



State Council of  
Higher Education for Virginia

# **Presentation to the Higher Education Advisory Committee**

## **Financial Aid Overview**

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State Council of Higher Education for Virginia*

July 21, 2011

# Overview

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- Review of Federal Policies
- Additional Federal Initiatives
- Changes in Federal Funding
- Institutional Aid Policy and Practices
- Factors Driving Financial Need
- Distribution of Financial Aid
- Defining Low and Middle Income
- Conclusions

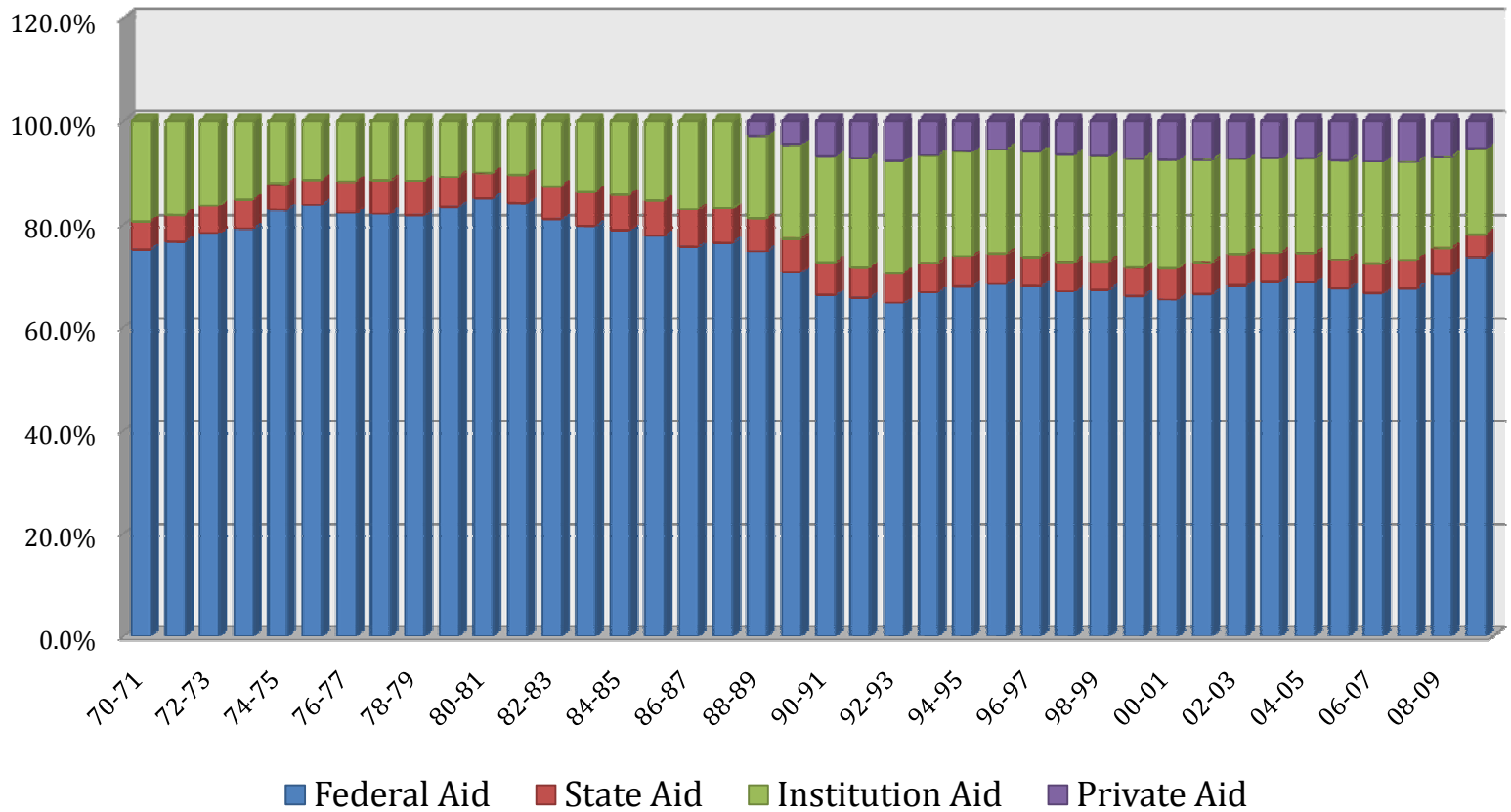
# Review of Federal Policies

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- Federal financial aid has been a cornerstone of student aid programs since 1963, and since 1970 has comprised from 85 – 65% of total student aid awarded.
- Institutional aid has ranged from 10 – 20% over the same time frame.
- Assistance from all 50 states combines for 4 – 7% of total student aid, not including the tuition subsidy.

# Review of Federal Policies

## Source of Student Financial Aid 1970-2010



Source: College Board's "2010 Trends in Student Aid"

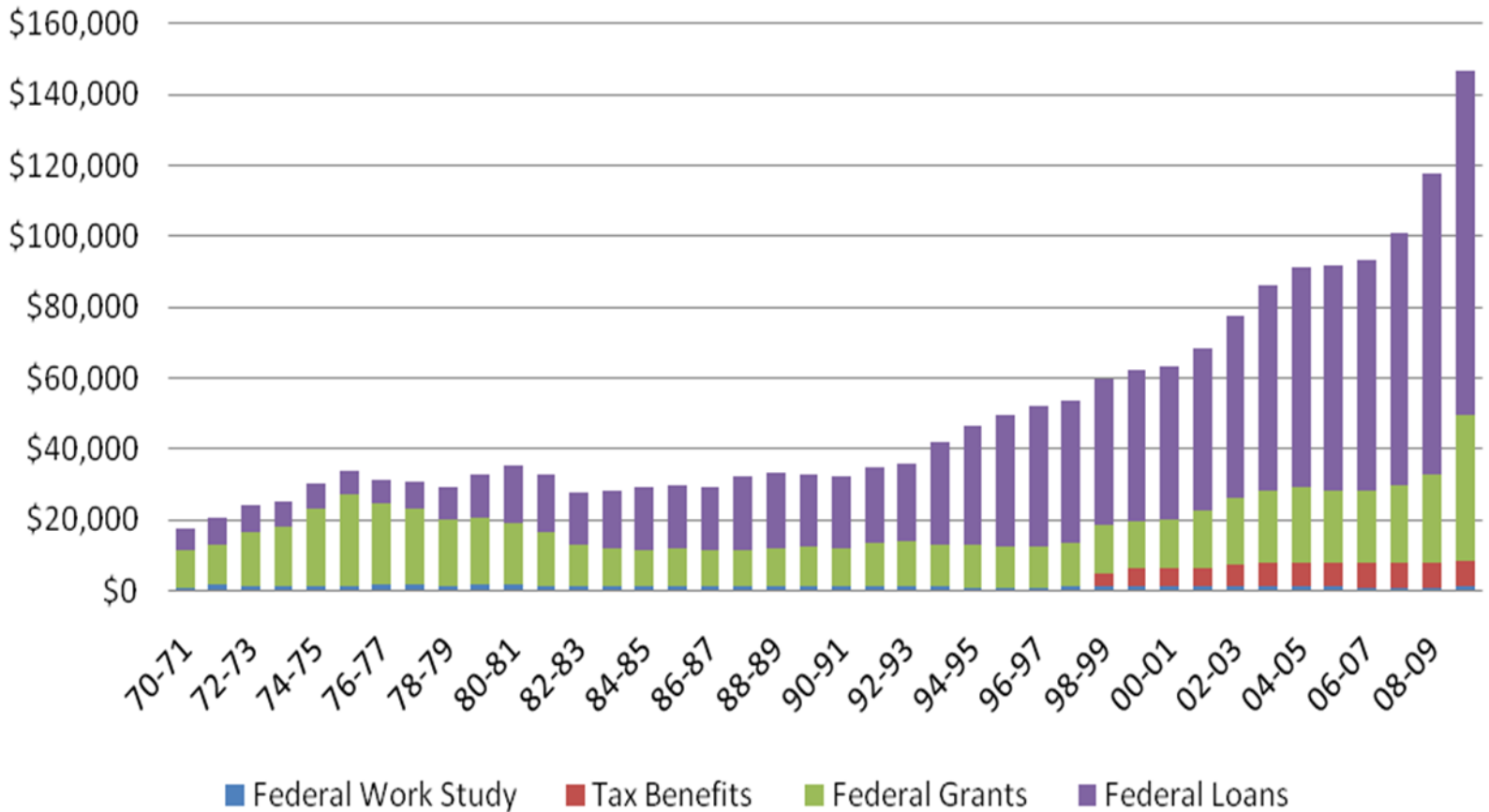
# Review of Federal Policies

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Even with the addition of the Pell grant, federal student **loans** overtook total federal **grants** in dollars by 1981-82, and the gap has widened since.

