem: Significant disparities in affordability*

### **SOLUTION 2C** | *Continue Second Chance Pell For Incarcerated Students*

No other country in the world imprisons more of its racial or ethnic minorities than the United States.<sup>56</sup> There are approximately 2.2 million people in American jails and prisons, the vast majority of them Latinx and African American individuals

**Figure 1.10 White Students More Likely to Receive Federal Work Study**



Young Invincibles' analysis of 2011-12 National Postsecondary Student Aid Study

52 The College Board, Trends in College Pricing, Table 1A: Average Published Charges for Full-Time Undergraduates by Type and Control of Institution, 2015-16 (Enrollment-Weighted), <https://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2016-17>.

53 Campus Compact, A Brief History of the Federal Work-Study Program, accessed January 7, 2014, <http://www.compact.org/earn-learn-and-serve-getting-the-most-from-community-service-federal-work-study/a-brief-history-of-the-federal-work-study-program/>.

54 Rory O'Sullivan & Reid Setzer, A Federal Work Study Reform Agenda to Better Serve Low-Income Students (Washington DC: Young Invincibles, September 2014) <http://younginvincibles.org/wp-content/uploads/2014/09/Federal-Work-Study-Reform-Agenda-Sept-181.pdf>.

55 Ibid.

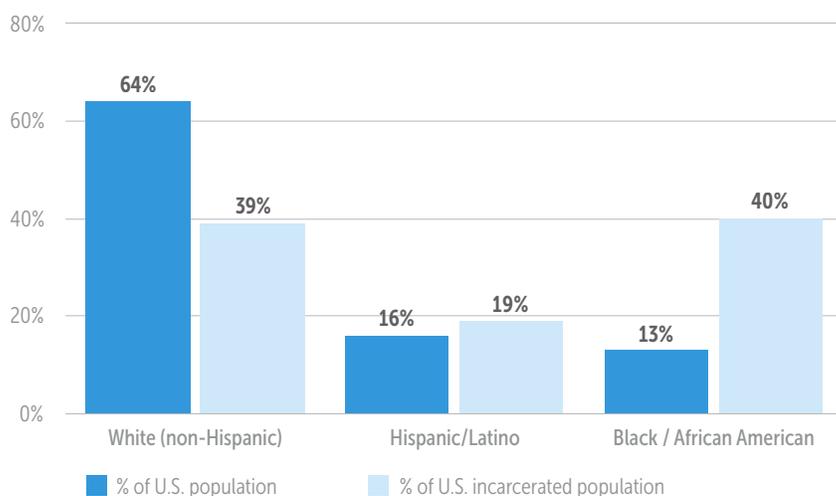
56 Alexander, Michelle. The New Jim Crow. New York: New Press, 2011.

who ultimately will have to reenter society (see Figure 1.11).<sup>57, 58</sup>

In 2016, the Department of Education at the direction of the Obama Administration announced that it was using its experimental site authorization to override a 1994 ban that made most prisoners ineligible to receive a Pell Grant.<sup>59</sup> As part of the program, colleges and universities were identified to partner with state and federal penal institutions. A key aspect of the program, known as the Second Chance Pell pilot program, allows the selected institutions to provide Pell Grants to eligible imprisoned students for educational and training programs.

Through the first round of the Second Chance Pell pilot program, approximately 12,000 incarcerated students accessed Pell Grant funding and are participating in classroom-based instruction, online education, or a hybrid of both at corrections facilities.<sup>60</sup> It is unclear to what extent the experimental site pilot program will remain intact under the new Trump administration, but we urge the new Department of Education leadership to continue the program and ensure that the evidence of its outcomes is made public and used to inform future federal student aid policy. If the evidence is encouraging, we also encourage to strike the 1994 ban altogether. Strong evidence shows that correctional education can reduce recidivism and improve employment after release.<sup>61</sup> An almost an 8 to 1 margin (87% to 11%), the US voting public is in favor of rehabilitative services for prisoners as opposed to a punishment-only system. Of those polled, 70% favored services both during incarceration and after release from prison.<sup>62</sup> This is likely a popular strategy.

**Figure 1.11 Racial & Ethnic Disparities in Incarceration**



Prison Policy Initiative, U.S. Census Bureau

57 The White House, "Fact Sheet: President Obama Announces New Actions to Reduce Recidivism and Promote Reintegration of Formerly Incarcerated Individuals", (Washington DC, 2016), accessed January 7, 2017, <https://www.whitehouse.gov/the-press-office/2016/06/24/fact-sheet-president-obama-announces-new-actions-reduce-recidivism-and>.

58 Leah Sakala, Breaking Down Mass Incarceration in the 2010 Census: State-by-State Incarceration Rates by Race/Ethnicity, Prison Policy Initiative, May 28, 2014, <https://www.prisonpolicy.org/reports/rates.html>.

59 The Department of Education is authorized under HEA to periodically administer experiments to test the effectiveness of statutory and regulatory flexibility for participating postsecondary institutions in disbursing federal student aid.

60 The White House, "Fact Sheet: President Obama Announces New Actions to Reduce Recidivism and Promote Reintegration of Formerly Incarcerated Individuals", (Washington DC, 2016), accessed January 7, 2017, <https://www.whitehouse.gov/the-press-office/2016/06/24/fact-sheet-president-obama-announces-new-actions-reduce-recidivism-and>.

61 Lois Davis, Robert Bozick, Jennifer Steele, Jessica Saunders, and Jeremy Miles, Evaluating the Effectiveness of Correctional Education: A Meta-Analysis of Programs That Provide Education to Incarcerated Adults, (Santa Monica, CA: RAND Corporation, 2013), [http://www.rand.org/pubs/research\\_reports/RR266.html](http://www.rand.org/pubs/research_reports/RR266.html).

62 Barry Krisberg and Susan Marchionna, Attitudes of US Voters toward Prisoner Rehabilitation and Reentry Policies, (New York, NY, 2006), [http://www.nccdglobal.org/sites/default/files/publication\\_pdf/focus-reentry-and-rehab.pdf](http://www.nccdglobal.org/sites/default/files/publication_pdf/focus-reentry-and-rehab.pdf).

