



*A comprehensive study of  
parent and student reactions to  
proposed reforms of the federal  
student aid system.*

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# Cracking the Student Aid Code

Parent and Student Perspectives on Paying for College



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November 2010

## **The College Board**

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# Executive Summary

Paying for college is a challenge for many Americans and navigating the financial aid process can be very difficult, especially for low-income and first-generation college students. The College Board commissioned research to learn more about students' and parents' knowledge, beliefs and attitudes about the importance of a college education and how to pay for it. In addition, students and parents who participated in the research were asked to evaluate whether the recommendations of the College Board's Rethinking Student Aid (RSA) project would improve the effectiveness of the nation's federal student aid system. Focus group participants and survey respondents included students from low- and moderate-income backgrounds, parents with modest financial resources, nontraditional college students and advocates for members of immigrant groups. After analyzing the data, one consistent theme emerged: While participants overwhelmingly understand the importance of college, lack of information and understanding of the college financing process is a barrier that is difficult to overcome for many students and families.

## **Attitudes and Beliefs About Planning for College and the Financial Aid Process**

- Students and families understand the value and importance of attending college. This belief persists in the face of a down economy and is strongly shared by parents and students regardless of income or other personal characteristics.

- Both children and their parents expect that the children will one day become college students. However, the parents surveyed had very little knowledge about college prices and financial aid programs, and they had done little to prepare financially.
  - o Fewer than half (46 percent) of the parents surveyed were confident that they knew the cost to attend a public college in their home state. This lack of knowledge is a particular problem for lower-income and less educated parents.
  - o There was less awareness of the Federal Pell Grant program among lower-income, Latino and less educated parents than among other groups: Forty-four percent of Latino parent respondents indicated that they were aware of Pell Grants compared to 81 percent of Caucasians and 82 percent of African Americans.
- Providing families with early information about college financing was viewed by respondents as valuable because of the framework it establishes for individual planning. They felt that they and many people find it difficult to save for college without understanding costs or potential financial aid eligibility. Both parents and students saw simple information about paying for college delivered much earlier in a student's school career as the most

helpful proposed improvement to the student aid system. They craved clear and accurate information about college prices and grant and loan programs to help them understand their prospects and to plan accordingly for college.

- There was cautious support for eliminating the Free Application for Federal Student Aid (FAFSA) and instead using tax information from the Internal Revenue Service to determine how much federal financial aid a student would be eligible to receive. Participants understood that replacing the FAFSA with data directly from the IRS would simplify the financial aid process. However, they worried that tax forms do not always present the full financial picture, especially if a parent or student has lost his or her job in the last year. Respondents had many questions and concerns about how this recommendation would work.
- There is great reluctance to borrow money for college. This has been heightened by the recession. However, a more generous income-based repayment plan received broad support from survey respondents and made student loans a more viable financing option for many focus group participants.
- Parents and students responded favorably to a proposal that the federal government create and contribute annually to college savings accounts for children from low- and moderate-income backgrounds.

Making the federal student aid system simpler, more predictable and transparent must be a national priority.

**The complexity parents and students face in financially preparing for college dampens students' aspirations and impedes their academic readiness. Providing information about college costs and financial aid much earlier and more often will help students and parents plan effectively and instill optimism about what may be possible.**

This report urges policymakers to pursue the necessary changes to the federal financial aid system to "crack the student aid code" for first-generation students, students from low-income backgrounds, and their parents. By presenting the right information at the right time and in ways that families can understand, we can begin to break down existing barriers to college entrance and success.

*"Freshman and sophomore year (of high school), you think, 'I'm going to college, I'm going somewhere.' I've worked since I was 14, so I just figured I'd be able to work and go to college. And when you get into your senior year of high school, you just start seeing how much it would be for the semester, how much it would be for each class, books. You get older and start to understand that you can't afford it."<sup>1</sup>*

— Barrier student

1. Quotes selected for inclusion in this report reflect the words of individual focus group participants and are used to clarify specific points.

# Introduction

The research described in this report comes on the heels of the College Board's "Rethinking Student Aid" (RSA) project, which proposed an evidenced-based, comprehensive overhaul to the nation's federal financial aid system. RSA's research-based proposals (many embraced by the Obama administration) would remake federal student aid to be simpler, student-centered and predictable, creating breakthroughs in helping more students prepare for and pay for college and earn a college degree.<sup>2</sup>

Like most ambitious policy reforms, the RSA recommendations are more likely to succeed if they have public support. The surveys and focus groups described here put the RSA proposals to the test, asking the frontline beneficiaries — students and parents — their opinions on how well they feel the recommendations would improve the effectiveness of the nation's \$116 billion federal student aid system.

## **The Nearly Impenetrable Code: America's Complicated, Unpredictable Financial Aid System**

Financial barriers and failure to access available funds prevent many qualified low- and moderate-income high school graduates from enrolling in college. For those students who do enroll, degree completion rates are low compared to their more affluent peers.<sup>3</sup>

The federal government is the single largest provider of student aid. We need a more effective federal financial aid system to increase college access and completion. While federal financial aid for higher education has been around for more than a half century, it persistently and disturbingly falls short in meeting students' and our nation's needs. The system in place today is complex; a complicated federal student aid application, an unpredictable federal eligibility formula, and multiple federal grant and loan programs make planning, saving and paying for college feel like cracking an impenetrable code.

Seeking to identify the barriers that keep students from tapping federal financial aid, as well as potential solutions for making the student aid system simpler and more transparent, the College Board Advocacy & Policy Center engaged The Melior Group to conduct intensive survey and focus group research with students and parents. To ensure that the findings represented the perspectives of those with the greatest needs, the research focused on students from lower- and moderate-income backgrounds, parents with modest financial resources, students who intended to go to college but dropped out or never enrolled, and advocates for students from "New American Communities" (representing immigrant families, including those for whom English is not their first language). The research also gave voice to nontraditional students — older college students no longer dependent on their parents for support: a group that is rapidly growing.

Information presented in this report includes survey results as well as key points made by students and parents in online and in-person focus groups. Also included are highlights of conversations with community leaders representing the perspectives of "new Americans." Detailed information about the research methodology is provided in the Appendix.

2. The full RSA report and recommendations can be accessed at <http://advocacy.collegeboard.org/college-affordability-financial-aid/rethinking-student-aid>  
 3. Sandy Baum and Jennifer Ma, *Education Pays 2007* (New York: The College Board, 2007).



