

Financial aid can make or break a college education. Despite having the best grades and work ethic, a student who is unable to pay for college will be unable to continue their education. This seems so obvious, and yet many of the students we work with at Bottom Line struggle to fund their education. Many of our students and their families try their hardest to make college a reality, but are often unable to sustain such great expenses year after year. In order to best advise our high school students in their final college choices, I wanted to dig deeper and fully understand how financial aid impacts our students. In the spring of 2012, I sifted through our data to analyze over 130 students' financial aid outcomes, and confirmed that financial hardship had a significant, negative impact on college graduation rates.

Need for a closer look at aid gaps

Bottom Line has been helping students get into and graduate from college since 1997. During that time, Bottom Line has helped over 5,700 students and has had 730 students graduate from college. There are two aspects to Bottom Line's program: College Access and College Success. The Access program helps students get into college, and the Success program mentors them for up to six years once they are enrolled. Most of the students we support in college went through our high school program. We identify popular schools amongst our students that provide good financial aid packages and are affordable options. We call these schools "Target Schools" (see attached list).

As a College Access Manager, I am responsible for supporting a team of counselors as they help their caseloads of high school seniors navigate the college application and financial aid processes. The vast majority of our students come from low-income families and are in the first generation of their family to go to college, meaning that their parents have limited access to the resources and information necessary to support them through the process. We use a one-on-one mentoring model to help students with every step of their college and financial aid applications. We develop strong relationships with our students and we are very invested in the decisions they make about where they will be attending college.

In the fall, one of the most important tasks our Access Counselors face is ensuring that each student has a solid college list. A solid college list has schools that are a good fit academically and socially, and are affordable. Most of our students choose to keep at least a couple of our Target Schools on their lists. We spend time with each of our students combing through research on their schools, trying to help them answer any number of questions. *Does this college offer licensure to be a fourth grade teacher? How far would I be from home? Where can I study abroad? Can I survive this far away from a city? Can I play rugby? Will I even get in?*

But this year, more than ever, Bottom Line has set out to help our students answer another tough, but critical, question: *Can I afford this school?*

After every college application and acceptance cycle, we review our data to determine what worked, and we make adjustments to improve our programs. This past spring, we noticed that many of our

neediest students were asked to pay at least \$2,000 over and above their student loans to attend public college and universities, and some were asked to pay as much as \$5,000. Many of us began to wonder, **“If the cost of education continues to rise, what will this mean for our college graduation rates in the coming years?”** We presumed that financial hardship was one of the main reasons our students transferred or left school, so we turned to our data from past graduates and dropouts and assessed the impact of financial gap on graduation rates for students supported by Bottom Line.

How financial aid is determined

The term ‘financial gap’ refers to the difference between a student’s Expected Family Contribution (EFC)—a number determined by the government—and the annual balance due to their school. In other words, financial gap is the amount students are asked to pay out of pocket, over and above what their families can afford.

Bottom Line has always stressed the importance of attending an affordable school, but recent changes in the political and financial landscape have redefined the schools we consider affordable and even what “affordable” means. College financial aid comes from two primary sources: the government and the colleges or universities themselves. Students fill out the FAFSA (Free Application for Federal Student Aid) in January to qualify for federal aid. Some private institutions ask students to fill out a College Scholarship Service Profile (CSS). It’s a complicated process for first-generation students and Bottom Line has become very adept at helping students complete these forms accurately and on time.

About 90% of Bottom Line’s students are considered low-income, which typically means that they have a \$0 EFC and qualify for the maximum amount of federal and state financial aid. As the adjusted gross income of a family increases the EFC also increases accordingly. Students with an EFC of \$0 are eligible to receive the maximum Pell Grant award—\$5,550 for the 2012-2013 school year—which is a substantial award and can be critical for student success. According to the guidelines for EFC calculations in 2010-2011, students automatically qualified for a \$0 EFC designation if their household received federal assistance, such as food stamps or WIC, and their family’s annual income was less than \$30,000. This formula is reviewed every year by the federal government and the numbers are adjusted and changed.

This year, the annual income threshold was increased to \$32,000, which placed a greater financial burden on students and families, especially as tuition prices continue to rise. Money.com reports that “the net price (the cost after scholarships, grants and federal tax benefits) that in-state students at public colleges will pay this year rose 4.6% to an average of \$16,510. That’s more than twice the rate of inflation, which rose just 2% over the last 12 months.” As EFC guidelines become more restrictive, the funding gap problem is likely to intensify in the coming years. This past summer, more of our college students were forced to ask their parents to stretch an already tight monthly budget to accommodate a payment plan for college, and more students and parents took on additional loans to pay for school.

Bottom Line Data Results

We looked at two groups of students and analyzed their EFCs, aid packages, and gaps. The first group consisted of college students in the Bottom Line database categorized as “dropped out” or “not attending, returning.” The second group was college graduates from 2010 and 2011, focusing on graduates with two to three years of financial aid data. In total, nearly 900 students were analyzed in determining the impact of financial aid gaps. These charts are comparing students who graduated in 2010 or 2011 and students who dropped out during the same time period.

