



Perceptions of College Financial Aid Among California Latino Youth

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EXECUTIVE SUMMARY

The Tomás Rivera Policy Institute (TRPI) survey* of California Latino youth perceptions of college financial aid reveals:

- Ninety-eight percent of respondents felt it was important to have a college education;
- Thirty-eight percent of respondents did not feel the benefits of college outweigh the costs;
- Not being able to work and incurring debt were the opportunity costs associated with going to college;
- Over half of all respondents erroneously thought students have to be U.S. citizens to apply for college financial aid;
- Few respondents could accurately estimate the cost of attending either the University of California or the California State University; and
- There is a lack of familiarity with government grants for education.

Policy Implications

1. Delivery of Translated Financial Aid Information is not Sufficient

The Spanish-language translation of financial aid information for Latino communities should not presume knowledge of U.S. financial aid concepts such as government guaranteed loans, grants and scholarships. Thus, basic college financial aid literacy in English and Spanish should be the base point of any college financial aid educational efforts.

2. Misperceptions About the Affordability of College Need to be Addressed

Unless youth are accurately informed of the intrinsic and tangible benefits of a college education, the opportunity costs will seem to far outweigh the benefits that a college degree can provide them. Correcting the corresponding misperceptions of college costs can be accomplished through mass communication and public education campaigns.

3. Greater Awareness about Government Loan and Grant Programs is Needed

Not enough young Latinos are taking advantage of the benefits of Cal Grants and Pell Grants and few know that the federal government offers educational loans and grants. In addition to increasing awareness of such programs, financial aid campaigns should directly address the misinformation that exists among Latino college-age youth regarding the significance of legal residency status vs. U.S. citizenship, particularly as it relates to their parents.

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INTRODUCTION

This report contributes to the quest for understanding how Latino students and parents approach decisions, challenges, and opportunities regarding college. A student's path to college is a long and winding road influenced by multiple factors and actors; and prohibitive college costs are a potential obstacle facing today's youth. Financial aid is then critical to a student's consideration to go to college.

However, college financial aid is often perceived to be a last step in the process of going to college, a clerical item on a checklist of things to do at the end of high school, before enrolling in college. We argue that perceptions of costs can color a student's aspirations and plans for college, even before high school. Perceptions of nominal and real costs of college can influence students' decisions about the type of college to attend. Given the increasing real costs of college, it is probable that youth from low and moderate income families, with little information on college financing opportunities, are prematurely discouraged from attending college or attending the college of their choice.

The findings presented in this report contribute to our understanding of how one particular group, Latino youth in California, perceive benefits and costs of college. In previous research, TRPI has established that Latino students and parents know very little about the process of preparing, applying, and paying for college. Through a statewide survey of Latino youth in California, this study investigates perceptions of college costs (actual and opportunity costs), benefits, and perceptions of access to financial aid. By understanding how Latino youth perceive college costs, institutions and policy makers can best target information campaigns, address misperceptions of college affordability, and make college attainable to families.

This study's focus on Latinos in California is purposeful. Almost one of every three Latinos in the nation lives in California and Latinos are especially underrepresented in college.¹ Latinos in California are also diverse in ancestry, immigration status, and socioeconomic status. Thus, the results of this study are relevant to other states with large and varied Latino student populations.

BACKGROUND

Educational policy analysis has long been a mainstay of TRPI's research agenda. Over the years, TRPI's research and recommendations have produced striking results.

Most recently, the Institute has engaged in several studies exploring Latino parents and youths' perceptions of college admissions and financial aid information. The Institute's nationally recognized report, *College Knowledge: What Latino Parents Need to Know and Why They Don't Know It*, set the stage for a mayoral initiative in Los Angeles to organize a citywide "Cash for College" program to assist Latino

and other minority parents in the completion of financial aid forms. Since 2002, over 50,000 Los Angeles County students participated in the campaign.

One of the most striking findings in the *College Knowledge* report indicated that 96 percent of Latino parents want their children to attend college. However, few Latino parents neither knew how the higher education system works nor the steps needed to prepare their children for college.

