

Making Financial Aid Count

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Presentation to the Wisconsin Legislature
Special Committee on
Review of Higher Education Financial Aid Programs

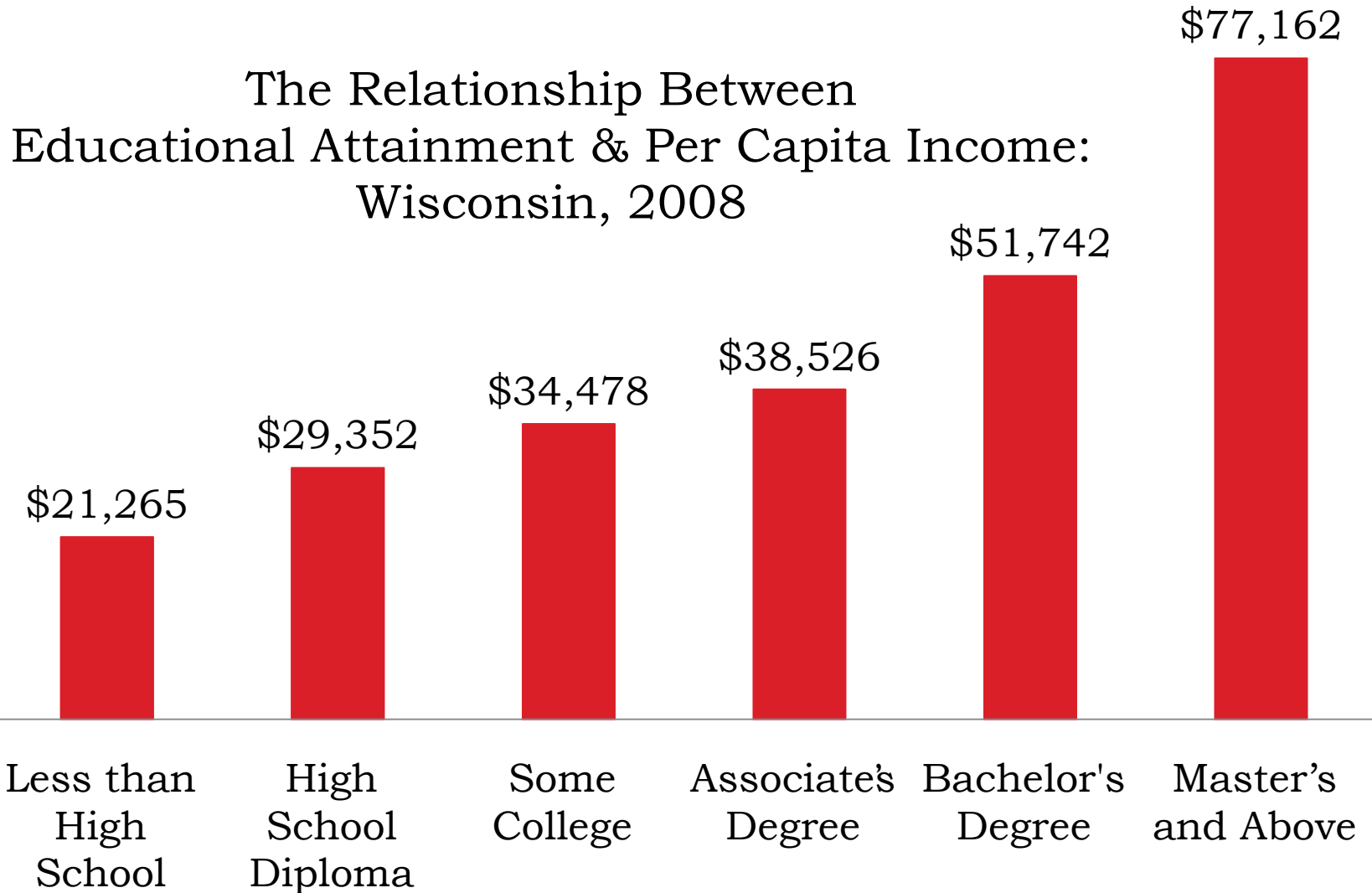
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Wisconsin's Challenge

- ▶ The poverty rate is rising.
 - ▶ Up from 10% to 12% between 2007-2009
- ▶ 28% of Wisconsin children are from working families earning less than 200% of poverty.
 - ▶ Compared to 23% in Minnesota
- ▶ A college education provides an effective route to a middle-class life.
 - ▶ A child born into poverty is five times more likely to move out of poverty if she earns a bachelor's degree.
- ▶ Only 48% of Wisconsin's working poor families have any college experience.
 - ▶ Compared to 57% in Minnesota.