## What We Heard from Students and Parents: College Is a Universal Goal but There Are Serious Barriers

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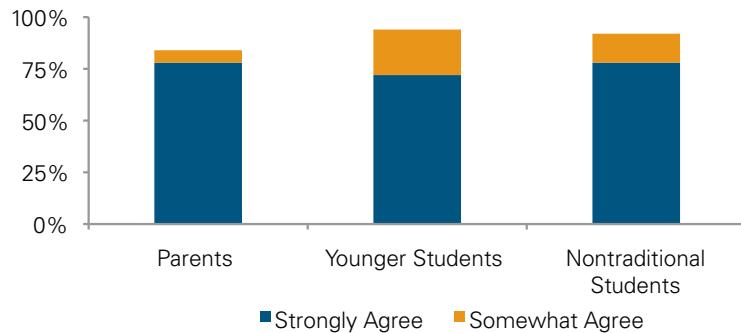
### **Students and Parents Value a College Degree**

Students and parents embrace higher education. They know that college opens doors to more economic opportunities and a more successful career and life. This belief persists in the face of a down economy and is strongly shared by parents and students regardless of income or other personal characteristics.

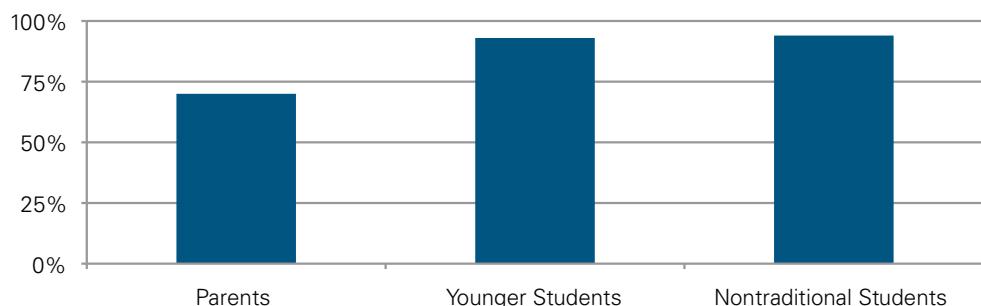
There was general agreement among parents and students that college opportunity should be widespread, regardless of family finances. Among survey respondents, 84 percent of parents and more than 90 percent of college students agreed that “everyone should be able to get a college degree if they want to.”<sup>4</sup>

4. Percentages reflected in this report represent students’ responses to online survey questions and parents’ responses captured through telephone surveys. Focus group findings are purely qualitative in nature and, while reported here as conclusions, are hypotheses based on observation and informed analysis.

**FIGURE 1: Percentage of survey respondents who agreed with the following statement: "Everyone, regardless of their ability to pay for it, should be able to get a college degree if they want to."<sup>5</sup>**



**FIGURE 2: Percentage of survey respondents who agreed with the following statement: "In this economy, I think it's more important than ever to have a college degree."**



Despite the economic conditions in fall 2009, it was clear that most respondents continued to think that a college education was very important (70 percent of parents and more than 90 percent of students).

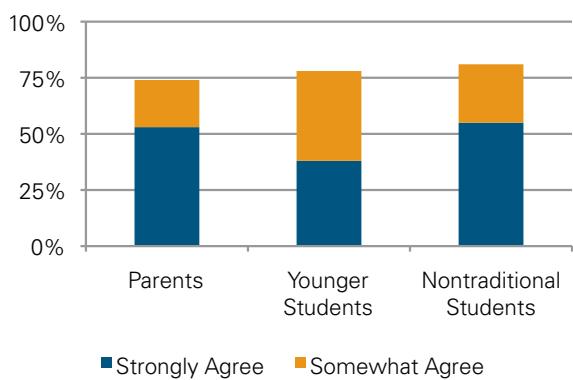
## Despite College Aspirations, Students and Parents Face Significant Barriers

Although the vast majority of students and parents have college aspirations, the dream and the reality often diverge when they attempt to navigate the financial aid process. Among survey respondents, over 75 percent of parents and more than 85 percent of college students agreed that student financial aid should be a “top priority for the federal government.” Those from the lowest-income households expressed the strongest support for this statement. Most focus group participants argued strongly that paying for college — not lack of aspiration — was the major barrier preventing students from realizing their dreams.

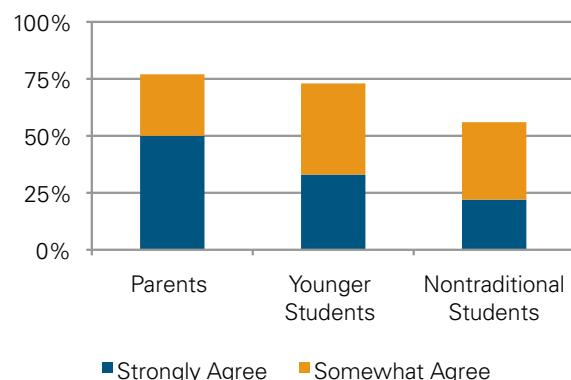
### College Costs and Financial Aid

Parents and nontraditional (older) students agreed with the statement: “College costs are unaffordable for most families.” Parents, however, were more likely than students of all ages to see the process of applying for financial aid as being onerous and time consuming; about three-quarters of parent respondents perceived college costs as unaffordable for most families and applying for financial aid as time consuming. Among nontraditional students, more than half agreed strongly that college costs are unaffordable, but only 22 percent agreed strongly with the statement that “Applying for financial aid is a time-consuming process.”

**FIGURE 3: Percentage of survey respondents who agreed with the following statement: “College costs are unaffordable for most families.”**



**FIGURE 4: Percentage of survey respondents who agreed with the following statement: “Applying for financial aid is a time-consuming process.”**



### SQUANDERED CAPITAL

- Nearly nine-in-ten (89 percent) Latino young adults ages 16 to 25 say that a college education is important for success in life, yet only about half that number — 48 percent — say that they themselves plan to get a college degree. **Source: Pew Latino Center**
- A recent report by Public Agenda found that 71 percent of students who dropped out of college did so because they needed to work to make money. **Source: With Their Whole Lives Ahead of Them**

### Immigrant Families Face Additional Barriers

During interviews with education professionals who work in ethnic or “new American” communities, participants shared information about additional barriers faced by the families with whom they work. Much about the current financial aid application process presumes understanding of and comfort with American culture. Those interviewed expressed the view that sensitivity to the needs of immigrant Americans is missing from the process, particularly with regard to the following:

- **Language barriers can impede access to financial aid and higher education.** In many cases, the college-age student may be fluent in English but speaks another language at home because no other family member speaks English. Although the Free Application for Federal Student Aid (FAFSA) is translated into Spanish, the terminology and concepts are still unfamiliar to non-English speakers. Additionally, children have difficulty understanding and conveying complicated financial concepts to their parents.
- The community professionals reported that **many “new Americans” are very hesitant to provide information to the federal government.** The residency status of immigrants ranges from complex (waiting for a Green Card but currently in limbo) to illegal. Most of the children with whom the survey participants work are in the United States legally, but many of their parents are not. These situations create significant tensions when applying for financial aid; many parents do not file tax returns or have Social Security numbers. Concern about being “found out” is a significant deterrent to completing the FAFSA.
- **Many “new Americans” left their native countries to escape repressive governments, and they are mistrustful of the U.S. government.** In their native countries they did everything possible to avoid contact with their governments; now they are being asked to share confidential and sensitive information.

