

## Mind the Gap: High Unmet Financial Need Threatens Persistence and Completion for Low-Income Community College Students

By Vickie Choitz and Patrick Reimherr

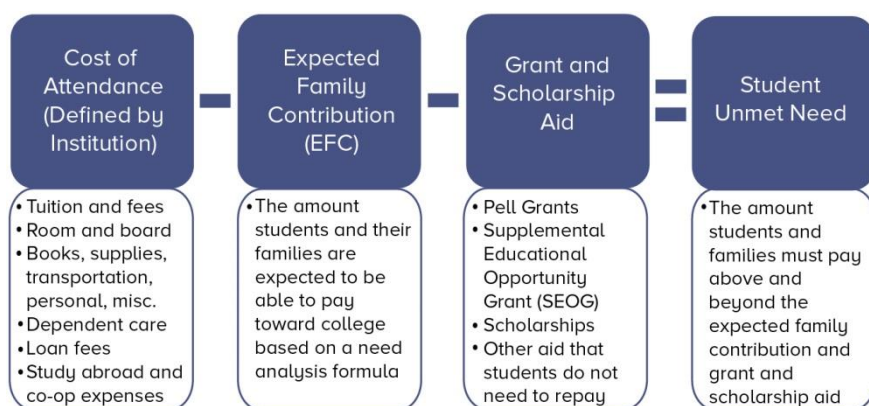
Over the last three decades, college tuition and fees have increased nearly four times faster than median income<sup>1</sup> and four-and-a-half times faster than inflation.<sup>2</sup> The rapid increase in college costs and flat or reduced funding in student aid has resulted in sizable **unmet need** and has forced students— particularly low-income students—to borrow more, work more hours, take fewer courses, or in some cases, drop out altogether. Unmet need and student loan debt for students at high-cost institutions have attracted widespread public attention. Less attention has been paid to unmet need at community colleges, where 41 percent of all undergraduates living in poverty are enrolled, according to the most recent data available (2007–2008).<sup>3</sup>

### What is “Unmet Need”?

**Unmet need** is the gap between college costs and what students can afford to pay on their own and/or with aid that does not need to be repaid. It is the cost a student must cover to attend college after accounting for the student’s expected family contribution (EFC) and any grants, scholarships, or other aid that the student does not need to pay back. The EFC is calculated through the federal need analysis formula triggered when the student submits the federal student aid application (FAFSA).

Figure 1 shows how unmet need is calculated.<sup>4</sup>

Figure 1: Calculating Unmet Need



### How Many Community College Students Have Unmet Need? How Significant Is It?

Over 98 percent of independent full-time community college students with incomes in the bottom three income quartiles ( $\leq \$30,622$ ) had unmet need in 2007-2008. For the lowest-income students, the gap was as high as \$10,181 (see Table 1 below). Over 60 percent of independent part-time students in the bottom three income quartiles ( $\leq \$56,015$ ) had unmet need, and it was as high as \$4,834. Significant percentages of very low-income *dependent* students also had unmet need. Unmet need may be even higher among the 43.9 percent of community college students—many of whom are low-income—who did not complete the FAFSA in 2007-08.<sup>5</sup>

Table 1: Unmet Need for Independent and Dependent Students at Public Two-Year Colleges in 2007-2008

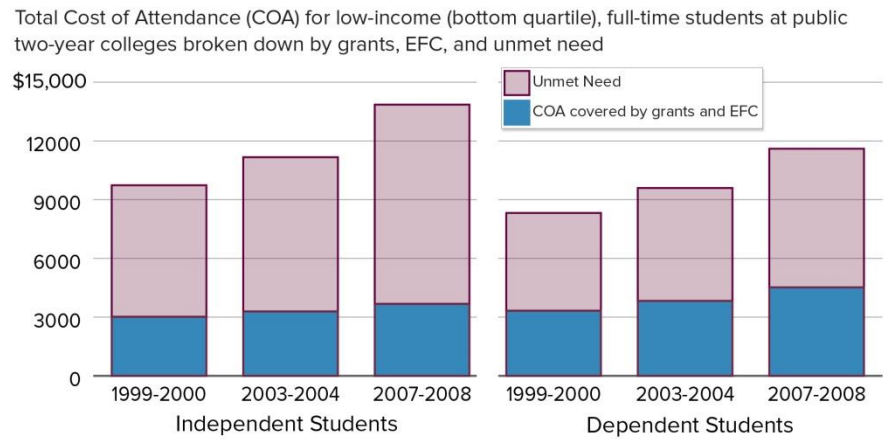
Independent Quartile <sup>6</sup>	Percent With Unmet Need		Average Unmet Need	
	Full-Time	Part-Time	Full-Time	Part-Time
Lowest	99.9%	98.4%	\$10,181	\$4,834
Second	99.8%	78.8%	\$9,977	\$3,255
Third	98.3%	64.6%	\$8,823	\$2,469
Highest	68.6%	16.6%	\$5,627	\$468
Dependent Quartile	Percent With Unmet Need		Average Unmet Need	
	Full-Time	Part-Time	Full-Time	Part-Time
Lowest	98.8%	87.9%	\$7,080	\$3,349
Second	83.3%	41.1%	\$4,566	\$1,387
Third	33.3%	10.3%	\$1,587	\$309
Highest	6.0%	3.3%	\$242	\$138

