

There is strong evidence that most college or college-bound students and their parents see the value and importance of higher education. To many, higher education is what economists call an inelastic quantity – a product for which they are willing to pay more than the price that demand alone would put on it – because of future benefits. Three out of four students strongly agreed that one of the reasons they are attending college is that they will enjoy a better quality of life. Ninety-four percent of parents agreed that sending their child to college was an investment in their child’s future and 96% of students agreed that college was an investment in their future. The economic inelasticity of higher education also influences parents’ and students’ willingness to borrow to attend college. Three out of four parents and 87% of students agreed that they would rather borrow to pay for college than not be able to go at all, and 60% indicated that student loans were acceptable debt, second only to mortgages when compared to other types of borrowing and consumer debt.

The study also showed that most families worry about how changes in the economic situation in the United States will affect their ability to pay for college. Parents were most concerned that colleges will raise their tuitions (60%), that student loan interest rates will increase (51%), that student loan money will be less available (40%), that the value of their savings and investments will decline (38%), and that the value of their home will decrease (28%), all affecting their ability to pay for college.

The full report details the methodology used and presents results in graphs and tables that are easy to understand. The report can be found at www.salliemae.com.



IOWA STUDENT LOANSM *Insights*
 News and information for financial aid professionals. Fall 2008

Dear Colleagues:

In place of a single subject theme for this research edition of *Insights*, we have elected to feature articles and information about several recently released research reports that offer important information about diverse topics. To put it another way, a significant amount of good information that is relevant to your work as financial aid professionals has been released lately. I have not used the word *eclectic* for quite a while, but it does describe the content for this newsletter. Here is a preview of what you’ll find inside:



John Parker
 Director, Community Services and Educational Research

- ▶ As you are certainly aware, annual Cohort Default Rate (CDR) data were released in mid-September. Beyond your school’s “number,” a “Tools and Resource” article suggests other important uses of the database, such as peer group comparisons, the merging of CDR loan status data with information specific to your students (e.g., GPA, academic program, program completion data), and the creation of an expanded database using CDR and other macro data sources such as IPEDS.

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IOWA STUDENT LOANSM *Insights*
 News and information for financial aid professionals.

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Picture your success!

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- ▶ Heather Norris provides a review of the recently released results of the Jump\$tart Coalition's® 2008 financial literacy survey of high school seniors. Completed on a biennial basis, the survey continues to paint a rather dismal picture of the financial literacy skills of high school students. New to this year's survey was an assessment of the financial literacy skills of college students. They do better, but the need for financial literacy educational programs in college is certainly supported by the results of this study.
- ▶ Marc Hendel summarizes his study of the impact of the Iowa Student Loan forgiveness programs on the career decisions of nurses and teachers who are involved in our program. The findings, though certainly limited by the sample size that is currently available for study, suggest that the loan forgiveness programs are associated with some positive outcomes. Obviously, it is our intent to continue this study over time as additional nurses and teachers begin to benefit from the forgiveness of their loan(s). We will keep you posted.
- ▶ Much has been and will continue to be written about college access of low-income, first-generation (LIFG) students. As is outlined in our review of a presentation by researchers from the Pell Institute at the June 2008 Student Financial Aid Network Conference, however, beyond the topic of access is the issue of college **success** of those same students. It will come as no surprise to you that the financial aid needs of LIFG students are significant, so the financial aid profession really does play a critical role in the success of students.
- ▶ It seems a rather novel idea to actually ask people how they paid for college as opposed to how they plan on paying for it or by extracting generalities from large aggregated financial aid databases. But that is what Sallie Mae partnered with Gallup to do. The resulting August 2008 report "How America Pays for College" is therefore a good read if for no other reason than it sheds some light on how real families really paid for college.

Best wishes,



John Parker
Director,
Community Services and
Educational Research

Did you know?

- ▶ It takes around 3,000 cows to make the 22,000 footballs the NFL uses every season.