**Education is a strong value in “new American” communities** ... but those interviewed expressed their belief that the people with whom they work are at a serious disadvantage in terms of their ability to plan for their children’s education. There are many reasons for this:

- In some countries, higher education is not as costly, and immigrants are shocked by the cost of higher education in the United States.
- Some immigrant families from countries where there is a great deal of political or social upheaval are traumatized by their experiences and are frozen into inaction.
- The inability to speak the language makes understanding how to pay for college extremely difficult.

*“The students don’t have the vocabulary to make the translation from the ‘government-ese’ of the FAFSA to their parents’ language.”*

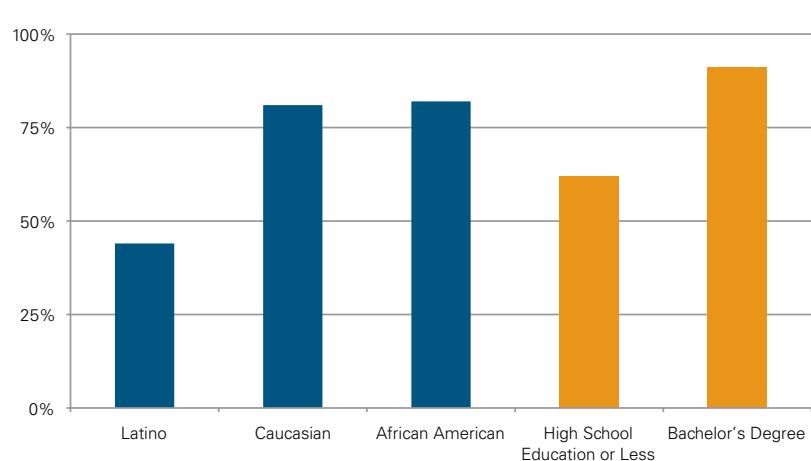
— Community organization leader

### What You Don't Know Can Hurt You

Fewer than half (46 percent) of parent respondents were confident that they knew what it costs to attend a public college in their home state. This lack of knowledge is a particular problem for lower-income and less educated parents.

Similarly, there was particularly low awareness of Federal Pell Grants among lower-income, Latino and less educated parents. Only 44 percent of Latino parent respondents indicated that they were aware of Pell Grants compared to 81 percent of Caucasians and 82 percent of African Americans. Only 62 percent of parents with a high school education or less were aware of Pell Grants compared to 85 percent of parents with an associate degree and 91 percent of parents with a bachelor's degree. Seventy percent of parents with incomes less than \$28,000 were aware of Pell Grants compared to 84 percent of those with incomes of \$48,000 or more. Nearly all nontraditional students, however, had heard of Pell Grants and three-quarters had used these grants to help pay for college.

**FIGURE 5: Percentage of parents responding to the statement  
"I am aware of the Federal Pell Grant program."**



### The System Is Too Complicated

Students and parents across the income spectrum value higher education and know it is an important step along the path to career and life success. But the research demonstrates that the federal financial aid system is not serving students as effectively as it should — particularly those from low-income backgrounds and those who are the first in their families to enroll in college. The \$116 billion in federal student aid dollars are not being used as efficiently as possible in meeting the nation's goals of increasing the number of college graduates. The RSA proposals that were tested with students and parents are intended to improve the effectiveness and efficiency of the federal student aid system by making it simpler, more transparent and student focused.



## What Students and Parents Need: Early Information

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Parents and students had strong views on what must change to improve the effectiveness of the federal financial aid system. Both survey respondents and focus group participants saw simple information about paying for college delivered much earlier in a student's school career as the most helpful proposed improvement. Parents and students craved clear and accurate information about college prices as well as eligibility for grants and loans to help them plan for college.

Based on interviews with community organization leaders, early information about college planning and financing is particularly important for "new American" households. Simple, clear communications in the parents' native language starting when the children are young would begin to build their understanding of college costs. In addition, information about Pell Grant awards and other available aid, as well as about borrowing, would provide a framework to help the family plan for college. Those interviewed reported that high schools in the (generally) low-income communities where many "new Americans" live are not able to adequately counsel students about college planning. Because of school budget cuts and overcrowding, those interviewed expressed their belief that unless students were connected with a community organization, they and their families would not get the information needed to help them plan for college.

*"For many 'new American' families, there is a difference between dreaming about college and actually planning to make it a reality."*

— Community organization leader

### Early Information About Pell Grant Eligibility

Support among survey respondents was strongest for a proposal that would provide all tax-filing households with information about how much Pell Grant support the children in the family would receive if they were currently enrolled in college. Families would also be given information about costs to attend public institutions in their state and about eligibility for other types of financial aid, including loans, state grants and federal tax credits. This information would be provided each year starting when the children are young.

- Eighty-nine percent of parents, 92 percent of college students and 93 percent of nontraditional college students were supportive of this proposal.
- Ninety-one percent of parents agreed that "knowing the approximate Pell Grant amount that my child could receive would make it easier for me to plan for my children's college," and 88 percent of parents agreed that "having information about paying for college would help me encourage my children to think about going to college."
- Ninety-four percent of students ages 18 to 23 agreed that "knowing the approximate Pell Grant amount that I could receive would have made it easier for me to prepare for college."
- Seventy-two percent of nontraditional students agreed that if they had known during their teenage years the approximate Pell Grant amount they could have received they would have completed their education earlier.

