

September 2009

## **Survey on the Impact of Economic Conditions on Financial Aid Programs, Postsecondary Institutions, and Students**

### **Major Findings**

In response to inquiries about how current economic conditions are impacting financial aid programs, institutions, and students, the Student Financial Assistance Division of the Higher Education Coordinating Board conducted a survey of financial aid directors at the 68 higher education institutions that participate in the State Need Grant program. Forty-six of the 68 institutions responded to the survey.

As of early September 2009, the survey asked aid directors to consider how the demand for financial assistance has changed compared to early September 2008. The findings from this survey suggest that the economy has had a direct effect on financial aid programs, institutions, as well as students and their families.

Staff from 45 of the 46 institutions who answered the survey reported that the numbers of students filing the Free Application for Federal Student Aid (FAFSA) increased by as much as 116% over this time last year, depending on the institution. Though not all of these applicants enroll, 44 institutions also reported increases in the numbers of enrolled students with completed financial aid applications. Some institutions reported increases as high as 100% over this time last year.

The FAFSA requires income information from the prior tax year, although students have the option to ask for adjustments in order to reflect their current financial situations. Staff at 31 institutions reported increases in the numbers of students making such requests. Due to job loss among family members and other changes, more and more students are requesting revisions to the income reported on the FAFSA in the hopes that they will qualify for more financial assistance.

This increased demand has brought with it two major challenges. One challenge is funding. Most financial aid programs do not have unlimited funding available. As a result, 40 institutions have stopped awarding certain types of financial aid. Some made changes to awarding practices, depending upon the restrictions of each aid program, in an attempt to serve more students.

A second challenge is workload. Many institutions are also experiencing an increase in workload due to the large numbers of completed applications and the numbers of students requesting income adjustments. Although the survey did not directly ask about staffing, several institutions indicated in the written comments that they lost staff during the last year due to budget cuts and hiring freezes. These staffing losses, combined with the increased workload, have created a backlog of files waiting to be processed. Several aid directors reported that they and their staff have been and will continue working nights and weekends to keep up with the workload.

One financial aid director described the current state of things in the following way.

*“The economic conditions affect the state budget, which affects the college budget. The Financial Aid office budget was reduced by one full-time position. ... A year ago today we had about 120 files waiting to be processed; on the same date in 2009 we have over 450 files waiting with one fewer staff member.*

*Students are expressing greater urgency, anxiety, desperation. When they learn that they have to wait longer for their aid application to be processed, they become even more frustrated, frightened and frantic. Student complaints and pressures affect many other offices, which eventually cause additional difficulties and strain for the financial aid office as time must then be taken away from processing applications and devoted to managing communication and complaints.”*

Appendix A contains the detailed responses to the HECB survey.

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## Appendix A: Detailed Findings

This section contains the detailed responses to the HECB survey on the impact of the economy on financial aid. Financial aid directors at the 68 institutions participating in the State Need Grant program received an email containing a link to the online survey. Forty-six directors responded to the survey. HECB staff corrected spelling and other minor typographical errors in responses to open-ended questions, but otherwise the comments appear exactly as submitted by the respondents.

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Question 1: Has your institution stopped awarding any types of aid as a result of an increase in demand compared to this time last year?

	Number	Percent
Yes	40	87%
No	6	13%

Question 2: If yes, which of the following aid types have you stopped awarding?

	Number	Percent
State Need Grant	21	50%
State Work Study	12	29%
Federal Work Study	18	43%
Institutional Gift Aid	18	43%
Other	12	29%

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Question 3: Has your institution changed the way in which any of the following types of aid are awarded because of an increase in demand compared to this time last year?

	Number	Percent
State Need Grant	7	16%
State Work Study	4	9%
Federal Work Study	4	9%
Institutional Gift Aid	10	23%
Have not changed for any of the above	28	64%

Question 4: If you have modified your awarding practices for any of the above, please describe how.