# Review of Federal Policies

## Federal Student Aid by Type



Data in 2009 constant dollars.

Source: College Board's "2010 Trends in Student Aid"

# Review of Federal Policies – Pell Grant

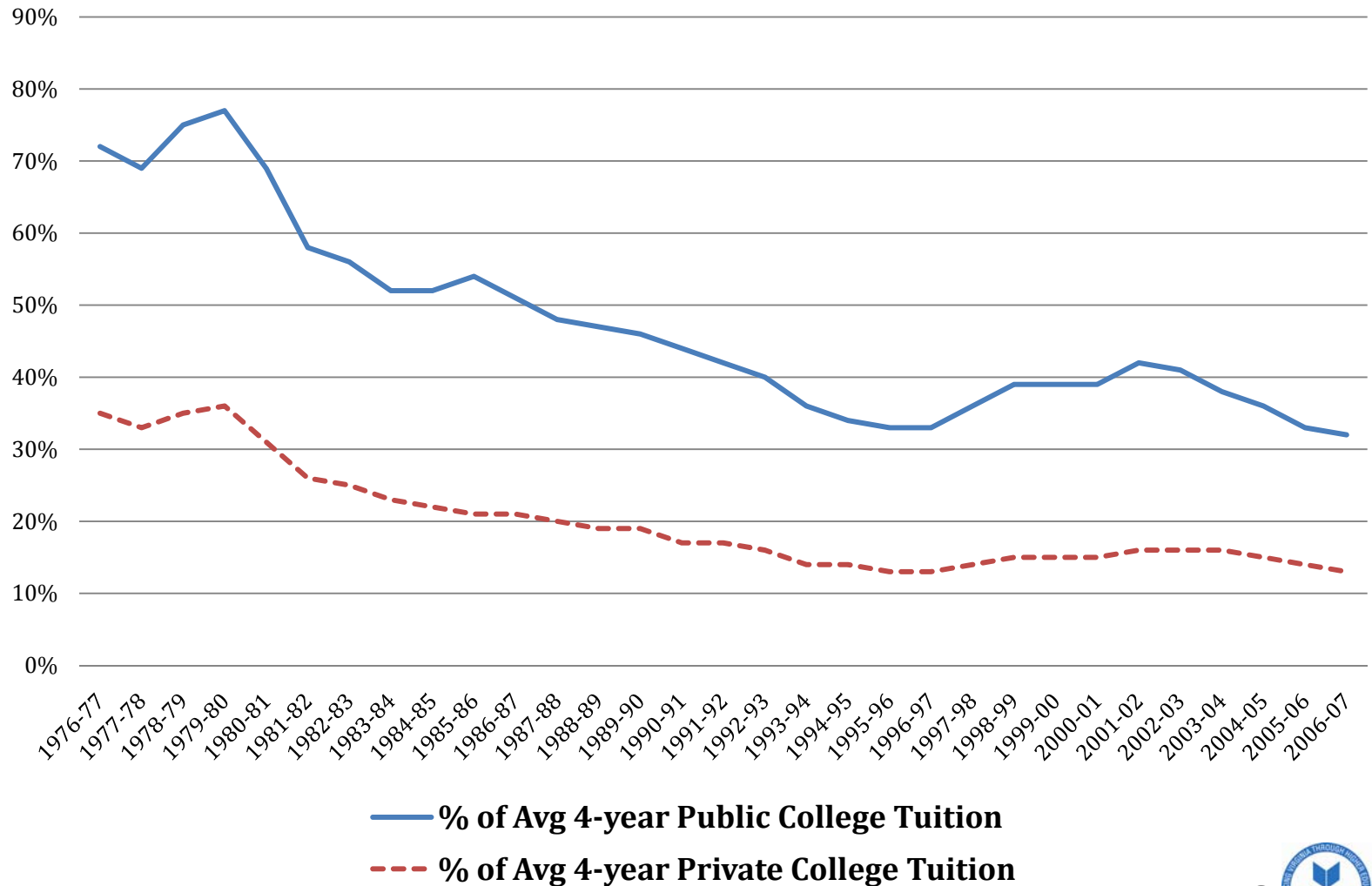
## Maximum Pell Grant as a Percentage of Average Tuition

Year	Percentage of Tuition at Public Institutions Covered by Pell Grant	Percentage of Tuition at Private Institutions Covered by Pell Grant
1979-80	77%	36%
2006-07	32%	13%



# Review of Federal Policies – Pell Grant

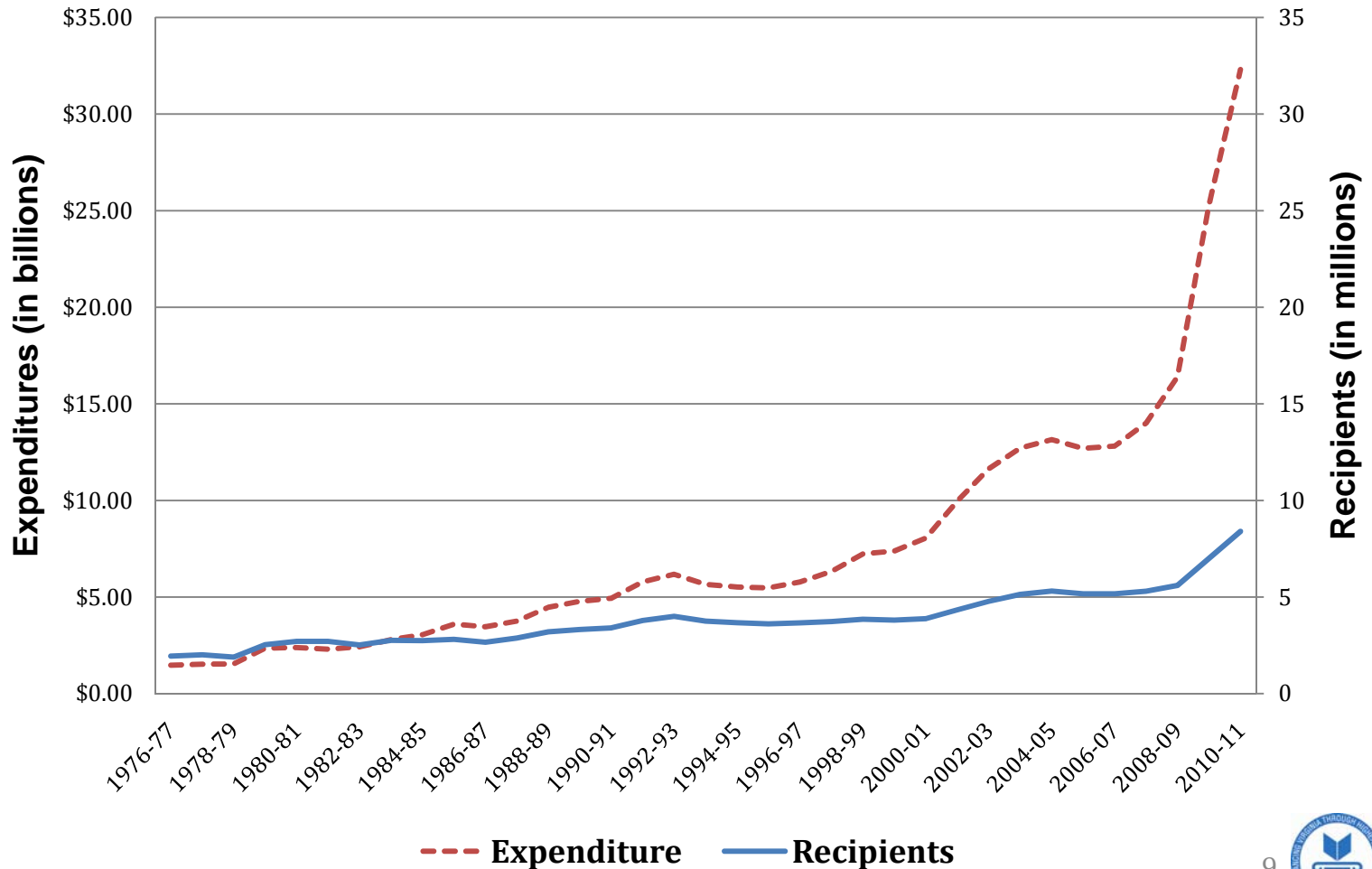
## Pell Grant as a Percentage of Tuition and Fees



