An Exploration into the Role of Social Trust As a Mediating Influence in Low-Income Latino/a College Financing Decisions

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Introduction

In the last forty years, federal and state financial aid policy has fundamentally shifted the way in which students and families finance college costs. Whereas grants once served an important function in equalizing college opportunity, loans are now considered a key lever against escalating postsecondary costs (McPherson and Shapiro, 1998). This reliance on loans as an essential aid tool makes the problem of debt aversion among low income people of color a critical challenge to postsecondary opportunity (McPherson and Shapiro, 1998; Kane, 1999; St. John, 2001; Hearn, 2001; Paulsen and St. John, 2002; Redd, 2004). Indeed, marked disparities in loan assumption rates across socioeconomic, race, and ethnic groupings have created a seemingly intractable financial barrier to postsecondary access for those most in need (Burdman, 2005).

Latinos/as, in particular, have been the most reticent about postsecondary borrowing among all racial/ethnic groups (Cunningham and Santiago, 2008). Therefore, it comes as no surprise that, as a group, they are less likely than their white counterparts to enroll in full-time two- and 4-year programs, more likely to defer their postsecondary aspirations, and enroll in lower cost (and correspondingly less prestigious) schools at much higher rates (Pew Hispanic Center, 2008; Burdman, 2005; Tomas Rivera Policy Institute, 2005).

This pattern of Latino/a loan resistance has been further evidenced in large-scale studies on student borrowing. Baum and O'Malley (2003), for instance, found that Latinos/as were more likely than other racial or ethnic subpopulations to indicate a fear of debt as cause for limiting their choice of educational institutions. In another recent study of four hundred 18-24 year old Latino/a youth, it was noted that only 17 percent of those surveyed used loans to finance their education, whereas 30 percent relied solely on grants. Likewise, 80% of Latino parents and 74% of college-age Latinos did not cite loans as possible sources of financial aid (TRPI, 2006).

Given current trends in financial aid policy, the presumption is that postsecondary loans will be an important tool in countering the escalating cost of college for the foreseeable future (McPherson and Schapiro, 1998; De La Rosa, 2006). “Loan aversion,” on the other hand, has served as conceptual shorthand for the resistance of low-income students of color to assume debt in order to finance college. Many rationales have been offered for why this is the case, including cultural stigma around loans (St. John, 2001; De La Rosa, 2006; McDonough and Calderone, 2006), imperfect financial aid information (Redd, 2004; Perna, 2006), as well as locus of control concerns among low-income students and their families (Trent, Lee, and Owens-Nicholson, 2006).

This qualitative study builds upon a burgeoning body of work that focuses on the sociocultural understandings of college financing, affordability, and debt (McDonough, and Calderone, 2006; Luna De La Rosa, 2006; Vanegas, 2006; Vanegas and Tierney, 2006). This sociocultural approach emphasizes the variability of culture, social ties, and individual meaning applied to the ways in which individuals think about and construct meaning around money decisions. This qualitative study extends this sociocultural discussion to include the role of “social trust,” defined as the capacity to place trust in the bureaucratic “other,” as well as a focus on how low-income Latino/a students think about borrowing and debt. Just as research on consumption has long held trust to be a mitigating factor in purchasing deliberations, so too should it be considered in the context of college financing decisions. To this end, our study focuses on the loan and borrowing perceptions of 112 Latino/a high school juniors and seniors and 48 Latino parents and their concerns related to, among other things, college costs, financial aid, loans, and perceived risk. Our preliminary findings suggest that social trust does, in fact, play an important role in how these students and parents think about postsecondary borrowing, how they internalize information received from various sources, and the impact of trust levels on projected borrowing behaviors. To this end, this study suggests that postsecondary borrowing (and aversion) should be conceived, in part, as a nuanced expression of generalized social trust and threshold for assumed risk.

Literature Review

The continued importance of loans to the financing of college costs makes the question of debt and debt aversion among low income, people of color a critical concern (McPherson and Shapiro, 1998; Kane, 1999; St. John, 2001; Hearn, 2001; Paulsen and St. John, 2002; Redd, 2004). Given current trends in financial aid policy, the presumption remains that families will use loans as leverage against the escalating cost of college (McPherson and Schapiro, 1998; De La Rosa, 2006). Indeed, the Project on Student Debt (2007) recently reported that members of the class of 2006 graduated with 8% more debt than their predecessors, while facing a mere 4% increase in starting salaries directly out of college. Given the combination of rising costs, leveled salaries among middle and low-income families, and decreasing grant money available at the state and federal levels, college affordability has now become nearly synonymous with individual debt tolerance.