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In other words, Latino parents had high educational expectations but did not know how to support, facilitate and thus ensure that their children would be prepared to apply and be admitted to college.

As a follow-up to the *College Knowledge* study, The Sallie Mae Fund commissioned TRPI to undertake the largest national survey of Latino parents and young adults' college financial assistance knowledge. The results of that 2004 study were released in a presentation titled, *Caught in the Financial Aid Divide: A National Survey of Latino Perspectives on College Financial Aid*. The results found that about three-fourths of young adults not currently in college would have been more likely to attend college if they were exposed to better information about financial aid. Further, more than half of all Latino parents and 43 percent of Latino young adults could not name a single source of financial aid. Finally, more than 75 percent

of Latino parents did not receive any financial aid information before their children left high school.

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Based on this body of research, The Sallie Mae Fund launched a twenty-two city tour in 2004, promoting *College Knowledge* in Latino neighborhoods that reached

more than 20,000 Latino youth. Building on this success, the bus tour has expanded with a coast-to-coast route with stops at more than 70 cities nationwide.

California, in particular, presents challenges and opportunities to increase college achievement among one of the largest Latino youth populations. Attentive to the educa-

¹ Guzman, B. (2001). The Hispanic Population. Census 2000 Brief.

tional needs of Latinos, The Sallie Mae Fund has undertaken various projects to address the educational conditions of Latinos in California. The Sallie Mae Fund's interest in investing in college knowledge dissemination opportunities in California brings us to the present study of California Latino youth and their perceptions of college financial aid and college costs.

STUDY OBJECTIVES

As indicated, previous TRPI studies have established that Latino youth and parents believe that a college education is important, yet low college achievement rates persist among this group. Further, a recent study posed the hypothesis that the reason Latino males may not be going to college at similar rates as Latinas is because the wage premium associated with a college education is marginally different.² These two findings posit questions on how youth engage in a cost-benefit analysis of college. The question of how Latino youth perceive costs and opportunities associated with a college education combined with perceptions of costs and financial aid is explored in this study.

In this study, TRPI provides an in-depth examination of California's Latino youth (ages 18-24) and their attitudes regarding, as well as their experience with, the following college financing issues:

■ Perceptions of College Costs at Different Institutional Levels

For example, do Latino youth feel that public or private institutions are beyond their means? What are their perceptions of financial costs at the different types of institutions? Understanding youth's perceptions of costs associated with going to college will help further define information campaigns that specifically address student's concerns about financial aid.

■ Perception of Access to Financial Aid

Do Latino youth understand who has access to government-subsidized financial aid? Are there misperceptions about applying or eligibility for financial aid? In-depth questions on financial aid information will directly inform future college financial aid dissemination campaigns.

■ Perceptions of Benefits and Opportunity Costs Associated with College Attendance

What are the actual benefits that young Latino adults see as the result of a college education? Conversely to the above point, what are the opportunity and hardship costs associated with attending higher education institutions? Are these benefits or costs conceived in concrete terms, e.g., salary differentials? Or, are benefits seen in more general terms, e.g., personal development?

■ Knowledge of Cal Grants, Pell Grants and Loan Instruments

How do young Latinos perceive grant programs in general, and specifically, the Cal Grants³ and federal Pell Grants⁴ programs? Frequently, there are reports of Cal Grants underutilization—less than 30 percent participation—in California.⁵ Given the geographic focus of this study, this survey provides an opportunity to assess if Latino youth are sufficiently familiar with Cal Grants and/or if there is difficulty in the completion of the required forms. Regarding educational loans, other research indicates that Latino parents have expressed concerns and apprehension towards loans.⁶ However, we do not know if Latino youth have different attitudes towards loan instruments.

SAMPLE DESCRIPTION

A 15-minute survey was administered to 400, 18-24 year-old Latino youth in California. The interviews were conducted in Spanish, English, or both—depending on the respondent's preference. Interviews consisted of approximately 35 close-ended questions.

