

FOR-PROFIT COLLEGES ARE HARMFUL TO LATINO STUDENTS

Latinos* at for-profit colleges have lower completion rates, higher student debt, and higher default rates compared to all other institutions. While most higher education institutions focus on serving students and creating positive post-graduation outcomes, many for-profit institutions have historically engaged in predatory practices that defraud students and waste taxpayer money.¹ For-profit programs often do not provide a wage premium for graduates, leaving them saddled with significant debt and often no means by which to repay their loans.² Despite their exploitive behavior, over the past decade federal policies to protect students from low-quality for-profit institutions have been weakened, allowing the for-profit industry to grow and negatively affect underrepresented students, including Latinos. Strong regulations are needed to ensure that Latino students have access to a quality postsecondary education that does not target them with expensive, low-quality, for-profit programs.

Latinos at for-profit colleges make up a large share of students who are less likely to graduate and more likely to acquire a low-quality degree.

Latinos represent 20% of all undergraduates yet comprise 25% of those enrolled in for-profit institutions.³ Many for-profits target students of color, first-generation students, and low-income students, among others, with predatory marketing and recruiting practices to maximize their financial aid revenue.⁴ The demographic makeup of today's Latino undergraduate population—majority women, independent, first-generation, and part-time college goers—makes them prime targets for for-profit programs that promise flexible, fast-paced programs, and high-paying jobs.⁵ Compared to Latinos attending nonprofit institutions, those enrolled at for-profit institutions experience worse outcomes. Once Latinos enroll in a for-profit college, they are less likely to graduate compared to their White peers, leaving them with high loan balances and a higher likelihood of defaulting.⁶ Even when Latinos graduate from a for-profit institution, these programs tend to be more expensive and produce low-quality degrees. Studies show that for-profit degrees may not provide a greater advantage in the labor market compared to those without a credential or a credential from a less expensive community college.⁷

Latinos at for-profit colleges have larger student loan debt and a greater chance at defaulting on their loan.

As more Latinos enroll in post-secondary programs, the average amount of student loans taken out by Latinos has also increased over time. The largest increases in borrowing among Latinos has occurred by those attending a for-profit institution; more than 76% of Latino students attending a for-profit school took out a loan compared to 72% enrolled at nonprofit institutions.⁸ Repayment is particularly difficult if students do not complete their degree or are not seeing returns through wages from attaining a credential, which is particularly true at for-profits. For example, Latinos in the 2003-2004 entering cohort attending for-profit institutions were nearly four times as likely to default within 12 years compared to Latinos who did not attend a for-profit institution.⁹

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

Recommendations to Protect Latinos from For-Profit Colleges

To increase postsecondary educational quality and accountability, a reauthorized Higher Education Act should include the following recommendations:

- **Codify the Gainful Employment Rule.** The Gainful Employment rule, first proposed by the Obama administration, holds career and certificate programs, accountable by ensuring graduates do not accumulate a student loan debt that exceeds a specific percentage of their income.
- **Codify the Borrower Defense Repayment Rule.** The Borrower Defense Repayment rule relieves borrowers of their federal student loan debt if they were misled or violated by an institution.
- **Establish a Statutory Federal Loan Discharge Rule.** A Federal Loan Discharge Rule relieves borrowers of their federal student loan debt if they attended programs the Department of Education deemed as failures.
- **Restore and Codify the 85/15 Rule.** The 85/15 Rule, as an accountability tool, limits the share of revenue that a for-profit college can receive from federal aid sources to 85%.
- **Strengthen the Accreditation Process.** By requiring schools to maintain low student loan default rates, the accreditation process serves as a gatekeeper to federal financial aid and ensures quality.
- **Strengthen the Department of Education's Accreditor Oversight.** By establishing greater oversight over accreditors, whose role is to assess degree quality, the accreditation process will improve postsecondary quality across all institutions.

Endnotes

- 1 *Gainful Employment A Civil Rights Perspective* (Washington, DC: Protect Students and Tax Payers, 2014), http://www.protectstudentsandtaxpayers.org/wp-content/uploads/2014/10/Gainful-Employment-Civil-Rights-Perspective_WhitePaper_October2014.pdf (accessed April 2019).
- 2 UnidosUS calculation using U.S. Census Bureau, "Annual Estimates of the Resident Population by Sex, Age, Race Alone or in Combination, and Hispanic Origin for the United States and States," 2016 American Community Survey 1-Year Estimates. Washington, DC, 2016, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2016.
- 3 UnidosUS calculation using U.S. Census Bureau, "Annual Estimates of the Resident Population by Sex, Age, Race Alone or in Combination, and Hispanic Origin for the United States and States," 2016 American Community Survey 1-Year Estimates. Washington, DC, 2016, <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk> (accessed January 2019) and UnidosUS calculation using U.S. Department of Education, "Digest of Education Statistics," National Center for Education Statistics. Washington, DC, 2017, https://nces.ed.gov/programs/digest/d17/tables/dt17_306.10.asp (accessed January 2019), Table 306.10.
- 4 *Gainful Employment A Civil Rights Perspective* (Washington, DC: Protect Students and Tax Payers, 2014), http://www.protectstudentsandtaxpayers.org/wp-content/uploads/2014/10/Gainful-Employment-Civil-Rights-Perspective_WhitePaper_October2014.pdf (accessed April 2019).
- 5 *Latinos in Higher Education: Enrollment and Completion*, Statistical Brief (Washington, DC: UnidosUS, 2019), http://publications.unidosus.org/bitstream/handle/123456789/1937/enrollment_completion_brief.pdf?sequence=3&isAllowed=y.
- 6 Ibid.
- 7 Paco Martorell, et al., *Employers Don't Prefer For-profit Degrees over Degrees from Community Colleges*, Policy Brief Volume 5, Number 3 (Davis, CA: Center for Poverty Research, University of California, Davis, 2016), http://poverty.ucdavis.edu/sites/main/files/file-attachments/cpr-for_profit_colleges_brief-martorell.pdf (accessed January 2019).
- 8 Ibid.
- 9 Judith Scott-Clayton, *The looming student loan default crisis is worse than we thought* (Washington, DC: The Brookings Institution, 2018), <https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf> (accessed April 2019).