College Pays Off

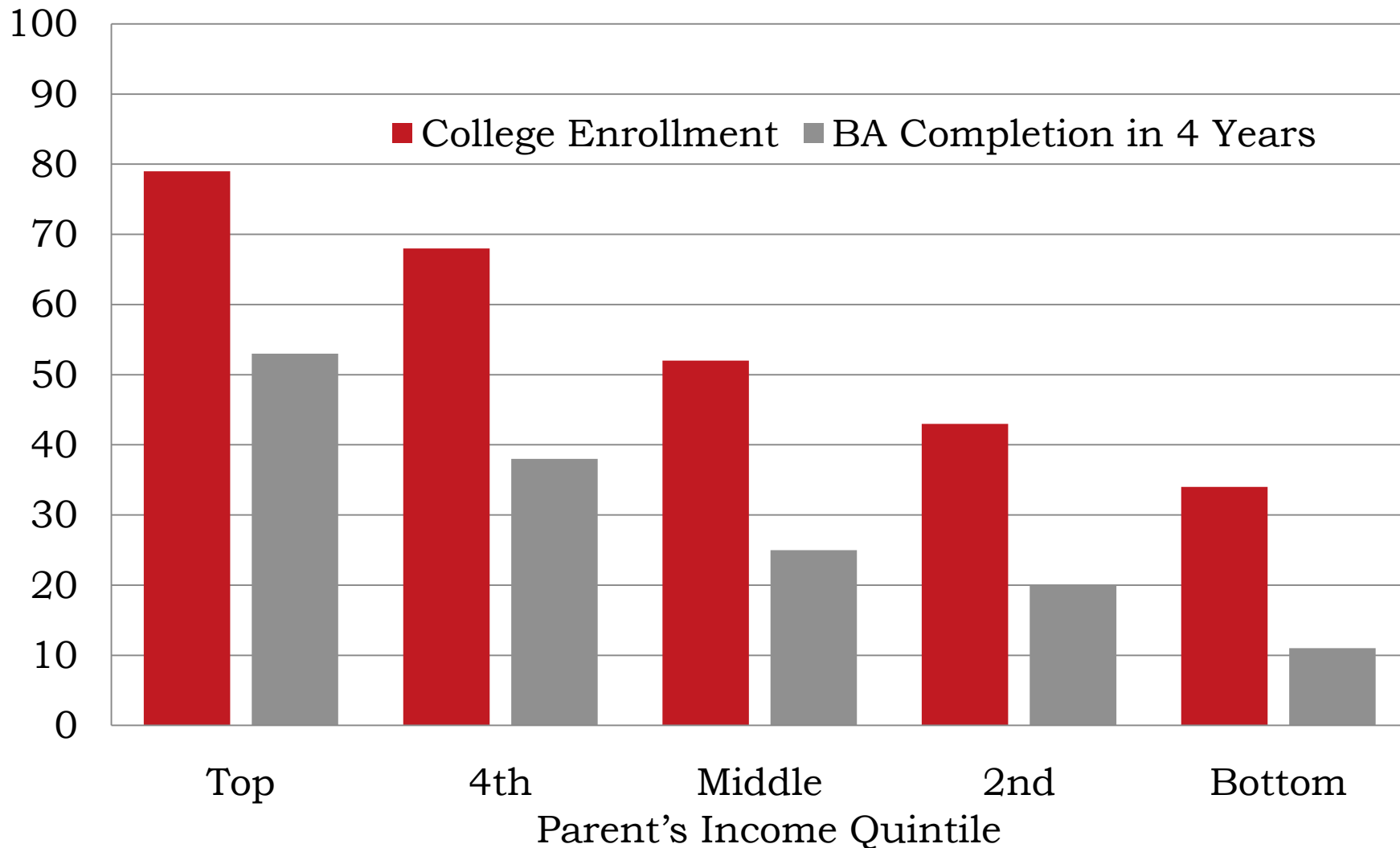


Source: Goldrick-Rab et al., 2010, *Higher Education in the 21st Century*.

The Payoff is Greatest When Low-Income Students Complete Degrees.