Source: American Council on Education

# Review of Federal Policies – Pell Grant

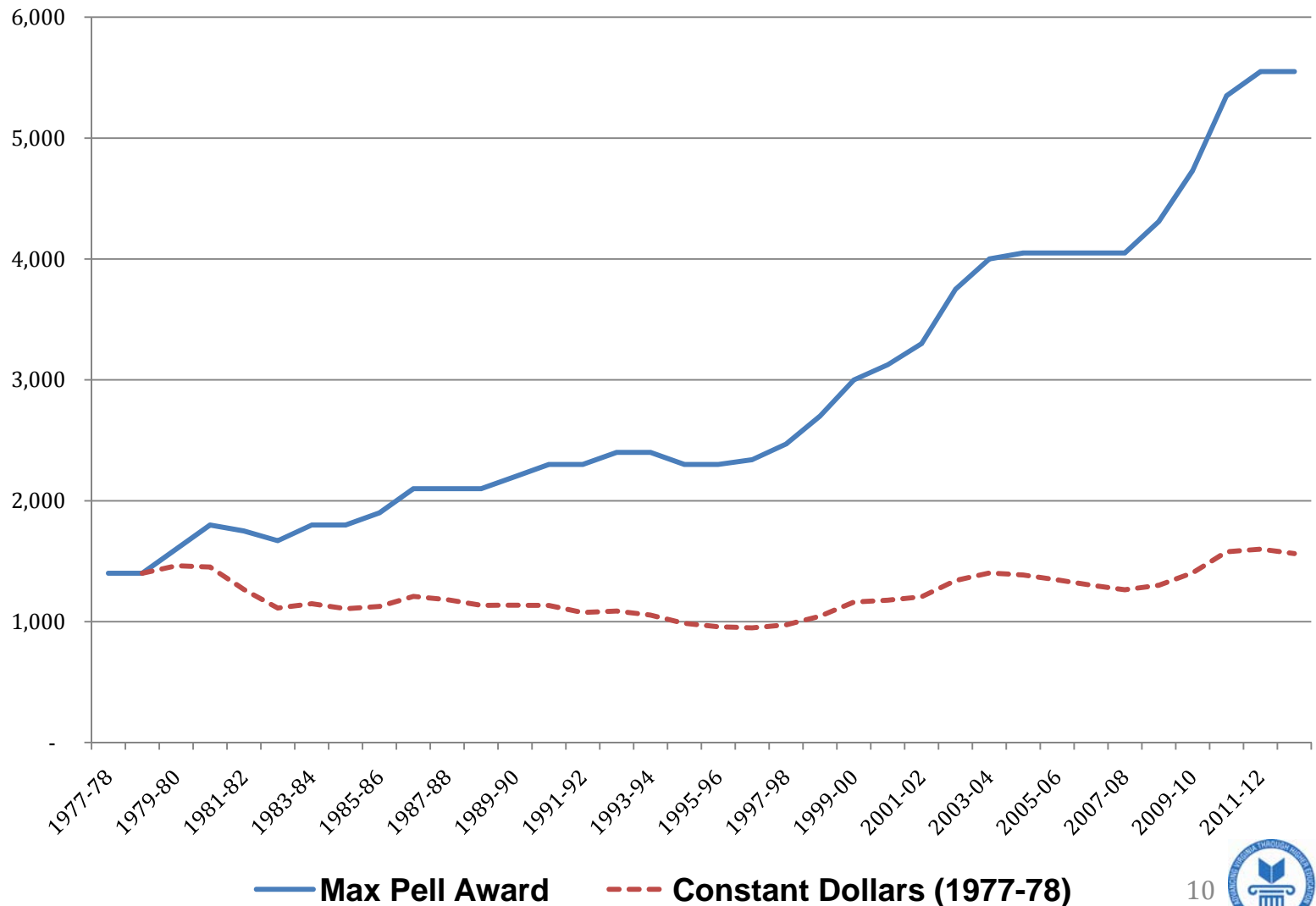
## Pell Grant Growth: 1976-2011



Source: American Council on Education

# Review of Federal Policies – Pell Grant

## Maximum Pell Grant Award Trend



Source: American Council on Education

# Review of Federal Policies - Loans

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Federal undergraduate dependent student borrowing limits:

- **\$5,500 for first-year students**
  - No more than \$3,500 subsidized
- **\$6,500 for second-year students**
  - No more than \$4,500 subsidized
- **\$7,500 for third year and beyond**
  - No more than \$5,500 subsidized

Career cap:

- Dependent student limit: **\$31,000**
- Independent student limit: **\$57,500**
- Graduate student limit: **\$138,500**

# Review of Federal Policies - Loans

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## Benefits

- No credit check
- Reduced interest rates
  - Subsidized loans for undergraduate students:
    - 6.0% in 2008-09
    - 5.6% in 2009-10
    - 4.5% in 2010-11
    - 3.4% in 2011-12
    - 6.8% in 2012-13
  - Unsubsidized loans: 6.8%
- Interest is tax deductible
- Federal government pays for interest on subsidized loans when borrower is enrolled at least half-time

# Review of Federal Policies - Loans

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- Favorable repayment terms
  - No repayment required while enrolled at least part time
  - Standard repayment of ten years
  - Graduated repayment with payment amounts starting low and increasing over time
  - Income-based repayment based on a percentage of annual income
  - Extended repayment provides up to 25 years to repay for loans in excess of \$30,000
  - Deferment and forbearance options available for enrollment in higher education, economic hardships

# Review of Federal Policies - Loans

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## Concerns

- Bachelor's degree increases lifetime earnings in excess of \$1 million, but not all earn the average.
- Students sign the promissory note not knowing what they will be able to afford.
- Loans are **not** dischargeable due to bankruptcy.
- Not all borrowers complete a degree.
- Effect of high levels of student debt still not fully understood.
  - According to [finaid.org](http://finaid.org), the national federal and private student loan debt is now over \$926 billion.

# Review of Federal Policies - Loans

- Two-year cohort default rates are relatively modest, but rising.

Year	Cohort Default Rate
2004	5.1%
2005	4.6%
2006	5.2%
2007	6.7%
2008	7.0%

- In 2008, the default rate for all Virginia institutions was 5.9%
- Range for public and private non-profit colleges in Virginia: 0.0% to 15.9%

# Review of Federal Policies - Loans

	<b>State</b>	<b>Average debt</b>	<b>% with debt</b>
1	Utah	\$12,860	38%
2	Georgia	\$16,568	58%
3	Nevada	\$16,742	37%
4	Wyoming	\$17,084	50%
5	Delaware	\$17,200	44%
6	California	\$17,326	48%
7	Arizona	\$17,393	45%
8	Kentucky	\$19,112	54%
9	Louisiana	\$19,677	48%
10	Washington	\$19,780	58%
11	Arkansas	\$19,880	57%
12	<b>Virginia</b>	<b>\$19,918</b>	<b>57%</b>
13	North Carolina	\$19,983	56%
14	Maryland	\$19,984	49%
18	Tennessee	\$20,678	53%
25	West Virginia	\$22,054	73%

Average student loan debt for the Class of 2009 for all 4-year public and private non-profit institutions.

