

9. Helping Students with Finances

The Crisis and the Trap:

In her brilliant book Paying the Price: College Costs, Financial Aid, and the Betrayal of the American Dream, Professor Sara Goldrick-Rab of Temple University's Center on College, Community and Justice vividly describes the financial problems which plague most low-income and working-class students in community colleges and universities –

“Millions enroll in higher education with plans to work, borrow, and save, only to find that their funds still fall short. Even living on ramen, doubling up with roommates, and working a part-time job isn’t enough to make ends meet. Many who start college can’t afford to complete their degrees. Others take on huge debt that they either cannot repay or limits their future opportunities. And this is occurring at a time when diplomas matter more than ever.”

“It is no longer the case that, if students from low-income families work hard, college will be affordable (recall that the average net price at a community college equals 40% of their annual family income). ... Nearly 75% of American families find college unaffordable.”

National statistics show that over 70% of undergraduates are working and that fully 46% work either full-time or over 20 hours a week. 15% of all college students are homeless at least part of the year. Many student groups and colleges have had to create food pantries to help students avoid becoming malnourished. The vast majority of students have no health insurance.

In short, **the US simply has no system of student financial support** for college students from families with modest incomes. This crisis of affordability forces

even many middle-class students either to leave college and give up their career aspirations, or to build up dangerously high debts. Students are often drawn into a financial trap, first enticed by the promise of college credentials and better jobs, and quickly finding themselves trapped with mounting debts and the burden of working long-hours while studying. The enormous stress levels all too often result in a destructive sense of failure at having to quit college altogether.

There are many reasons why this problem has become so daunting –

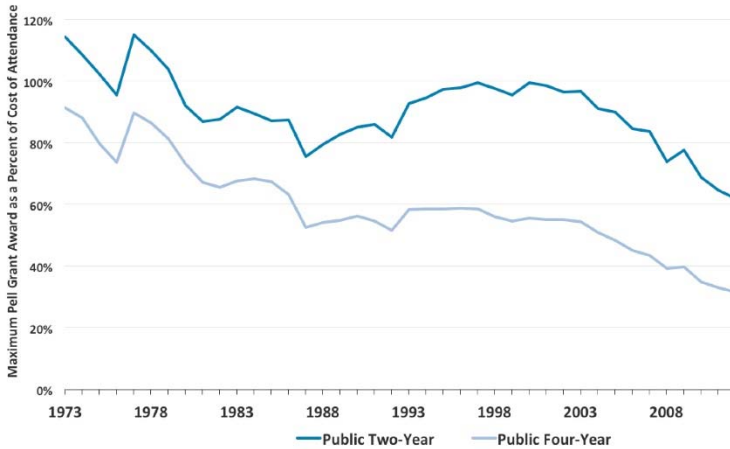
1. Higher education has become less and less affordable even in public community colleges and universities --

- Tuition costs have increased by 1640% since 1963.
- 46 of the 50 states have reduced state aid for college education, with 33 of them reducing support by 15-55% in the last decade.
- State aid for college education has dropped from 77% to 53% of the total cost.

2. At the same time, the federal government's student financial aid programs have not kept up with increasing costs -

- The number of students receiving federal Pell grants for education has fallen by 20% over the last decade.
- The value of Pell grants has fallen 50 % in real dollars.
- When the Pell program began, it was intended to shield low-income recipients from having to take loans. Today 90% of Pell recipients graduate with substantial debt.
- Interest rates on federal student loans have skyrocketed because of privatization of student lending -- Federal loans with reasonable terms have been largely replaced by private loans with variable interest rates ranging up to 13%.
- There is a tremendous shortage of College Work Study funds, and the number and value of federally funded Work Study jobs have decreased steadily. There are very low limits on the total each student can earn annually under the WS program.

Figure 3: Declines in the purchasing power of the Pell, 1973-2013



Source: Costs: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS). 2013. "Institutional Characteristics of Colleges and Universities," Table 330.10. Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: 1969-70 through 2012-13. Pell Grant Info: "Trends in Student Aid 2013," Table 8: Federal Pell Grant Awards in Current and 2012 Dollars, 1973-74 to 2012-13.

3. There is no effective support system for students with financial limitations. And the list of obstacles is daunting.

- High school graduates and incoming college students have never been given financial literacy training or expert personal financial counselling on how to:
 - Develop budgets, realistically projecting income, expenses and cash flow,
 - Understand and analyze loan agreements and other contracts, or
 - Do contingency planning for financial emergencies.
- College financial aid offices seldom have enough expert staff to provide the in-depth analysis and counseling which students need to fully understand their financial situations and develop realistic plans for making ends meet and succeeding in college.
- A new study by uAspire, a nonprofit group that promotes college affordability, focused on the very significant "indirect costs" college students incur after all federal loans and grants are applied. They calculated that the average student faces a shortfall of \$12,000. What's more, in reviewing 820 college websites, they found that more than a third did not mention those costs at all despite the fact that they include books, laptops, transportation, food, health care, and other living expenses.