*Problem: Significant disparities in affordability*

### **SOLUTION 2D** | Explore New Protections for Undocumented Students

Undocumented immigrants face a number of structural, social, and financial barriers. Each year approximately half a million undocumented students—primarily of Latinx descent but also European, Southeast Asian, African, and Caribbean<sup>63</sup>—are enrolled in high schools in the United States of which about 65,000 are graduating seniors.<sup>64</sup> Unlike most students and families grappling with college choice decisions and the rising cost of college education, undocumented students in some states are also denied access to public institutions and are routinely ineligible for in-state tuition and state financial aid because of their immigration status.<sup>65</sup> Moreover, undocumented students are barred from all forms of federal financial aid including the Pell Grant and student loans.<sup>66</sup> Despite these barriers, there are about a quarter of a million undocumented undergraduate students across the country.<sup>67</sup>

The complexity of the social and legal landscape has significant implications for undocumented students' ability to access and afford higher education. Some states have implemented state-level Development, Relief, and Education for Alien Minors (DREAM) Acts, which enable undocumented students to pay the same tuition as other in-state students, while a small number of states also provide state financial aid to support undocumented students. Other states without specific tuition equity legislation allow Deferred Action for Childhood Arrivals (DACA)—a federal policy that protects certain undocumented immigrants from deportation and provides others benefits—grantees to pay in-state tuition rates at public institutions. Many private college and universities also accept and award institutional aid to undocumented and DACAmented students. But this still leave a complex and unnecessary patchwork of limited state and institutional policies.

Movement toward better opportunities for undocumented individuals and DACAmented students is not a new idea. New approaches are necessary though, including exploring updated education and workforce protections for DACA-eligible and current DACA grantees.<sup>68</sup>



63 Migration Policy Institute, "Profile of the Unauthorized Population: The United States", (Washington DC, 2015), accessed January 3, 2017, <http://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US>.

64 Ibid.

65 Zenen Jaimes Pérez, Removing Barriers to Higher Education for Undocumented Students, (Washington DC, Center for American Progress, December 2014), <https://www.americanprogress.org/issues/immigration/reports/2014/12/05/101366/removing-barriers-to-higher-education-for-undocumented-students/>.

66 John C. Burkhardt, Noe Ortega, Joanna R. Frye, Kimberly A. Reyes, Angela Rodriguez, Christopher J. Nellum, and Joanna Hernandez, Reconciling Federal, State, and Institutional Policies Determining Educational Access for Undocumented Students: Implications for Professional Practice, Washington, DC: NASFAA.

67 The Institute for Immigration, Globalization, & Education, "In the Shadows of the Ivory Tower: Undocumented Undergraduates and the Liminal State of Immigration Reform", (Los Angeles, CA, 2015), accessed January 27, 2017, <http://www.undocuscholars.org/undocuscholars-report.html>.

68 S. 3542, BRIDGE Act, 114th Congress, <https://www.congress.gov/bill/114th-congress/senate-bill/3542/text>.

**PROBLEM 3 | Too few qualified students apply for aid**

Solution 3a: **Expand FAFSA Outreach to Communities of Color**

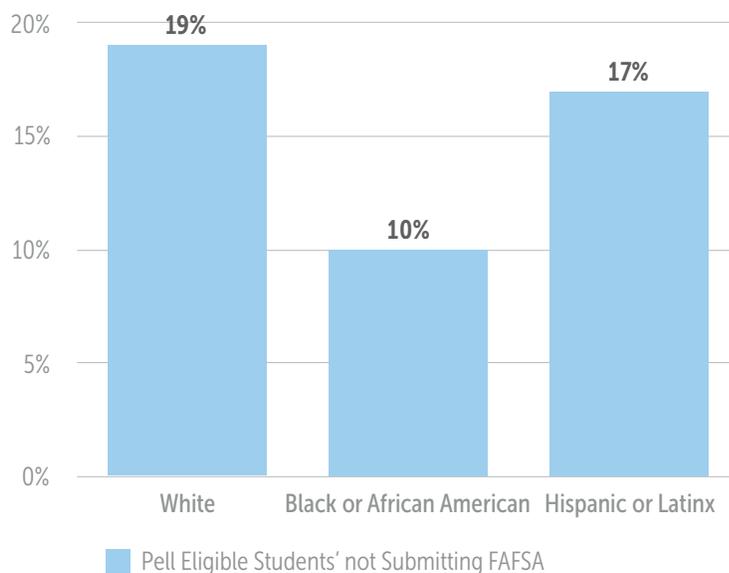
Solution 3b: **Simplify the FAFSA**

Solution 3c: **Review Financial Aid Eligibility for Drug Convictions**

Benefitting from financial aid requires submitting the Free Application for Federal Student Aid (FAFSA), the federal form to access federal student loans, Pell grants, work study, and state and institutional awards as well. Research demonstrates that a significant proportion of students fail to submit their FAFSA, and at increasing rates. One seminal study estimated that in 1999-2000 school year, 8 million students failed to complete the FAFSA, half of total national enrollment.<sup>69</sup>

YI’s analysis of the same data shed light on why many low-income students of color fail to submit a FAFSA. African American and Hispanic students are more likely to submit a FAFSA than white students, including those with expected family contributions low enough to qualify for a Pell grant. However, 10 percent of African American students and 17 percent of Latinx students who would qualify for a Pell grant did not submit a FAFSA in the 2011-2012 school year (Figure 2.1).

**Figure 2.1 Too many students leaving federal funds on the table**



Young Invincibles’ analysis of 2011-12 National Postsecondary Student Aid Study

Digging deeper, we identify two distinct barriers students cited for not applying for federal aid. Notably, on the one hand, Pell-eligible African American and Hispanic students were much more likely to report they thought they were ineligible for federal aid than their white counterparts, despite the same eligibility. On the other hand, over one in ten Pell-eligible students failing to fill out the FAFSA because of the complexity of the form should concern policymakers. Also, it is possible that students citing “No information on how to apply” would also benefit from a simplified form, that perhaps would require less instructional information in the first place. Finally, research has shown that interventions often require a two-step approach: providing students with information to demonstrate eligibility and simplifying the process for them.<sup>70</sup>

*Problem: Too few students apply for financial aid*

**SOLUTION 3A | Expand FAFSA outreach to communities of color**

As a nation we should strive for all students to access the federal aid to which they are eligible. The 17 percent and 10 percent of Pell-eligible African Americans and Latinx students in Table 2.1 failing to submit a FAFSA is unacceptable considering the

69 American Council on Education, ACE Center for Policy Analysis, “Missed Opportunities: Students who do not apply for Financial Aid”, [https://www.soe.vt.edu/highered/files/Perspectives\\_PolicyNews/10-04/2004FAFSA.pdf](https://www.soe.vt.edu/highered/files/Perspectives_PolicyNews/10-04/2004FAFSA.pdf).

70 Eric P. Bettinger, Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu, “The Role of Simplification and Information in College Decisions: Results from the H&R Block FAFSA Experiment”, NBER, September 2009, <http://www.nber.org/papers/w15361>.

steep challenges these students face affording college. These students are leaving money on the table, and the lack of federal aid could be prohibiting them from completing their degree, thus inhibiting building more equity in our systems.

States, localities, and non-profits already conduct FAFSA nights and other services to raise awareness and offer assistance to students and families. And while the Department should be commended for providing the FAFSA form in Spanish, other outreach materials and tools could be translated as well. A search of materials on the Federal Student Aid (FSA) website demonstrate that roughly a third of materials come with a Spanish translation available. The next administration should continue these efforts providing more bi-lingual materials and push FSA to reach out to communities of color and minority-serving organizations. These strategies should emphasize student eligibility, countering the number one reason for low-income students not filling out the FAFSA.