# Additional Federal Initiatives

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## Simplification of the FAFSA

- Reduced number of questions
- Use of skip-logic to remove unnecessary questions based on answers the student has already provided
- Progress to date has been very successful, looking to do more
- Ongoing concern that further simplification creates less accuracy and may eventually create need for more applications

# Additional Federal Initiatives

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## College Affordability and Transparency Center

Federal website ([www.collegecost.ed.gov](http://www.collegecost.ed.gov))

lists colleges having:

- Highest/lowest tuition
- Highest/lowest tuition increases
- Highest/lowest net tuition
- Highest/lowest net tuition increases

# Additional Federal Initiatives

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## Net Price Calculator

- National net price calculators currently available at [nces.ed.gov/collegenavigator](http://nces.ed.gov/collegenavigator)
- Institutions required to have a net price calculator on their websites by October 31, 2011

# Additional Federal Initiatives

## “Sticker Price” versus “Net Price”

Sticker Price	(Advertised cost)
less <u>Financial Aid</u>	(Grants and scholarships)
Net Price	(Cost to student)

Net Price can be covered by:

- Out-of-pocket and other gift aid
- Student loans and work-study (Considered “self help” forms of financial assistance)
- Other debt such as credit card or home equity
- Efficiencies and lifestyle choices

# Additional Federal Initiatives

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## 2008-09 College Navigator Net Price Calculator

### Virginia Commonwealth University:

- Cost of Attendance (In-state student) = \$21,809
- Net price after gift aid = \$15,907

### Randolph-Macon College:

- Cost of Attendance = \$39,465
- Net price after gift aid = \$23,436

Provides a breakdown of net price by five income brackets

# Changes in Federal Funding

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## Key Programs Reduced in FY11 Budget

- Pell grant **year-round provision** eliminated
- Supplemental Education Opportunity Grant reduced by **\$21.5 million** (from \$757.5 million base)
- Federal Work Study reduced by **\$2 million** (from \$980.5 million base)
- Federal TRIO programs reduced by **\$26.6 million** (from \$853.1 million base)
- GEAR UP reduced by **\$20.4 million** (from \$323.2 million base)

# Changes in Federal Funding

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## Key Programs Eliminated in FY11 Budget

- Leveraging Educational Assistance Partnership (LEAP): Virginia received \$1.6 million in FY10 out of \$63.9 million program
  - Partially funded Virginia's College Scholarship Assistance Program (CSAP): \$694,650
    - Results in 13.5% reduction to CSAP
  - Fully funded Virginia's Higher Education Teacher Assistance Program (HETAP): \$947,363
- Robert Byrd Honors Scholarship: Virginia received \$1.0 million in FY10 out of \$42 million program

# Changes in Federal Funding

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- Non-Pell discretionary funding was cut by **\$1.251 billion** compared to FY10, a 2.7% reduction
- However, Pell discretionary increased, so there is a **net increase in total ED discretionary funding**
- 47 programs are **reduced**
- 38 programs **eliminated**

# Changes in Federal Funding

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## Under Threat in FY12 Budget

- Pell grant maximum award
  - Program now running at an estimated deficit of \$11 billion
  - If program funding is reduced to 2008 levels, maximum award could be reduced by as much as 60%
- College Access Challenge Grant
- Income-based repayment provisions for student loans
- In-school interest subsidies on some federal student loans

# Changes in Federal Funding

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## Budget Deficit Talks

- Ending the subsidized student loan program could reportedly save \$40 billion over 10 years
- Reports coming out on reducing Pell grant by \$10 billion

# Changes in Federal Funding

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## Options for Controlling Pell Costs

- Reduce maximum award
- Reduce lifetime maximum eligibility
- Increase definition of full-time from 12 hours to 15 hours
- Eliminate eligibility for “less than half-time”
- Restrict eligibility to associate and baccalaureate degrees only
- Maintain award, but reduce the Expected Family Contribution required to qualify
- Set maximum income eligibility

# Institutional Aid Policy and Practices

## Financial Need Calculation

Institution Cost of Attendance (COA)  
less Student's Expected Family Contribution (EFC)

**Financial Need**

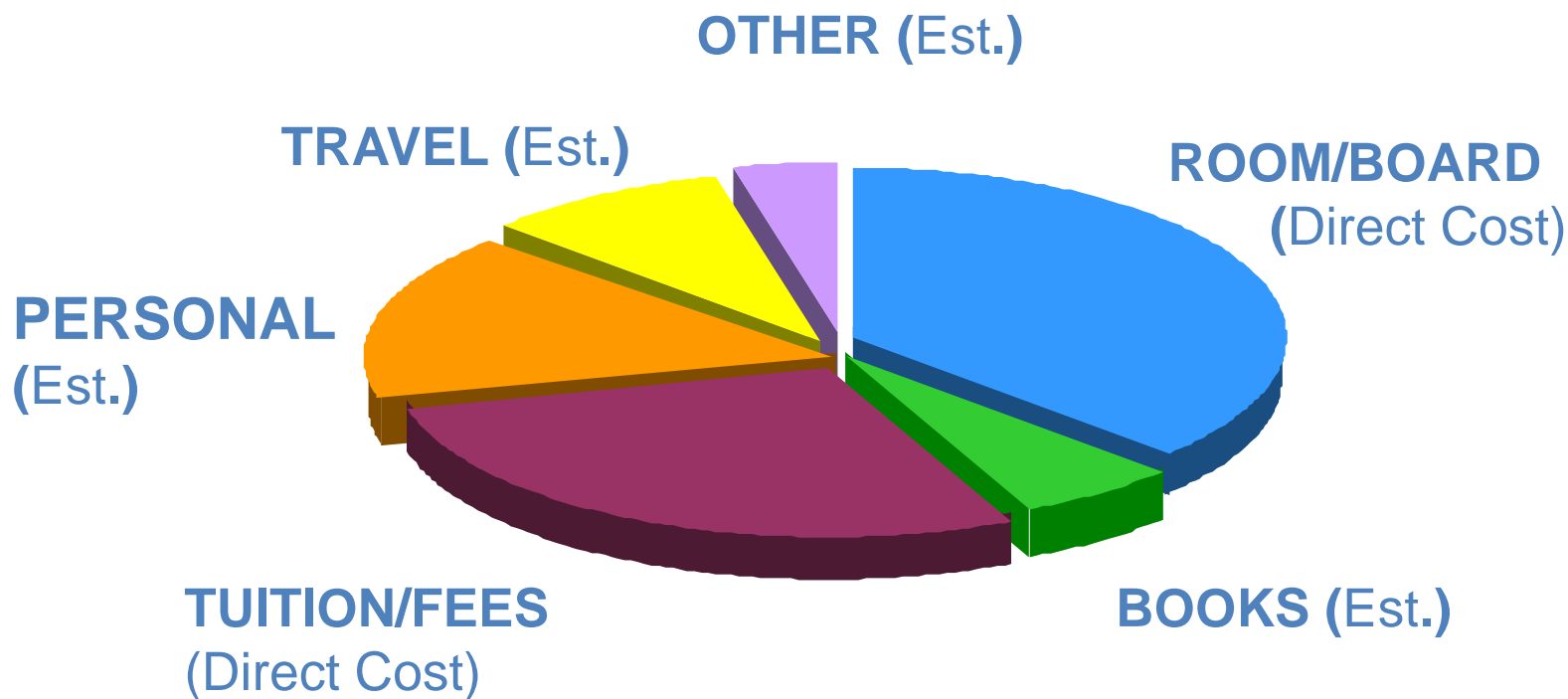
less Financial Aid

**Unmet Need**

# Institutional Aid Policy and Practices

## Cost of Attendance

Estimates used by institutions to determine eligibility for need-based aid. Will vary by college.



# Institutional Aid Policy and Practices

## Free Application for Federal Student Aid (FAFSA)

FAFSA - Free Application for Federal Student Aid - Windows Internet Explorer

http://www.fafsa.ed.gov/

File Edit View Favorites Tools Help

FAFSA - Free Application for Federal Student Aid

START HERE  
GO FURTHER  
FEDERAL STUDENT AID

FAFSA  
Free Application for Federal Student Aid

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Before Beginning a FAFSA  
Filling Out a FAFSA  
FAFSA Follow-Up

Special Announcements  
Updated information available for the new TEACH grant.

Looking for an early start on the financial aid process?

You can use FAFSA4caster to learn about the financial aid process and get an early estimate of your eligibility for federal student aid.  
[Link to FAFSA4caster](#)

**1 Before Beginning a FAFSA**  
Get organized! To simplify the application process, gather required documents and other information ahead of time.

- Determine Your Dependency Status
- FAFSA on the Web Worksheet
- Search for School Codes
- Students & Parents Apply For a PIN
- Check Application Deadline Dates

**2 Filling Out a FAFSA**  
Fill out the application! The FAFSA contains questions that ask about you, your financial information, your school plans, and more.

- Fill Out Your FAFSA
- Open Your Saved FAFSA or Correction Application
- Sign Electronically With Your PIN

**3 FAFSA Follow-Up**  
View your results online! You can check the status of your application, make corrections to a processed FAFSA and get other information.

- Check Status of a Submitted FAFSA or Print Signature Page
- Make Corrections to a Processed FAFSA
- Add or Delete a School Code
- View and Print Your Student Aid Report

**FAFSA ALERTS:**  
**FAFSA Deadlines:** Submit 2008-2009 FAFSA on the Web Applications by **midnight Central Daylight time, June 30, 2009.**  
Submit 2009-2010 FAFSA on the Web Applications by **midnight Central Daylight time, June 30, 2010.** [More>](#)  
State deadlines are normally much earlier than Federal deadlines. To find your state's deadline, select [state deadlines](#).