- When students project their income on financial aid forms, they cannot know whether they will receive one of the relatively few College Work Study jobs; and, even if they do, they cannot know whether it will be renewed after the first three months,
- While most students must work to cover expenses, there are virtually no jobs -- other than those subsidized by the Work Study program -- which offer more than minimum wage, any health or other benefits, or reasonable hours, let alone any experience which is relevant to their career pathway.
- Few students know that their second year costs are likely to increase and their financial aid will probably drop, substantially worsening their financial challenge.
- Students whose grade point average falls are likely to lose vital financial aid.
- Rather than receiving any financial help from their families, a recent study showed that 24% of community college students had to provide an average of \$10,600 per year for family support.
- Few community colleges and universities have sufficient staff to provide crisis counselling, including counselling on financial emergencies, housing, food, health, mental health, personal and family crises.

Many students therefore face rapidly growing psychological burdens, daily worries about loans and debts, food security, health costs, family obligations, housing costs, and perhaps being forced to “couch surf” or become literally homeless. These conditions lead to intense feelings of failure, inability to concentrate on studies, and severe anxiety and depression.

In her study of students at public colleges and universities in Wisconsin, Professor Goldrick-Rab found that –

“43 percent of the students surveyed felt that they could use support for mental health. Thirty-seven percent had been diagnosed with a specific disorder such as depression or anxiety....12 percent said that they had thought about suicide in the last twelve months.... Up to 84 percent do not receive (mental health) services.”

One crushing effect is the acute contrast between the high hopes and career aspirations the students brought to college, and the shattering impact of their failure to complete their Degrees – or ever to achieve their career goals. Needless to say, this has a permanent negative impact on the lives and psyches of hundreds of thousands of students.

These failures perpetuate intergenerational poverty, converting the American dream into a mirage. The failure to graduate makes it far more difficult to earn a family-supporting income, buy a house, build equity or savings, help children in the next generation to afford college or prepare adequately for a job with good pay and upward mobility.

As Dr. Goldrick-Rab points out in her book, **“Alleviating those constraints should help students focus on school rather than work, reduce stress, and make it more likely they will be well rested and well fed when they are trying to learn.”**

The Need for Both Modest and Major Reforms:

Already a massive crisis for most college-age students, college affordability has finally emerged as a central issue within philanthropy, in state and federal policy, and in national politics. Recognizing the issue at last, the press publicizes stories ranging from the \$80,000 price tag on a single year of Ivy League education to rapid rises in student hunger and homelessness. Meanwhile, anti-tax advocates are fighting efforts to increase state support for state universities and community colleges so public colleges become affordable again.

Since **even most progressives are failing to propose the fundamental rethinking, reforms and funding levels which are needed to eliminate financial barriers to higher education and achieving the American dream**, we have divided potential reforms into three levels – modest, middle-range, and fundamental ---

1. Modest improvements which can be achieved without major federal or state policy changes,
2. Middle-range reforms including major increases in federal and state support, and
3. A fundamental rethinking of how to make college accessible to everyone.

A. Modest reforms without major state or federal policy changes:

In recent years, several wealthy foundations and families have made major financial contributions to create new **private scholarship and college affordability programs** for low-and middle-income students. Some of these like Say Yes to Education guarantee that dozens or even hundreds of students will be debt-free when they graduate, or that their debt will be kept to a reasonable level. These programs are very rare and are likely to remain so. What's more, it is clear they cannot achieve great scale or be replicated widely without infusions of major public funding.

Since very few students enter college knowing little about the financial issues they are about to face, let alone any financial planning skills, new funds are needed to **expand expert financial training and counseling help**. This should include developing materials and financial literacy programs to educate students on the financial issues they are likely to encounter, and how to project their incomes, costs and budgets for the 2-4 plus college years. The central goal should be to maximize the students' financial realism, warning them of dangers they may face, advising them on wise borrowing, interpreting loan agreements and other legal documents, and helping them with financial planning.

The financial counseling help should include assigning a regular counselor to each Pell-eligible student and scheduling periodic appointments to discuss any changes in their financial prospects and review their financial planning to ensure it's consistent with their course load and work situation.

Because of the growing financial desperation among students, a growing number of campuses have started food pantries and some help finding very low-cost housing solutions. There is little help on health and mental health needs, and it seems that few public colleges can provide comprehensive programs of emergency services and crisis counseling.

Queens Community House in New York City created a very helpful College Access and Success Program at LaGuardia and Queensborough Community Colleges. **Student graduation rates went up to nearly 80 percent** for the limited number of students in the program. QCH provided a mentor to help with individual issues, extra support during registration, financial aid to cover delays in receiving it from CUNY, and even Metro Cards. They found that cutting through the bureaucracy,

and supporting individual needs was all that was needed. QCH wanted to expand the program to other community colleges but was unable to raise the funds from foundation or government sources.