The federal government can also identify specific priority locations to target outreach. During the Obama administration, the Department of Education began publishing actual FAFSA completion and submission rates at the high school and public school district level.<sup>71</sup> We encourage the Department to continue to publish this data, but also go further in analyzing trends with an equity focus. Are schools with high concentrations of low-income and minority students submitting the FAFSA at similar rates? Among the successful schools, which strategies or resources are making an impact? These questions and many others could be explored through enhanced analysis of the federal data.

Service providers should look to the financial capacity literature to develop interventions that maximize the chances the information will be used. Effective strategies target individuals before they actually make financial discussions, and focus on developing cognitive executive functions in children that can improve financial literacy later on. Programs should be dual-generation focused, with training delivered to both child and parent. Experience-based programs (learning by doing) have also demonstrated success.<sup>72</sup> Training delivered in or near the context of the decision is also crucial.<sup>73</sup>

The behavioral economic organization Ideas42 also recommends sending carefully designed outreach emails reminding students and parents of the priority deadline and outlined manageable steps for collecting financial information. Fittingly, the primary message in the email was debunking the myth that most students don't qualify for financial aid, a primary reason we found students cited for not filling out the FAFSA.<sup>74</sup> Ideas42 also identified reminders delivered through a mobile app increased the rate of financial aid applications and financial aid awards.<sup>75</sup> The Department of Education is in a unique position to synthesize these best practices and strategies. We recommend the Department package and distribute them to states, localities, school districts and individual high schools. Finally, research has shown that providing students with the information combined with simplifying the process can be the most effective, leading us to the second prong—form simplification.

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71 U.S. Department of Education Federal Student Aid, "FAFSA® Completion by High School and Public School District", accessed February 6, 2016, <https://studentaid.ed.gov/sa/about/data-center/student/application-volume/fafsa-completion-high-school>.

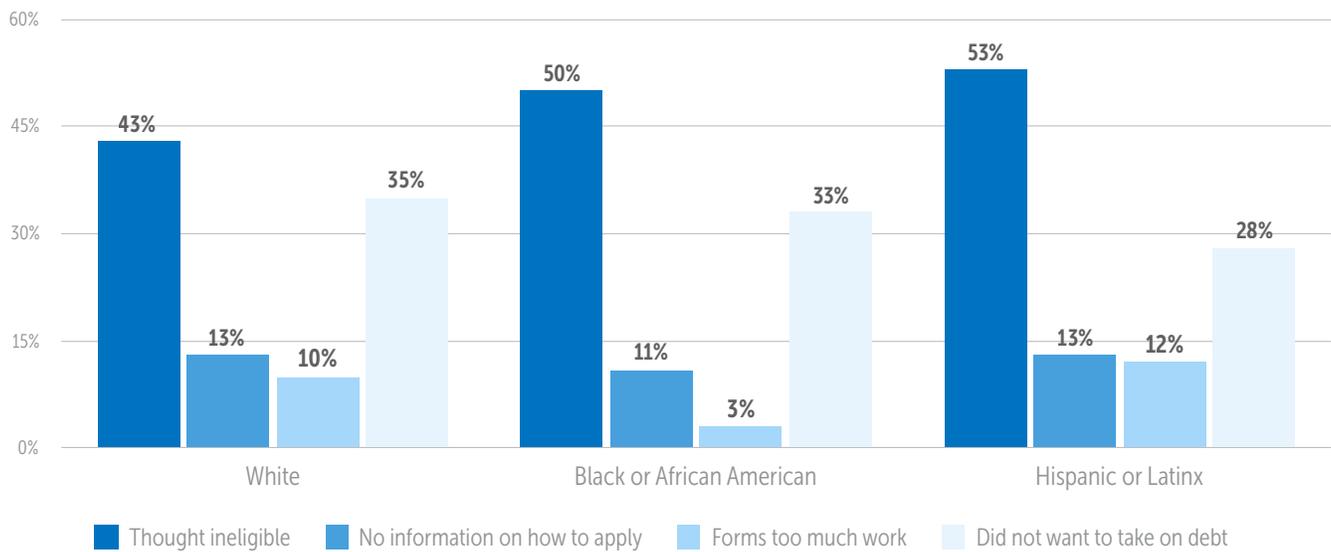
72 Gabrielle Emanuel, "Not All Financial Education is Effective. Here Are 45 Ideas That Work", NPR, April 13, 2016, <http://www.npr.org/sections/ed/2016/04/13/473561841/not-all-financial-education-is-effective-here-are-4-ideas-that-work>.

73 Ibid.

74 Ideas 42, *Nudging for Success*, (New York, NY: 2016), 19, <http://www.ideas42.org/wp-content/uploads/2016/09/Nudging-For-Success-FINAL.pdf>.

75 Ibid, 21.

**Figure 2.2 Pell Eligible Students' Reasons for not Submitting FAFSA**



Young Invincibles' analysis of 2011-12 National Postsecondary Student Aid Study

Unstable estimate for Black or African American students citing 'Forms too much work' as reason for not submitting a FAFSA

*Problem: Too few students apply for financial aid*

**SOLUTION 3B | Simplify the FAFSA**

Figure 2.2 shows Latinx students are more likely to report that the FAFSA requires too much work to compile and submit. Therefore simplifying the form should help Latinx students and other students of color access the aid to which they are eligible. It is also possible that simplifying the form would motivate those students who thought they were ineligible, by demonstrating that submitting the FAFSA isn't as difficult as previously perceived.

Many bipartisan proposals have been floated to simplify the FAFSA form. Policymakers need to strike a balance between reducing the number of questions for the sake of simplicity, while still accounting for the value in some of the questions, such as state and institutional aid programs as well as researchers ability to measure performance for target-sub groups, such as first-generation students.

Furthermore, the Department of Education made two important improvements to the FAFSA for the 2017-2018 school year: releasing the form in October instead of January, and allowing for applicants to use the previous year's financial information.<sup>76</sup> Congress should make these changes permanent to ensure these gains are not reversed.

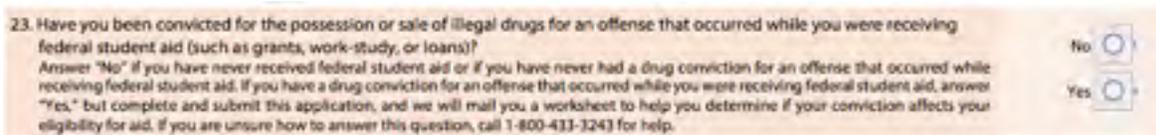
76 U.S. Department of Education, "Changes Impacting the 2017-18 FAFSA®". September 2015, <https://financialaidtoolkit.ed.gov/resources/fafsa-changes-17-18-faq.pdf>.