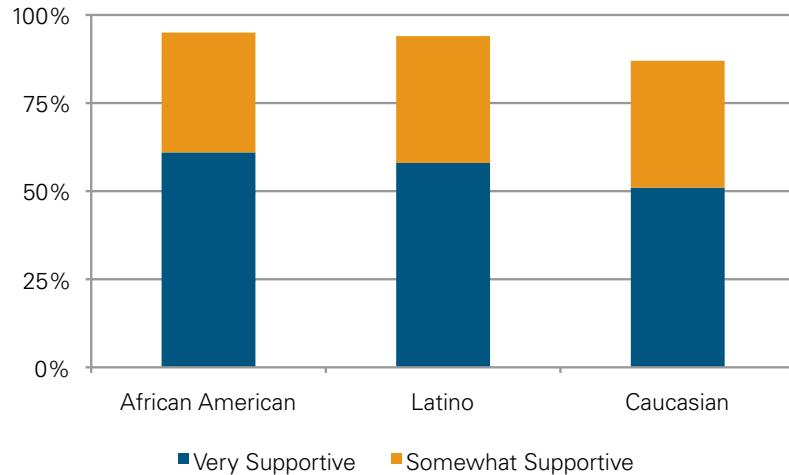
*"There is no downside to this recommendation. There's nothing whatsoever that's bad. This is giving people more information and giving some people hope and thoughts that they never had before."*

— Parent

### COLLEGE PLANNING CURRICULUM

Focus group feedback provided more insights into the need for providing information about college affordability earlier in a child's school career. Many of the professionals who represent "new American" communities and support families in ethnically diverse school districts suggested establishing a college planning curriculum for middle and high school students. They indicated that this approach would help address the need for earlier, more and better information; relieve overloaded school guidance counselors; and better meet the needs of diverse communities. Participants believed that schools are the best place to connect with more families about college planning.

**FIGURE 6: Parental support for early information about Pell Grant awards, financial aid eligibility and college costs, by race/ethnicity of respondent**



### Predictable Pell Grant Eligibility<sup>6</sup>

Focus group participants were asked about the benefits of making Pell Grant eligibility easier to predict. Under the RSA recommendation, only family size and income would be used to determine an applicant's eligibility for a Pell Grant instead of the more complicated formula in use today.

Participants liked this recommendation for several reasons:

- It would allow families to see, very early on, the Pell Grant amount their children could receive, which would help them plan and save for college.
- It could help families who think college is out of the question understand that it may be a possibility.
- It would make the system simpler and more transparent.

Interestingly, participants identified the main drawback to this recommendation as the simplicity of the formula. They questioned whether household income and family size alone could really capture the nuances of household finances and result in a realistic eligibility determination. Many participants felt that they were “needier” than these two criteria alone would demonstrate.

*“I really never liked that the Pell Grant was awarded based on a formula I had no chance of understanding so I think an idea like this would be great.”*

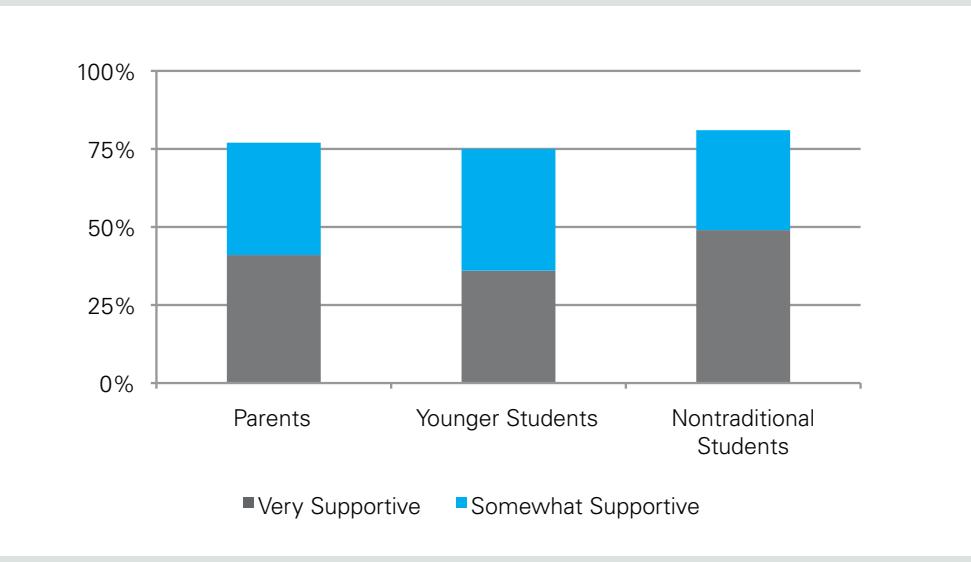
— Parent

6. This proposal was not included in the student or parent surveys.

### College Savings Accounts

Investing in college savings accounts encourages academic preparation and college planning, but it is difficult for families with modest resources to make the necessary investment. Parents and students surveyed responded favorably to a proposal that the federal government create and contribute annually to college savings accounts for students from low- and moderate-income backgrounds. Students could use these funds only for college expenses, and any unused dollars would go back to the government. Focus group participants thought that the very existence of a savings account would provide the impetus and structure for saving more. Professionals working with immigrant families expressed their belief that “new American” families would be thrilled to learn that the federal government was investing in their children’s college education.

**FIGURE 7: Support for the creation of federally funded college savings accounts for low- and moderate-income families**



About three-quarters of parents (77 percent) and younger college students (75 percent) were somewhat or very supportive of this proposal. Support was particularly strong among nontraditional students (81 percent), as well as lower-income parents (85 percent), parents who had no education beyond high school (81 percent) and African American parents (89 percent).

Although the majority of survey respondents were generally supportive of this proposal, fewer respondents were “very supportive.” This may be because of questions they had about the proposal, such as how changes in family income might alter the program, the impact of such a program on Pell Grant eligibility and whether the federal government could afford such a program.

*“It’s like Social Security. You’d get a statement telling you how much money is in the account. I would show it to my kids and say, ‘See how much money there is for college? You can go.’”*

— Parent

Focus group participants raised numerous questions about the recommendation:

- What happens to a family whose income changes over time? Suppose the family doesn't qualify until the child goes to college?
- Does this replace Pell Grants, or is it in addition to Pell Grants?
- How long does the money stay in the account? Does it remain until the beneficiary dies?
- How will the government afford this?
- Does this make the child ineligible for other aid?
- What if a student does not complete a degree? Does the money have to be paid back?

### **A Streamlined Federal Application Process: Eliminating the FAFSA**

There was cautious support for the proposal to eliminate the Free Application for Federal Student Aid (FAFSA) and instead use tax information from the Internal Revenue Service to determine how much federal financial aid a student would be eligible to receive. Having the IRS provide information from a family's most recent tax return to the U.S. Department of Education was viewed by both survey respondents and focus group participants as a way to streamline a burdensome application process. Those representing immigrant Americans felt that the proposal would make it easier for students who had a difficult time getting needed information and tax forms from their parents to complete the application process.