- We are awarding less per term of institutional aid to try and make it stretch since we are almost out of Washington State Need Grant. We have run out of SEOG already.
- We are no longer awarding the Dependent Care Allowance because the award amount is so small. We would rather use the \$25k we spend on it to leverage SNG and award more students.
- While we have not changed we have more unserved students at this point and have exhausted funds earlier.
- Awarded institutional gift aid to those students whose parents lost a job.
- We can no longer award Dependent Care Allowance (DCA) for SNG.
- We have ceased offering Dependent Care Allowance for the State Need Grant program.
- We have committed all the funds available to our students at this time.
- We may have to make some changes for 2010-2011 if this trend continues.
- We have not been able to award any late applicants state need grant funds and have run out of funds for on-time applicants that have just now been revised to the eligible range for State Need Grant. We have reduced the award amount for work study awards from 3300 per year to 3000 to be able to award all on-time, zero efc students. We are able to serve a higher EFC level with our institutional aid due to the increase to these funds from the tuition increase and because of the higher Pell and State Need Grant awards.
- **CEASED AWARDING NEED GRANT IN JULY FOR 09-10 COMPARED TO AWARDING IT THROUGHOUT THE YEAR IN 08-09:** Last year (08-09), we continued awarding State Need Grant throughout the academic year. By the beginning of fall quarter, we had not exceeded our final allocation in current offered State Need Grant and awarded Need Grant throughout the year. This year (09-10), we stopped making State Need Grant awards in late July, 2009, as we had already exceeded last year's final (not initial, but final) allocation in current offered by over \$800,000. Current offered represents Need Grant that could conceivably be disbursed and reflects student attrition. Our overcommits were much higher than current offered as overcommits do not reflect attrition (well over \$12 M for both years). **REFRAINED FROM AWARDING NEED GRANT AT ALL TO 66%-70% MFI NEED GRANT ELIGIBLE STUDENTS.** Given increased demand and in anticipation of running out of Need Grant, I made the decision after confirming that this was permissible through HECB to refrain from awarding the 66%-70% MFI students and target available Need Grant to students with lower incomes. **HELD BACK APPROX. \$200,000 IN INSTITUTIONAL GIFT AID FOR PURPOSES OF HELPING TO REPLACE NEED GRANT SHOULD OUR FINAL ALLOCATION IS LOWER THAN EXPECTED;** obviously, the \$200,000 wouldn't resolve our overcommit problem if we receive less than an anticipated \$10M or so in Need Grant, but it would help. In addition, should we experience a shortfall, Western will begin eliminating accepted Need Grant awards due to unavailability of funds.
- We are a header school and we limited number of students allowed to participate in federal and state work study during summer quarter compared to last summer (less than 50% of last summers participation) to allow more of our allocations to be available during fall, winter and spring. (we could easily use our entire work study allocation just during summer quarter). As of Sept 1 the only funds that we basically have left to award are PELL and Stafford Loans. We are presently reserving our 3 1/2% money that is not used as match for work study to use for building a reserve for helping to fund individual student emergency situations where use of the funds may be able to prevent a student from withdrawing due to unforeseen financial problems.
- We reduced the amount awarded based on merit and increased the amount awarded based on Need.
- We've exceeded institutional budget for institutional aid. We've awarded about 100 more need based work study awards than we have positions, so now must work to create about 60 new jobs on

campus. Legislation around SWS allocation and residency status leaves us no ability to seek external employers to supplement those in our current SWS program because we have exhausted our resident limit in SWS offerings. We have exceeded our initial allocation for WSNG by \$192K, and must wait to determine if we will be awarded additional allocation or if we must rescind WSNG awards to some part of the population. All of this during a time when endowments are down by as much as 30%, and campuses are needing to consider cost reduction actions that will impact our ability to provide the high level of educational experience our students deserve.

- To deal with tuition increases and in anticipation of a higher SNG allocation, our institution changed our equity packaging policy to provide a larger percentage of need based gift aid. We did not receive what we had hoped for in final SNG allocation which will require us to swap SNG with institutional grant, driving our expenditure even higher than expected.
- We are awarded lower dollar amounts and to fewer students. This is because in previous years we would always over award our allocation with the hopes that at the end of the year some students either did not accept their award or did not earn their full eligibility. Last year most students earned all they could because they could not find a job anywhere else.
- We have significantly tightened the awarding of work study, as there are more requests and demands with greater intensity, desperation, and urgency. Additionally, we will more carefully monitor and limit the availability of positions listed, which will probably affect departments throughout the institutions and some off-campus employers.
- We added an additional \$1,000 institutional grant award to Pell recipients.
- Because of the number of applications coming thru, in the past students would receive Pell and SNG if eligible then institutional funds. Now, we have to stretch those dollars, so students who are Pell or SNG eligible are not also getting additional institutional funds.

Question 5: Has the number of unduplicated FAFSA's at your institution increased compared to this time last year?

	Number	Percent
Yes	45	96%
No	2	4%

Question 6: If yes, by what percent have they increased over this time last year (if known)?

Percent Increase	Number Reporting
5-10%	8
11-20%	6
21-30%	4
31-40%	4
41-70%	6
71-100	2
>100%	3

Question 7: Has the unduplicated count of active financial aid files (e.g., files for students for whom you have received a FAFSA or institutional aid application and whom you believe have or will enroll) increased compared to this time last year?