*Problem: Too few students apply for financial aid*

### **SOLUTION 3C** | *Review Financial Aid Eligibility for Drug Convictions*

Currently, students convicted of using or selling using drugs are prohibited from receiving federal financial aid.<sup>77</sup> Despite the fact that white and black Americans use drugs at similar rates,<sup>78</sup> the National Research Council found that African Americans are arrested for drug crimes three to four times the rate of whites.<sup>79</sup> The Government Accountability Office estimated that between 2001 and 2004, up to 20,000 applicants per year could have been denied Pell Grants, and between 29,000 and 41,000 could have been denied student loans.<sup>80</sup> Other estimates place the total number of students denied aid north of 200,000.<sup>81</sup>

Question 23 on drug-related convictions on the FAFSA. Answering Yes or leaving question blank removes eligibility for federal aid:



The FAFSA asks whether applicants were convicted of possessing or selling illegal drugs while enrolled and receiving federal financial aid. Answering yes to this question triggers ineligibility, ranging from one year to indefinite eligibility, starting from the date of conviction. Only convictions for drug and sexual assault crimes suspends eligibility; non-sexual violent crimes, such as robbery, are not disqualifying.<sup>82</sup> The federal government is responsible for holding public dollars accountable, including ensuring that financial aid dollars do not support students who pose any danger to other students on campus. However, we recommend examining whether this question and its intended impact are appropriate in light of its disparate impact on communities of color.<sup>83, 84</sup>

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77 U.S. Department of Education, "1998 Amendments to the Higher Education Act of 1965", <http://www2.ed.gov/policy/highered/leg/hea98/sec483.html>.

78 U.S. Department of Health and Human Services, "Results from the 2013 National Survey on Drug Use and Health", <http://archive.samhsa.gov/data/NSDUH/2013SummNatFindDetTables/NationalFindings/NSDUHresults2013.htm#2.7>.

79 Jeremy Travis, Bruce Western, and Steve Redburn, *The Growth of Incarceration in the United States*, (Washington DC: National Research Council, 2014) Chapter 4, 60, <https://www.nap.edu/read/18613/chapter/4#60>.

80 Government Accountability Office, *Drug Offenders: Various Factors May Limit the Impacts of Federal Laws That Provide for Denial of Selected Benefits*, (Washington, DC 2005), 12, <http://www.gao.gov/new.items/d05238.pdf>.

81 Students for Sensible Drug Policy, "Higher Education Act", accessed January 10, 2017, <http://ssdp.org/campaigns/the-higher-education-act/>.

82 U.S. Department of Education, Office of Federal Student Aid, "Students with criminal convictions have limited eligibility for federal student aid", <https://studentaid.ed.gov/sa/eligibility/criminal-convictions#other-convictions>.

83 S. 2557, SUCCESS Act, 114th Congress, <https://www.congress.gov/bill/114th-congress/senate-bill/2557>.

84 H.R. 4004, SUCCESS Act, 114th Congress, <https://www.congress.gov/bill/114th-congress/house-bill/4004/cosponsors>.

## ATTAINMENT AND SUCCESS

Attainment and success is the second major category we selected because only about half of all students who enroll in a bachelor's degree program end up graduating within six years, with even fewer students of color completing during the same window.<sup>85</sup> There are many barriers and pitfalls explaining this low success rate. A few possibilities include poor K-12 preparation and the high cost of a college education (as we discussed in the previous section), but others include a lack of effective strategies by institutions to support more diverse undergraduates, many of whom are also increasingly juggling school, family, and work responsibilities.

### PROBLEM 4 | *Attainment/success gap has grown unacceptably wide*

Solution 4a: **Invest in affordable campus-based childcare**

Solution 4b: **Improve Pell grant flexibility**

Solution 4c: **Align financial aid and public benefits**

Solution 4d: **Invest in assessment infrastructure at minority serving institutions**

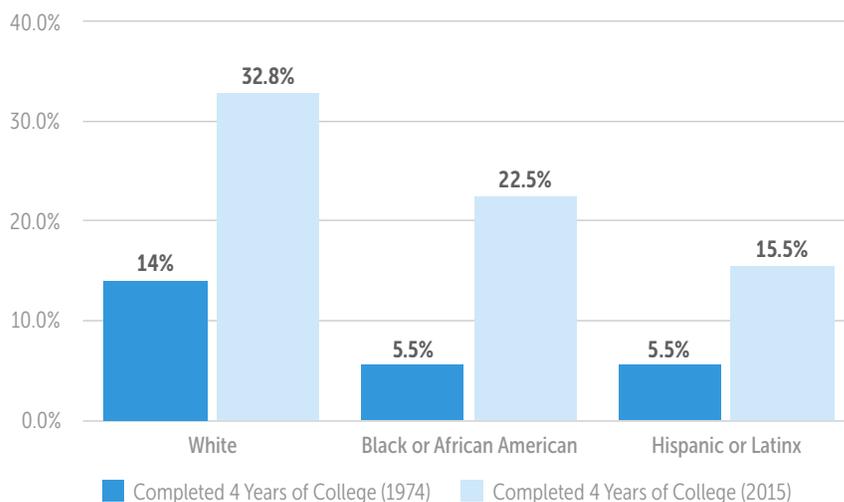
Solution 4e: **Hold institutions accountable for student success**

Solution 4f: **Further evaluate student support services, scale what works**

As noted above, college going rates are up for all groups across the board. But white students tend to attend more selective institutions and students of color are more likely to attend open-access and less selective institutions, often with lower attainment rates. So while education attainment—the number of individuals with degrees—has increased for all groups, the gaps in terms of percentage points has increased.

In 1974, 14 percent of white adults had completed four years of college. Black and Latinx adults each lagged behind at 5.5 percent, resulting a gap of 8.5 points. In 2015, 36.2 percent of white adults had completed four years of school. Black and Latinx adults' attainment rate sat at 22.5 and 15.5 (see Figure 3.1). While encouraging to see college attainment rates for Latinx and African American populations increase over time, the attainment percentage point gap between these groups and white students has actually grown. This matters because gaps in education attainment lead to socio-economic inequalities, and the numbers are heading in the wrong direction.

Figure 3.1 Attainment Gaps



Young Invincibles' analysis of U.S. Census' Current Population Survey

85 U.S. Department of Education, National Center for Education Statistics, "Fast Facts", accessed January 28, 2017, <https://nces.ed.gov/fastfacts/display.asp?id=40>.