Prior research on loan usage by underrepresented populations indicates that, when confronted with escalating college costs, Latino/as and African Americans, in particular, take out far fewer loans than their white, middle and upper class counterparts (Paulsen and St.John, 2002; Redd, 2004; Perna 1996, 1996a). For instance, findings from the National Postsecondary Student Aid Survey (NPSAS) (2004) found that Latino/a and African American students were the least likely to accept loans in any form.

Based on previous financial aid research, grants have generally had a more positive effect on low-income enrollment than loans. This trend has led some to speculate that underrepresented students, particularly Latinos, are loan averse (Burdman, 2005, Kim, 2004). Researchers suggest that low-income, first generation students often forgo the use of loans to pay for college for fear that they will be burdened with debt. Within the literature, there is evidence to support this notion. Burdman (2005) argued that students whose parents have less education are less likely to use loans to pay for college than students whose parents have college or graduate degrees. Moreover, Hilmer (1998) found that student decisions over enrollment in both two- and 4-year institutions was, in great part, mediated by their perceived chances for completing a degree. Fear and anxiety over the ability to pay off loan debt after graduation served as an important caveat in student decision-making, with the psychological stress of loan default an important hindrance to borrowing behaviors (Nora, et. Al., 2006; Hilmer, 1998).

Thus far, our review of the literature suggests that the escalation in tuition pricing in combination with decreases in grants and other forms of need-based aid have resulted in the use of loans as a primary means of financing a postsecondary education. While counter-arguments have been made, suggesting more equitable patterns of borrowing among people of color (see King, 1999 and NPSAS, 2002), there remains strong evidence to suggest that low-income families are particular hampered by a policy drift that has placed greater value on merit and non-need based aid such as loans (Perna and Chunyan, 2006; Hear, 2001; Kim, 2004; Burdman, 2005). As Burdman (2005) is quick to point out, 26% of all students fail to apply for federal aid even though they qualify for Pell Grants. Likewise, 12% of full-time dependent students with family income falling below $20,000 per year and 16% of independent students with incomes below $10,000 do not receive student aid. When lower-income students do accept aid, they do so at lesser amounts than their qualifying middle and upper income peers. Interestingly, 82% of students that work and chose not to borrow were enrolled in community college, suggesting that choice of institutional type may also serve to limit borrowing by simultaneously deferring a more costly four-year option.

Taken together, existing research on low-income borrowing presents a seemingly complex picture. What we do know is that the financial and opportunity costs associated with college continue to influence whether a student opts to go. Those particularly impacted by fluctuations in cost, lower-income and underrepresented populations, are also the most apt to identify alternative postsecondary paths in the wake of perceived financial stress (Hilmer, 1998; Burdman, 2005; Dowd, 2006; Nora, et. Al., 2006;). Financial aid represents important leverage in responding to the rising costs of college. Yet, the implicit risk-taking of financing a college education, particularly in relation to debt accumulation, has bearing upon college choice decisions for low-income students and their families. What appears to be missing, however, are inquiries focusing on the perceptual nature of postsecondary borrowing and the ways in which trust and perceived risk shape the perspectives of low-income Latino/a students, in particular, when deliberating over whether to leverage college costs via loans.

Social Trust: A Theoretical Reframing of Latino/a Debt Aversion

In recent years, researchers have begun to expand the toolbox of conceptual approaches for *how* we analyze the postsecondary borrowing patterns, and by extension college financing decisions, of low-income students (Dowd, 2006). Emerging work in the area of sociocultural approaches to financial aid knowledge and decision-making places emphasis upon the role of culture, identity, and the social context as factors that fundamentally influence how we look at money, consumption, and debt (Vanegas, 2006; Luna de la Rosa, 2006; Tierney and Vanegas, 2006; McDonough and Calderone, 2006). This body of work moves the aid and affordability discussion beyond the realm of rational choice and other forms of predictive modeling, to a new conversation about the role of signaling, symbolic action, and meaning-making within, and outside of, the marketplace (McDonough and Calderone, 2006; Fourcade, 2007; and Zelizer, 2005).