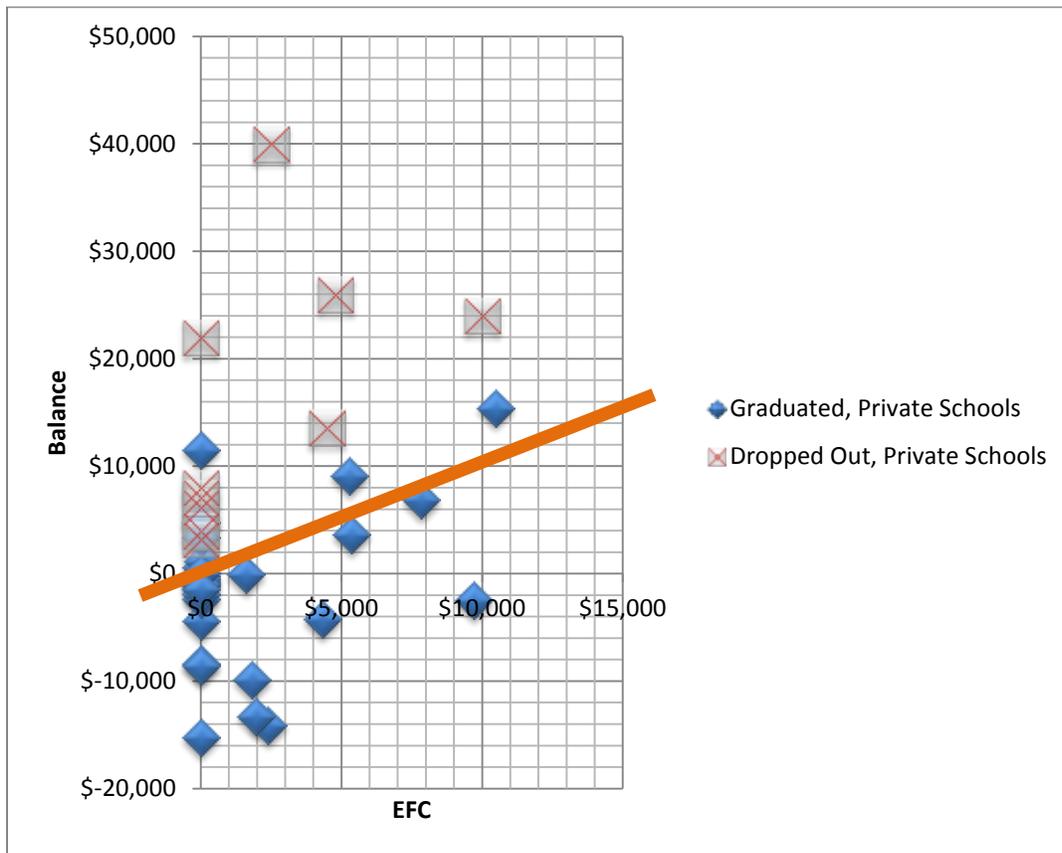


Figure 1. Effect of financial gap on graduation from private schools (2008-2011, 39 students)

In Figure 1, we compared the financial gaps of those students who dropped out of private colleges due to financial hardship and those students who successfully graduated from private colleges. The orange line shows a perfect EFC to balance ratio, or zero financial gap. Each point above the line is a student who had a positive financial gap, meaning they were asked to pay more than their EFC to attend college, and each point below the line is a student whose balance was less than their calculated EFC. Each diamond or square represents one student.

Our data shows a very logical relationship between financial gap and successful graduation from college. All students with negative gaps were able to graduate, while most with positive gaps could

not pay for school, and dropped out. Though four students were able to graduate from private schools with financial gaps over \$3,000, the other ten students with gaps that large left school due to financial hardship. This suggests that that any student headed to study at a private school with a gap over \$3,000 would be at significant risk of not graduating, while students with gaps of \$1,000 or less would have a good chance of graduating.