Source: www.bluemoo.net/45cowfacts.html

The Cohort Default Rate Database

The annual draft report of Cohort Default Rates (CDR) is released every February. Federal regulations require the U.S. Department of Education to release final CDR to schools by Sept. 30 of each year. There is a two-year lag in reporting rates, so that the final rates released on Sept. 15, 2008, reported the CDR for fiscal year 2006. The federal fiscal year runs from Oct. 1 through Sept. 30.

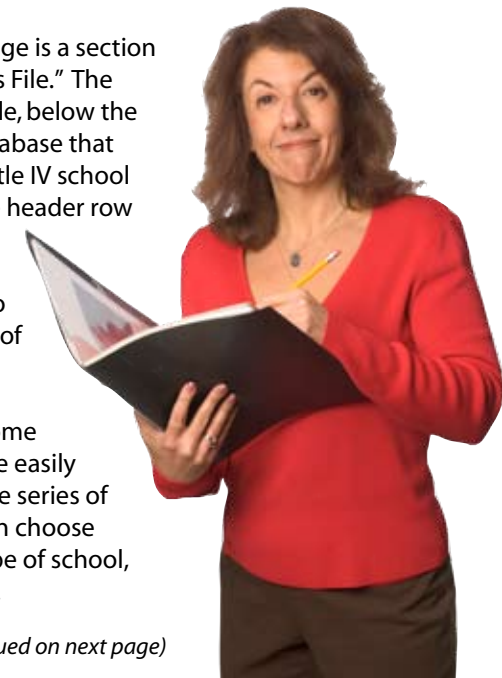
An important task that many schools complete when they receive their final rates is to run an internal audit of the rates to ensure that the final rate published for their school can be corroborated by internal data. Part 4 of the Cohort Default Rate Guide, which can be found at <http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart4.html>, outlines procedures for appealing your rate. Merging your institution's electronic CDR data with institutional student data can also yield many interesting analyses.

There are other useful tools available at the official CDR Web site, www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html. Many financial aid professionals have probably searched the online version of the CDR database to confirm their school's rate or to view another school's CDR. The ability to search the online database provides the opportunity for many useful types of analysis to be completed. However, a more powerful analysis can be achieved by downloading the entire CDR database and manipulating the raw data.

Near the bottom of the official CDR Web page is a section titled "Download a Zipped Microsoft Access File." The download button in the first row of the table, below the heading, allows the user to download a database that contains the current year's CDR for every Title IV school as well as the previous two years' rates. The header row on the table has a link that takes the user to a page that contains the file layout for the Access table. This layout is important to have before attempting to manipulate any of the data.

Although the possibilities are numerous, some suggestions for possible reports that can be easily set up in the Access database include a time series of rate changes and a peer analysis – users can choose schools to include based on geography, type of school, degree program or a custom list of schools.

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A more extensive and useful set of reports can be created by merging in other publicly available data to this data set. For example, current IPEDS and PEPS data can be easily merged with the CDR data to allow more choices of variables for reports. Variables representing enrollment, graduation rates, tuition and fees, and average loan amounts are just a few examples of variables that can be culled from IPEDS and PEPS data.

The researchers at Iowa Student Loan have a great deal of experience in merging publicly available higher education data sets for analysis, and we would be happy to assist you if you wish to pursue further analysis of the CDR database. Please contact us if we can be of assistance to you.

Did you know?

- ▶ In the five years from academic year 2002-2003 through 2006-2007, state support for student aid (which includes loans, tuition waivers, loan-assumption and loan-forgiveness programs, conditional grants and loans, and other programs) in the United States increased 49%. In the same time period, the increase in Iowa was 8%.

Source: National Association of State Student Grant and Aid Programs

- ▶ According to the 2006-2007 National College Senior Survey from the Higher Education Research Institute, 10% of college seniors spend more than six hours per week on career planning; 44% spend less than one hour per week (including no time) on career planning.