Unmet need for low-income community college students—especially the *lowest-income*—has increased significantly in the last decade. This is largely driven by the increasing cost of attendance, most notably tuition and fees (see figure 2).<sup>7</sup>

### Why Do We Need More and Better Targeted Aid to Help Low-Income Students Cover Unmet Need?

- **Unmet need forces community college students to work more, threatening their academic success.** About 66 percent of young community college students (under age 24) work more than 20 hours per week to cover college and family costs, and 58 percent attend college part-time to accommodate work.<sup>8</sup> Working too many hours negatively affects academic performance.<sup>9</sup>
- **Increased work hours lengthens time to earning a degree.** Research indicates that increased work by undergraduates is the primary reason time to a degree has increased over the past three decades.<sup>10</sup>
- **The need to earn income while in school threatens college completion.** A 2009 survey of young adults (ages 22 to 30) found that 71 percent who had left college without a credential cited the need to “work and earn money” as one reason. 54 percent listed this as a “major reason.”<sup>11</sup>
- **Students who left school without a credential had little financial help.** The same 2009 study found that more than half—58 percent—of those who had left school without a degree or certificate received no financial help from their parents or other relatives (compared with 37 percent of students who graduated); 69 percent did not receive scholarships or financial aid (compared with 43 percent of students who graduated).<sup>12</sup>
- **Unmet need drives up community college student indebtedness.** The proportion of community college students who took out federal student loans to cover college costs more than doubled—from 4.3 percent to 10.2 percent—between 1995-96 and 2007-08; it likely has risen since then.<sup>13</sup> Even worse, students who cannot complete end up with debt and no degree. In 2009, 25 percent of non-completers who began at public two-year colleges accumulated federal student loans, with an average cumulative amount of \$5,700.<sup>14</sup>

**Figure 2: Unmet Need Increased Significantly Over the Past Decade**



<sup>1</sup> Reimherr, P., Harmon, T., Strawn, J., and Choitz, V. *Reforming Student Aid: How to Simply Tax Aid and Use Performance Metrics to Improve College Choices and Completion*. CLASP, February 2013.

<sup>2</sup> Lynch, M., Engle, J., and Cruz, J.L. *Lifting the Fog on Inequitable Financial Aid Policies*. The Education Trust, November 2011.

<sup>3</sup> Mullin, C. M. *Why access matters: The community college student body (Policy Brief 2012-01PBL)*. American Association of Community Colleges, February 2012.

<sup>4</sup> Some researchers also include federal student loans and/or tax benefits in calculating unmet need.

<sup>5</sup> Kantrowitz, M. *Reasons Why Students Do Not File the FAFSA*. January 18, 2011.

<sup>6</sup> For students at public two-year colleges during academic year 2007-08, the following income groups apply: **Independent Students - Full-Time**: Bottom Quartile (25%): <\$6,117; Second Quartile(25-50%): \$6,117-16,366; Third Quartile(50-75%): \$16,366-30,622; Top Quartile(>75%): \$30,622+. **Part-Time**: Bottom Quartile: <\$16,316; Second Quartile: \$16,316-32,071; Third Quartile: \$32,071-56,015; Top Quartile: \$56,015+. **Dependent Students - Full-Time**: Bottom Quartile: <\$29,910; Second Quartile:\$29,910-55,408; Third Quartile:\$55,408-86,655; Top Quartile: \$86,655+. **Part-Time**: Bottom Quartile: <\$30,584; Second Quartile: \$30,584-54,011; Third Quartile: \$54,011-84,666; Top Quartile: \$84,666+.

<sup>7</sup> Low-income is defined as those students in the bottom income quartile. For dependent, full-time students at public two-year colleges during academic year 2007-08, this aligns with households making less than \$29,910. For independent, full-time students at public two-year colleges during academic year 2007-08, this aligns with households making less than \$6,117.

<sup>8</sup> Orozco, V., Cauthen, N.K. *Work Less, Study More, and Succeed: How Financial Supports Can Improve Postsecondary Success*. Demos, 2009.

<sup>9</sup> Scott-Clayton, J. *What Explains Trends in Labor Supply Among Undergraduates, 1970-2009?* NBER Working Paper 17744. National Bureau of Economic Research, 2012.

<sup>10</sup> Bound, J, Lovenheim, M., Turner, S. *Increasing Time to Baccalaureate Degree in the United States*. Population Studies Center, University of Michigan, 2010.

<sup>11</sup> Johnson, J., and Rochkind, J. *With Their Whole Lives Ahead of Them: Myths and Realities About Why So Many Students Fail to Finish College*. Public Agenda, 2009.

<sup>12</sup> *ibid*

<sup>13</sup> *Trends in Undergraduate Stafford Loan Borrowing: 1989-90 to 2007-08*, NCES 2010-183, National Center for Education Statistics, 2010.

<sup>14</sup> Wei, C.C., Horn, L. (MPR Associates, Inc.). *Federal Student Loan Debt Burden of Noncompleters*, NCES 2013-155 Stats in Brief, April 2013.

All data from Table 1 and Figure 2 is from the National Postsecondary Student Aid Study (NPSAS).