**Scheduled Maintenance:** FAFSA on the Web will be unavailable every Sunday from 5 a.m. to 9 a.m. (Eastern Time). We apologize for any inconvenience this may cause. [More>](#)

Site Last Updated: Saturday, May 30, 2009

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# Institutional Aid Policy and Practices

## FAFSA Information Collection

- Collects student data on:
  - Adjusted Gross Income for student and parents
  - Family size
  - Number in family going to college
  - Asset information
  - Family residence
  - Age of oldest parent

# Institutional Aid Policy and Practices

## Federal Methodology

- Federal government uses this information to determine:
  - Available income
  - Cost of living
  - Asset protection allowance
- Numbers are plugged into a calculation to determine Expected Family Contribution (EFC)

# Institutional Aid Policy and Practices

## Sample EFC Scenarios

EFCs will vary significantly based on differences in age of parent, assets, and other details.

- Family of 4 with AGI of \$75,000; EFC = \$7,300
- Family of 4 with AGI of \$50,000; EFC = \$4,000
- Family of 6 with AGI of \$50,000; EFC = \$2,080

# Institutional Aid Policy and Practices

## Financial Aid Typically Available

- Federal government
  - Pell Grant
  - Supplemental Education Opportunity Grant
- State government
  - Virginia Student Financial Assistance Program
  - Virginia Tuition Assistance Grant Program (VTAG)
  - College Scholarship Assistance Program
  - Two-Year College Transfer Grant Program
- Institution
  - Grants from tuition and fee revenue
  - Unfunded scholarships and waivers

# Institutional Aid Policy and Practices

## Interaction of Programs

- Dozens of different aid programs available from federal and state government
- Once institutional & private programs are included, the number goes into the hundreds
- Each has a unique purpose and its own individual requirements
- Many need-based programs will attempt to be the “last dollar,” posing a packaging challenge
- Colleges must balance these differing missions into financial aid packages for thousands of students

# Institutional Aid Policy and Practices

## Awards Process

- Award students meeting the institution's FAFSA application deadline
  - late filers are wait-listed or not awarded
- Start with basic calculation of remaining need:  
 $COA - EFC - \text{known need-based gift aid}$   
(typically just the Pell grant) = remaining need
- Determine “neediest student” based on institutional definition: can be students with 0 EFC or students with large amounts of need
- Eligible neediest students receive VGAP of at least tuition

# Institutional Aid Policy and Practices

## Awards Process

- Those having greatest amount of remaining need are awarded first
- Continue until funds expire
- VSFAP awards can be based on:
  - Meeting a percentage of need
    - Typically 30-60% of need, up to tuition/fees/books
  - Slotting a standard award amount for differing levels of need
    - \$4,000 for need between \$8,000 and \$10,000
    - \$3,000 for need between \$5,000 and \$8,000

# Institutional Aid Policy and Practices

## Awards Process

- Practices vary according to two basic principles:
  - “Spreading it thick”: Provide fewer students with higher amounts of aid.
  - “Spreading it thin”: Provide smaller awards to larger numbers of students.
- Policies vary and reflect such institutional differences as the income distribution of students and availability of resources.

# Institutional Aid Policy and Practices

## Awards Process

- Student loans and work-study are packaged last based on federal rules
  - Some VCCS institutions do not participate in federal student loan program
- Institution's can control borrowing by manipulating Cost of Attendance figures
- Institutions package federal loans, but it is the student's responsibility to pursue private loans

# Institutional Aid Policy and Practices

## Sample Award Packages

	<u>East College</u>	<u>West College</u>	<u>North University</u>	<u>South University</u>
Cost of Attendance	\$20,483	\$21,227	\$18,501	\$20,617
Expected Family Contribution	- \$998	- \$1,396	- \$9,770	- \$9,468
<u>Federal Grants (Pell and SEOG)</u>	<u>- \$4,800</u>	<u>- \$4,000</u>	<u>- \$0</u>	<u>- \$0</u>
<b>Financial Need</b>	<b>\$14,685</b>	<b>\$15,831</b>	<b>\$8,731</b>	<b>\$11,149</b>
Commonwealth Award	-\$5,130	- \$4,970	- \$1,450	- \$3,850
<u>Outside Scholarship</u>	<u>- \$0</u>	<u>- \$250</u>	<u>- \$0</u>	<u>- \$200</u>
<b>Remaining Need</b>	<b>\$9,555</b>	<b>\$10,611</b>	<b>\$7,281</b>	<b>\$7,099</b>
<u>Subsidized Student Loan</u>	<u>- \$5,500</u>	<u>- \$5,500</u>	<u>- \$5,500</u>	<u>- \$4,500</u>
<b>Unmet Need</b>	<b>\$4,055</b>	<b>\$5,111</b>	<b>\$1,781</b>	<b>\$2,599</b>
<b>Total Grants</b>	<b>\$9,930</b>	<b>\$9,220</b>	<b>\$1,450</b>	<b>\$4,050</b>
<b>Total Loans</b>	<b>\$5,500</b>	<b>\$5,500</b>	<b>\$5,500</b>	<b>\$4,500</b>

# Institutional Aid Policy and Practices

## Analysis of these Examples

- First two students are examples of \$40,000 AGI, and the second two are \$70,000 AGI.
- Even with significant borrowing, each of the students have Unmet Need.
- Low-income students have greater amounts of Unmet Need
  - In this case, over \$4,000 each.
- Middle income rely heavily on their EFC
  - More than \$9,000 each for incomes of just \$70,000.

# Institutional Aid Policy and Practices

- Institutional aid is used primarily for either **need-based students** or for **specific degree programs** (such as STEM)
- Some institutions combine institutional aid with federal and state to meet specific award goals
- Others use institutional aid as last aid awarded

# Institutional Aid Policy and Practices

- Most institutions have internal financial aid awarding policies and strategies based on the needs of their students and available resources
- Some institutions have made public commitments as part of their management agreements:
  - UVA: [Access UVA](#)
  - W&M: [Gateway](#)
  - Virginia Tech: [Funds for the Future](#)

# Factors Driving Financial Need

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## Increased Number of Students

- From 2008 to 2009, there was a **18.7%** increase in Virginia students completing the FAFSA
- Some are new enrollments, many are returning students recognizing increased need for aid

## Increased Costs

- For 2009-10, tuition & fees at public institutions went up 5.0%
- Room & board costs increased by 5.1%
- Other costs are also increasing
  - Gas prices increased about 40% in the last year