Source: www.gseis.ucla.edu/heri

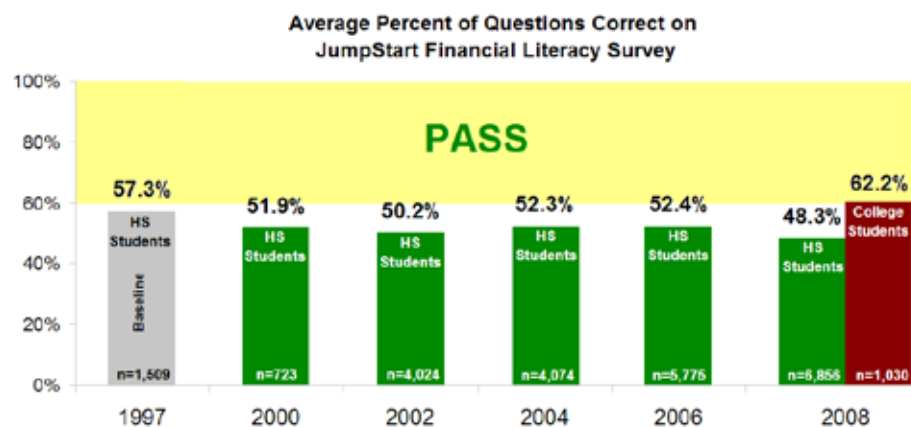
High School and College Students Lack Personal Finance Knowledge

By Heather Norris, Iowa Student Loan Financial Literacy Liaison

In April, the Jump\$tart Coalition® for Personal Financial Literacy released the results of its 2008 Financial Literacy Survey of High School and College Students. The 31-question survey was funded by the Merrill Lynch Foundation, as were the 2006 and 2004 surveys.

Founded in 1997, Jump\$tart is a national coalition of organizations that strive to improve the personal financial literacy of young adults. The results of Jump\$tart's biennial surveys are often cited to help make the case for increased and renewed financial literacy initiatives for high school youth across the country. Historically, the survey results reveal that America's high school graduates receive a failing grade on personal finance concepts.

The surveys are designed to measure the capacity of high school seniors to understand and manage financial resources. Survey questions evaluate the financial knowledge of students on a variety of financial topics ranging from economics to personal checking accounts. The first survey conducted in 1997 provided a baseline measurement for the coalition to evaluate the progression of its initiatives and mission. Since the 1997 survey, five additional surveys have been administered to high school seniors. The average percent of questions that were correctly answered in each year is displayed in the graph below.



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The most recent survey marks the first survey of college students. The 2008 survey was completed by 6,856 high school seniors and 1,030 full-time college students. College students were given the same survey questions as the high school seniors. High school seniors answered 48.3% of questions correctly, while the college students correctly answered 62.2% of questions.

Of the 1,030 college students surveyed, 21.9% were freshman, 29.3% reported sophomore standing, 23.7% were juniors and 25.2% reported senior standing. Senior college students scored higher on the survey (64.8%) compared to the freshman college students (59.3%). Sophomores and juniors received average scores of 61.0% and 62.1% respectively.

Demographic characteristics of the college participants, including ethnicity and family income level, appear to be determining factors in the students' financial aptitude. Caucasian students averaged a score of 63.3%. Hispanic students averaged 59.8% on the survey, while Asian-American students averaged a score of 57.1%. African-American students received the lowest average score, 55.3% on the survey. However, more than 75% of the college students surveyed were Caucasian, with much smaller representation from minority groups. The sampling of college students completing the study may limit the conclusions that can be made based on ethnic trends alone. For example, given the small numbers of African-American students surveyed, the uncertainty in the average score for African-American students is so large (at the $p=0.05$ level) that it is not statistically different than the average score for Caucasian students.



College students surveyed were asked to identify their parents' total income for the previous year. More than 12% of students marked that they "Don't Know" their parents' income. Because there was no attempt to validate the self-reported parental income level, it is not possible to quantify the accuracy of the student reports. Assuming that the reports of income are relatively accurate, a pattern emerges that shows that higher incomes are correlated with higher levels of financial literacy.

- ▶ Income less than \$20,000 – average score 51.9%
- ▶ Income of \$20,000 to \$39,999 – average score 62.2%
- ▶ Income of \$40,000 to \$79,999 – average score 63.8%
- ▶ Income of \$80,000 or more – average score 64.6%

The 2008 survey respondents had the lowest overall average score in the history of the survey. Proponents of the implementation of financial literacy standards and curriculum enhancement can point to the dismal results of the 2008 survey to defend the sustained need for financial literacy education for high school and college students alike. The survey data shows that students and young adults are continuing to struggle with basic financial concepts.

