

CRITICAL ISSUES FORUM:

The Impact of Financial Aid Changes

New federal financial aid eligibility requirements fundamentally change the manner in which many students will pay for college. How do you wrestle with these challenges and find solutions that are good for your students? The requirement for students to make academic progress may provide challenges for many and can result in loss of aid, thus ending college careers. This interactive discussion will address these challenges as they affect transfer students, the implementation and communication of these new regulations, retention of students, scholarships, the Dean's role in enrollment management, and changes in administrative processes.

Anne E. Zayaitz, Ph.D., Dean

David Beougher, Ph.D., Associate Dean

College of Liberal Arts and Sciences, Kutztown University

“One-third of the total expenditures on postsecondary education in 2011, or **\$181 billion, was provided by the federal government** (see Digest of Education Statistics 2012, table 419). Of this amount, **\$146 billion was in the form of student financial aid.**”

“The total annual amount disbursed to students as loans (Direct and FFEL) increased by 150 percent (in constant 2011-12 dollars) in the last decade, from \$43 billion in 2000 to **\$109 billion in 2010**. The number of loan recipients increased from 8 million students to **19 million students.**”

“According to the Federal Reserve Bank of New York's Quarterly Report on Household Debt and Credit, **total student loan debt**, across all age groups, stood at **nearly \$1 trillion** (\$956 billion) in the fall of 2012. By comparison, in fall 2003, total student loan debt outstanding was **\$304 billion** (in constant 2011 dollars), meaning that it has **more than tripled in the last 9 years.**”

National Center for Education Statistics

Financing Postsecondary Education in the United States

http://nces.ed.gov/programs/coe/indicator_tua.asp accessed 23 October, 2013

The Example of Nash Tieth, A First Time, Full Time Freshman

1st semester takes 15 credits and earns:

B x 1

C x 1

D x 1

F x 1

W x 1

GPA = 1.5

Financial Aid Warning!
GPA below 2.0

Working with his advisor, he decides to take two classes during summer term, and pays out of pocket. Three weeks into the term he has a car accident and has to withdraw. Earns:

W x 2

Financial Aid Suspension!
2/3s rule

2nd semester, his advisor recommends repeating the D and the F, plus three new classes.

He earns C x 5

Semester GPA = 2.0

Cum GPA = 2.07

Financial Aid Suspension?

Academic Progress,
only 21 earned credits for year
Loses State aid package

Update to Title IV of the Higher Education Act of 1965

29 October 2010 and modified 13 April 2011

Went into effect 1 July 2011

At Kutztown there were three broad implications

1 - 2.0 GPA computed each term (law now allows school to chose annual or by semester) – BTW, KU chose by semester – to affect a new student’s attitude more quickly; if they do not adjust, they will leave sooner with less debt [not everyone agrees with this]

2 - the 2/3s rule; must pass 66.6% of credits attempted **IN TOTAL**

3 - the 1.5 rule; that undergraduate students have a cap on their federal aid that is 150% of the total credits needed for a degree (i.e. 120 credit Bachelor’s degree = NMT 180 credits of federal aid eligibility)

Full time remains 12 semester hours or more per term

Luis reads Federal Guidelines for Keeping Aid – Complexities? Understanding?

Make *Satisfactory Academic Progress*

I need to make satisfactory academic progress in order to continue receiving federal student aid. In other words, I have to make good enough grades, and complete enough classes (credits, hours, etc.), to keep moving toward successfully completing my degree or certificate in a time period that's acceptable to my school. (and I need to keep my job)

Each school has a satisfactory academic progress policy for financial aid purposes; to see my school's, I can check my school's website or ask someone at the *financial aid office*. My school's policy will tell me:

- what grade-point average (or equivalent standard) I need to maintain;
- how quickly I need to be moving toward graduation (for instance, how many credits I should have successfully completed by the end of each year);
- how an incomplete class, withdrawal, repeated class, change of major, or transfer of credits from another school affects my satisfactory academic progress;
- how often my school will evaluate my progress

From <http://studentaid.ed.gov/eligibility/staying-eligible>; accessed 7 October 2013

Financial Aid Progress Requirements at Kutztown

Each student will be reviewed for satisfactory financial aid progress after every period of enrollment (fall, winter, spring, summer) **regardless of receiving financial aid.**

To be in good standing for federal aid, both undergraduate and graduate students must meet the following standards:

1. Successfully complete 2/3 of the total cumulative credits attempted. Credits attempted are:
 - a. all credits for which the student is enrolled at the end of the drop/add period at KU;
 - b. The number of credits transferred into KU after admission
2. Maintain a cumulative GPA of at least 2.0 at the end of each period of enrollment (fall, winter, spring, summer).
2. Students can file a one semester appeal of loss of financial aid.

Noah Fekts and Byrnitt Downs

Noah is a junior History major. Prior to this year, he had completed 80 credits with a cumulative GPA of 2.8. He registered for 15 credits this fall term. Due to “personal reasons” he chose to withdraw from all of his classes this term.

He has 80 earned credits and 95 attempted credits (84%) so the 2/3s rule does not affect him.

He will need to work to earn enough credits to reach the 24 credit benchmark for academic progress for the year.

Byrnitt is a sophomore English major. Entering this academic year she had 24 earned credits and a 3.6 GPA. She registered for 15 credits this fall term. Due to illness, she also withdrew from all of her classes this term.