*Problem: Attainment/success gap has grown unacceptably wide*

### **SOLUTION 4A** | *Invest in affordable campus-based child care*

Student parents are large, yet often overlooked segment of the student population who are caring for dependent children while on their journey toward a certificate or degree.<sup>86</sup> For student parents, access to affordable and dependable child care removes an otherwise major obstacle to access, persistence, and degree completion. Student parents are largely single women of color without the support of a spouse or partner.<sup>87</sup> For African American women and families, the cost of child care is further strained by the fact that they earn less, on average, than white women and families.<sup>88</sup> In most U.S. states, the cost of child care is actually more expensive than a year of tuition, meaning the burden of being a student and parent is a double penalty.<sup>89</sup> Yet, over the last decade fewer colleges and universities provide campus-based child care and the federal government cut subsidies for off-campus child care, leaving students to make difficult decisions.<sup>90</sup>

To address these burdens for student parents, especially those from communities of color, the federal government must strengthen programs that support these undergraduates, including but not limited to subsidised child care services. Some evidence suggests that student parents who have access to child care have improved outcomes such as persistence, transfer, and degree completion.<sup>91</sup>

*Problem: Attainment/success gap has grown unacceptably wide*

### **SOLUTION 4B** | *Improve Pell Grant flexibility*

The Pell Grant program is the best lever available to the federal government to assist lower-income students, especially those from communities of color, can maintain their commitment to higher education. Unfortunately, current configuration of the program does not fit common attendance patterns or strategies students use to reach on-time completion of a degree program.

Currently, policy penalizes students who attend full-time (i.e., attempt a full load of 12 credits or more) during the fall and spring term who also take classes during the summer. Because of the program design, full-time students wishing to take classes in the summer must fund that term without the support of the Pell Grant. These students are thus forced to find limited institutional support or take out a student loan to cover the cost of summer classes. A sensible reform to solve this problem could be the reintroduction of the year-round Pell Grant, also known by some as “summer Pell”. Doing so would allow students to use the summer term to make up credit they attempted during the academic year or to complete additional credits in order to graduate sooner.

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86 Institute for Women’s Policy Research, “Fact Sheet: 4.8 Million College Students are Raising Children”, (Washington, DC, 2014), accessed December 23, 2016, [http://www.iwpr.org/publications/pubs/4.8-million-college-students-are-raising-children/at\\_download/file](http://www.iwpr.org/publications/pubs/4.8-million-college-students-are-raising-children/at_download/file).

87 Ibid

88 Rasheed Malik and Jamal Hagler, “Black Families Work More, Earn Less, and Face Difficult Child Care Choices”, Center for American Progress, August 5, 2016, <https://www.americanprogress.org/issues/early-childhood/news/2016/08/05/142296/black-families-work-more-earn-less-and-face-difficult-child-care-choices/>.

89 Amy Wang, “In almost half of the US, daycare can be more expensive than college”, Quartz, April 13, 2016, <http://qz.com/661178/in-almost-half-of-the-us-daycare-can-be-more-expensive-than-college/>.

90 Elizabeth Noll, Lindsey Reichlin, and Barbara Gault, “College Students with Children: National and Regional Profiles”, Institute for Women’s Policy Research, January 2017, <http://www.iwpr.org/publications/pubs/college-students-with-children-national-and-regional-profiles>.

91 “Childcare Access Means Parents In School Program,” U.S. Department of Education, accessed March 11, 2015, <http://www2.ed.gov/programs/campisp/index.html>.

*Problem: Attainment/success gap has grown unacceptably wide*

### **SOLUTION 4C** | *Align financial aid and public benefits*

Although the current system is designed to cover the cost of living expenses in addition to tuition and books, many low-income students of color still have unmet financial need that can hinder their ability to persist and complete certificates and degrees. These students are especially vulnerable to having unmet need because they are often enrolled in higher education while also contributing to a household or providing for a family (e.g., housing, food, transportation). As a result, many students experience food and/or housing insecurity which present major barriers to staying enrolled in college.<sup>92, 93</sup> Because of these unique responsibilities, the current system of student aid understates the true cost of being an undergraduate.

Balancing the pressures that come with financing higher education and outside pressures often requires already disadvantaged students to make hard decisions about having resources for school, contributing to a household, or covering basic needs. Policymakers should supplement traditional student financial aid and align it with public benefits so that lower-income students of color can easily access these supports to cover unmet need and reduce reliance on student loans. To make certain the ladder of opportunity remains extended for all and close the attainment gap, a more comprehensive set of financial supports that includes traditional financial aid and seamless access to public benefits is a promising alternative for promoting access and success for low-income students of color.<sup>94</sup> Examples of public, means-tested benefits include the supplemental nutrition assistance program (SNAP), temporary assistance for needy families (TANF), and child care subsidies. By way of example, most college students are excluded from receiving public benefits (e.g., SNAP) because of their student status. We recommend as a starting point that students eligible for the Pell Grant also be eligible for SNAP benefits, but recommend further in-depth exploration about how to get this done across federal programs.

*Problem: Attainment/success gap has grown unacceptably wide*

### **SOLUTION 4D** | *Invest in Assessment Infrastructure at Minority Serving Institutions*

Minority Serving Institutions (MSIs)—Historically Black Colleges and Universities (HBCUs), Predominant Black Institutions (PBIs), Hispanic Serving Institutions (HSIs), Tribal Colleges and University (TCUs), and Asian American and Native American Pacific Islander Serving Institutions (AANAPISIs)—many of which are community colleges, are important access points for students of color seeking postsecondary credentials. Just as recent as 2011-12, MSIs accounted for 22% of all undergraduate enrollment and 39% of all undergraduate student of color enrollment.<sup>95</sup>

Minority Serving Institutions also graduate a disproportionate number of undergraduate degrees and degrees in national priority fields earned by students of color, contributing disproportionately to national educational diversity,

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92 J. Luke Wood, Frank Harris III, and Nexi Delgado, *Struggling to Survive—Striving to Succeed: Food and Housing Insecurities in the Community College*, (San Diego, CA: Community College Equity Assessment Lab, 2017), <http://cceal.org/food-housing-report/#>.

93 Wisconsin HOPE Lab, "What We're Learning: Food and Housing Insecurity among College Students A Data Update from the Wisconsin HOPE Lab", (Madison, WI, 2016), [http://wihopelab.com/publications/Wisconsin\\_HOPE\\_Lab\\_Data%20Brief%202016-01\\_Undergraduate\\_Housing%20and\\_Food\\_Insecurity.pdf](http://wihopelab.com/publications/Wisconsin_HOPE_Lab_Data%20Brief%202016-01_Undergraduate_Housing%20and_Food_Insecurity.pdf).

94 Amy Ellen Duke-Benfield, *Bolstering Non-Traditional Student Success: A Comprehensive Student Aid System Using Financial Aid, Public Benefits, and Refundable Tax Credits*, (Washington DC: Center for Law and Social Policy, December 2015), <http://www.clasp.org/resources-and-publications/publication-1/Bolstering-NonTraditional-Student-Success.pdf>.