Focus group participants cited the benefits of this recommendation as:

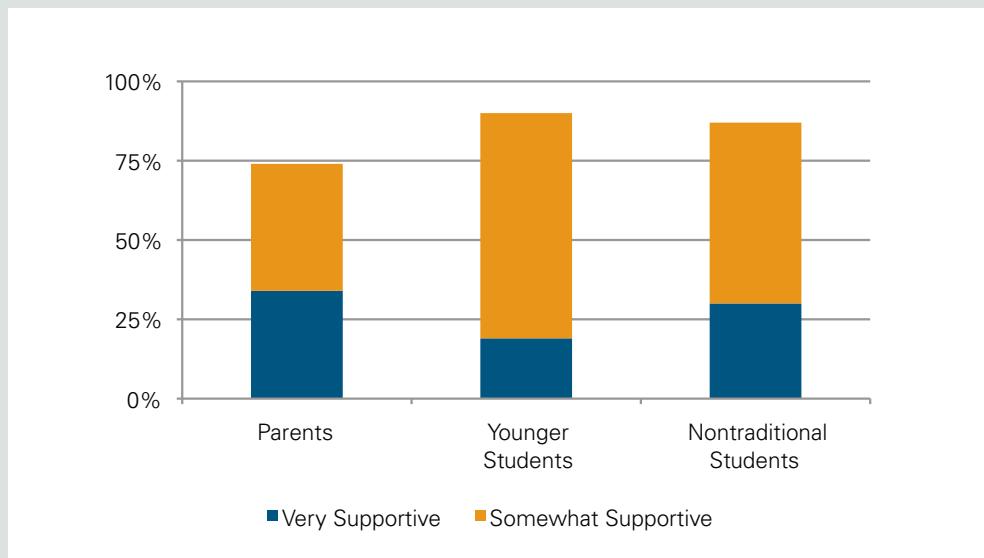
- Simplifying the process;
- Making it easier for parents who may be uncomfortable with computers;
- Helping students who had a difficult time acquiring the needed information from their parents to complete the FAFSA;
- No longer having to remember a FAFSA password, an aspect of the FAFSA process that creates a great deal of difficulty for some parents and students; and
- Making it more difficult for people to "cheat" on their aid applications.

Among survey respondents, 74 percent of parents, 90 percent of younger college students and 87 percent of older college students were supportive of this proposal. However, only 34 percent of parents, 19 percent of younger college students and 30 percent of nontraditional college students were "very supportive."

*"I like the fact that this eliminates the 'double work' we are asked to do for FAFSA. There's less paperwork, less work."*

— College student

**FIGURE 8: Support for using IRS data to determine eligibility for financial aid, instead of completing a FAFSA**



Focus group participants expressed concerns about this recommendation, which may help to explain the survey respondents' lack of strong support:

- A tax return may not capture the full picture of what's going on with household finances.
- The tax filer would "lose control over IRS data." Who else sees it? How long does the U.S. Department of Education keep the data?
- The IRS could make mistakes in transmission, potentially affecting the amount of aid eligibility.
- Aid would be based on the previous year's income, and circumstances may have changed since taxes were filed.
- Complex family situations might not be addressed (e.g., spouses filing separately, foster children, etc.).

*"New Americans' see so much inefficiency with the Immigration Department that they will be skeptical of the IRS's ability to get information to the U.S. Department of Education in a timely way."*

— Community organization leader

Those participants representing “new Americans” had additional questions and concerns about this recommendation, including:

- How would this work for children who are here legally, but whose parents do not file tax returns because of their immigration status?
- How would the process work for people who receive public benefits and, as a result, would automatically qualify for maximum Pell Grants? How would the federal government get them into the process?
- How can we assure “new Americans” that the government can be trusted to handle sensitive information and that the IRS will transmit it accurately and quickly to the U.S. Department of Education?
- How would the process work for children with complex family situations, e.g., a child who is living with a grandparent who is not a legal guardian; a child whose parents live out of the country; etc.?

Like focus group participants, survey respondents had a fair amount of apprehension about having the IRS involved in student aid eligibility determination, including concerns about privacy and potential opportunities for mistakes. However, parent and student survey respondents and focus group participants reacted favorably to the following ideas to strengthen the proposal:

- Allow households to provide updated financial information to the U.S. Department of Education if circumstances had changed since the last tax year.
- Allow families to review IRS information before it is sent to the U.S. Department of Education.
- Ensure that the U.S. Department of Education is subject to the same privacy rules as the IRS.

Without receiving further explanation about the process, only about one-third of the survey respondents indicated that they would prefer to have the IRS send tax data to the U.S. Department of Education to determine eligibility for federal student aid. The majority of parent and student survey respondents indicated that they would prefer to continue to complete the FAFSA.

### **Increase the Amount Students Can Borrow to Pay for College**

Focus group participants expressed concerns with taking on debt at a time of high unemployment and economic uncertainty. Many reported seeing the devastating impact on their friends and family members overwhelmed by debt payments. While most people were not opposed to incurring debt for college, it was clear that they need clear information about the federal loan programs and repayment options.

Participants expressed the following personal and societal concerns about this recommendation:

- Students already have enough difficulty repaying loans; easier access will only add to the burden.
- Some individuals will take advantage of the program and borrow more than they need to fund noneducational activities, such as vacations, etc.
- The government may not be able to fund additional loans.
- Making more money available to pay for college will drive up college costs even more.

*"I had to leave school because I couldn't get any more Stafford Loans. If I could, I would go back right now."*

— Barrier student

However, several students who had dropped out of college for financial reasons expressed strong support for this proposal.

Representatives of organizations that work with immigrant families reported that there is heightened reluctance among "new Americans" to borrow to finance their college education. Fear of borrowing influences college choice for many "new Americans." In addition, many students work while in school to avoid taking out loans, making it more difficult to complete their degree or certificate. This reluctance to borrow applies to parents as well as to students. Despite the commitment to education and opportunity, there is an overarching belief that it is up to the students themselves to figure out how to pay for college.

In contrast to focus group participants, survey respondents supported the RSA proposal to increase the amount students can borrow from the federal student loan program.

*"This would help me finish school sooner because I wouldn't have to get a job or pay for the loans while in school. I would love to get more federal loans so I don't have to use my credit card."*

— Nontraditional student

- Eighty-seven percent of parents, 89 percent of younger college students and 90 percent of nontraditional students were supportive of this proposal. However, parents (53 percent) and nontraditional students (52 percent) were more likely to be "very supportive" of this proposal than younger college students (44 percent).
- African American students were less likely to be "very supportive" (30 percent) of this proposal than Caucasians (46 percent), Latinos (42 percent) and Asians (42 percent). This was in direct contrast to African American parents, 64 percent of whom were "very supportive" of this recommendation, far more than any other ethnic group.
- Seventy-nine percent of parents, 74 percent of younger students and 75 percent of nontraditional students agreed that "student loans are a smart way to help students pay for a college education." However, even among respondents who were supportive of this recommendation, there was caution about increased debt levels. Seventy-five percent of parents, 85 percent of younger students and 78 percent of nontraditional students expressed "concern that if people can borrow more money, they will take on more debt than they can realistically repay."