- ▶ Without college degrees, labor market prospects for these adults are especially dire.
- ▶ A college degree (of any kind) substantially reduces the use of welfare, Medicaid, unemployment compensation, worker's compensation, corrections, and public healthcare—and increases tax payments!
- ▶ The state gets back more than it puts in to public higher education.
 - ▶ The estimated internal rate of return for a Wisconsin college degree is 3.5%.

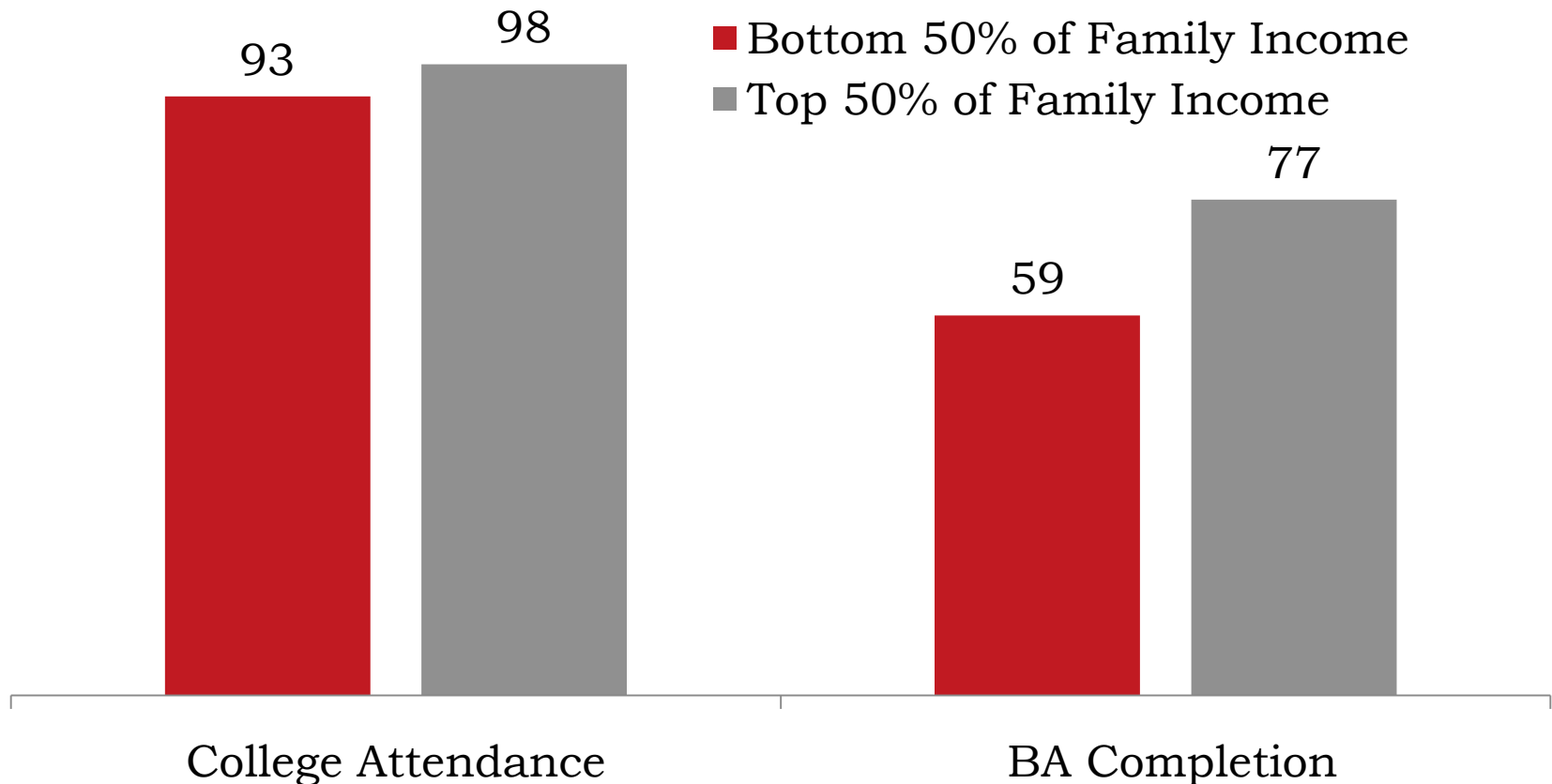
Low-Income Students Attend and Complete College at Lower Rates...



Source: Haskins et al. 2010, Brookings.

