

Barriers to Success: High Unmet Financial Need Continues to Endanger Higher Education Opportunities for Low-Income Students

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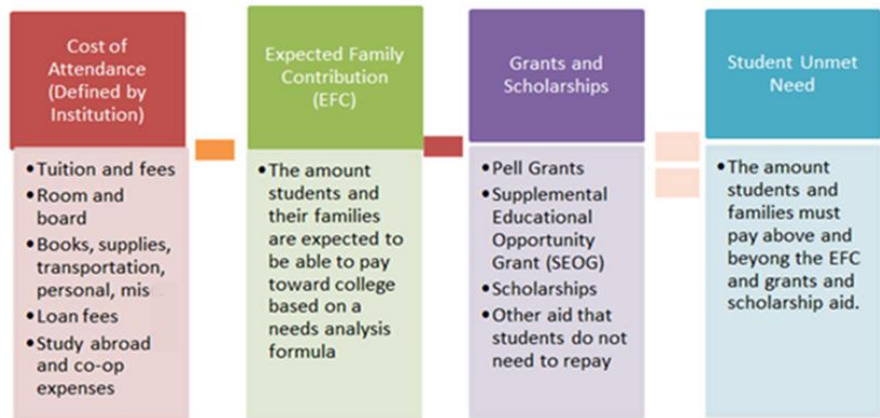
For nearly three in four people, paying for a postsecondary education seems out of reach.ⁱ The cost of college has far outpaced the growth in incomes for more than a decade.ⁱⁱ Low-income students are disproportionately affected by these skyrocketing costs because they have fewer resources to fall back on. When student financial aid cannot meet educational expenses, low-income students are more likely to borrow or work more, cut their course load, or even drop out. CLASP’s 2013 “[Mind the Gap](#)” paper shined a spotlight on the problem of unmet need among community college students, documenting that virtually all of the neediest independent community college students (98 percent or more) had unmet need.

Despite these sobering statistics, some opponents of initiatives to make community college free have argued that eliminating tuition and fees would be unnecessary because community college is relatively inexpensive. However, [most free community college programs only address tuition and fee costs](#), failing to live up to their potential by not fully

addressing student need. The updated findings presented below confirm that unmet need remains a serious concern.

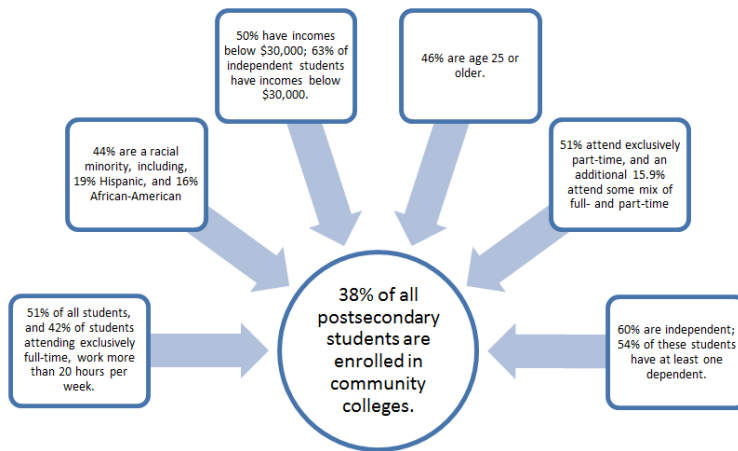
Unmet need is the *gap* between college costs and what students have to pay. A student’s expected family contribution (EFC)ⁱⁱⁱ helps to determine the student’s aid eligibility and is calculated when the student submits a Free Application for Federal Student Aid (FAFSA). Unmet need is the cost of attendance at an institution, less the student’s EFC, less any grant or other aid that does not need to be repaid.

Figure 1. Calculating Unmet Financial Need



The life circumstances of many community college students, such as those displayed in Figure 2, can make them particularly vulnerable when their college costs are not fully covered due to unmet need.^{iv}

Figure 2: Profile of Community College Students



The data shows that for independent students in the bottom three income quartiles, and dependent students in the bottom two, the proportion of students with unmet need ranges from a majority to virtually everyone. For students in the lowest income quartile, 95 percent of full-time students, and nearly 80 percent of part-time independent students, have unmet need; among dependent students, these figures are 97 percent and 88 percent of full- and part-time students, respectively. [Unmet need disproportionately affects low-income students of color](#), creating an obstacle to the opportunity to earn postsecondary credentials that are crucial to economic success.

Table 1: Unmet Need for Independent and Dependent Undergraduate Students at Public 2-Year Colleges in 2011-2012

Independent Quartile ^v	Percent With Unmet Need		Average Unmet Need	
	Full-Time	Part-Time	Full-Time	Part-Time
Lowest	95.3%	79.6%	\$7,734	\$3,559
Second	95.0%	72.1%	\$8,109	\$2,910
Third	90.5%	57.2%	\$7,313	\$2,396
Highest	80.1%	40.5%	\$5,835	\$1,643

Dependent Quartile	Percent With Unmet Need		Average Unmet Need	
	Full-Time	Part-Time	Full-Time	Part-Time
Lowest	97.0%	87.9%	\$6,655	\$3,210
Second	93.6%	63.3%	\$6,517	\$2,042
Third	68.2%	22.2%	\$3,774	\$637
Highest	18.7%	5.8%	\$886	\$155