95 Alisa Cunningham, Eunyoung Park, and Jennifer Engle, *Recognizing the Role of MSIs in Raising Attainment*, (Washington, DC: Institute for Higher Education Policy, February 2014), [http://www.ihep.org/sites/default/files/uploads/docs/pubs/msis\\_doing\\_more\\_w-less\\_final\\_february\\_2014-v2.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/msis_doing_more_w-less_final_february_2014-v2.pdf).

access, and attainment goals.<sup>96</sup> For example, HBCUs represent just 3% of postsecondary institutions but produce 16% of all bachelor's degrees earned by black Americans.<sup>97</sup> HSIs represent 12% of institutions and produce 40% of all bachelor's degrees earned by Latinx Americans.<sup>98</sup> Since 2006, MSIs have also been among the top institutions that award science, technology, engineering, and mathematics (STEM) degrees to racial or ethnic minority students.<sup>99</sup>

It is clear that MSIs are important institutions for students from communities of color.

The federal government gave many of these institutions designations because of their unique contributions and historic funding challenges due to neglect by state and federal governments.<sup>100</sup> Differences in student demographics have led to a common perception that MSIs do not retain or graduation students at rates similar to other institutions serving students with similar socioeconomic backgrounds.<sup>101</sup> However, inequitable and uneven government investment in MSIs means that some institutions struggle to serve students well and most have been forced to do more with less.<sup>102, 103</sup>

In order to bolster outcomes, the federal government should ensure that all MSIs have the necessary financial and technological resources to collect more and better data that can be used to make data-driven decisions about interventions and programs that improve student outcomes.<sup>104</sup> It is important that these assessments consider multiple metrics and account for the student demographics so that all of the contributions of these institutions are captured. This will be increasingly important in the context of broader institutional accountability recommendations (see below). Beyond improving student outcomes, data about MSIs' success—institutions with a long history of serving some of the most disadvantaged students of color—can provide lessons about practices and policies that contribute to a supportive campus climate for these students at other institutions.

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96 Alisa Cunningham, Eunyoung Park, and Jennifer Engle, *Recognizing the Role of MSIs in Raising Attainment*, (Washington, DC: Institute for Higher Education Policy, February 2014), [http://www.ihep.org/sites/default/files/uploads/docs/pubs/msis\\_doing\\_more\\_w-less\\_final\\_february\\_2014-v2.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/msis_doing_more_w-less_final_february_2014-v2.pdf).

97 New America, "Historically Black Colleges and Universities (HBCUs): A Background Primer", (Washington, DC 2015), accessed January 13, 2017, <https://www.newamerica.org/post-secondary-national-policy-institute/our-blog/historically-black-colleges-and-universities-hbcus/>.

98 Excelencia in Education, "Hispanic-Serving Institutions, 2013-14", (Washington, DC 2015), accessed January 11, 2017, <http://www.edexcelencia.org/hsi-cp2/research/hispanic-serving-institutions-2013-14>.

99 Marybeth Gasman, *The Relevance and Contributions of Minority Serving Institutions*, (Philadelphia, PA, Penn Center for Minority Serving Institutions, nd), <http://www.help.senate.gov/imo/media/doc/Gasman.pdf>.

100 Alisa Cunningham, Eunyoung Park, and Jennifer Engle, *Recognizing the Role of MSIs in Raising Attainment*, (Washington, DC: Institute for Higher Education Policy, February 2014), [http://www.ihep.org/sites/default/files/uploads/docs/pubs/msis\\_doing\\_more\\_w-less\\_final\\_february\\_2014-v2.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/msis_doing_more_w-less_final_february_2014-v2.pdf).

101 New America, "Historically Black Colleges and Universities (HBCUs): A Background Primer", (Washington, DC 2015), accessed January 13, 2017, <https://www.newamerica.org/post-secondary-national-policy-institute/our-blog/historically-black-colleges-and-universities-hbcus/>.

102 Christopher J Nellum and Katherine Valle, *Government Investment in Hispanic-Serving Institutions*, (Washington, DC: American Council on Education, 2015), <http://www.acenet.edu/news-room/Documents/Government-Investment-in-Public-Hispanic-Serving-Institutions.pdf>.

103 Christine A. Nelson and Joanna R. Frye, *Tribal College and University Funding: Tribal Sovereign at the Intersection of Federal State, and Local Funding*, (Washington, DC: American Council on Education, 2016), <http://www.acenet.edu/news-room/Documents/Tribal-College-and-University-Funding.pdf>.

104 Penn Center for Minority Serving Institutions, "Using Educational Data to Increase Learning, Retention, and Degree Attainment at Minority Serving Institutions (MSIs)", (Philadelphia, PA, 2015), accessed January 11, 2017, [http://www.gse.upenn.edu/pdf/cmsi/using\\_educational\\_data.pdf](http://www.gse.upenn.edu/pdf/cmsi/using_educational_data.pdf).

*Problem: Attainment/success gap has grown unacceptably wide*

### **SOLUTION 4E** | *Hold Institutions Accountable for Student Success*

As explored above, the Gainful Employment (GE) rule plays a unique role in improving the quality of institutions low-income and minority students frequently access. However, all institutions that receive Title IV funding also have a responsibility to ensure a minimum threshold for the students they do enroll. The federal government should hold all institutions accountable for student success, while also maintaining access.

We urge policymakers to create minimum thresholds of accountability, including both an access metric and floors for the percent of an institution's students that earn a degree and are able to repay their loans. Borrowers, with debt and no degree—many of whom are students of color—are most vulnerable and should be included for accountability purposes. Further exploration of such an institutional accountability framework is needed, but having multiple metrics and recognition of different inputs that lead to unique student bodies must be considered.

*Problem: Attainment/success gap has grown unacceptably wide*

### **SOLUTION 4F** | *Further Evaluate Student Support Services, Scale what works*

Student Support Services (SSS) is a system of competitive grants funding programs that provide academic tutoring, advice and assistance in postsecondary course selection, and information and assistance with financial aid.<sup>105</sup> These programs aim to improve persistence and completion for participating students. In addition to targeting low-income and first-generation students, SSS programs disproportionately serve African American and Latinx students, and are disproportionately located in Historically Black Colleges and Universities and Hispanic-Serving Institutions.<sup>106</sup>

Some evidence suggests that participation in SSS is associated with positive outcomes such as higher grade point average, retention, and degree attainment, and that specific SSS services such home-based programs, blended programs, peer tutoring, and services for students with disabilities were most impactful.<sup>107</sup> However, just under 200,000 students participate in SSS programs each year.<sup>108</sup> This represents less than 3 percent of all low-income students receiving a Pell grant.<sup>109</sup>

Policymakers should explore investments in additional research and evaluation for these kinds of programs, including potential complications created by complicated eligibility requirements,<sup>110</sup> and scale what works.