The respondents were randomly selected from a targeted list of known Latino households with 18-24 year old residents. The sample targeted 200 respondents who had never gone to college and 200 respondents who had attended a post-secondary institution. For analysis, the sample was weighted to reflect an even distribution of males and females and actual proportions of respondents who were not in nor had graduated from college (75 percent). The margin of error is +/-5 percent.

² Perna, L. W. (2005). The benefits of higher education: Sex, racial/ethnic, and socioeconomic group differences. *The Review of Higher Education* 29 (1), 23-52.

³ Cal Grant awards are state funded monetary grants that are given to students to help them pay for their college expenses. The awards do not need to be paid back. For more details about the Cal Grant's eligibility and application requirements, see the California Student Aid Commission at <http://www.csac.ca.gov/doc.asp?ID=20>.

⁴ Pell Grants are considered the foundation of federal student aid, to which aid from other federal and non-federal sources might be added. Pell Grants are generally only awarded to undergraduate students. If a student is eligible for a Pell Grant, then they will receive the full amount that they qualify for. For further information regarding the application and qualification requirements, see the U.S. Department of Education's The Student Guide: Financial Aid from the U.S. Department of Education at http://studentaid.ed.gov/students/attachments/sitesources/Stud_guide.pdf.

⁵ Peabody, Z. (2001, September 26). Cal Grant Scholarship Program Falls Short of Goal; College: County counselors say many eligible students didn't get financial aid because of confusing application. *Los Angeles Times*, B1

⁶ Santiago, D.A & Cunningham, A.F. (2005) How Latinos pay for College. Report issued by Excelencia in Education, Institute of Higher Education Policy.

Eighty-three percent of the respondents were U.S. born. Seventy-two percent of the respondents had at least one foreign-born parent. The median household pre-tax income was between \$25,000 and \$35,000. In general, respondents currently or formerly enrolled in college reported household

Thirty-eight percent of the respondents did not feel that the benefits of college outweigh the costs of college

in the U.S., with one exception. Seventy-nine percent of the respondents had completed high school and by all accounts this is higher than all figures commonly quoted for the state of California. This figure approximates national estimates of U.S.-born Latino youth high school completion rates but it is inconsistent with state-wide measurements. This sample is slightly skewed towards high school completers and thus makes financial aid knowledge all the more relevant given that high school completion is not necessarily a barrier to respondents' college aspirations.

FINDINGS

Costs and Benefits of Attending College

Nearly all respondents (98 percent) felt that it is important to have a college education in order to be successful in today's world. This finding resonates with the results of past surveys where parents and students were posed the same question (see TRPI *College Knowledge* report). The importance

Not being able to work and incurring debt were the most frequently cited costs associated with attending college

of a college education confirms that Latino parents and students overall appreciate a college education as a means to be successful in today's world. But further probing is needed to understand decision-making that leads to a particular behavior. Therefore, in this study we intended to understand how Latino youth engage in the calculus of their college options. Thirty-eight percent of the respondents did not feel that the benefits of college outweigh the costs of college. Higher earning potential and satisfaction were the most frequently mentioned benefits of college. In contrast, not being able to work and incurring debt were the most frequently cited costs associated with attending college.

Some have suggested that one of the reasons why fewer Latinos go to college than Latinas is that job prospects for

incomes in the higher income brackets (over \$35,000) and their parents were more likely to own a home (70 percent).

The demographic characteristics of the sample indicate that the sample is representative of the Latino youth population

males without a college degree are better than for females without a college degree. This cost-benefit hypothesis was also surveyed. In our results, similar proportions of female and male respondents concurred with this hypothesis (41 percent). Slightly more college students (44 percent) agreed with the hypothesis than non-college respondents (40 percent). These results are inconclusive and may need additional open-ended questioning to capture respondents opinions.

Access to Financial Aid

For many respondents, financial aid played a role in determining if they went to college or what type of college they attended. Seventy-five percent of respondents that never attended college and 85 percent of respondents that attended college reported that financial aid was an important factor in their considerations of college. Moreover, 63 percent of respondents in college or who had graduated from college agreed that financial aid was an important factor in deciding which college to attend. When financial aid plays such a

critical role in the decision-making process of going to college, perceived barriers to financial aid may prevent consideration of certain college options.

