SENATE COMMITTEE ON STUDENT AFFAIRS
MINUTES OF MEETING
November 28, 2012
Morrill Hall Room 238A

[In these minutes: Student financial aid overview.]

[These minutes reflect discussion and debate at a meeting of a committee of the University Senate; none of the comments, conclusions, or actions reported in these minutes represent the view of, nor are they binding on the Senate, the Administration, or the Board of Regents.]

PRESENT: Joyce Holl (co-chair), Brandee Polson (Co-Chair), Thomas Bilder, Marcus Guith, Peter Haeg, Katie Roehl, Meghan Sable, Michael Stebleton, Carlos Torelli, Michael Vargas, Amelious Whyte

GUESTS: Kris Wright, director, Office of Student Finance

OTHERS: Peter Phaiah

REGRETS: Lisa Erwin, Sam Ketchum

ABSENT: Lauren Beach, Haojun Caoxu, Gina Domenichetti, Kendre Turonie

Ms. Holl and Ms. Polson convened the meeting, welcomed those present, and called for introductions.

STUDENT FINANCIAL AID OVERVIEW AND DISCUSSION – Kris Wright, director, Office of Student Finance

Ms. Wright used a PowerPoint presentation to aid in her overview of student financial aid. She began by describing the functions of the Office of Student Finance (OSF) for the Twin Cities and coordinate campuses, which include:

- Provided receivable, collections and financial aid system support to all coordinate campuses
- Conducts two annual audits
- Collected on an outstanding balance of $70M in outstanding UTFL, HAS and Perkins loans
- Work with One Stop to provide financial literacy information to students

She then outlined what it costs to attend the University and what is changing:

- The University follows federal guidelines to determine a Cost of Attendance (COA) for various categories of students:
  - student's place of residence
  - undergraduate, professional, or graduate
  - living on campus or commuter
  - resident or non-resident

- One of the purposes of aid is to ensure students have access to higher education.
- Room and board is developed specific to undergraduate and graduate students. Department of Housing and Urban Development tables are used to estimate housing costs off campus.
- Transportation is included in the estimate as a bus pass for undergraduates.
- Books are estimated using reports from the Bookstore.
- The cost of attendance for 2012-2013 Twin Cities Campus Minnesota resident, undergraduate, living on campus is $24,000, which is approximately a $1,000 increase from the previous year.

Ms. Wright explained how "financial need" is determined:

- Financial need is the difference between a student's Cost of Attendance (COA) and the Expected Family Contribution (EFC).
- The Expected Family Contribution (EFC) is how much money your family is expected to contribute to your college education for one year. Typically, the lower your EFC, the more financial aid you will receive. Factors such as family size, number of family members in college, family savings, and current earnings (information you provide on the FAFSA) are used to calculate this figure. The University uses a formula established by the federal government. The formula takes into account family income, assets, size of current household, and the number of family members currently attending college.
- OSF verifies 1/3 of the applications when determining the EFC using a copy of a W-2, tax return, or tax transcript.
- In some cases families cannot contribute the EFC estimate. The family can borrow that amount through a Plus loan or the University can adjust the student's loan package to give greater loan eligibility, if the family is not credit worthy.

The University of Minnesota Twin Cities campus enrolled 30,519 degree seeking undergraduate students in fall 2010.

- 26% did not file a FAFSA and it is assumed they did not need assistance.
- 42% of students received University gift aid and the average amount was $3,166.
- 83% of students received some form of student aid and the average amount was $5,597. This includes gift, work-study, and loan.
- 69% of students used loan programs and the average amount borrowed was $8,445. This amount does not include Parent Loans.

The OIR website, http://www.oir.umn.edu/, details historical information from 2001-2012 that includes the average loan indebtedness by campus, undergraduates, and professional schools. The website was displayed for members to view the options in which the data can be displayed. Mr. Whyte noted that it would be valuable for students to view indebtedness by college or major.

Twin Cities Grant/Scholarship Aid 2009-2010

- Pell (federal) $51,776,732
- State $65,655,871
- U of M $73,711,095 - Includes: tuition waivers, Asset Managed accounts, U of MN Foundation accounts, Federal Stimulus and O&M
- Need based aid was $23M from O&M and $6M from stimulus
- Admission (merit) aid was $8M from O&M

Self-help aid is funding from student earnings including work-study:

- Student loans $211,127,084
- Student earnings $43, 718,295 - Includes state and federal work-study and non work-study earnings
- Parent loans $34,121,924

Ms. Wright explained the typical 2011-2012 academic year financial aid packages for various income levels with a cost of attendance as $23,982:

- Adjusted Gross Income: $25,000- $30,000
  Aid: State Grant $4,728
  Pell Grant $3,300
  U Promise $2,856
  Work Study – must be earned $2,700
  Student Loan $5,500* - this is the limit in the freshman year
  Parent Loan $4,898
  Total Aid $23,982
  Expected Family Contribution (total parents & student) $2,250
- Adjusted Gross Income $82,000 ($70,000 is the adjusted gross income of families who applied for and received aid) This is the typical family income of students attending the University.
  Aid: State Grant $0
  Pell Grant $0
  U Promise – Middle Income $750
  Work Study – must be earned $2,700
  Student Loan $5,500
  Parent Loan $15,032
  Total Aid $23,058
  Expected Family Contribution (parents & student) $12,848

Ms. Wright explained a slide that demonstrated that it is much more difficult for students to work their way through school now than in the past. This also represents the lack of support for higher education in terms of cost.