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105 U.S. Department of Education, "Student Support Services Program", accessed February 14, 2017, <https://www2.ed.gov/programs/triostudsupp/index.html>

106 U.S. Department of Education, "Fast Facts Report for the Student Support Services Program", Tables 7-8, accessed February 14, 2017, <https://www2.ed.gov/programs/triostudsupp/sss-fastfacts2016.pdf>

107 U.S. Department of Education, "National Evaluation of Student Support Services: Examination of Student Outcomes After Six Years", accessed February 15, 2017, <https://www2.ed.gov/rschstat/eval/highered/student-support/final-report.pdf>

108 U.S. Department of Education, "Fast Facts Report for the Student Support Services Program", Table 2, accessed February 14, 2017, <https://www2.ed.gov/programs/triostudsupp/sss-fastfacts2016.pdf>.

109 See College Board's estimates of 7.6 million Pell recipients: <https://trends.collegeboard.org/student-aid/figures-tables/pell-grants-total-expenditures-maximum-and-average-grant-and-number-recipients-over-time>

110 U.S. Department of Education, "Student Support Services Program: Eligibility", accessed February 14, 2017, <https://www2.ed.gov/programs/triostudsupp/eligibility.html>

## REPAYMENT AND OTHER OUTCOMES

The core ethos of this paper relies on the conviction of education's ability to help close socio-economic gaps between racial groups.<sup>111</sup> Students attend college for many reasons, but a significant majority of students pursue education for increased job prospects and economic mobility.<sup>112</sup> While education is more than just a means to an economic end, researchers and policymakers would be mistaken to stop measuring equity gaps in higher education once students leave college. Indeed, the debt that low-income students of color rely on to finance their educations exposes them to significant financial risk. That is why it is imperative that we also explore post-college outcomes, particularly inequities in student loan repayment. The hundreds of dollars allocated to loan repayment each month impact individuals' ability to build short-term savings and invest in long-term retirement, not to mention pursue further education, save for homeownership, or build assets and wealth to transfer to the next generation.<sup>113</sup> In other words, inequities in loan repayment exasperate other inequities in financial security and economic inequality.

### PROBLEM 5 | *Disparities in repayment*

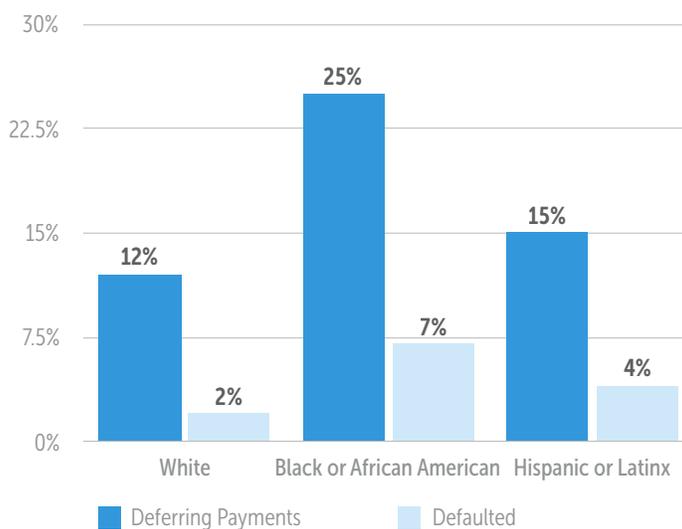
Solution 5a: **Simplify repayment plans**

Solution 5b: **Redesign repayment interfaces**

Solution 5c: **Improve data collection and use**

Students of color are more likely to struggle repaying their loans (Figure 4.1). These disparities likely stem from the wealth and income disparities identified earlier in this paper but also that low-income students of color are more likely to take out debt but not graduate.<sup>114</sup> These disparities in repayment matter, because they threaten to exacerbate existing socio-economic disparities and recurring inequities. Taking out debt inherently carries financial risk, but student debt comes with fewer protections and higher stakes than other forms of debt. Unlike other types of debt, student loans cannot be discharged through bankruptcy. For defaulters, the entire balance of the loan becomes due, the debt is reported to

**Figure 4.1 Repayment Troubles Four-Years After Graduation (Bachelor's Holders)**



Young Invincibles' analysis 2008-12 Baccalaureate and Beyond Longitudinal Study

111 For more research and analysis on this point, see Rory O'Sullivan, Konrad Mugglestone, and Tom Allison, *Closing the Race Gap*, (Washington, DC: Young Invincibles, 2014), <http://younginvincibles.org/promotion/closing-the-race-gap/>.

112 Rachel Fishman, *College Decisions Survey: Deciding to go College*, (Washington, DC: New America, May 2015), <https://www.newamerica.org/education-policy/edcentral/collegedecisions/>.

113 Tom Allison, *Financial Health of Young America: Measuring Declines between Baby Boomers & Millennials* (Washington DC, Young Invincibles, 2017), <http://younginvincibles.org/wp-content/uploads/2017/01/FHYA-Final2017-1.pdf>.

114 Mark Huesman, *The Debt Divide*, (Washington, DC: Demos, 2015), 15, [http://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20\(SF\).pdf](http://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20(SF).pdf).

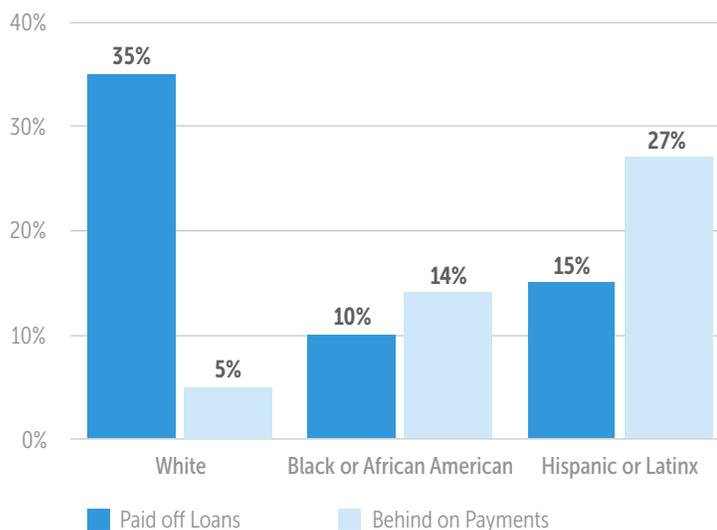
a collection agency, severely damaging the borrowers' credit, and borrowers risk losing federal tax refunds and having their wages garnished.<sup>115</sup>

Four years after graduating with a bachelor's degree, Latinx students are twice as likely to have defaulted on their loans, while African American students are three and a half times more likely. Students of color are also more likely to have payments deferred than their white peers (Figure 4.1). In addition to struggling to repay, African American students also see their average debt load more than tripling four years after graduating with a bachelor's degree, due to interest accrual and additional borrowing.<sup>116</sup>