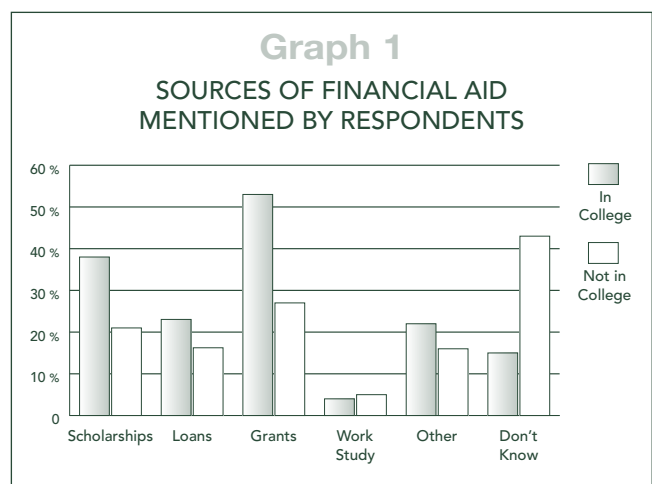
Over half of all respondents erroneously thought students have to be U.S. citizens to apply for financial aid for college

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As shown in Graph 1, it becomes apparent that the respondents' college status influenced the sources of financial aid they are familiar with.

College students were most familiar with grants and scholarships as a source of financial aid, whereas most non-college respondents could not name a source of financial aid.

Given the mixed immigration status represented in this survey, it was important to query perceptions of immigration status and its impact on financial aid eligibility. Over half of all respondents erroneously thought students have to be



U.S. citizens to apply for financial aid for college. In reality, foreign-born students who are also permanent residents are also eligible. There were no differences in opinion between respondents who were U.S.-born and those that were not. Fewer respondents misunderstand parental citizenship requirements for financial aid eligibility. Nonetheless, 1 in 4 respondents believes parents need to be U.S. citizens in order for students to apply for college financial aid.

Perceptions of Costs

Few respondents could accurately estimate the cost of attending a University of California (UC) (17 percent) and California State University (CSU) (14 percent) campus.

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Most respondents over-estimated the costs of attending UC and CSU campuses. Many more respondents (47 percent) could accurately predict the cost of attending a community college. This may be due to the fact that half of the respondents who were in college were community college students.

Respondents who had never attended college were less likely to accurately estimate college costs or could not provide a cost estimate.

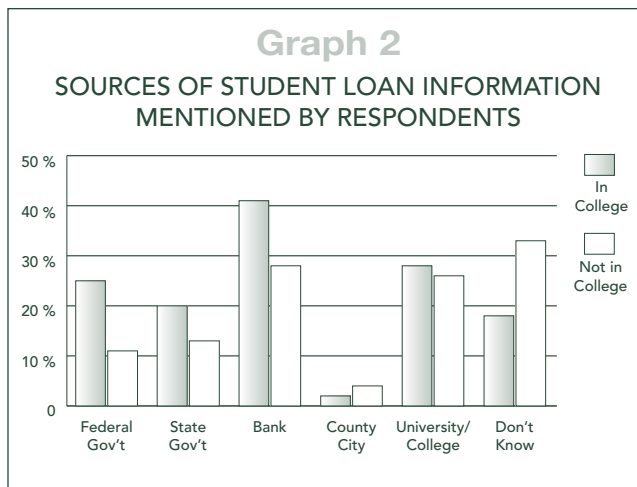
Approaches to Loans and Debt

As discussed earlier, incurring debt is a heavily weighed cost of attending college. In further questioning perceptions of educational debt, we observed reticence in incurring debt for college in the following items:

- Forty-one percent of respondents would take out a loan for college; 31 percent were not sure.
- Thirty-five percent of respondents said their parents would take out a loan to pay for students' college expenses; 25 percent said it would depend on their grades and choice of major.
- Sixty percent of the respondents' parents own a home but only half of them thought their parents would mortgage the home to pay for college.
- Only 17 percent of college students financed their college education with loans.