### **A Cap on Loan Repayment**

The Rethinking Student Aid study group proposed to cap loan repayment at 15 percent of a student's net income and forgive remaining loan balances after 20 years.<sup>7</sup>

- More than half of parent respondents and more than two-thirds of nontraditional student respondents were "very supportive" of this proposal.
- Younger Latino (62 percent) and African American (54 percent) college students were more likely to be "very supportive" than Caucasian (48 percent) or Asian (42 percent) students. Sixty-six percent of African American parents and 74 percent of African American nontraditional students were "very supportive" of this recommendation.

Apprehension about debt burdens made this concept quite popular among focus group participants because it would provide some protection in the event of a job loss or cut in salary. Many students who were adamantly opposed to borrowing to pay for college would be willing to do so if this recommendation were implemented. In the focus groups, parents and students had many questions about the details of the repayment structure and the impact of unpaid debt on taxes and credit reports.

Among survey respondents, more than 80 percent agreed that 20 years is a reasonable time period to pay off a loan, but in focus groups, concerns about this approach were raised, including that borrowers might take advantage of the program by stretching out their loan payments as much as possible to increase the amount that would be forgiven.

*"This would be a dream come true! Part of my hesitation with loans now is the burden of them after I finish college. This would make me much more comfortable taking out loans."*

— College student

*"In the Asian American community I see a lot of people who go to a community college because it's less expensive. If this were in place, I think more people would be willing to borrow more in order to attend four-year public or private colleges."*

— Community organization leader

7. The Health Care and Education Reconciliation Act of 2010, signed into law on March 30, included a provision even more favorable to borrowers: capping loan repayment at 10 percent of discretionary income for new borrowers after 2014. In addition, the legislation forgives remaining loan balances after 20 years, reduced from 25 years.

### General Reactions to the RSA Recommendations

In addition to their responses to the individual RSA recommendations, participants' overall reactions to the proposals were noteworthy.

- **Most people seemed to understand the RSA recommendations in terms of the benefits they would offer.** Participants did a good job of “analyzing” the recommendations, determining what was worthwhile and why, and deciding what needed further clarification and detail.
- **There was a great deal of consistency across audiences — parents, current students, students who had dropped out of college or never enrolled, and nontraditional students — in how they reacted to the recommendations.** Although perspectives varied from individual to individual within the focus groups, there were few, if any, patterns of difference between types of participants. The recommendations were greeted with the same level of enthusiasm by each of the groups, and similar questions and concerns were raised.
- **In focus groups, reactions to the recommendations were colored by the economic downturn.** Many of the participating parents had experienced a change in income. Students saw what was happening to their parents and to the families of their friends, and they were fearful. Questions and concerns that arose from the state of the economy included:
  - What will be the cost of implementing these recommendations, and how will the government afford the cost?
  - In this economy, what does additional education really accomplish? Participants reported seeing college-educated people being laid off and working in jobs not requiring a college degree.
  - What if loans can't be paid back? The high rate of unemployment made participants nervous about borrowing, given that they might lose their ability to repay loans.
- **Early information from the government about college financing emerged as the most valuable RSA recommendation, both among focus group participants and survey respondents.** Receiving early information would provide a framework for families to plan for college. For those who find it difficult to save for college in the absence of knowing about costs and aid eligibility, early information could prompt them to be more disciplined about saving.
- **Focus group participants reflected on their own personal circumstances when they envisioned the benefits of the recommendations.** Although initial reactions to the recommendations related to their general impact on “other families” and “our country,” upon further consideration, most participants had questions about how the recommendations would affect them.

*“Having that information helps you. You can say, ‘We need this much, so let’s put away \$100 every month’ or something like that.”*

— Parent

*"There are too many families that are poor on paper but just take advantage of every tax break they can, and this would be a great way to increase their possibly illegitimate income."*

— Parent

- In addition to personal questions about the recommendations, focus group participants expressed “macro” concerns. Many respondents questioned the practicality of the proposals in light of the fragile economy and mounting deficit. They wondered how the United States government could afford these initiatives. Additionally, both parents and students expressed views that a simpler, more generous system could encourage fraud and enable people to take advantage of loopholes in the system.
- Many of the focus group participants’ reactions to the recommendations conveyed the overarching belief that **hard work should be rewarded, and that access to a college education is a privilege, not a right**. These participants advocated tying academic performance to eligibility for financial aid as a way to ascertain the seriousness of a student’s intent to graduate from college.
- **The package of recommendations in its entirety was more appealing than each individual proposal.** Participants who were skeptical about some of the recommendations were extremely supportive of more attention being paid to the issue of paying for college. For the most part, focus group participants agreed that the recommendations would:
  - Make it easier to apply for financial aid;
  - Provide students and families with a framework for planning and saving;
  - Make it less intimidating for students to borrow money to pay for college; and
  - Give families hope that a college education is possible.

### The Current System Is Broken

The stories, insights and reflections from the “Cracking the Student Aid Code” research add a new, personal and incisive dimension to conversations about college affordability. Parents and students clearly believe the current system of financial aid is broken, and they share a sense of urgency for fixing it. Policymakers, elected officials and higher education administrators must address the strong demand for a student-centered, more predictable, simpler federal student aid system that encourages students to prepare academically and financially for college success. It can no longer be acceptable for prospective students from low- and moderate-income backgrounds and their parents to have such difficulty understanding and navigating the nation’s student aid system.

*"They always talk about owning a home as being part of the American Dream. [These recommendations] give people more access to a college education, which is part of the American Dream, too."*

— Parent



## The Policy Path Toward College Success

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The College Board believes that all students deserve an opportunity to participate in higher education and earn a degree regardless of their socioeconomic status. The significant increases in the proportion of Americans attending college that have occurred over the past 40 years would almost certainly have been impossible without the federal student aid system. However, the results of this system have fallen short and gaps in college participation and completion between affluent students and those from less privileged backgrounds have persisted. The federal student aid system was designed and implemented in the 1960s and 1970s to serve a very different population of college students; it no longer fully supports the needs of today's students — or tomorrow's.