Research shows that even amongst the college educated, African American graduates have more difficulty finding jobs than their white counterparts. Four years after graduating, black graduates from the class of 2008 were employed at rates ten points lower than their white counterparts four years after graduating. This is particularly disturbing considering the class of 1993 displayed no such employment gaps.<sup>117</sup>

Research conducted by the Federal Reserve Board of Governors found similar trends (Figure 4.2). In a survey of over 5,000 respondents, white families were much more likely to have already paid off their loans at the time of the survey, while African American families were nearly three times as likely to be behind on payments, and Latinx families were over five times more likely to be behind.<sup>118</sup>

**Figure 4.2 Students of Color More Likely to Struggle to Repay Their Loans**



Federal Reserve Board of Governor's Economic Well-Being of U.S. Households in 2015

*Problem: Disparities in repayment*

### **SOLUTION 5A | Simplify Repayment Plans**

Of the millions of borrowers repaying their loans, about one-quarter have enrolled into income-based plans.<sup>119</sup> However, the complexity of the system is still a common complaint among borrowers, and there have been a variety of plans and proposals designed to simplify that process. And as noted above, students of color are more likely to

115 U.S. Department of Education, "What Are the Consequences of Default", <https://studentaid.ed.gov/sa/repay-loans/default#consequences>.

116 Judith Scott-Claton and Jing Li, Black-white disparity in student loan debt more than triples after graduation, (Washington, DC: Brookings, 2016), 1, [https://www.brookings.edu/wp-content/uploads/2016/10/es\\_20161020\\_scott-clayton\\_evidence\\_speaks1.pdf](https://www.brookings.edu/wp-content/uploads/2016/10/es_20161020_scott-clayton_evidence_speaks1.pdf).

117 Ibid, 5.

118 Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2015," November 2016, <https://www.federalreserve.gov/econresdata/2016-economic-well-being-of-us-households-in-2015-education-debt-student-loans.htm>.

119 Government Accountability Office, FEDERAL STUDENT LOANS Education Needs to Improve Its Income Driven Repayment Plan Budget Estimates (Washington DC: 2016), 9, <http://www.gao.gov/assets/690/681064.pdf>.

borrow in the first place, and struggle to repay their loans. The current system offers nine different repayment plans that are contingent on borrowers' income; that is eight too many. Congress should simplify the system into two plans, one with the typical amortization, and one where payments are based on income. Readers interested in more details should review Young Invincibles' report *Automatic for the Borrower*.

This should make the system much more accessible to low-income borrowers of color, who are more likely to be at-risk borrowers, to pick a plan that is best for them. The subsequent peace-of-mind, and reduced monthly payments, should make it easier for disadvantaged students to build short-term savings, begin saving for retirement, and generally accrue assets, hopefully closing other equity gaps in the long run.

*Problem: Disparities in repayment*

### **SOLUTION 5B** | *Redesign Repayment Interfaces*

Currently, borrowers interact with their servicers to enroll in their repayment plans, with income-driven plans requiring a separate application from the federal government. This causes confusion for the user, potentially keeping at-risk borrowers from enrolling in the plan that's best for them.

We also know that African Americans and Latinx individuals, as well as low-income Americans generally, disproportionately rely on their smartphone for online access.<sup>120</sup> Complicated forms and interfaces that don't load or display properly on a mobile device could inhibit these populations from accessing and navigating their repayment options.

The Department of Education recently released a Request for Proposal to centralize borrowers' experiences navigating the repayment system. This redesigned system has the potential to reduce confusion for the borrower by allowing borrowers to log into a single web portal to access information, make payments, apply for benefits, and manage their account.<sup>121</sup> While the proposal process develops, we encourage developers and the Department of Education to review proposals for their mobile compatibility. Ensuring the new interface is accessible and easy to use, particularly for low-income and populations of color that rely on mobile technology, could lower the rate of distressed borrowers.

*Problem: Disparities in repayment*

### **SOLUTION 5C** | *Improve data collection and use*

Unfortunately, current data collections prohibit researchers and policymakers from fully understanding the challenges faced by different groups of borrowers. The primary reason for this is the Student Unit Record Ban, a single paragraph in the 2008 reauthorization of the Higher Education Opportunity Act preventing the Department of Education from collecting and using student level data.<sup>122</sup> The disparities in repayment identified above stem from representative surveys, whose results can not be further disaggregated by institutions or other cohorts due to sampling error. Furthermore, the Department conducts these surveys intermittently, barring us from identifying more recent trends.

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120 Aaron Smith, "U.S. Smartphone Use in 2015," Pew Research Center, April 1, 2015, <http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/>.

121 U.S. Department of Education, "U.S. Department of Education Announces Requirements for New Federal Loan Servicing System", October 26, 2016, <https://www.ed.gov/news/press-releases/us-department-education-announces-requirements-new-federal-loan-servicing-system>.

122 20 USC 1015c., 'Higher Education Opportunity Act, 'SEC. 134. DATABASE OF STUDENT INFORMATION PROHIBITED, (2008) <https://www.gpo.gov/fdsys/pkg/PLAW-110publ315/pdf/PLAW-110publ315.pdf>.

Advocates have called for the Office of Federal Student Aid to improve how they track racial and ethnic disparities in loan repayment. We recommend the Department accomplish this through taking advantage of their relationship with loan servicers, who are on the front lines of the loan repayment system and could provide more data and analysis on racial and ethnic disparities. Another, more direct approach would be to collect race and ethnicity on the FAFSA form itself.<sup>123</sup> With that information, the Department could use the National Student Loan Data System, the central database of the federal student loan portfolio, to identify disparities in loan repayment.

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<sup>123</sup> National Consumer Law Center, Letter to Hon. John B King, Secretary of Education, <http://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/ltr-sec-king-race-student-debt.pdf>.



### CONCLUSION

We are not so naive as to believe this agenda will solve our nation's racial and ethnic inequities in higher education, let alone those in society and economy at large. America suffers from the legacies of centuries of racial oppression, violence, and discrimination; healing these historical wounds will take time and immense effort. However, given education's demonstrated relationship with socio-economic mobility, improving opportunities for disadvantaged students is a legitimate place to start the healing process.

We hope this report clearly defines the challenges facing America's low-income and African American and Latinx students. Broadly, we know that low-income students of color disproportionately enroll in institutions with less resources and poorer outcomes, come to the table themselves with fewer resources, earn degrees at lower rates, and experience more difficulty repaying their loans compared to their white counterparts. These are the facts. Accepting them is the first step to improving the equity in higher education.

Tailored and targeted solutions to address these deficits is the next step. This report lays out a robust policy agenda to protect students from predatory and failing schools, bolster financial aid to do more for more students, holistically support students deal with the challenges of modern life, and redesign our student loan system to make it easier to repay.

We urge the nation's federal policymakers to address these issues head on to build a more equitable higher education system.