Perceptions have a tremendous influence over how individuals respond to debt, and by extension, risk. This is particularly the case within the marketplace where risk-taking serves as a natural pre-condition of economic action. In the face of perceived risk, the presumption is that every transaction is measured according to maximal utility, with utility understood as the satisfaction one gains from the consumption of a product or service (Rabin, 1998). Individual preferences, budget constraints, and disparate definitions of utility represent a priori conditions that shape choice. Yet, the process by which a choice is made follows an underlying logic that is understood to be highly consistent and highly rational across disparate populations (Rabin, 1998; Desjardins and Toutkoushian, 2005).

Reinterpreting ability to pay as a paradigmatic process, one constructed outside of the marketplace and defined according to cultural practice, social embeddedness, and levels of social trust, represents a potentially fruitful approach to understanding how and why low-income Latino/a students and families avoid and/or limit borrowing. The underlying processes by which cost-benefit analyses occur have special relevance to college choice decisions, particularly on the basis of socioeconomic status and cultural disposition to indebtedness (Paulsen and St. John, 2002; McDonough and Calderone, 2006).

At first glance, the notion of social trust appears to be conceptually enigmatic. Certainly, we have all trusted and had that trust reciprocated by family members, friends, coworkers, team members, and the like. Finding trust is a much-coveted feature of any intimate or social connection. Some have suggested it is foundational to our own sense of morality (Uslaner, 2002; Uslaner and Brown, 2005). Others suggest it is product of our social relationships; the summation, if you will, of our interactions with the world (Zelizer, 2001). Still others see trust as an expression of cultural congruity or incongruity with communal norms (Alesina and La Ferrara, 2000; Alesina, Baqir, and Easterly, 1999).

We believe that social trust reflects an implicit faith that individuals have for one another; a basic, yet shared, set of values predicated upon a common sense of connection with the other (Uslaner, 2002). Social, or "generalized" trust, has long been considered an essential feature of a well-functioning, productive democratic society (Putnam, 2000; Rothstein and Uslaner, 2005; Uslaner and Brown, 2005). Civic engagement, voting behavior, and a general faith in government are all known attributes of communities with high levels of generalized trust (Rothstein and Uslaner, 2005; Uslaner and Brown, 2005). Yet recent research has documented disparate levels of social trust across socioeconomic strata and racial groups, and in particular, a diminished sense of trust amongst low-income populations (Burnham, 1967; Deininger and Squire, 1996; Uslaner, 2002; Rothstein and Uslaner, 2005; Uslaner and Brown, 2005). A recent Pew Research Center survey found significant differences in levels of social trust across race/ethnicity categories with white respondents enjoying higher levels of social trust at much greater rates (64%) than African Americans (34%) and Hispanic (36%) respondents (Pew Research Center, 2006).

There are multiple justifications for these disparate levels of generalized trust across racial and class lines. Most common among them is the belief that perceived vulnerability leads to increased social guardedness (McLeod and Kessler, 1999; Wuthnow, 1998; Paxton, 2005). Subsequent research has also identified correlates such as urbanicity, social heterogeneity, crime rates, and governmental corruption as rationales for waning levels of social trust (Urslaner, 2002)

This notion of social trust, a faith in the external other, has particular resonance when we examine marketplace behavior. Indeed, economic sociologists have focused on the social/behavioral elements of marketplace activity for some time (Fourcade, 2007). Broadly speaking, trust is inexorably linked to our consumption decisions. According to Zelizer, consumption behavior is not only motivated by concerns for individual sustenance, communal need, and outward support for social institutions, but also represents an expression of interpersonal relations consistent with the more conventionally "social" activities of production (i.e. the process of making particular goods and services), distribution (i.e. the process of offering particular goods and services), and trust (the hedging or non-hedging of risk) (pg. 348).