	1968-1969	2010-2011
Tuition and fees	$385	$12,288

Federal minimum wage	$1.25	$7.25
Amount available after Social Security and Medicare	$1.20	$6.76
Number of hours per week (52 weeks) to cover tuition	6.2 hours	34.8 hours

As much as the University has raised support in gift aid, for many students, loan debt is a significant factor. The average indebtedness is $25,000 and it is rising. For example, a student that borrows $25,000 would need to make $38,000 per year after graduation and devote 8% of their income to student loan payments for 10 years. She continued by emphasizing the importance of graduating in four years. If a student cannot graduate in eight semesters, they lose gift aid and subsequently borrow more money.

Ms. Wright responded to the following questions of members:

> What are the effects of mounting student debt having on retention of students in years one through four? Has that been tracked in any manner? If it has, what are the statistics telling us? If not, why is it not tracked?

Ms. Wright stated that student debt is tracked and the University has worked to make more gift aid available to students. Students have reported leaving the University as a result of financial stress. In some cases, parents will not help students and if the EFC is more than the student can obtain in loans, there is not much that can be done. The recession has increased the number of parents applying with a special circumstance in which they believe their family income is not as it is represented on the FASFA. In this case, the student financial aid package can be adjusted. Transfer students can also have loans from another institution that would not be reported to the University but would increase the individual's indebtedess.

> What is being done to assist students in understanding the amount of debt they are incurring and helping them to address paying back the debt? How is the University helping students to borrow responsibly and be set up for success to pay their debt back?

Unfortunately, most students have to borrow to finish. Ms. Wright stated that she emphasizes to students and parents that attending the University is a family decision. One option is for students to transfer to the University and complete their liberal education courses with a community college. Need-based aid is only given to Minnesota residents; so out-of-state students have added financial challenges. Ms. Wright has seen many creative examples of students funding their education without incurring debt.

Ms. Wright stated that the individual amount students borrow, on average, has not changed drastically. The overall climate surrounding higher education has experienced changes:

- Students have had difficulty finding employment.
- There is a need for more college graduates to replace the aging baby boomers.
- More of the students graduating from universities will be from lower income households.
- As a country, there will be challenges regarding affordable education. Students are now making education decisions based on affordability. She does not foresee federal loan limits rising because student groups are concerned about loan indebtedness. Loan limits have been at the same level for the past six years.
- The graduate or professional area and for-profit schools generate the largest amounts individual student loan debt. She offered to send the committee a chart that shows how loan indebtedness has changed over time by campus.

The University offers exit counseling and would like to make it optional for students to view their indebtedness before they finish the aid process. Part of the exit counseling includes discussing repayment options like the Income Based Repayment plan. Any student that makes on-time payments for 20-25 years will have their loans and accrued interest forgiven. The Department of Education is also involved in outreach regarding student debt management. Members mentioned the importance of a separate financial literacy program offered as an optional or required course.

Mr. Whyte explained that financial literacy could be a component of a course that is being considered titled "AlcoholEdu." It is an online course designed to educate students about the dangers of alocohol abuse. The course is being considered as a requirement for incoming freshman and the company offers a financial literacy component for an extra fee. Professor Torelli noted that this might be approached as a college effort since certain colleges face this issue more than others. Ms. Wright noted that it is difficult to request colleges to limit majors to 120 credit hours and acknowledges the challenges that would be presented by trying to require another course. Certain colleges also create greater tuition issues for students by requiring a study abroad experience. Students are able to request funding to study abroad, but the cost varies by location.

Ms. Wright explained that it is a balancing act to attract high quality students without turning them away. This is a national problem and in five years there will be a greater need for college graduates. There are national groups that are investigating interest rate reform for student federal loans. She believes a variable interest rate with a fixed cap would benefit many students. The federal government has mandated that colleges provide formatted "Shopping Sheets" that outline all gift-aid, work-study, loan, average indebtedness at graduation, and the amount of money to be paid to repay the loan. This will enable students to compare the cost of institutions.

The committee then discussed options for action. Ms. Wright suggested that the members could attempt to garner support for a required financial literacy program. They will have to consider how it could be implemented without hindering the graduation rate.

Hearing no further business, Ms. Holl adjourned the meeting.

Jeannine Rich
University Senate Office