# Factors Driving Financial Need

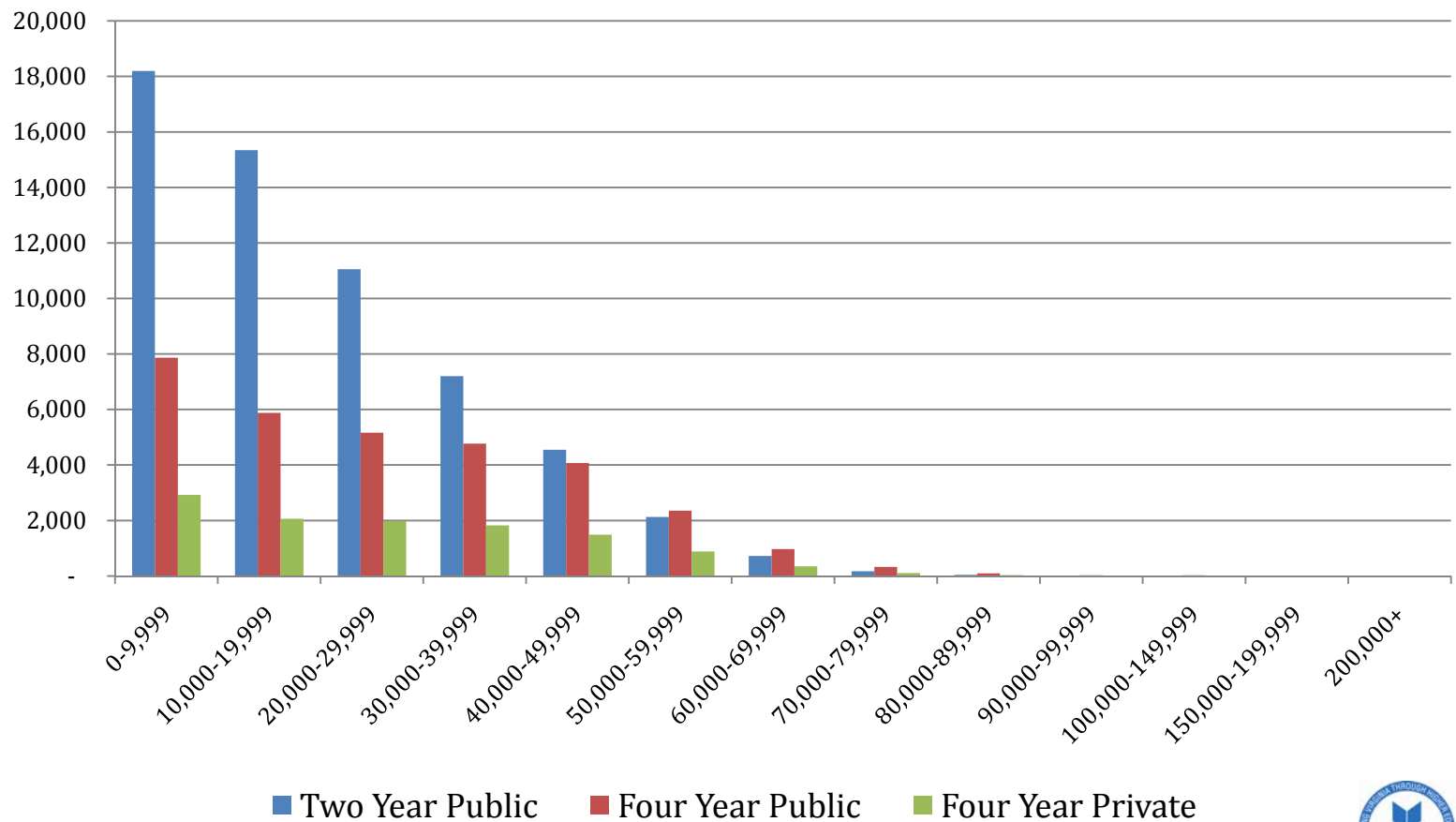
## Percent of VSFAP Funded By Year

2006-07	55.5%
2007-08	60.5%
2008-09	60.5%
2009-10	60.9%
2010-11	54.9%
<b>2011-12</b>	<b>47.8%</b>