To review the complete survey results, visit www.jumpstartcoalition.org.

Quick Facts

Higher Education Factoid

College students often need change for a dollar to do laundry or to feed coins into a food or beverage machine. There are 292 different ways to make change for a dollar with currently minted coins. In case you need change for a one-hundred dollar bill, you should carefully consider how you want the coins and bills allocated; there are 9,823,546,661,905 possible ways to do it with currently minted coins and paper currency.

Source: Frank Morgan's Math Chart

Send us your favorite higher education factoid! If you have a factoid that is appropriate for this newsletter, send it to us at mhendel@studentloan.org. We can't give you a prize, of course, but we just might publish it in a future research edition of *Insights*.



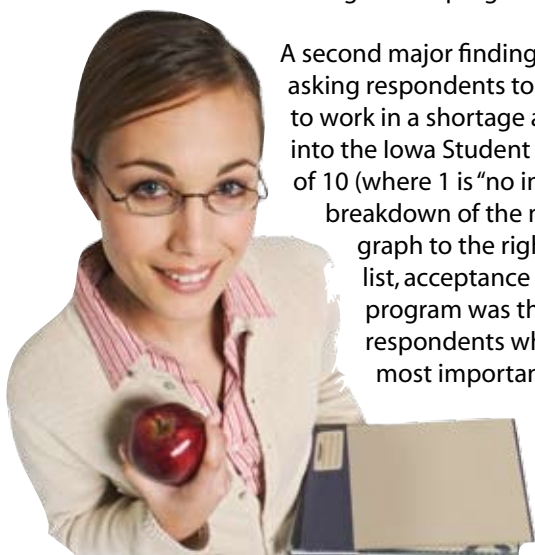
The Iowa Student Loan Nursing and Teacher Education Loan Forgiveness Programs – Are They Achieving Their Goals?

By Marc Hendel, Iowa Student Loan Senior Research Analyst

Iowa Student Loan initiated loan forgiveness programs for nurses in 2004 and teachers in 2006. In March 2008, a survey was commissioned to understand how effectively the programs met the goals of attracting and retaining professionals to work in Iowa's critical shortage areas. A survey consisting of 21 questions was mailed to the 170 participants who have received at least one year of loan forgiveness benefits. Four groups were surveyed: long-term care nurses, rural nurses, nurse educators and teachers. There were 113 surveys completed for a return rate of 65.5%. Responses were obtained from five of the 11 nurse educators; although means and proportions are presented for this group, they should not be individually compared to the other groups due to inadequate cell size for comparison.

There are several key findings from the survey results, along with many additional descriptive findings. The first relevant finding is that one in four respondents made the decision to work in a shortage area after they were accepted into the Iowa Student Loan loan forgiveness program. This rate can translate into a large number of additional professionals choosing to work in a shortage area as participation in the loan forgiveness program grows.

A second major finding comes from the responses to questions asking respondents to rate a list of influences on their decision to work in a shortage area. Overall, the influence of acceptance into the Iowa Student Loan forgiveness program rated 6.2 out of 10 (where 1 is "no influence" and 10 is "strong influence"). A breakdown of the mean influence by group is shown in the graph to the right. Of the eight core influences on the list, acceptance into the Iowa Student Loan forgiveness program was the fifth highest influence. Of the 111 respondents who answered a question regarding the most important influence, 12 (10.8%) listed acceptance into the Iowa Student Loan loan forgiveness program as the single most important influence.



Influence of Participation on Choice to Work in a Shortage Area



Many questions on the survey were aimed at quantifying the effectiveness of the loan forgiveness program through indirect methods. No comparative data could be located to determine if the observed proportions are better than those observed in the population that is not participating in the loan forgiveness program, so results are presented as descriptive statistics only.