...Even When They Are Equally Well-Prepared.

College Attendance and Completion:
Top 25% Test Takers



Source: Jack Kent Cooke Foundation, *Achievement Trap*;
completion is within 8 years of high school graduation

The Wisconsin Financial Aid Study

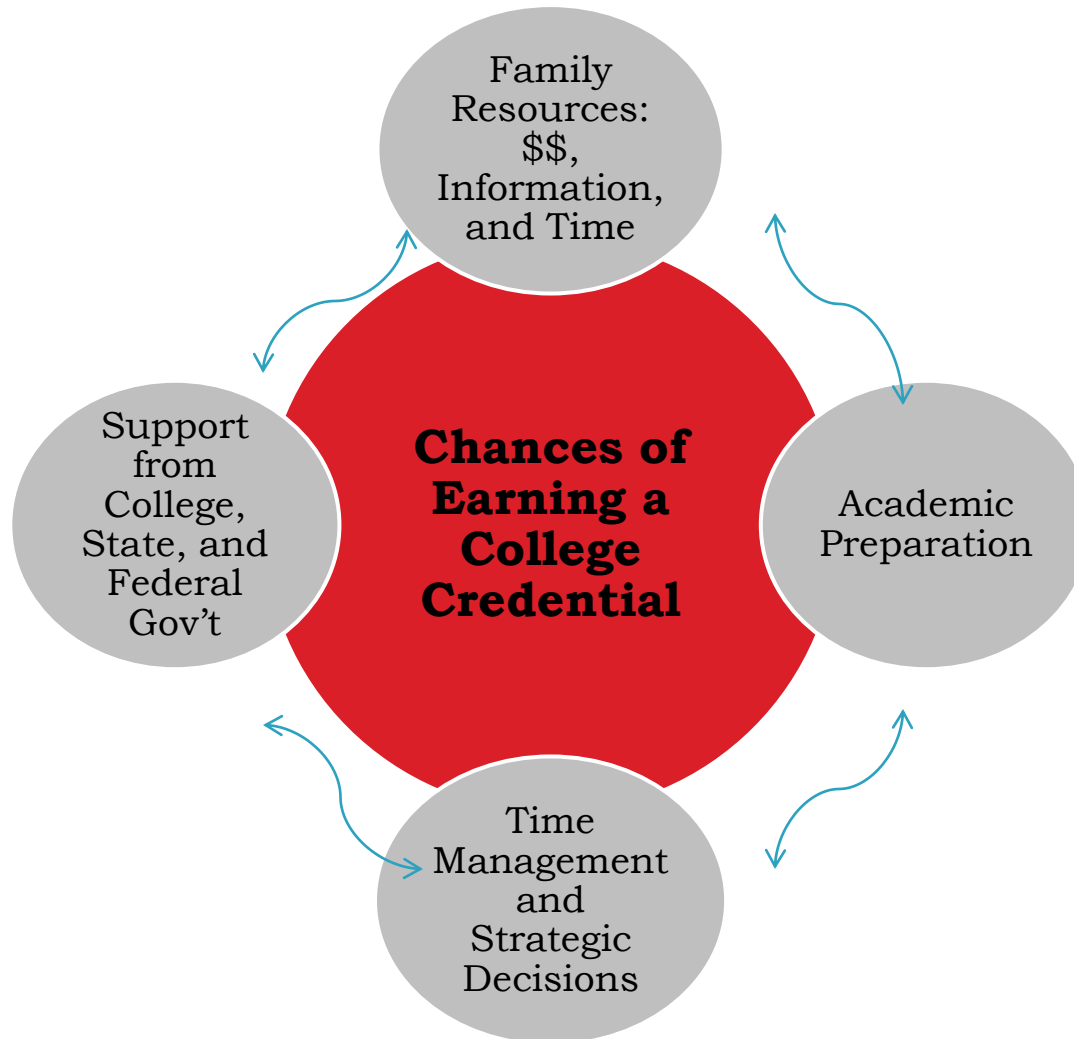


Purpose

- ▶ To learn from Wisconsin's undergraduates in public higher education about how financial resources affect their college experiences.
- ▶ To share their perspectives with policymakers, so we can work together to make financial aid really count.