We now have a clearer sense of the hurdles we face and have a strong public endorsement for providing early awareness and planning assistance along with loan provisions that facilitate repayment. Policymakers can pursue the necessary changes to the student financial aid system to eliminate the mystery and "crack the student aid code," which is a major barrier to college access and success.

As noted throughout this report, the Rethinking Student Aid study group called for a series of steps to comprehensively transform federal student financial aid.<sup>8</sup> Adoption of the group's comprehensive proposals would make students' paths to college clearer — earlier in life — and much simpler to navigate.

The confusion and complexity parents and students face in preparing for college financially and academically create a perilous cost. It is a condition our nation can no longer afford to let go unsolved. Helping students and families plan to pay for college must be a national imperative. Information and support must be accessible, relevant and available throughout students' school years. While information alone cannot solve all the problems students face in gaining access to college, accurate information, combined with an understanding of how to use that information, is an important step in expanding college access and ensuring college success.

### **THE COLLEGE BOARD ADVOCACY & POLICY CENTER**

The College Board Advocacy & Policy Center was established to help transform education in America. Guided by the College Board's principles of excellence and equity in education, the Center works to ensure that students from all backgrounds have the opportunity to succeed in college and beyond. We make critical connections between policy, research and real-world practice to develop innovative solutions to the most pressing challenges in education today.

Addressing the broad needs of our membership of education professionals from more than 5,700 institutions, our priorities include:

- College Preparation & Access
- College Affordability & Financial Aid
- College Admission & Completion

All students should have access to an affordable college experience. Through the Advocacy & Policy Center we offer recommendations to improve and simplify the student financial aid system in order to make enrollment and full participation in the college experience possible for all students. We provide policymakers and institutions with data to shed light on the current state of college prices and financial aid and to describe long-term pricing and financial aid trends.

8. Sandy Baum and Michael McPherson, "Fulfilling the Commitment: Recommendations for Reforming Federal Student Aid," September 2008, (<http://professionals.collegeboard.com/profdownload/rethinking-stu-aid-fulfilling-commitment-recommendations.pdf>).



## **Appendix: The Research Methodology**

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The Rethinking Student Aid (RSA) Study Group was convened by the College Board to study the current federal student aid system and to develop recommendations for its improvement. At the completion of that effort, the College Board engaged The Melior Group, a marketing research firm with a specialty in education, to conduct research and elicit feedback from the constituencies that the recommendations are designed to help — current and potential college students, and parents of students.

Several qualitative and quantitative research activities were conducted to learn about student and parent reactions to the RSA recommendations. Detailed explanations of the methodology and practices employed in the research activities follow.

### Qualitative Research

Qualitative research was conducted first. The goal of this phase was to elicit thoughts and opinions from the target market. Findings were based on observations and informed analyses. The qualitative research activities included:

- Eight in-person focus groups (segmented as described below) in four geographic markets;
- Two national online bulletin board focus groups (BBFGs) with students; and
- Six interviews with representatives of organizations that represent immigrant and non-English-speaking communities.

**Focus groups.** To recruit and convene participants, The Melior Group subcontracted with focus group facilities in the desired cities. A screening questionnaire was developed, which the focus group facilities used to identify appropriate respondents from their databases. Twelve participants were recruited for each group, and between seven and 10 individuals actually participated in each two-hour session. The groups were racially and ethnically mixed, with no quotas set for inclusion. Participants were paid a \$75 honorarium.

The groups were segmented as follows:

- **Four groups of parents of full-time college students** who were enrolled in certificate or degree programs in community colleges, four-year public or private colleges, or private for-profit institutions. All of the parents were required to have completed the Free Application for Federal Student Aid (FAFSA). Parents selected for the focus groups had household incomes of \$61,000 or less. This income cutoff was selected by the College Board to ensure feedback from low- and moderate-income households, the focus of the RSA recommendations. Several of the parents also had younger children (in elementary, middle or high school). Parent focus groups were conducted in San Francisco, Baltimore, Chicago and Dallas.
- **Two groups of nontraditional students** who were ages 24 and older and enrolled in certificate or degree programs in community colleges, four-year public or private colleges, or private for-profit institutions. Most attended school at least half-time. All of the participants were required to have completed the FAFSA. Household income requirements for participants varied: The cap was \$29,000 for those with no dependents, and \$61,000 for those with dependents. Nontraditional student focus groups were conducted in San Francisco and Chicago.
- **Two groups of “barrier students,”** defined as recent high school graduates (ages 18–23) who took college entrance examinations (SAT® and/or ACT) but for reasons primarily attributable to finances — as assessed during the screening process — opted not to go to college or dropped out before completing a degree or certificate. Household income requirements for participants varied: The cap was \$29,000 for those with no dependents, and \$61,000 for those with dependents or who were dependent on their parents for support. Barrier student focus groups were conducted in Baltimore and Dallas.

**Online bulletin board focus groups (BBFGs).** The sample for the BBFGs included students who were enrolled in certificate or degree programs in community colleges, four-year public or private colleges, or private for-profit institutions. All of the participants were required to have completed at least 50 percent of the FAFSA independently (that is, without parents, guardians, college advisers, etc.).

The students were recruited through an online research panel organization. Consumers sign up with these organizations to participate in qualitative and quantitative research and to receive points that are payable toward goods and services. The Melior Group sent a screening questionnaire to the panel provider, which in turn e-mailed it to panel participants who fell into the appropriate age range. Panel participants were asked to complete the screening questionnaire to determine whether they qualified for the study.

A total of 105 students were invited to participate in one of two groups. The bulletin boards remained open for three days. The moderator posted a new series of questions each day; participants were required to answer each question sequentially before moving on to the next question, and before they could see other responses. A dialogue could ensue, with the moderator asking follow-up questions, and the participants asking questions of one another.

Participants were asked to log on to the bulletin board at least twice per day — once to answer the initial set of questions, and then to respond to comments and follow-up questions. The time commitment was approximately 30–45 minutes per day.

A total of 16 respondents (16 percent of those who were invited,  $N=105$ ) completed all of the questions in the bulletin board. An additional nine respondents completed at least half of the bulletin board questions.

**Interviews with representatives of organizations representing immigrant and non-English-speaking communities.** Because members of these communities were not accessible for other research activities as a result of language barriers, telephone interviews were conducted with “surrogates,” who, in their professional capacities, have insight into the attitudes, needs and behaviors of parents and students in these communities. As such, they were able to provide feedback on the RSA recommendations from the perspective of the communities in which they work.

A total of six telephone interviews were conducted. The interviews were qualitative in nature, with questions followed by extensive probing. Each interview lasted between 30 and 45 minutes.