Respondents' tepid response to incurring debt for college may in part be due to unfamiliarity with loans as a college financing instrument. This is apparent across several measurements:

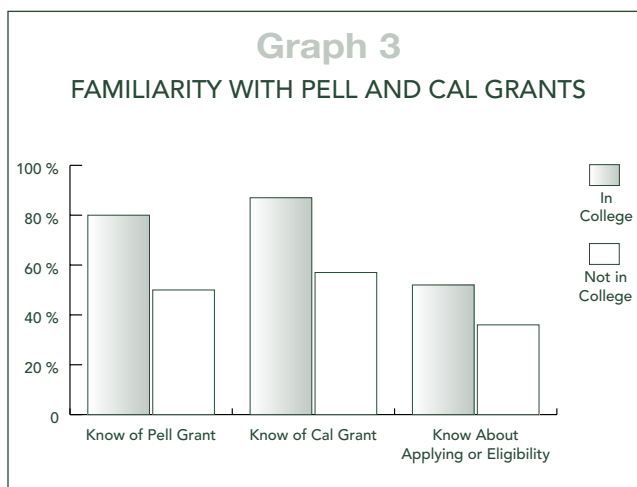
- Only 18 percent of the respondents mentioned loans as a source of financial aid for college.
- Twenty-four percent said good grades were important to apply for a loan.
- Thirty percent would go to a commercial bank to take out a loan for college instead of a government loan program (see Graph 2).



Knowledge of Grants

There is also unfamiliarity with government-subsidized grants (see Graph 3). Eighty percent of college students had heard of the federal Pell Grant compared to 49 percent of respondents who had never been to college. Eighty-five percent of college students had heard of the Cal Grant, compared to 55 percent respondents who had never been to college. It should be emphasized that most Latino immigrants do not have analogous grant programs in their home countries. While the concepts of loans and scholarships are familiar terms and readily translated into Spanish (respectively “*préstamo*” and “*beca*”), the word grant has no such ready translation. Depending on the region or the country of origin, grant is translated into “*subvención*,” “*donación*,” or “*regalamiento*.” It should not be surprising therefore that close to half (49 percent) of respondents who had never been to college were unfamiliar with the various grant programs as opposed to 4 out of 5 respondents who were in college or had graduated from college (80 percent).

Only 41 percent of all respondents felt they knew the eligibility requirements to apply to either a Pell Grant or Cal Grant. In this case, college students also reported being more familiar with application and eligibility requirements (54 percent), compared to respondents who had never been



to college (34 percent). However, only 40 percent of students in college actually applied for a Cal Grant and only 30 percent were using grants to finance their college education. The low rates of Cal Grant application may, in part, be due to the fact that 39 percent of all respondents thought grades were important to apply for grants when in fact, most grant awards do not rely on academic merit to the extent that scholarships typically do.

The responses to knowledge about grants indicate that grant programs may be underutilized if the majority college students are not applying for the grants. Given the skew in this sample toward the lower-end household income, we are confident that non-eligibility is not the sole reason why most college students do not apply for a Cal Grant.

Filling out the FAFSA

The Free Application For Free Student Aid (FAFSA) is another process that is a decisive step in securing financial aid for college. Virtually all need-based aid requires that students fill out the FAFSA form before colleges can dispense financial aid. About half of all respondents who had previously filled out the FAFSA thought it was difficult to fill out the form (51 percent). What was most relevant to this particular group of respondents was the fact that, for those who had previously submitted a FAFSA form, only 17 percent of respondents reported that their parents ALONE filled out the form. For most of the respondents, both parents AND respondents filled out the FAFSA together. These findings indicate that students self-initiate and take a leadership role in applying for financial aid and calls into question financial aid counseling models that target parents only.