Overall, 34.5% of the participants stated that they applied for jobs that were not in their shortage area when they applied for their current job. Within that subgroup, 18.0% listed acceptance into the Iowa Student Loan forgiveness program as the biggest influence on their eventual decision to work in a shortage area. There was statistically significant variation within the group of nurses, with 61.9% of long-term care nurses and 21.7% of rural nurses stating that they applied for jobs that were not in their shortage areas. One interpretation of the high rate for long-term care nurses is that acceptance into the loan forgiveness program more strongly influenced that group to accept a position in their shortage area.

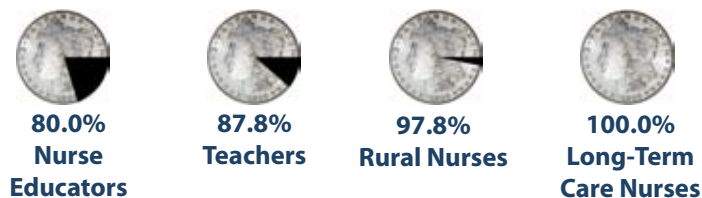
Overall, 8.8% of the participants stated that they applied for jobs outside of Iowa when they applied for their current job. One explanation for the large proportion of participants looking for jobs only within Iowa may be that the existence of the loan forgiveness program motivated participants to focus on positions in Iowa, rather than on positions outside of the state.

A more practical method of assessing participants' feelings about the loan forgiveness program is to ask if they see the loan forgiveness as more of a reward for pursuing a career in a shortage area or more of an incentive to do so. Overall, 42.5% of respondents view the forgiveness program as an incentive, indicating that more than four out of 10 participants possibly would not be employed in their shortage area if they had not been accepted into the loan forgiveness program.

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Respondents were asked if they felt that their participation in the program has eased the burden of repaying their student loan. Overall, 93.8% said that participation in the program has eased their repayment burden. The graph below breaks down responses by group. With such high proportions of participants agreeing with the statement, the program may have achieved success in the area of easing repayment burden for participants.

Percentage Stating That Participation Eased the Burden of Repaying Student Loans



Respondents were asked if they would still be working in a shortage area if they were not participating in the loan forgiveness program. Overall, 76.1% stated that they would still be working in a shortage area if they were not participating in the Iowa Student Loan program. A related question shows that 91.9% of those who indicated that they would be working in their shortage area without the program would also imagine working in Iowa. The conclusion from these two results is that participation in the loan forgiveness program appears to be a stronger influence for attracting people to a particular shortage area than to remain in the state.

Respondents were asked a hypothetical question to determine if they foresee working in a shortage area after the loan forgiveness period expires. Overall, 82.3% of participants foresee themselves working in their shortage area after the end of the loan forgiveness period. The anticipated retention rate for long-term care nurses (61.9%) is significantly lower than for rural nurses (87.0%) and teachers (87.8%). A related question shows that 94.6% of those who anticipate continued employment in their shortage area would also foresee themselves working in Iowa after the loan forgiveness period expires.

Responses to a question about how respondents initially found out about the loan forgiveness program revealed that individual academic departments appear to be the most effective avenue for communication of the existence of the program to students. The nursing department was listed most frequently as the source of such information for all groups of nurses.

A matrix constructed to implicitly measure the impact of the loan forgiveness program through the assignment of ranks to responses to several questions shows that the group of long-term care nurses has been most impacted by the existence of the loan forgiveness program.

The survey data shows that several important positive outcomes in line with the goals of the forgiveness programs can be attributed to the existence of the programs sponsored by Iowa Student Loan. Looking to the future, as the programs mature, more data can be collected to enhance the understanding of the impact of the loan forgiveness programs. This study has shown that the programs have made a difference in the career choices of most of the participants, particularly for those selecting careers as long-term care nurses.



Did you know?

- ▶ According to the National 2007 CIRP Freshman Survey from the Higher Education Research Institute, 63.0% of incoming freshman cite “very good academic reputation” as very important when they decided which college to attend; 17.6% report “rankings in national magazines” as very important and 9.7% report “couldn’t afford first choice” as very important.
- ▶ According to the 2006-2007 National College Senior Survey from the Higher Education Research Institute, 78.6% of seniors indicated that they had used aid that **does not need to be repaid** to help meet college expenses; 68.8% used aid that **needs to be repaid**.