A Theory: Why Money Matters



How Financial Aid Helps

- ▶ Finances tuition and fees
- ▶ Supplements foregone earnings
- ▶ Provides motivation
- ▶ Conveys Wisconsin's investment in its citizens

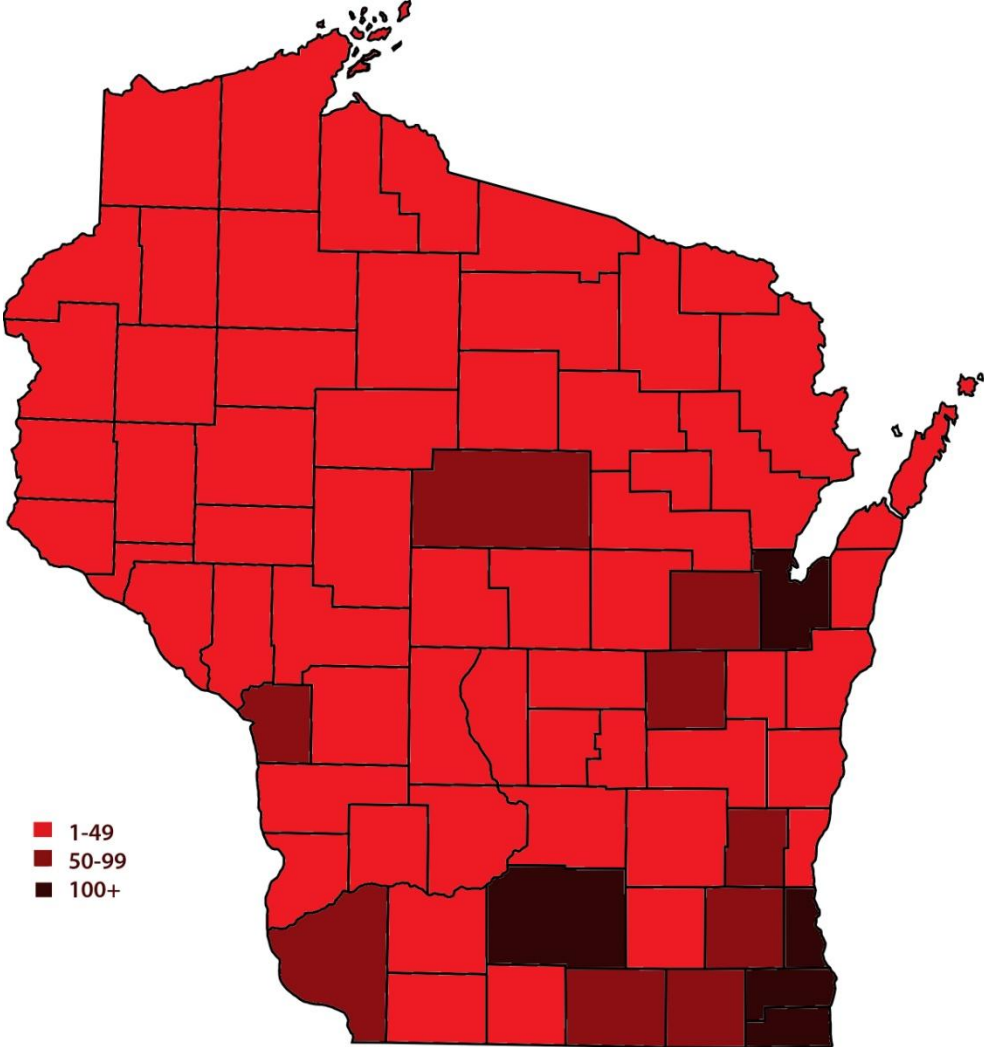


WiscAid Began in 2008

- ▶ Three thousand students entered Wisconsin public higher education.
 - ▶ Enrolled full-time and within three years of high school graduation
 - ▶ Received a Pell grant during the first semester
- ▶ 78% of those three thousand students have participated in annual surveys and (for some) face-to-face interviews every six months for the last two years.



WiscAid Students are from Every County



From All Kinds of Families

- ▶ 58% are women
- ▶ 74% are non-Hispanic white
 - ▶ Including Native American, Hmong, Latino, African American and more
- ▶ Highest level of parental education:
 - ▶ 3.5% didn't attend high school
 - ▶ 43% didn't go past high school
 - ▶ 39% earned some college or an associate degree
 - ▶ 14% hold a bachelor's degree
 - ▶ 4.6% hold an MA or above



Began College with High Hopes

- ▶ 90% wanted to earn a bachelor's degree.
- ▶ 56% wanted to go further and earn a graduate degree.
- ▶ Less than 5% imagined that dropping out of college was possible.