# Distribution of Financial Aid

## Federal Pell Grant

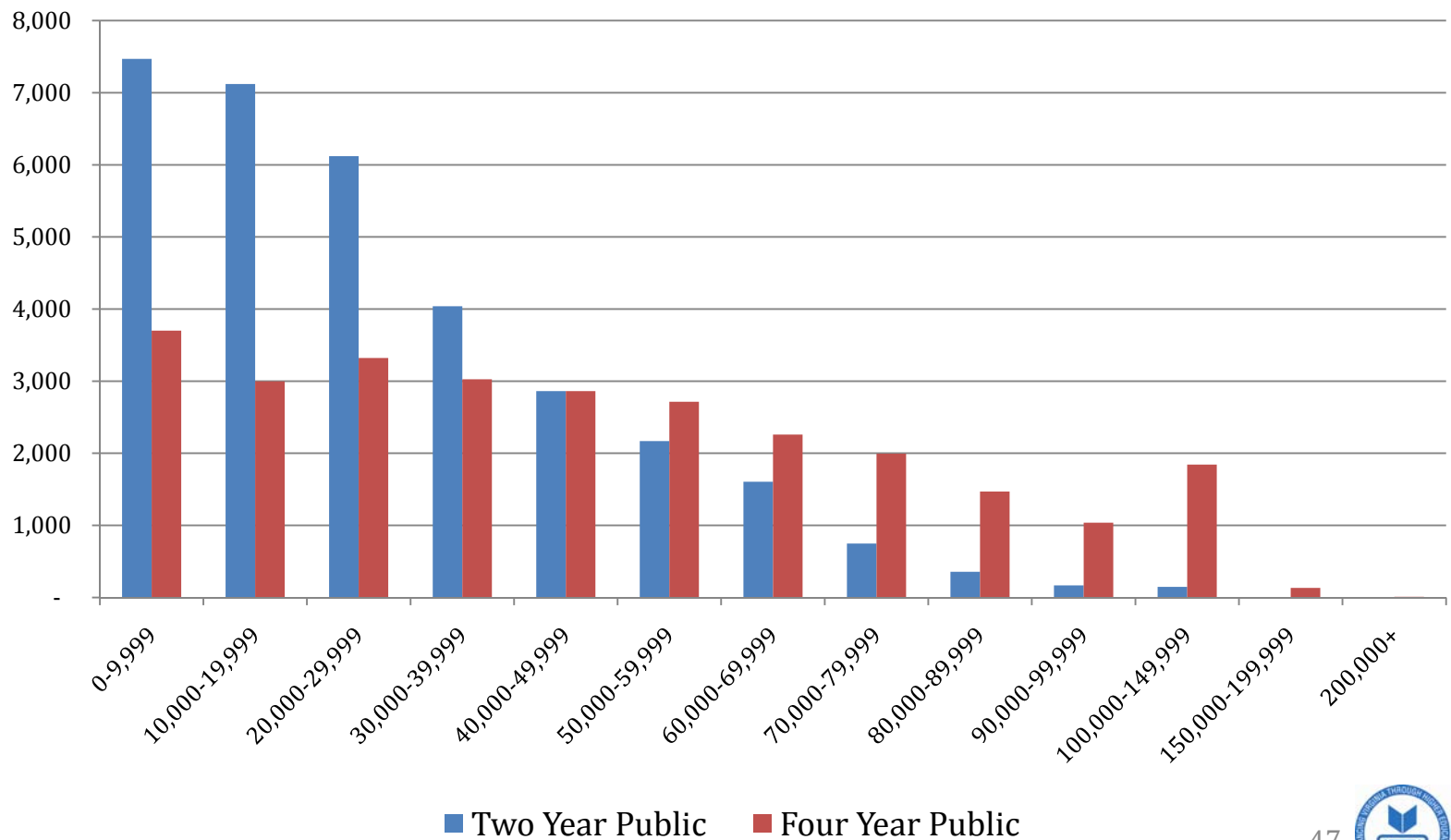
2009-10 recipients by income range



# Distribution of Financial Aid

## Virginia Student Financial Assistance

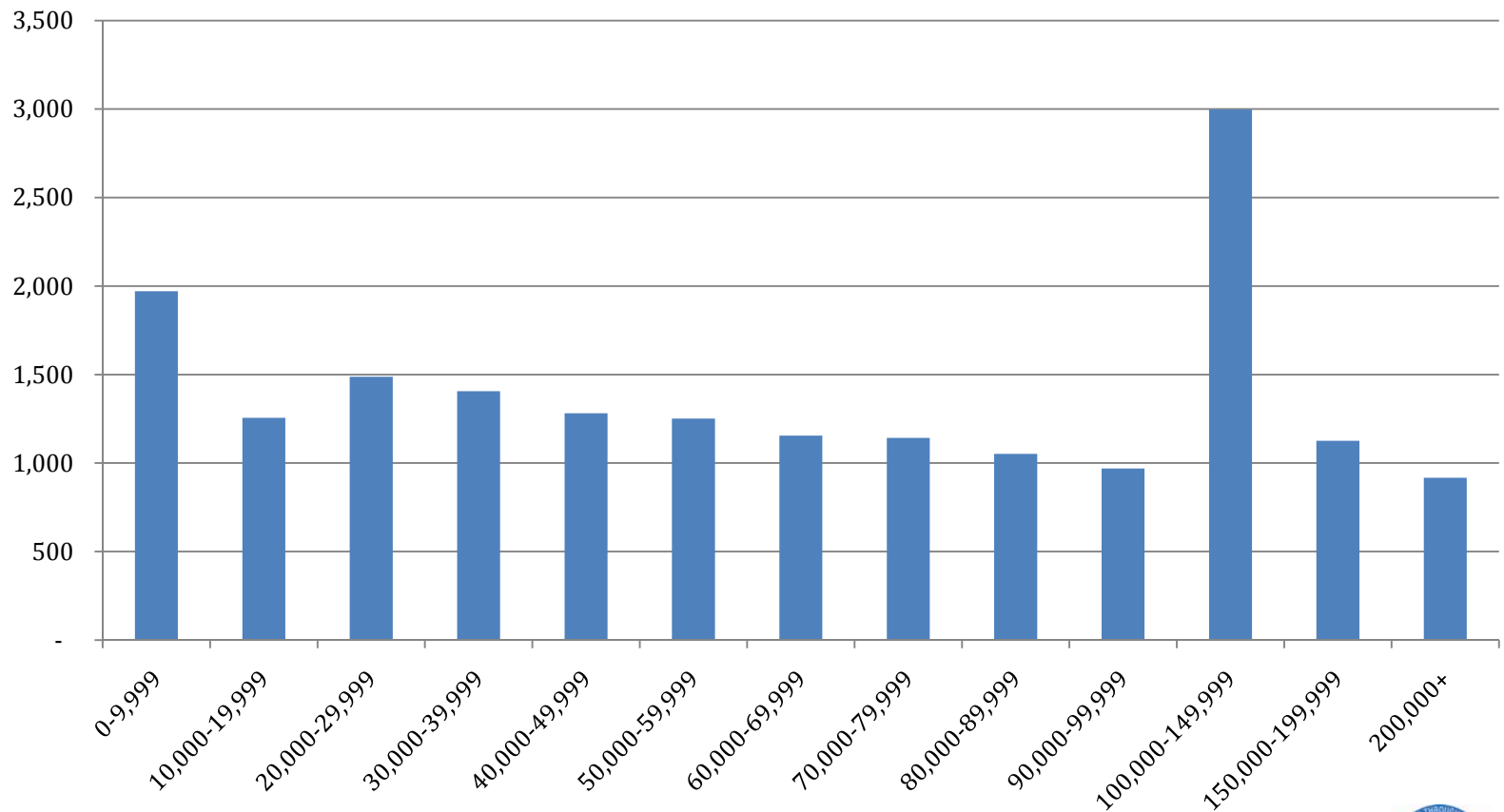
2009-10 recipients by income range



# Distribution of Financial Aid

## Virginia Tuition Assistance Grant Program

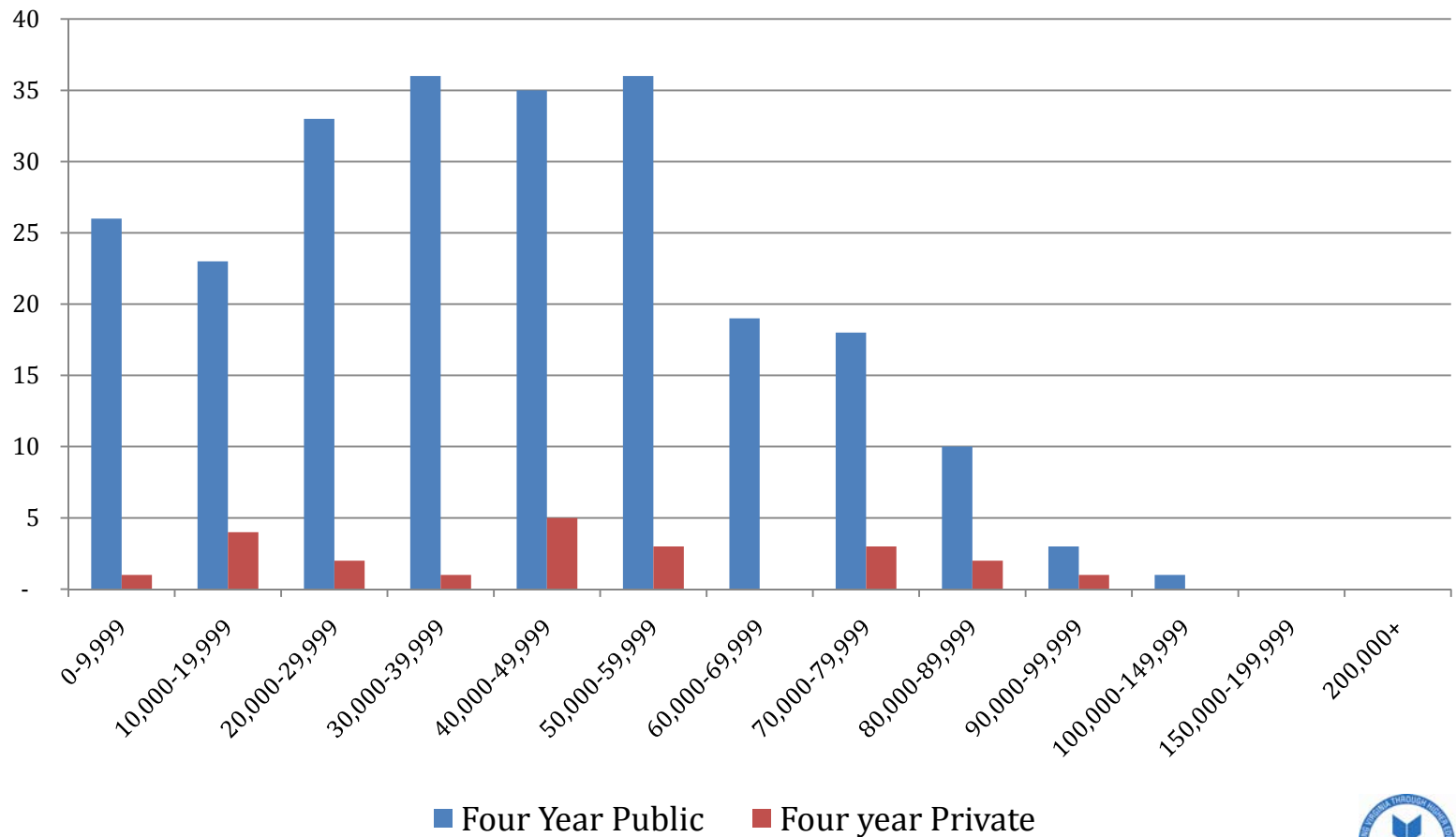
2009-10 recipients by income range



# Distribution of Financial Aid

## Two-Year College Transfer Grant

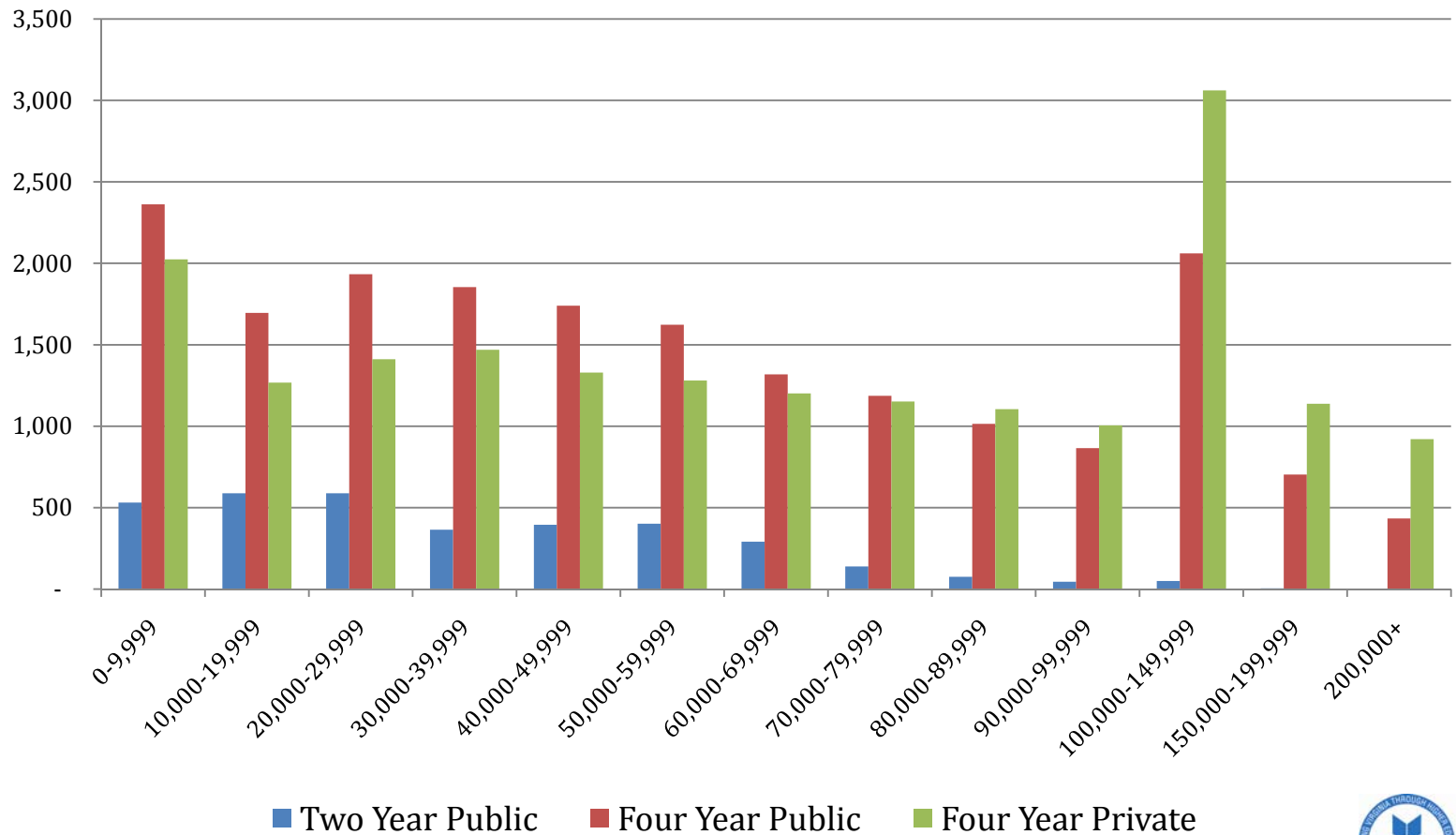
2009-10 recipients by income range



# Distribution of Financial Aid

## Institutional Aid and Tuition Waivers

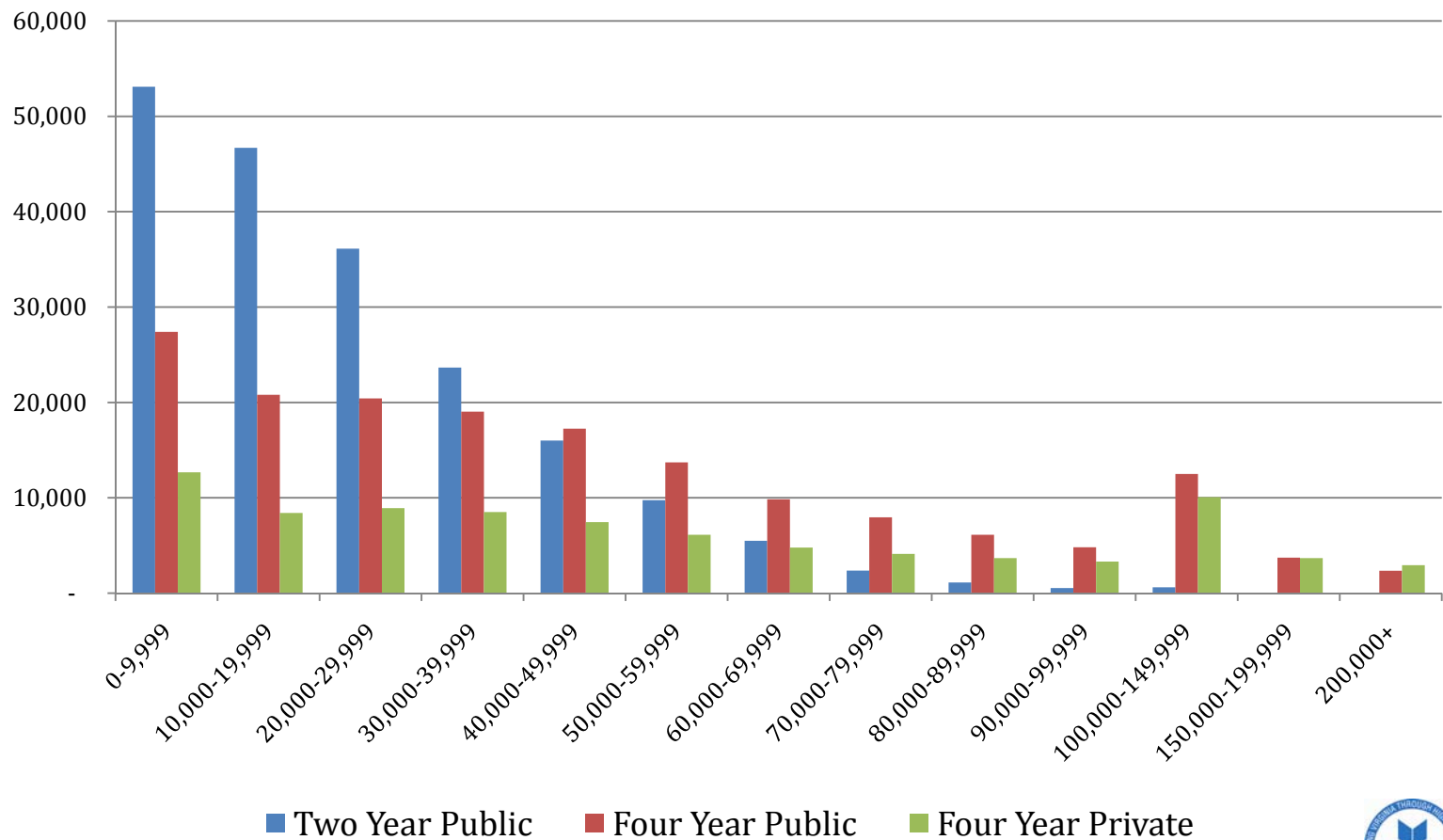
2009-10 recipients by income range



# Distribution of Financial Aid

## Distribution of All Grant Aid

2009-10 recipients by income range



# Distribution of Financial Aid

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## Total Aid Available for Virginia Undergraduates

- **\$3.4 billion** in **federal aid** available to Virginia in FY10 (all sectors, all students)
- **\$199 million** in total **state financial aid** (public and private non-profit colleges)
- **\$215.8 million** in **institutional aid** (public and private non-profit colleges)

# Defining Low and Middle Income

*B. Consistent with the objectives of this chapter identified in 23-38.87:10, the Advisory Committee, in consultation with and with assistance from the staff of the Council and such other assistance it may need, shall develop and review at least every five years, in consultation with the respective Chairs of the House Committees on Appropriations and Education and the Senate Committees on Finance and on Education and Health, or their designees, representatives of public institutions of higher education in the Commonwealth, and such other state officials as may be designated by the Governor:*

*2. Criteria for determining which families qualify as “low-income” and “middle-income” for purposes of 23-38.87:15 and how they relate to federal, state and institutional policies governing the provision of financial assistance to students of such families;*

# Defining Low and Middle Income

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## 3 Possible Approaches

1. Percent of poverty
2. Percentile of adjusted gross income
3. Percentile of EFC

# Defining Low and Middle Income

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## Percent of poverty