What Zelizer suggests is that those factors that influence consumption choices and money meaning are fundamentally social and fundamentally cultural. Consumption is not an individual act within a constellation of potential marketplace behaviors. Rather, it should be considered an expression of individual choice and agency that reflects cultural, social, and material positionality

What is the applicability of generalized trust to Latino/a postsecondary borrowing behavior? We argue that what is typically understood as loan aversion may, in fact, be a reflection of student and "within-family" conceptions of generalized social trust. Social trust, when understood as an expression of collective trust over government and other social institutions, places attention on the implicit, often overlooked assumptions made about the relationship between student (and family) history of and interactions with social institutions, money meaning, and risk. As such, loan/debt decisions are not independently made but rather contextualized by personal history of both known and unknown risk as perceived by students and their families.

Methods and Methodology

Analyses for this paper come from an interview and focus group database of 112 Latino/a students and 48 parents that investigated the connections between social trust, postsecondary choice, and low-income Latino/a access. .

Although research participants were specifically asked a limited number of questions regarding their knowledge of financial aid and college costs, we analyzed all relevant interview and focus group transcripts for instances where students and parents addressed directly or indirectly their perceptions of affordability, debt, and borrowing. Likewise, we explored how inferences about generalized trust – particularly, trust in bureaucratic others such as policymakers, loan providers, high school personnel, and other organizational actors – shaped or informed their thoughts on college financing, costs, and borrowing behaviors. We developed a conceptual coding schema using social trust as a framework for contextualizing students' and parents' perceptions about money, debt, and higher education financing.

College-bound students (juniors and seniors) and parents were identified by gatekeepers at the high schools (i.e., teachers, counselors, and principals) and invited to participate in focus groups at the schools. There were only three criteria used in selecting students: college-bound juniors and seniors (and parents of college-bound students), African Americans or Latinos, and an equal number of males and females. Focus groups and individual interviews lasted approximately 1-2 hours.

A unique codification system was established based upon emergent themes generated from the data. Key meta-themes were determined according to the clustering of common, reoccurring ideas related to trust (or social trust), borrowing and debt perceptions, and postsecondary financing strategies and perceptions.

These themes were then triangulated with existing research documenting Latino/a low-income postsecondary borrowing, financial aid, and social trust literatures.

Findings[1]

What follows is a summary of key findings related to our analyses of Latino/a parents and students. In particular, we focus our subsequent discussion on perceptions and definitional understandings of social trust, the ways in which information served as an expression of trust among parents/students, and the ways in which loans (and fears

[1] For reporting purposes, we have provided descriptive discussions of key findings related to this study. A more expanded version of this section with data quotations from students and parents is available by request.

around loans) circumscribed the strategizing, planning, and decision-making of students and parents as it related to the financing of college costs.

Social Trust and Higher Education

Social trust, as defined by student participants, reflects a complex set of responses to externalities (current events), parental influence, and perceptions of social justice as it relates to overt lapses in government support of its citizenry. Of particular interest to this study was the sense that students and parents felt public policymaking (the elimination of affirmative action policies, the higher education admissions process, and financial aid qualifications, in particular) was inherently unfair and, parents and students, were not playing on an equal playing field.

Parents, on the whole, appeared to maintain less generalized faith in bureaucratic systems such as government, financing institutions, and schools. Their skepticism as to the fairness of the existing system was particularly well articulated. In part, this skepticism was closely associated with their own personal experiences with their children’s schools, banks, loan officers, and also in their place of work. In the case of schools, some Latino parents expressed disconnect and alienation, particularly where native language became a barrier. For instance, one father spoke insightfully about the disadvantages he personally experienced in relation to his child’s school as a result of language barriers and how that internalizing of barriers limited his own engagement. Other parents expressed frustration over the lack of connection to their children’s schools and the lack of empathy they often faced in advocating for their children. The notion of fairness and a faith in institutional actors is replaced by bewilderment, rejection, and in some instances, alienation.

Students and parents expressed a sense of helplessness in matters of money – particularly when it related to financing their child's college education. Multiple students and parents within the focus groups appeared resigned to the fact that money was an impossible barrier to postsecondary enrollment. Parents, in particular, approached the subject with a sense of pragmatism, rooted in the perception that their material and social station in the world limited the sets of options available to themselves and their children.

Parents were understood to maintain a perception that economic success in the U.S. was somehow linked to an ability to avoid becoming outwardly vulnerable and dependent upon others (i.e. banks, loan providers, etc.).

