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Nearly 1 in 10 Community College Students Can't Get a Federal Student Loan *Students in 32 States Attend Schools that Block All Access to Federal Loans; Some Promote Risky Private Loans Instead*

Oakland, CA – A new report from The Institute for College Access & Success (TICAS) finds that nearly one in 10 community college students nationwide – almost 1 million across 32 states – does not have access to federal student loans because their school chooses not to offer them. Without the option of federal student loans, students who need to borrow may turn to more costly and risky sources, such as credit cards or private loans, or reduce their chances of graduating by working longer hours or cutting back on classes. While most community college students do not take out student loans, more than a third of those who complete an associate's degree (37%) have borrowed.

The report, [*States of Denial: Where Community College Students Lack Access to Federal Student Loans*](#), documents substantial disparities in loan access by state, race/ethnicity, and urban/non-urban status during the 2015-16 academic year. It includes data for every state and explores notable trends in three states: California, North Carolina, and Louisiana.

"The vast majority of full-time community college students need financial aid, and hardly any – just 2% – have their needs met fully by grants. Federal loans can help students buy textbooks, pay for child care while they're in class or studying, fix their car so they can get to school, or quit a second or third job to take more classes and increase their odds of graduating," said **Debbie Cochrane**, TICAS' research director and coauthor of the report. "Despite relatively low tuition and fees, community college students still face average total costs of \$15,000. Federal loans are the lowest cost option for students who need to borrow to stay in school, but too many schools take that option off the table."

Key Findings

- **National picture:** Nearly 1 in 10 of the nation's community college students (9.0%) has no access to federal student loans: almost 1 million students in 32 states. Close to half of these students (46%) are in California or North Carolina.
- **State variation:** In 8 states, *more than 20%* of community college students attend schools that do not participate in the federal loan program: Alaska, Alabama, Georgia, Louisiana, Montana, North Carolina, Tennessee, and Utah. In 18 states, all community colleges participate.
- **Differences by race/ethnicity:** Students from underrepresented minority populations are disproportionately denied access to federal loans. Among all U.S. community college students, 10.5% of Latinos, 12.7% of African Americans, and 22.2% of Native Americans lack access to loans, compared to 8.3% of White and 4.5% of Asian students. In some states, the racial/ethnic disparities are much more severe. For example:
 - In Alabama, 61.2% of African-American students lack federal loan access compared to 33.9% of White students.
 - In Montana, 86.2% of Native-American students lack access compared to 2.4% of their White peers.
 - In Tennessee, 58.5% of African-American students lack access compared to 41.2% of White students.

- In Texas, 12.9% of Latino students lack access compared to 2.7% of their White peers.
- Much less access outside urban areas: Community college students in non-urban areas (towns and rural areas) are *more than twice as likely* as their peers in urban areas (cities and suburbs) to attend schools that block access to federal loans (16.9% and 6.9%, respectively).
- Private loan promotion: At least a dozen community colleges that do not offer federal loans steer students who want to borrow to private loans, which are costlier and riskier.

Community colleges that do not provide federal loans typically cite concerns about loan defaults which, if too high, can prevent colleges from offering other types of federal financial aid. Yet loan defaults are not inevitable: colleges can help students borrow wisely and avoid default. The report includes several examples of community colleges that have employed campus-wide strategies to facilitate informed borrowing and minimize default, including Solano Community College in California, Guilford Technical Community College in North Carolina, and Louisiana Delta Community College.

In California, the community college system office began a statewide effort in recent years to help its colleges successfully provide federal loans. Several colleges have since lowered their default rates and no additional colleges have left the loan program since 2013-14, reversing a multi-year trend. In North Carolina, the only state where more than half of community college students attend non-participating schools, there has not been a similar state-level effort, and eight more schools have stopped offering loans since 2013-14.

“Federal loans can enable students to attend college full time, helping them succeed in school and repay their loans as a result,” said **Laura Szabo-Kubitz**, TICAS’ California project manager and report coauthor. “Offering federal loans is a natural fit with community colleges’ efforts to support student success.”

For the coming school year, the fixed interest rate on new federal student loans for undergraduates is 3.76%, while private loans have rates as high as 13.74%. Private loans also are not covered by the income-driven repayment plans, loan forgiveness programs, or other benefits and protections that come with federal loans. TICAS found that at least 12 community colleges that do not offer federal loans refer students to private lenders instead, and some also appear to be out of compliance with federal law, such as by referring students to just one lender. (See link below for examples of non-participating colleges that promote private loans.)

[States of Denial](#) includes specific recommendations for how the U.S. Department of Education can encourage more schools to offer federal loans, and how college systems and associations can support colleges in doing so.

Related Links:

- [List of All Community Colleges and Whether They Participate in the Federal Student Loan Program](#)
- [Examples of Community College Web Sites that Promote Private Loans](#)
- [Private Loan Fact Sheet](#)

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An independent, nonprofit organization, The Institute for College Access & Success (TICAS) works to make higher education more available and affordable for people of all backgrounds. Our Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see www.ticas.org and follow us on [Twitter](#) and [Facebook](#).