CONCLUSION

The findings of this survey conclude that considerations to go to college have economic dimensions: current and expected economic situations are taken into account in respondents assessments of the benefits of college. Financial aid is intended to absorb a family's or individual's additional economic cost associated with going to college. In such a model, the existing economic burden faced daily by working class families and individuals, before college costs are even considered, are not included in financial aid calculations. For example, a working-class student enrolling in college has to consider not only tuition, room and board costs but also forgone wages and contribution to the household. In other words, students' and families' considerations of college costs include more than the nominal price of going to college. Opportunity costs and household economic contribution are not currently considered in financial aid disbursement formulas.

Respondents' comprehensive approaches to considerations of college costs are confounded with misperceptions of nominal college costs. Financial aid is intended to bridge the difference between actual college costs and personal contribution. When costs are miscalculated, by default,

financial aid need is also misjudged. Overestimations of actual costs, coupled with mixed messages about access to financial aid, means that students may perceive a college education as unaffordable and inaccessible.

This study provided more nuanced information on the misperceptions and misinformation about college financial aid. There exists accentuated knowledge gaps of costs, grants, and loans associated with financing college. There are also misperceptions of financial aid access and college costs, coupled with very real opportunity costs associated with attending college. The misinformation and misperceptions identified by this study allow us to conclude that financial aid may be contributing to a miscalculation of the costs and benefits associated with attending college.

POLICY IMPLICATIONS AND SOLUTIONS

A high number of qualified, potential Latino college students will continue to miss out on the opportunity to pursue higher education due to misinformation and misperceptions about financial aid eligibility and college costs. Unless action is taken to address these issues, the existing low trend of college achievement among Latinos will remain unchanged.

- 1 Unless youth are accurately informed on the intrinsic and tangible benefits of a college education, the opportunity costs will seem to far outweigh the benefits that a college degree can provide them. Discourse on college benefits need to acknowledge the less tangible, but real, social status differences that exist between the college-educated and the non-college educated.
- 2 Latinos will continue to be underrepresented in higher education institutions because Latino students may perceive that college costs are higher than they truly are. Correcting perceptions of college costs can be accomplished through mass communication and education campaigns. Without openly addressing nominal college costs, misinformation about the costs of attending college may lead students to not consider college.
- 3 Not enough Latinos are taking advantage of the benefits of Cal Grants and Pell Grants and few know that the federal government offers education loans and grants for college. Without full knowledge about these types of financial aid, many Latino students inadvertently forfeit their opportunity to attend a college or university. In this scenario, government agencies and schools must adopt new strategies to disseminate information about these opportunities. Such strategies can involve mass communication campaigns or individual student communication at the schools.
- 4 Translation of financial aid information should not presume knowledge of U.S. financial aid concepts such as government guaranteed loans, grants and scholar-

ships. Basic college financial aid literacy in English and Spanish should be the basis of any college financial aid information effort.

- 5 Financial aid campaigns should directly address the misinformation that exists among Latino college-age youth on the significance of legal residency status vs. U.S. citizenship, particularly as it relates to their parents.
- 6 Although it may be the case that parents take an advisory role, it appears that most Latino students take a leading role in applying for financial aid. This is contrary to the general impression that assigns all aspects of college-financing roles to parents. Financial aid application procedures and information dissemination should account for the unique ways that financial aid application roles are distributed in Latino families.
- 7 It becomes apparent in this study that for Latino youth, college costs amount to more than the cost of tuition and living expenses. For many of the respondents, college costs include forgone salaries that contribute to the household. Federal and state financial aid calculation formulas need to account for the economic conditions faced by all students and their families.

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Gratefully,

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TRPI Mission Statement

Founded in 1985, The Tomás Rivera Policy Institute advances critical, insightful thinking on key issues affecting Latino communities through objective, policy-relevant research, and its implications, for the betterment of the nation.

CLEE Mission Statement

The Center for Latino Educational Excellence (CLEE) was established as a major initiative of the Tomás Rivera Policy Institute (TRPI) in the spring of 2002. The long-term mission of CLEE is to improve educational attainment and achievement in Latino communities across the United States through the development of policy research that can provide guidance for Latino leadership across public, non-profit, and private sectors on how to improve the current systems of education that are, on many levels, failing Latino youth and adults.

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