B. Middle-Range Improvements -- Policy Changes Currently Under Consideration

There are rapidly growing pressures on state and federal politicians to act on this crisis. Some states are reversing course and beginning to increase spending on public universities and community colleges again. National political leaders are advocating several alternative approaches to increasing college affordability, including –

- **Forgiving student loans**, starting with complying with current law mandating forgiveness for graduates pursuing public service careers; the most ambitious proposals would forgive all student loan debt,
- **Free tuition** at community colleges and public universities either for all students or for those whose income is below a certain threshold,
- Various plans to also cover a **student's living expenses**, sometimes combined with tuition assistance, all calibrated on a sliding scale based on a particular student's financial needs,
- **Employment** – expanding Federal Work Study and part-time AmeriCorps service through the Wofford Program to cover many more students and to provide students with assurance of steady streams of work and income throughout their years in college.
- **Work Study reform** – CLP has taken the lead in recommending reforms in the Work Study program, including greater funding for Community Service Work Study, and steps to ensure those assignments provide career-related experiential learning and college credit.
- **Crisis assistance** -- Going farther to address the immediate crises students face
 - Food – make students eligible for SNAP benefits and other food aid.
 - Health and mental health care – extend public support to provide health and mental health insurance coverage to students.
 - Housing – expand and subsidize student housing (e.g. Georgia State).

C. Fundamental Reforms:

It is tragic that so many students are blocked from going to college and preparing for promising careers because of America's failure to create a comprehensive system to make community college and public universities affordable and enable students to graduate debt-free.

It is equally tragic that this failure blocks so many people of color and people from low-income and working-class backgrounds from preparing for careers of community and public service. The CLP Network and its partners are particularly committed to advocating that highest priority be given to a system which supports development of the leaders and change agents who are desperately needed in rural and urban communities, nonprofit and public agencies, politics, unions, businesses and faith communities, as we all struggle to overcome the incredible challenges facing our nation and our world.

It is therefore time to give serious thought to the level of fundamental change which the times require, going beyond incrementalism to fully cope with these challenges.

How can this be done? It can begin by acknowledging two facts. First, the US desperately needs to increase the number of young people who are prepared for family-supporting careers of various types, and this will require that the United States provide new pathways so everyone can fully develop the skills and knowledge they need to prepare for those careers. For many this means that community colleges and universities must become truly affordable again.

The second step is to **create an integrated system of financial support** which meets the students' financial needs completely. That requires a complete redesign to replace the crazy-quilt of scattered grants, loans, jobs, and other income students must somehow piece together, hoping it will cover their tuition, books, other education costs, housing, food, other living expenses and emergencies. That crazy-quilt should be replaced by a system which is based on systems like those created by the Bonner Foundation and Chicago's Grow Your Own Program for teachers.

Examples of holistic support:

The **Bonner Program** at over 60 colleges provides a small, but excellent example of what's really needed. The Bonner Foundation started the program with the central goal of enabling a cohort of low-income students in each college to graduate debt-free. The students in turn agree to commit 10 hours each week to providing community service. The colleges have extra staff paid from the college's Bonner endowment funds who help Bonner Fellows arrange all the elements of the scheme, including grant support, Federal Community Service Work-Study and community service arrangements, and counseling and career guidance. Chapter 10 describes the program's great set of counseling, peer groups and other supports which are built into the Bonner programs, and which lead to excellent retention and graduation rates among their thousands of Bonner Fellows.

In response to a community organizing drive by parents concerned about the, critical shortage of teachers, especially Latino teachers, Chicago pioneered a remarkably effective teacher recruitment program which provides another excellent example of the kind of approach needed for CCS students. The **Grow Your Own Program** for many years covered the full educational expenses for students preparing for teaching careers in Chicago public schools. The students received a forgivable loan to cover their costs in exchange for which they promised to teach for five years. 20% of the loan was forgiven each year the student taught in public schools until the graduates became debt-free. Several other school systems also adopted this approach but most were eliminated because of state budget crises.

The California Youth Leadership Corps as a national prototype:

CLP is proposing creation of state and federal funding for a similar program for students preparing for Community Building careers. This could be done through a multiyear Fellowship guaranteeing students at least \$30,000 per year (40 hours per week at \$15 per hour) in exchange for a commitment to devote at least five years to careers in community planning, organizing, community development, and similar fields. This is based on the conviction that **it is in the national self-interest to make it possible for anyone – regardless of income – to prepare for careers which bring marginalized people together to build democratic**

organizations and tackle the country's most serious domestic issues. ([See Chapter 23 on policy reforms.](#))

One major step in this direction is the planned creation of a pilot “earn while you learn program” with a combination of foundation and State Department of Labor funding for students in 5 community colleges in California. The Community Learning Partnership will plan and operate this California Youth Leadership Corps program with local college+community partners. It will be launched in 2021 with at least 200 students who are preparing for community change work and leadership roles receiving a minimum of \$10,000 as they learn on the job and through related classes at the 5 colleges.