Participants were identified by The Melior Group and/or the College Board based on their work with target families in the field of education. The following organizations were included in the research:

- **Florida Education Fund (FEF):** As a not-for-profit corporation established in 1984, the FEF has provided an avenue to ensure that educational advancement is possible for traditionally underserved communities, including African Americans and Hispanics. Its programs include the McKnight Doctoral Fellowship, the Centers of Excellence (which motivate elementary and secondary students to prepare for and enter college), and a law school and college prelaw scholarship program. One interview was conducted with the president of the FEF; two others were conducted with the directors of the Centers of Excellence in South Florida and Central Florida.
- **Asian & Pacific Islander American Scholarship Fund (APIASF):** The APIASF is the nation’s largest nonprofit organization that provides scholarships to Asian and Pacific Islander Americans (APIAs) who have financial need. Based in Washington, D.C., APIASF was formed in 2003. Its mission is to ensure that all APIAs have access to higher education and resources that cultivate their academic, personal and professional success regardless of their ethnicity, national origin or financial means. One interview was conducted with three staff members, including the president of the APIASF, the director of the Scholar and Alumni programs, and the director of student services of Gates Millennium Scholars.

- **National Council of La Raza (NCLR):** NCLR is the largest Hispanic civil rights and advocacy organization in the United States. Through its network of nearly 300 affiliated community-based organizations, NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico and the District of Columbia. NCLR conducts applied research, policy analysis and advocacy, and provides a Latino perspective in five key areas: assets/investments, civil rights/immigration, education, employment/economic status and health. One interview was conducted with the vice president for education.
- One interview was conducted with an educational consultant who had previously held a position as the assistant director of the **College Access Program in Philadelphia**. The College Access Program is a school-based educational counseling program of the Philadelphia Education Fund, which was created to improve the quality of public education for underserved youth throughout the Philadelphia region. The consultant also served as the director of youth programs for **Asian Americans United** (AAU). Founded in 1985, the AAU is a Philadelphia-based organization committed to building leadership in Asian American communities.

### Quantitative Research

Results from the qualitative research were used to refine research questions for the quantitative surveys. The surveys were administered to parents, college students and nontraditional students.

The questions focused on attitudes toward postsecondary education and access to education, support for the RSA recommendations, and support for proposed modifications to the recommendations. Additionally, to help characterize the responses, certain demographic and other classifying questions were asked (see table at the conclusion of this appendix for key characteristics of the respondents).

Many questions were answered using four-point scale ratings (e.g., “very supportive,” “somewhat supportive,” “not very supportive” or “not at all supportive”). Other questions required categorization (e.g., income, age). A few open-ended questions offered pre-coded responses for interviewers to use; the remaining open-ended questions were coded by The Melior Group.

**Parent Telephone Survey.** A national telephone survey of parents was conducted, with the average length being approximately 12 minutes. Interviews were completed between Oct. 26 and Nov. 4, 2009. The survey was available in Spanish.

A listed, targeted sample was used to make the calls. That is, certain regions were targeted for prevalence of lower-income households and a greater likelihood to have children younger than 18; this information was merged with listed residential phone numbers.

The telephone list contained approximately 34,200 phone numbers. Each number was dialed at least once. Of that number, approximately 3,900 connections were made with people who were willing to participate. Of these, 2,900 households were not eligible to participate in the survey because their income was too high (>\$61K) or they did not have children in the target age range (11–21). The “incidence” was calculated at 26 percent, that is, the percentage of qualified individuals out of all participants who were willing to respond to the survey.

A total of 1,000 qualified parents completed the survey. It should be noted that “don’t know” was an acceptable answer for each question.

**Younger College Students.** A national online survey of college students was conducted. The questions and response options were designed to be as similar as possible to the telephone survey, with modifications made to wording to suit the online methodology.

Respondents were recruited through an online research panel organization (the same organization used for the BBFGs) and screened to ensure that each respondent met all of the following criteria:

- o Was between the ages of 18 and 24;
- o Had graduated from high school;
- o Was currently pursuing a two- or four-year undergraduate degree or certificate;
- o Had applied for financial aid; and
- o Had completed at least 50 percent of the FAFSA independently.

Fourteen thousand invitations were extended to panel participants. Approximately 2,800 participants completed the screening questionnaire, and 1,300 qualified for the study. A total of 1,000 qualified students completed the survey.

**Nontraditional students.** A national online survey of nontraditional students was conducted. The questions and response options were designed to be as similar as possible to the telephone survey, with modifications made to wording to suit the online methodology.

Respondents were recruited through the online research panel organization and screened to ensure that each respondent met the College Board's definition of a nontraditional student:

- o Was at least 24 years of age;
- o Was currently enrolled in a college or university full- or part-time;
- o Was currently pursuing a two- or four-year undergraduate degree or certificate;
- o Had an annual household income of less than \$29,000 if they had no dependents, or an annual household income of less than \$61,000 if they had dependents; and
- o Had completed the FAFSA.

Five thousand invitations were extended to panel participants. Approximately 750 participants completed the screening questionnaire, and 405 qualified for the study. A total of 250 qualified students completed the survey.

### **Quantitative Data Analysis**

The findings were cross-tabulated by demographic and other characteristics in order to understand the differences between key groups. To determine the statistical significance of the difference between two proportions, **two tailed t-tests were computed** using a desired probability level of 0.95. The formulas for computing statistical significance varied slightly depending on the nature of the data. If the categories being tested were mutually exclusive (e.g., race/ethnicity), the independent t-test of percentages was used. If some respondents were common to both categories (e.g., sources of funding used to pay for college), a dependent t-test was used.

## Characteristics of Quantitative Survey Respondents (%)

	Parents (N=1000)	Younger College Students (N=1000)	Nontraditional Students (N=250)
<b>Race</b>			
White	71	62	77
African American	12	5	8
Hispanic	12	10	7
Asian	<1	17	4
Other	4	6	4
<b>Region of Country</b>			
Northeast	14	25	12
Midwest	38	23	30
South	37	29	35
West	11	23	23
<b>Type of Area</b>			
Urban	32	28	27
Suburban	38	58	44
Rural	30	14	29
<b>Highest Level of Parent's Education Attainment<sup>1</sup></b>			
High School	35	20	n/a
Some College	31	20	n/a
Associate Degree	15	11	n/a
Bachelor's Degree	13	28	n/a
Master's Degree or higher	6	21	n/a

1. Parent Questionnaire: Highest level of education attained by respondent  
 Younger College Student Questionnaire: Highest level of education attained by either parent  
 Nontraditional Student Questionnaire: Parental education attainment not asked



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