Source: www.gseis.ucla.edu/heri

Beyond Access: College Success for Low-Income, First-Generation Students

The 25th annual Student Financial Aid Research Network conference was held in Baltimore in June 2008. Jennifer Engle and Colleen O'Brien from the Pell Institute presented a review of data on low-income, first-generation (LIFG) students. Data were obtained from the National Postsecondary Student Aid Study (2004 undergraduate) and the Beginning Postsecondary Students 96/01 data from the National Center for Education Statistics (NCES). Their presentation, titled *Beyond Access: College Success for Low-Income, First-Generation Students*, takes the issue of college access to the next level. Getting LIFG students into college is only the first step in moving them to a potentially better future; increasing degree attainment is a necessary outcome. That is, access must be followed by success.

A number of important facts shared in the presentation include some good news; for example, the college continuation rate for low-income high school graduates more than doubled from 26% in 1972 to 54% in 2005. Also, according to data from Pell Scholar Tom Mortenson, the baccalaureate degree attainment rate for low-income youth increased from 6% in 1970 to 12% in 2005. Although the relative increase is impressive, it pales in both a relative and absolute sense when compared to the increase in rate among high-income youth. The baccalaureate degree attainment for the group of what Mortenson classifies as high-income youth increased from 40% to 73% in the same time period.

The baccalaureate degree attainment rate among high-income youth is six times that of low-income youth.

Engle and O'Brien pointed out that there are personal, societal and global implications to increasing the population of LIFG college graduates in the United States. They also noted that according to a 2008 study by the Western Interstate Commission for Higher Education, minority students will account for all of the growth in the number of high school graduates in the next 15 years. A related piece of data from the U.S. Census Bureau shows that two-thirds of the 12 million children living in poverty come from minority backgrounds. This presents a potentially large population of LIFG college students in the near future.

The majority of the presentation offered new information about LIFG student outcomes from the NCES data. Most of the slides displayed useful comparisons between LIFG and non-LIFG students, making the differences clear. For example, a majority (52%) of LIFG students tend to go to public two-year colleges, while non-LIFG students are equally split between two-year (35%) and four-year (35%) public schools. This causes the distribution of six-year outcomes to be very different between the two groups. LIFG students have a higher attrition rate than non-LIFG students regardless of school type.

A summary slide indicated that LIFG students are more likely to:

- ▶ be older.
- ▶ be female.
- ▶ have a disability.
- ▶ be racial minorities.
- ▶ have been born outside of the United States.
- ▶ attend closer to home.
- ▶ live off-campus.
- ▶ have dependent children.
- ▶ be single parents.
- ▶ have earned a GED.
- ▶ be financially independent.
- ▶ delay entry into post-secondary education.
- ▶ need remediation.
- ▶ attend part-time.
- ▶ work full time while enrolled.

The presentation touched briefly on the financial need of LIFG students compared to non-LIFG students. The most telling statistic is the ratio of average need after all aid compared to income; for non-LIFG students that proportion is 9%, while for LIFG students it is 42%.

Along with references, Engle and O'Brien presented a list of suggestions for improving LIFG student success.

The presentation is available at www.pellinstitute.org. For another perspective on first-generation college students read the Higher Education Research Institute's research brief called *First in My Family: A Profile of First-Generation College Students at Four-Year Institutions Since 1971*, available at www.gseis.ucla.edu/heri.

Did you know?

- ▶ The National 2007 CIRP Freshman Survey from the Higher Education Research Institute reveals that 17.3% of all incoming freshman in 2007 submitted only one college application.

Source: www.gseis.ucla.edu/heri

How America Pays for College

Sallie Mae Corporation partnered with Gallup to commission a study that examines how Americans pay for their college education. The resulting report, called *How America Pays for College*, was released in August 2008.

The report is timely as there has been a great deal of interest in the price of a college education, both in the media and with politicians. Because interest will continue, Sallie Mae indicates in the introduction that they intend for this to be the first in an annual series of reports on the topic. The results from this year are being used as a baseline for those future studies.