From the Start, Many Struggled

- ▶ Just two years later, **36 percent** had left college without a credential.
 - ▶ Some may eventually return– but when?
 - ▶ These rates are not unusual for Wisconsin or sadly, for the nation.
- ▶ These former financial aid recipients are now entering a tight job market, without a degree and often with debt.
 - ▶ They are at substantial risk of defaulting on their loans.



Trying To Make It Through College Without Sufficient Financial Aid Doesn't Always Work.

- ▶ Some WiscAid students are doing without basic necessities:
 - ▶ 16% don't have a computer to do schoolwork.
 - ▶ 13% didn't buy the required books for their classes.
 - ▶ 19% have postponed medical or dental care.



WiscAid Students Don't Benefit Enough From Wisconsin's Financial Aid.

- ▶ It is too complex.
 - ▶ Result: Students make ill-informed and inefficient choices.
- ▶ It is unpredictable and hard to rely on.
 - ▶ Result: Students can't confidently anticipate the help they will receive.



Problem: Too Much Complexity and Too Little Information



Paperwork Gets In The Way

- ▶ Accessing the WHEG requires completing a FAFSA.
 - ▶ Nationwide, an estimated 2.3 million students would qualify for a Pell grant if they only filed a FAFSA.
 - ▶ 35% of Pell-eligible students at public 4-year colleges and 42% at community colleges don't file.
 - ▶ In Wisconsin, we have no idea how many students are Pell-eligible but don't file.
 - ▶ Initial receipt does not ensure continued receipt—re-filing is required, every single year.
 - ▶ WiscAid students were “surprised” when they got less aid in year 2; they hadn't completed the FAFSA.

Knowledge of Federal Student Loans Is Uneven

*“I think it's just once you take out a loan, even if you can, it **just doesn't make sense to me** if you have the money you should just pay it off. And if you don't have the money then I guess you need to really think about if this is worth doing.*

*Because in the long run you're going to owe almost as much in interest...**I don't really know** what interest rates are for college loans right now. But interest is a lot. And if you're going to keep that loan for ten years you're going to owe a lot in interest.”*

Offered: \$3,500 Stafford Loan, and \$5,646 PLUS loan
DECLINED

This student is having “**a lot**” of difficulty paying bills and is “**extremely**” upset that she cannot pay for things she needs.



Federal Student Loans May Be Underutilized

- ▶ Federal subsidized loans are often a good deal.
 - ▶ Many WiscAid students think that all types of loans (payday, auto, credit card) are the same.
- ▶ “Borrowing for college is a wise investment, but it must be done cautiously to avoid creating undue hardship later on.”
 - ▶ Sandy Baum, The College Board
- ▶ Yet, low-income students with demonstrated unmet financial need are less likely (than their middle-income peers) to take a student loan.



Loan Aversion is Part of the Problem

- ▶ More than $\frac{3}{4}$ of WiscAid students are struggling to afford college.
 - ▶ But 35% don't have any federal student loans.
 - ▶ 41% say they wouldn't take a loan right now if offered one.
 - ▶ 32% don't know the difference between a subsidized and unsubsidized loan.
 - ▶ And 7% don't think ever taking a loan is OK.
- ▶ The goal is not to increase reliance on loans, but to increase use of them when it makes sense.



Enrollment Decisions Require Information

- ▶ Students choose how many classes to take based on how much they think they can afford, succeed at and enjoy.
 - ▶ They don't know how aid varies by the number of credits they take.
 - ▶ They don't know how much study time is required.
 - ▶ They don't know how to construct a schedule.
- ▶ So they make it up as they go along...



Meet Brianna, a WiscAid Participant



A Bit of Background

- ▶ Started technical college with AP credit in chemistry and a clear goal: to become a veterinarian.
- ▶ Ambition: 2-year associates degree
- ▶ Her bet on finishing college? 100%

- ▶ Estimated cost of attendance: ~\$15,000
- ▶ Expected family contribution: \$2,500
 - ▶ Mom and Dad paid it
- ▶ Total aid package (including loans): \$8,000
- ▶ Unmet need: \$4,500



Brianna Takes Twelve Credits and Works Thirty Hours/Week

Schedule:

5:30 am	Wake up
6:30 am	Commute to school
7:30 am – 11:00 pm	Attend class, drive to work
11:00 am – 1:00 pm	Work job #1, drive to school
1:30 pm – 5:30 pm	Attend class, drive to work
6:00 pm – 11:30 pm	Work job #2, drive home
12:00 am	Take muscle relaxant and try to sleep

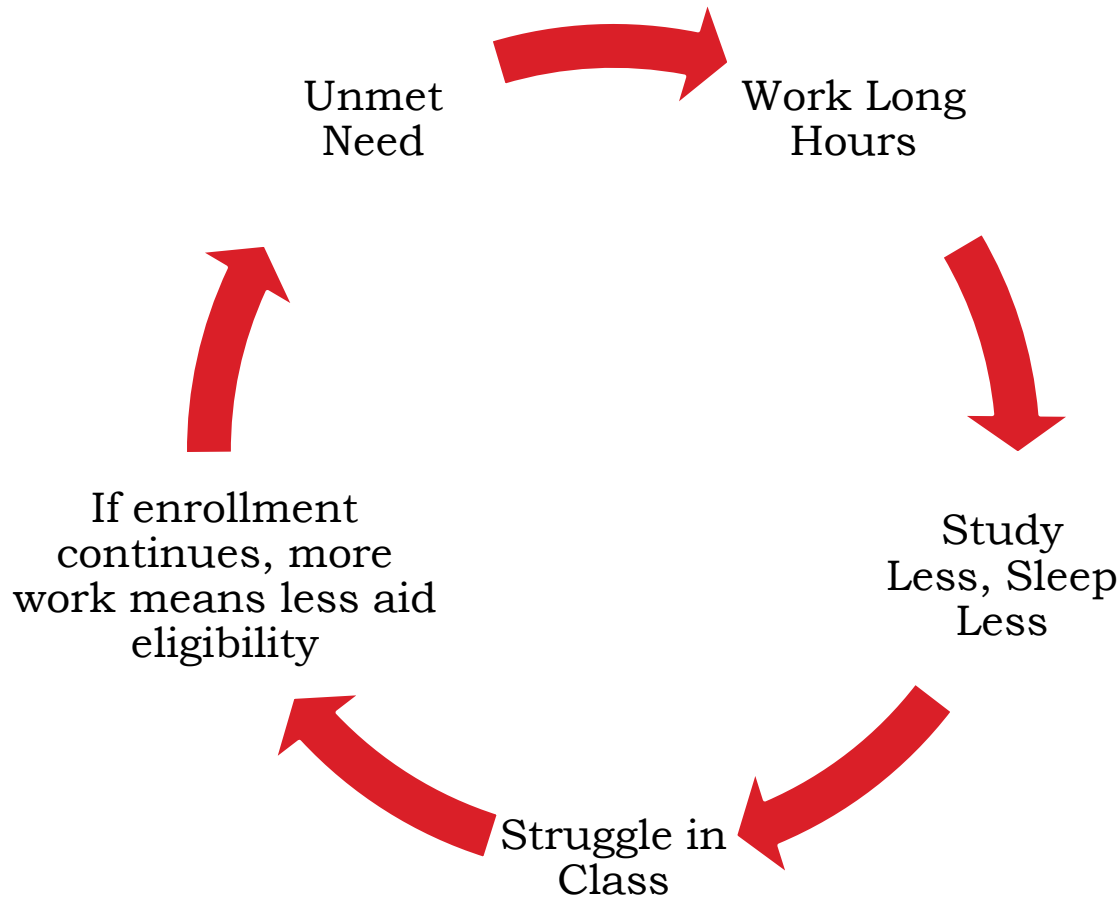


Brianna's College Experience

- ▶ *“More than a couple of times, I **fell asleep** in my 7:30 am class...I'd get there and I'm trying to stay awake and I'm doing the ‘head-bob’ and before you know it my head is in my book ...and every once in awhile you get a wake-up with a puddle of drool.”*
- ▶ At the end of her first term:
 - ▶ Course #1: D
 - ▶ Course #2: C
 - ▶ Course #3: D
 - ▶ Course #4: Withdrew
 - ▶ CUMULATIVE GPA: 0.750



Low-Income Students Fight a Losing Battle



In Spring 2009, Brianna was Dismissed from her Program

“It was kinda...it was almost kinda like a relief cause it’s like, you know, “Wow! This is, you know, it’s over,” but then again, it was, it was pretty stressful cause it was like, “You know, I went through all this work, and I accomplished nothing. **I failed.**” It was kinda a little bit of both, and it actually hit me pretty hard cause I was just crushed. I was like, ‘Wow! I’m never gonna get anywhere. I’ve got, you know, pretty much no hope for the future’...