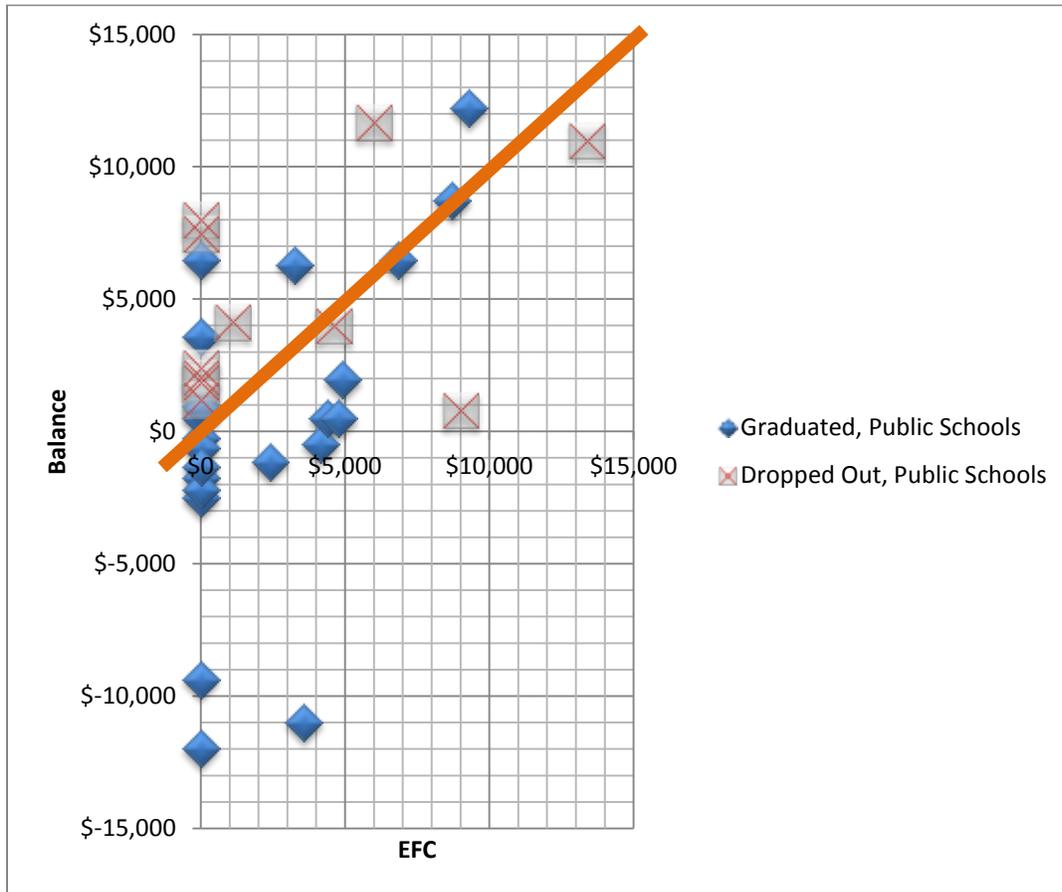


Figure 2. Effect of financial gap on graduation from public schools (2008-2011, 34 students)

In Figure 2, we compared the financial gaps of those students who dropped out of public schools due to financial hardship and those students who successfully graduated from public schools. The orange line shows a perfect EFC to balance ratio, or zero financial gap. Again, each point above the line is a student who was asked to pay more than their EFC to attend college, and each point below the line is a student whose balance was less than their calculated EFC. Each diamond or square represents one student. Here, not every student with a negative gap was able to graduate, and six students with positive gaps graduated. The lowest gap for a dropout was about \$-8,000, while the highest gap of a graduate was about \$6,400.

It appears that students’ financial *gaps* did not seem to have an effect on graduation as much as the actual *semester balance* due to the school. We found that students enrolled in public colleges had slightly higher EFCs, on average, than their private school counterparts. It is probable that these

specific students chose to enroll in a public university because it was the school that offered them the *lowest* annual balance. Since available federal, state, and institutional aid drops drastically as EFC increases, it's possible that even the best options available to these students were too much of a financial struggle for them to handle. Their ability to pay for school may have depended on the amount parents had saved up to pay for college, or their willingness to take out loans to help their children through college.

What's next?

Bottom Line is using this data to help the Class of 2013 construct and perfect their college lists. We see it as our responsibility to be up front with our students about the potential costs of each college. We believe this knowledge will help them to make more informed decisions when it comes time to select a school. We begin talking about affordability with students during their second meeting, and ask them to have candid conversations with their parents about how much their family can truly afford to pay out of pocket.

As more and more families come to us anxious about the potential financial burden of a college education, we feel confident that we will be able to advise students to attend schools where they will thrive academically and have the financial means to persist long enough reach their goal of receiving a college degree.

Bottom Line Target Schools

Bentley University	CUNY – Brooklyn College
Boston College	CUNY – City College
Boston University	CUNY – College of Staten Island
Bridgewater State University	CUNY – John Jay College
Clark University	CUNY – Lehman College
College of the Holy Cross	CUNY – NY College of Technology
Fitchburg State University	CUNY – York College
Framingham State University	Fordham University
Mass College of Liberal Arts	Saint Joseph's College
Mass College of Pharmacy & Health Sciences	Saint Francis College
Northeastern University	SUNY – Albany
Salem State University	SUNY – Buffalo State College
Suffolk University	SUNY – New Paltz
UMass Amherst	SUNY – Stony Brook
UMass Boston	Wentworth Institute of Technology
UMass Dartmouth	Worcester Polytechnic Institute
UMass Lowell	Worcester State University