- Federally calculated and annually adjusted
- Takes into account size of family, as well as income
- Already in use by the institutions for other programs
- May be more useful in describing low income than middle income
- Not a concept familiar to most middle-income families

# Defining Low and Middle Income

Definitions would then be expressed as some determined percent of poverty.

Examples income-level breakpoints for various percent of poverty:

	<u>Family of 4</u>	<u>Family of 6</u>	<u>Family of 8</u>
<b>100%</b>	\$22,350	\$29,990	\$37,630
<b>150%</b>	\$33,525	\$44,985	\$56,445
<b>200%</b>	\$44,700	\$59,980	\$75,260
<b>300%</b>	\$67,050	\$89,970	\$112,890

# Defining Low and Middle Income

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## Percentile of adjusted gross income

- Very flexible
  - Can be expressed by national or state levels, or by institution
- Annually adjustable
- Easily understood by most families
- Modifications may be necessary to take into account family size

# Defining Low and Middle Income

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If a percentile of income is used, recommend breaking down into **quartiles** or **quintiles**.

Using U.S. Census Bureau data, sample breakpoints could be:

- \$0 - \$34,999 for low income
- \$35,000 - \$99,999 for middle income

Actual breakpoints depend upon whether using:

- National, state, or institution data
- Income or AGI
- Quartiles or quintiles.

# Definition Low and Middle Income

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## Percentile of Expected Family Contribution

- Federally calculated
- Takes into account family income, size, and other financial resources
- Can be a statewide or institution-specific measure
- Benchmark would most likely have a two-year lag
- Students wouldn't know their individual EFC until they submit FAFSA
- Formula is subject to change in support of federal policies

# Conclusions

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- As costs continue to increase, we cannot count on federal grant funding to keep up
- State financial aid and federal student loan borrowing have their limits
- Institutional award policies generally support addressing students with greatest levels of need first, which are most often the low income students
- Financial aid is spread well into the middle income, but those students still rely a great deal on the EFC