The bottom is scary, and you just **don’t really feel like you’re really worth anything**, and you’re trying to get back on your feet; and you just beat yourself up cause it’s like, you know...”



What then?

- ▶ Brianna moved to Texas, to live with her dad.
- ▶ She spent 8 months searching for work, unsuccessfully (15+ interviews).
- ▶ She thought about returning to college, but couldn't put together the \$\$.
- ▶ Her student loans went into collection, and she risked defaulting.
- ▶ In fall 2009, she enlisted in the military.
 - ▶ Her earnings barely cover her loans.
- ▶ Today, she plans to serve – and save– for an eventual return to college.



Brianna is Not Alone

- ▶ Most college students work.
 - ▶ 60% of WiscAid students work, an average of 19 hours per week off-campus.
 - ▶ 1 in 3 say they cope with financial struggles by adding more work hours.
- ▶ Work brings a penalty.
 - ▶ It reduces time for studying and sleeping.
 - ▶ Students earning more than \$3,080/year see their EFC rise by 50 cents for every \$1 of income.
More work = less aid.
 - ▶ 45% of WiscAid students do not know this.



Trade-offs Aren't Sufficiently Clear

A WiscAid student with strong grades enters his second year of college at a Wisconsin public university:

“I really don't have too much spending money for bills ...you never know what's going to happen...I've been applying for a couple of jobs...**I am kind of worried** because...I've always been just 'school-school-school'...and I don't want to change my routine.”

Interviewer: How are you thinking about loans?

“I've not thought about them that much...**I haven't done any looking into them.**”

Interviewer: Have any been offered to you?

“Yeah. But I haven't taken them. I haven't needed them. Which is pretty cool, since my roommate has loans and is pretty stressed about them.”



Problem: Financial Aid is Unpredictable



Students Can't Count on Aid

- ▶ Unlike the Pell, a student who qualifies for the WHEG cannot be sure she will receive it.
- ▶ Even if she does receive it, the amount of the WHEG varies year to year.
- ▶ The timing of FAFSA completion affects WHEG receipt; yet those who file last may be the neediest.
 - ▶ Late enrollment can reflect changing financial circumstances, not simply a lack of will, smarts or a failure to prepare.



Uncertainty Makes it Hard to Plan

- ▶ 78% of WiscAid students say they are having trouble affording college.
- ▶ 36% do not feel they can get help with financial problems that threaten their chances of earning a credential.
 - ▶ 12% fill out the FAFSA alone
 - ▶ 22% don't know who to contact in their financial aid office for help



Wisconsin Aid Buys Less College Each Year

- ▶ Over the last 10 years...
 - ...the average cost of college went up 35%
 - ...the average EFC went up 23%
 - ...the average need went up 41%
 - ...the average unmet need went up 57%

Summary

- ▶ To work well, financial aid must be administered in a coherent, accessible and straightforward manner.
 - ▶ Right now, students are not maximizing the use of aid they are eligible for.
 - ▶ They are making ends meet with strategies that could reduce their chances of degree completion.
- ▶ Students need to be able to count on aid.
 - ▶ Right now, they cannot.



Wisconsin College Students Need:

- ▶ Help making positive choices.
 - ▶ Information about how much aid comes with full-time vs. part-time enrollment.
 - ▶ Information about the relative value of federal student loans vs. during-college work earnings.
 - ▶ Information about the amount of time a successful college student requires to study and to sleep.
- ▶ Reliable access to financial aid
 - ▶ Grants that are stable or growing (assuming need remains) and that require minimal applications.



Thank You!

- ▶ Douglas N. Harris, Co-Director, WiscAid
- ▶ WiscAid Staff:
 - ▶ James Benson, Alison Bowman, Derria Byrd, Frank Honts, Robert Kelchen, Peter Kinsley, Courtney Luedke, Julie Minkel-Lacocque, Tim St. Louis
 - ▶ All of our talented graduate and undergraduate volunteers, the WCER staff, the UW Survey Center
- ▶ WiscAid Partners, including UWSA, WTCS, WISCAPE
- ▶ WiscAid funders
- ▶ And of course, our students!!

- ▶ For more, see www.wiscaid.org