She has 39 attempted credits and 24 earned credits (62%). She does not meet the 2/3s rule. Byrnitt is now on Financial Aid Warning

DEFINITION OF EARNED CREDITS at Kutztown (these can vary by university)

Earned credits are credits for which a grade of A, B, C, D or Pass in a Pass/Fail course has been received. Grades of F, WF, NG, Audit, I, W, and Fail in a Pass/Fail course do not count as earned credits.

Only credits earned from a course in which the student was actually enrolled are counted in calculating financial aid progress. AP credits, CLEP credits, credits received by challenge exam, and credits received as a result of placement testing to determine proficiency are NOT used to determine financial aid progress.

REPEATED CLASSES (See Registrar's Office website regarding maximum number of repeats permitted).

Every time a class is repeated, it will be included in cumulative credits attempted. However, the repeated course will only be counted as credits earned the first time a passing grade is received.

Student Loan Caps

As of 1 July, 2013 federal student loan eligibility **per semester** capped at:

\$3500 subsidized for freshmen (Stafford)

\$2000 unsubsidized for freshmen (Stafford)

Total amount of federal student load debt is **capped at \$31,000 per dependent student** for undergraduate education

\$19,000 subsidized (<6 semesters)

\$12,000 unsubsidized (6 semesters)

Alternative loans (co-signed with interest at competitive rates as low as 4%)

\$50,000 max annually

“good credit”

Parent Plus loans (6.4%)

no limit

“possible credit issues”

Other Money at KU for School

Pell Grants – based on economic need (federal)

Board of Governors (PA specific)

Distributed by PA state system on an enrollment formula

Selected by Admissions who give awards in five areas

Leadership, High Need Major, STEM

Artistic, Minority

NSF Grant for STEM scholarships

Endowed Scholarships

Administered by the University Alumni Foundation

Not large amounts

External Scholarships

*At Kutztown, Federal Student Loan eligibility is a critical component of students' ability to pay for college

Justin Thyme

Justin transfers in from a local community college with an Associate's Degree in Computer Science. He successfully transfers 79 credits, 21 of which are just credit (no comparable course at KU) and 40 are not usable in the Physics program track (for example, he has College Algebra and Math for Business but Physics students do not normally take those courses)

He has a bad first semester earning a 1.75 GPA but buckles down. By the 3rd semester here he has 125 earned credits

He has four more semesters in order to graduate with a BS in Physics. With one semester left, **he has 180 earned credits; he cannot get Federal Aid for his final semester**

Justin graduated as a Physics major with a GPA of 3.1 and 195 credits

His bill for the last semester = \$8,594 out of pocket for one semester
+ interest on all unsubsidized loans
(about \$250 for his federal loans)

Eyvet Icahn

Eyvet is a first generation immigrant to the United States. Due to her underpreparedness academically, she starts in community college taking ESL courses and remedial math and English. None of these courses will transfer to KU.

Eyvet takes a variety of courses, with mixed results – she withdraws, earns Ds (which do not transfer) and a few Fs. Her community college efforts yield 30 transfer credits but 90 attempted hours.

Each semester at KU, she registers for 15 credits and then withdraws from the class that she finds most difficult. She had particular difficulty with the required statistics class for her Sociology major, failing it three times before earning a C.

After six semesters, she has earned 63 credits at KU bringing her total to 93 of her needed 120 to graduate. She has reached 180 attempted credits.

Based on her current rate of progress, she will need three more semesters to graduate and she is not eligible for financial aid.

Her options?

Challenges

- Staff don't advise students for academic concerns, that is the purview of the faculty [as per our CBA]
- Faculty do not give financial aid advice, that is the responsibility of Financial Aid Staff
- Failure to consider FA ramifications when making academic recommendations (repeats, drops) puts student in jeopardy
- Failure to take courses that lead to graduation (had to take something to get aid) leads to, well, nowhere good

What does it mean to Deans?

Federal Financial Aid is critical to our students' retention, persistence, and graduation

Academic Advisors play an important role in guiding students to academic success but do not give financial aid advice

Students (and others on campus) need to understand how a student can maintain their eligibility for Federal Aid

And as Deans focus on aspects of enrollment management, we have to be aware of these financial aid roadblocks!

We all have students like Michael Hedlund, a graduate of Willamette Law School

Hedlund borrowed about \$85,000 to get his undergraduate and law degrees, then failed the bar exam three times. He ultimately took a job as a juvenile counselor. At 33, married and with a child, he declared bankruptcy.

[T]he 9th Circuit Court agreed there was considerable evidence the family's expenses, including two cell phones for the family and leasing a reliable car could be seen as reasonable and that the excess expenses – including cable and children's haircuts – could be deemed marginal.

The bankruptcy court had also rejected arguments that Hedlund should find another part-time job while noting that his wife could be expected to work three days a week rather than one.

[A] study by Jason Iuliano ... suggests that in 2007 alone, there were 69,000 borrowers who were good candidates for relief but fewer than 300 actually attempted to discharge their loans.

http://www.usnews.com/education/blogs/student-loan-ranger/2013/06/12/bankruptcy-case-offers-hope-for-student-borrowers?s_cid=related-links:TOP accessed 23 October 2013