Social trust was largely mediated by student perceptions/observations about the state of the world and the lived experiences of their parents. However, perceived low levels of social trust were often tempered by the perception of economic opportunity through schooling, peer groupings, and the inferred promise of economic mobility conveyed through popular culture.

Information Resources and Trust

All students reported seeking out college information from individuals and organizations they deemed"trustworthy. These included direct relations and friends that attended college and/or outreach personnel. High school and community college personnel were not seen as accessible.

The degree of intimacy and accessibility students and families had to informational resources were seen as important factors lending to a greater sense of trust in individuals. Interestingly, concerns over "accuracy" in information were not seen as important features in terms of appropriate recipients of trust. This notion of seeking out information from friends/family/local community is consistent with prior literature on social capital and alternative college-information strategies (see Stanton-Salazar, Ceja, Perez).

Projected Borrowing and Perspectives on Debt

Perceptions around borrowing and the necessity for loans clearly stated that loans were considered a “last-resort” strategy for financing their college-going. Once grants, scholarships, work, and family were unable to meet their financial needs, loans would be considered, but not before.

Those students who did plan to take out loans to finance their college education, planned to do so in as limited a fashion as possible. Unlike the wealth of literature that speaks to loans as a lever for middle class families to maintain their “quality of life” (Perna, 2006), loans were seen as an undesirable but necessary “means to an end” for these students and their families. Other students saw college financing and borrowing in relation to the long-term impact it would likely have on family resources. To them, any sort of drain on the communal finances of the home created a present and future risk. In the case of one student, he worried that his loan potential indebtedness could affect his brother’s ability to go to college *seven years* down the road.

One reason for why there was such overt tempering of loan usage was the moderation imposed upon the students by their parents. One student went so far as to say he would have been happy to take out more loans, but his parents would not let him.

Parents' trust perceptions of financial institutions, university personnel, and government financial aid systems were identified by students as potential justifications for why parents insisted upon moderation in loan usage. This finding was also linked to the earlier discussion about the perceived links between so-called "economic success" and the sense of vulnerability resulting from the assumption of debt. All students reported (to varying degrees) the connection between pride, perceptions of success, and debt as an attitude embraced by their parents and the students themselves.

Students and parents expressed a great deal of fear and anxiety over the prospect of post-graduation debt. Consistent with prior literature, this fear and anxiety was largely the result of grave concerns over their ability to (1) find work immediately upon graduation; (2) earn a sufficient income to pay loan debt; and (3) progress with their life's plan without suffering under the burden of towering college loan debt. At another level, however, these fears were also an expression of their own hesitancies over their ability to become successful and economically mobile. To a great extent, loans were seen as yet another obstacle to future success rather than a conduit to improved life chances.

Discussion

Expressions of social trust are highly influenced by individual positionality; in other words, the relative comfort of one's material and social position within the world shapes and informs how, who, and in what contexts we should express generalized trust. For instance, the repeated concerns expressed by students over negative public policy (i.e eliminating affirmative action policies, anti-immigrant and anti-bilingual policies) not to mention seemingly unfounded fears of not qualifying for state and federal financial aid, certainly bespeaks a skepticism of public policy and the relative care and concern of legislators and policymakers to the overall fairness of the admissions and financing process. Understanding *how* this perception of public "indifference" is cultivated over time may be beyond the scope of this particular study. Certainly, the educational contexts in which Latino/a low-income students must operate offers some possible explanation for why public indifference and perceived unfairness shapes students' own perceptions of opportunity. These perceptions in turn influences their internal and within-family justifications related to college financing decisions – and more specifically, the value of taking on debt for the sake of a college education. While it's clear that students were, in many cases, more than willing to proceed with their educational aspirations *despite* fears over debt accumulation, the sense was that they were operating *in spite of* public policymaking and the work of bureaucratic others rather than *supported* by them. This lack of faith in colleges and universities as allies in promoting educational opportunity, in turn, served as an important backdrop to individual strategies around college financial decision-making.