Most of the existing literature on how families pay for college presents data collected prospectively; that is, it asks students and parents to share how they plan to pay for college. The unique feature of this study is that it collects data on how people actually did pay for college.

Another important characteristic of this study is the fact that it is mathematically representative of the population in question. The data for this study was collected by Gallup through interviews with 684 college-going students and 720 parents of students ages 18 to 24 who were attending an institution of higher education in 2007-2008. The data was used to construct mathematical composites that represent the “typical” situation.

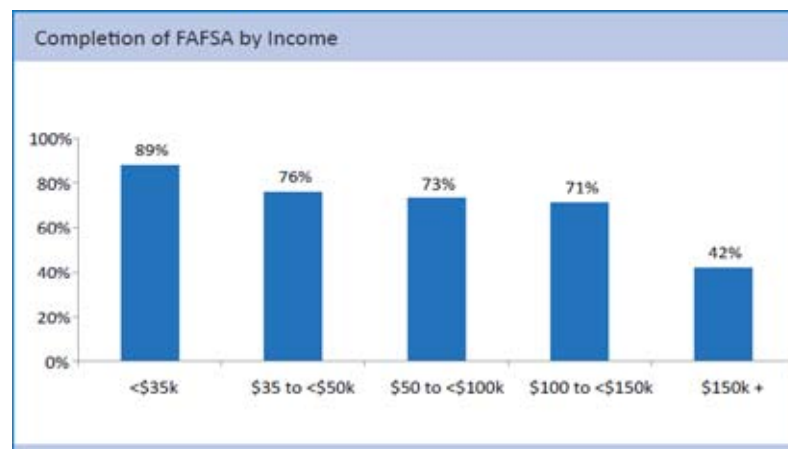
One high-level result that the study revealed was that a typical college student accepts responsibility for approximately 33% of the cost of attendance through their own savings (10%) and loans that they borrow (23%). The student borrowing portion was further broken down to reveal that the typical student paid for 12% of the cost of attendance with federal student loans, 5% with private education loans, 5% with “other loans” and 1% with credit cards. Parents contribute the largest share with 48% of the cost of attendance coming from their savings and loans they assume in their name. The remaining share comes from grants and scholarships (15%) and the support of friends and relatives (3%).

The overview section of the report lists the following findings from the study:

- ▶ More than seven out of 10 families used non-borrowed sources to partially fund college, including current income, savings, scholarships and grants.
- ▶ Slightly less than half of all families reported using borrowed money to pay for the cost of college.
- ▶ The most-often-used source by families paying for college is parents’ current income, with 38% of all families reporting that they spent an average of \$5,815 through this source.
- ▶ Borrowing by students from federal student loan programs was the second

- ▶ most frequently used single source of paying for college. This funding source was used by 28% of all families, borrowing an average of \$5,075.
- ▶ While parents reported borrowing less frequently than students, when they did borrow, they tended to borrow greater amounts. For example, the small percentage of families who reported using the Federal PLUS program (6%), home equity loan or line of credit (3%), or “other loans” (5%) reported borrowing an average of approximately \$10,000.

The use of federal student loans (as determined by filling out the Free Application for Federal Student Aid [FAFSA]) followed the expected pattern of completion by income level; the higher the income, the lower the percentage of families who filled out the FAFSA, as shown in the graph below included in the report.



It is commonly assumed that the cost of attendance influences a student’s decision to attend a certain school. The Sallie Mae/Gallup study found that 37% of college students and 46% of parents of college students did not eliminate schools because of costs at any stage of the application and college selection process.

There are a variety of “rules of thumb” that attempt to help students decide how much to borrow to cover college expenses. Although it is difficult to find agreement on a hard-and-fast rule, most suggestions include consideration of the student’s post-graduation income potential. The Sallie Mae/Gallup study found that students’ expected post-graduation income has little impact on the decision to borrow to finance a college education. In the group of respondents, 70% of students and parents said a student’s expected post-graduation income was not considered at all, or if it was, it did not influence their borrowing decisions.

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