	Number	Percent
Yes	44	96%
No	2	4%

Question 8: If yes, by what percent have they increased over this time last year (if known)?

Percent Increase	Number Reporting
2-10%	9
11-20%	6
21-30%	5
31-40%	6
41-100%	5

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Question 9: Approximately how many additional income PJs have you made compared to this time last year?

31 institutions reported increases.

NOTE: Responses to this question cannot be analyzed since some institutions reported percent increases over last year and others appear to have reported the number of additional requests.

Question 10: If you have not made any income PJs yet, when do you plan to begin accepting and reviewing requests to adjust income?

11 institutions begin processing income adjustments in September or later.

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Question 11: Approximately how many students have presented you with a letter from Employment Security encouraging them to apply for Pell?

27 institutions reported seeing this letter. The number of letters presented varies from a few to several hundred depending on the institution.

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Question 12: Please describe any other trends or issues resulting from the current economic conditions.

- In light of the state budget shortfall, we are struggling to keep up with limited staff. We have brought on a part time temporary person to help process the aid files but we are barely treading water. Our office staff work nights, weekends, etc. because we all care about our students but we can't keep this pace up. We have had lines out the door since April of this year and it doesn't seem to slow down. Our big concern now is we will soon be out of State Need Grant so Pell will be the only gift aid option for our students which may not be enough to cover tuition and books.
- Our loan volume continues to climb.
- A large increase in student loan applicants as well as loan amount requested; we have disbursed approx. 93% more in loan funds over last year at this time.
- Undergraduate students are having more difficulty getting private education loans
- We are seeing an increase in the number of students paying off prior debts so they can obtain transcripts or enroll. However, the payment is most often with a credit card, so the debt is simply being transferred to a different source. Regardless, that is a positive trend for our receivables. We are not seeing any other trends other than those that would be expected in this economic climate.
- Increase in payment plan applications by 10%. Requests for additional funding even with no income loss. Medical costs expenses. Inquiries on less than full time enrollment to reduce costs.
- We have seen what seems to be an increase in questions about the Income Adjustment process but we do not track questions over the phone. We try to talk to the family or student about the nature of the change before they complete the petition since many of the changes don't result in an EFC adjustment that drops the family into grant range. As stated in the previous screen, we've approved 3 more income adjustments than we had approved at this time last year but that only measures what we have reviewed. We have seen an increase in the number of petitions received between this year and last year. Keep in mind that we are a pretty small in comparison to the other publics so when I say our increase in income adjustments applications has increased by 68% that constitutes a total of 40 more applications.
- We have an increase of students all around. The college had to lay off people all over the college. We are all have more responsibilities. Less staff, more students.
- We are seeing a lot of zero (0) EFCs and many other needy students applying for aid
- The demand for aid is through the roof. The number of "late applicants" are way up and aid offices are ready to crumble.
- The level of need for our students has increased from previous years. Thus we need more funds to assist these students than we have in the past.
- Students are becoming more aggressive with staff members.
- Some folks who were well off have experienced significant losses but are not "needy" by the standard definitions. Yet, they will have difficulty paying their share of college costs. Even those without changes to report seem to be asking for more funding.