Another key observation generated from these findings was what we took as the interplay between familial vulnerability, financial risk-taking, and college-related borrowing. Unlike Christie and Munro (2003), the students and parents in our study appeared to be fairly well informed about the overall benefits and potential for social mobility that accompanied a college degree. Yet, the expressed risk involved in financing such an endeavor was not overlooked. Consistent with Perna's (2007) findings, however, we found that students often referred to the responsibilities they felt to parents, the commitment they maintained to contributing positively to their family's well-being, and the limits they felt they must honor in order to avoid becoming an unnecessary drag on family resources. In effect, there was a balancing act taking place; one that placed familial commitments ahead, at times, of aspirations. Parents also echoed these sentiments. In effect, the sanctity of familial viability was to some extent threatened by the financial challenges represented through college costs. By extension, the notion of debt, and the resistance to borrowing as a potential solution to the college financing dilemma, was seen as unwanted exposure to vulnerability. This sense of vulnerability echoes similar findings by McLeod and Kessler (1990), who found that low-income families were more susceptible to greater distress due to a wider range of personal events than their middle and upper-income counterparts. Likewise, they found that differential vulnerability could be more closely attributed to status than material position, indicating that internal assessments of social position mediated individual exposure and susceptibility (pg. 168). Similarly, our findings suggest that students and parents, when perceived to be located in a position of disadvantage (i.e. in the college admissions process, policymaking writ large, etc.) would, as a reaction to potential financial threat, carefully strategize as to what is possible and/or impossible when it comes to college costs and borrowing. This is both a natural and reasonable reaction, but one that may ultimately produced greater challenges to meeting educational goals and aspirations.

Also consistent with Perna's 2007 findings, we found evidence to suggest student and parent views on debt and borrowing were largely a product of in-home messages around cost, debt, and borrowing. While the structure of our study made it hard to make within-family connections (see "Study Limitations" section below for a more elaborated discussion on this point), the consistency in message across student/parent data sets indicates in home messages may have influence over borrowing practices and behaviors.

Yet, these within-home messages were often mediated by students' own sense of idealism reinforced by their educational aspirations and goals. While students may find the challenges they face in financing their college plans somewhat daunting, there was also great optimism expressed over the availability of grants, scholarships, and even borrowing. So, while Perna's assertion that within-home perceptual messages influence student borrowing behaviors, there is some evidence to suggest that this is, in part, tempered by students' idealism and sense of future possibility.

In summary, our data suggests that the formation of social trust is a product of a lifetime worth of experiences, interactions, and exchanges with bureaucratic others, social institutions, and other exogenous actors. The evidence provided in this study seems to suggest that social trust does play a role in the borrowing behaviors and decision-making processes of low-income Latino/a students and parents. In making this assertion, it follows that borrowing practices (and the logic that underlies these practices) are the products of individual and familial history. Therefore, borrowing – and resistance to borrowing—cannot be assessed in isolation from the larger social contexts in which Latino students and families operate. Loan aversion should be seen as a complex, nuanced response to a lifetime of both positive and negative experiences with social institutions and actors, in addition to being a momentary, highly rationalized assessment of costs and benefits.

Future Directions

Social trust reflects an individual's generalized belief in the other; their honesty, their integrity, and their reliability. This concept of social trust operates at the level of the individual, but is also embedded in culture, in individual group practices, and in our paradigmatic view of the world. Application of this concept within the study of low-income college financing perceptions and decision-making illuminates the connections between trust and college-going. Building upon this study, further attention to issues of social trust will help to address: (1) identifying patterns of "practice" related to low-income trust; (2) locating where lapses in low-income students' trust influence college financing decision-making processes; and (3) documenting the prerequisites for strengthening trust between students and the external other (i.e. school staff, university professionals, outreach staff) by identifying the important points along the college financing choice continuum where trust factors most.

Certainly, avoidance of loans and the decision to limit personal borrowing is not a problem in and of itself. It is consistent with our American ethos to expect that hard work and sacrifice will ultimately be rewarded by personal prosperity. However, there are too many pitfalls, too many barriers, too many potential missed opportunities along the educational pipeline for those concerned with social justice and educational equity to overlook issues of debt resistance as an important barrier to postsecondary access. As American financial aid policy has swiftly moved away from a progressivism emphasizing higher education as a universal right to that of a private interest requiring private financing, observable patterns of resistance to postsecondary loans and borrowing among marginalized and underrepresented communities must be addressed. Recognizing how social trust mediates perceptions of risk and perceived vulnerability becomes a necessary and important step –among many-- towards better understanding the problem at hand.

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