While these figures are slightly improved over the previous findings, resources must be prioritized to meet the needs of these populations, as well as those of independent full-time students in the three lowest income quartiles (incomes \leq \$28,356), and dependent full-time students in the two lowest income quartiles (incomes \leq \$48,628), who continue to face a greater-than 90 percent incidence of unmet need. Research has shown that even a small amount of additional aid to these populations can increase student retention and completion.^{vi}

Since academic year (AY) 2007-2008, unmet need for part-time independent students in the lowest income quartile fell from 98.4 percent to 79.6 percent. In addition, the incidence of unmet need decreased slightly among independent part-time students in the second quartile, and independent full-time students in the lowest two quartiles. It is worth additional exploration to determine whether the increases in the Income Protection Allowance (which went into effect in academic year 2009-2010) had any impact on this improvement. The Income Protection Allowance is designed to provide for a modest standard of living from a student or student family’s available income.

What benefits could low-income students realize with more and better targeted funding to meet their unmet need?

- Reduced reliance on student loans or other financing methods to fund educational expenses. The share of student loan dollars going to two-year public institutions rose from 7 percent in AY 2007-2008 to 9 percent in AY 2013-2014.^{vii} Additionally, between AY 2007-08 and AY 2011-12, the percentage of associate’s degree recipients who graduated with zero debt shrunk, while there was an increase in those graduating with more than \$10,000 in debt – including a fourfold increase for those graduating with debt of \$30,000 or more.^{viii}
- Less need to work (or increase work hours), which often increases time to degree. In AY 2011-2012, only students enrolled in four-year for-profit institutions averaged more hours of work per week than students at two-year public institutions.^{ix} In fact, nearly 40 percent of two-year public students started working specifically in order to meet expenses.^x When work and school obligations begin to mount – in addition to family and other requirements of a student’s time – students may no longer be able to make school work a priority.
- Reduced likelihood that students *stop out* or drop out. The receipt of grant and other aid that does not need to be repaid (as opposed to loans or aid based on work-participation) reduces students’ chances of stopping out, which in turn improves their chances of graduating.^{xi}

Endnotes

ⁱ Paul Taylor, Kim Parker, Richard Fry, et. al., *Is College Worth It?: College Presidents, Public Assess Value, Quality and Mission of Higher Education*, Pew Research Center, May 16, 2011, <http://www.pewsocialtrends.org/files/2011/05/higher-ed-report.pdf>.

ⁱⁱ Danielle Kurtzleben, *CHARTS: Just How Fast Has College Tuition Grown?*, U.S. News and World Report, October 23, 2013, <http://www.usnews.com/news/articles/2013/10/23/charts-just-how-fast-has-college-tuition-grown>.

ⁱⁱⁱ For dependent students, the EFC consists of both the parent and student contribution; for independent students, it is only comprised of the student contribution.

^{iv} Author's analysis of 2011-12 National Postsecondary Student Aid Study (NPSAS:12) data.

^v For students at public two-year colleges during academic year 2011-12, the following income groups apply: **Independent Students – Full-time:** Bottom Quartile (25%): <\$3,836; Second Quartile (25-50%): \$3,837-13,854; Third Quartile (50-75%): \$13,855-28,356; Highest Quartile (>75%): \$28,357+. **Part-time:** Bottom Quartile (25%): <\$11,999; Second Quartile (25-50%): \$12,000-26,649; Third Quartile (50-75%): \$26,650-51,499; Highest Quartile (>75%): \$51,500+. **Dependent Students – Full-time:** Bottom Quartile (25%): <\$22,976; Second Quartile (25-50%): \$22,977-48,628; Third Quartile (50-75%): \$48,629-87,269; Highest Quartile (>75%): \$87,270+. **Part-time:** Bottom Quartile (25%): <\$28,279; Second Quartile (25-50%): \$28,280-56,749; Third Quartile (50-75%): \$56,750-94,399; Highest Quartile (>75%): \$94,400+.

^{vi} Sara Goldrick-Rab, Douglas N. Harris, Robert Kelchen, et al., *Need-Based Financial Aid and College Persistence: Experimental Evidence from Wisconsin*, October 10, 2012, <http://www.finaidstudy.org/documents/Goldrick-Rab%20Harris%20Kelchen%20Benson%202012%20FULL.pdf>.

^{vii} College Board Trends in Student Aid 2014, “Distribution of Federal Subsidized and Unsubsidized Student Loan Funds by Sector, 2004-05 to 2013-14, selected years”, <http://trends.collegeboard.org/student-aid/figures-tables/distribution-federal-subsidized-unsubsidized-student-loan-funds-sector>.

^{viii} College Board Trends in Student Aid 2014, “Cumulative Debt of Associates Degree Recipients in 2012 Dollars by Sector, 2003-04 2007-08, and 2011-12”, <http://trends.collegeboard.org/student-aid/figures-tables/cumulative-debt-associate-degree-recipients-sector-time>.

^{ix} U.S. Department of Education, *Profile of Undergraduate Students: 2011-12*, October 2014, <http://nces.ed.gov/pubs2015/2015167.pdf>.

^x U.S. Department of Education, *Profile of Undergraduate Students: 2011-12*.

^{xi} Stephen L. DesJardins and Brian P. McCall, *Simulating the effects of financial aid packages on college student stop out, reenrollment spells, and graduation chances*, The Review of Higher Education, 2010.