- An alarming increase in parents approved for the PLUS loan that are refusing to take the funds and expecting their students to apply for an alternative loan or forego higher education entirely.
- We are closing our office for five hours a week for the first time ever to allow for some uninterrupted time to be able to work on files.
- Long lines in person at my front desk and on the telephone, sometime we have 9 or more callers holding in the queue.
- The impact of the recession is felt acutely by students/parents and aid offices. Schools are experiencing increased eligibility/demand for all types of gift aid, especially State Need Grant. State Need Grant is Western's largest grant program, even eclipsing Pell. Given the relative importance of Need Grant in the packaging of aid, increased demand for gift aid in the current economic climate, and lack of sufficient scholarship endowment funding compared to available funds at research institutions, not knowing our final allocation until sometime in September is making funds management increasingly difficult and is definitely impacting students because we are holding back funds to make up for part of a possible Need Grant shortfall. Thankfully, there has been an average \$1M difference between our final and initial State Need Grant allocations over the last 2 years. I realize, however, that participating institutions are not guaranteed more than the initial allocation. Western's initial allocation for 08-09 was \$8,816,994; our final allocation was \$9,775,927, a difference of \$958,933. For 09-10, our initial allocation is \$8,920,355. I am hoping to receive approximately \$10M, but am in financial limbo until I receive the State Need Grant final allocation.
- We are having more and more student applicants who are so stressed over their finances which in turn ramps up the stress level of staff. We have been telling students who have just started or who not completed their financial aid requirements prior to August 8 that they should not plan on receiving a financial aid award letter until after the second week of fall quarter, which adds more staff stress as we are all here to serve students. Some students are very, very unhappy that we have not yet been able to process PJ's submitted during summer quarter and that we are not accepting PJ's for students starting in fall until November 2. We have already processed award letters for unduplicated headcounts which present over 85% of TOTAL headcounts for all of last year. When we complete processing the remaining financial aid application for fall we will be at over 120% of total served for all of last year.
- Due to the increase in applications and the new software system that is less than adequate, we have a tremendous backlog in processing of files for awards. We would normally be able to offer delays of payment for students completing their files late, because we could be assured that students would be processed at or close to the start of the quarter. For this fall we've had to cut students off much earlier than in the past, since we can't be sure that we can process those who have applied late (After August 3), in time for the quarter.
- Students expect more aid and instant service regardless of the volume. Many more students are asking for dependency overrides based on the revised FAFSA for 09-10. Few are granted since most are because parents have higher incomes and don't want to provide the data. In prior years we have managed to stretch our worker retraining funds throughout the year by moving students over to financial aid. This year we will run out of funds by December most likely.
- Increased numbers of parents will not consider loans in their own names. Students seeking additional funds including Alternative loans. (some parents will co-sign for a student on an Alt loan rather than take out the lower cost Parent loan.)
- More credit denials on parent plus loans, more student borrowing of EFC, higher reliance on institutional aid to support students, more financial hardship appeals for release from student housing on campus. Diminished endowment returns and underwater investments decrease our ability to fund institutional scholarships at promised levels. Lower annual giving for scholarship gifts. Higher Pell grant. Exhausted allocations for campus based programs with unserved students (SEOG, FWS, Perkins).



- Students and parents are a lot more concerned about how to pay for college. We are back logged in processing because of the increased volume of applications.
- More students are wanting to go back to school and learn a new trade.
- We are finding more students and families reluctant to take out any loans including Stafford.
- Another trend we see include a student population that is increasingly urgent, frustrated and desperate. In emotionally charged situations, some people are not able to listen carefully, hear completely and retain the many details of financial aid, registration, tuition payment, class requirements and other important steps in the whole process. Students often seem overloaded and overwhelmed. The economic conditions affect the state budget, which affects the college budget. The Financial Aid office budget was reduced by one full-time position, losing 40 hours per week of work. However, our workload was not reduced but instead increased significantly. The combination of reduced staffing and a significantly increased number of applicants and workload has increased the amount of time in the application process. For example, instead of requiring approximately 3-4 weeks for a completed file to be processed, the time required is now approximately 8-10 weeks. A year ago today we had about 120 files waiting to be processed; on the same date in 2009 we have over 450 files waiting with one fewer staff member. Students are expressing greater urgency, anxiety, desperation. When they learn that they have to wait longer for their aid application to be processed, they become even more frustrated, frightened and frantic. Student complaints and pressures affect many other offices, which eventually cause additional difficulties and strain for the financial aid office as time must then be taken away from processing applications and devoted to managing communication and complaints.
- Credit denials on plus loans and private loans
- More awareness and concern over financial matters from both parents and students (i.e., GET, investments, tuition increases). A greater perceived need from groups of applicants not typically seeking assistance (i.e., middle to upper income bracket). Tightening up of private loan options. While not confirmed, anecdotally students choose to pursue 2nd bachelors or graduate school rather when job market is bleak.
- Along with the current economic situation and record enrollment levels, the CTCs must deal with FAM, our new software, which has proved less than adequate. It's a struggle.
- This is the most challenging year we have ever seen in aid -- unemployment, cut it pay, no jobs available for students because the traditional work force is taking them, loss of home, last time WWU did the stats, our average pc had dropped by \$318 compare to last year, tremendous increase in work load because of above -- note additional pj's
- More demand and need for aid/more students with less resources (people or systematic) to efficiently meet the increased demand.
- That our neediest students are not waiting until the end to apply. Over 80% of our priority 1 group were Pell eligible students, which usually only 60% are. This pattern continued with post P1 groups. We will stop awarding SNG with files that were complete thru the end of August. Last year we awarded thru winter quarter. Our population is growing in need.

Question 13: Which sector do you represent?

	Number	Percent
Public Four-Year	6	13%
Public Two-Year	24	52%
Private Four-Year	13	28%
Private Vocational	3	7