



UNIVERSITY OF WISCONSIN SYSTEM

# **Student Debt and Financial Aid**

Bob Jokisch, UW System Administration

Kathy Sahlhoff, UW-Eau Claire

Board of Regents, December 11, 2015



# **Student Debt and Financial Aid**

## **Outline of Presentation**

1. Clarifying Student Debt and Financial Aid Misconceptions
2. Financial Aid 101 – How does it work?
3. What is the UW System doing to address Student Debt?
4. What is going on at the Federal and State Level?
5. What can be done to address Student Debt in the UW System?



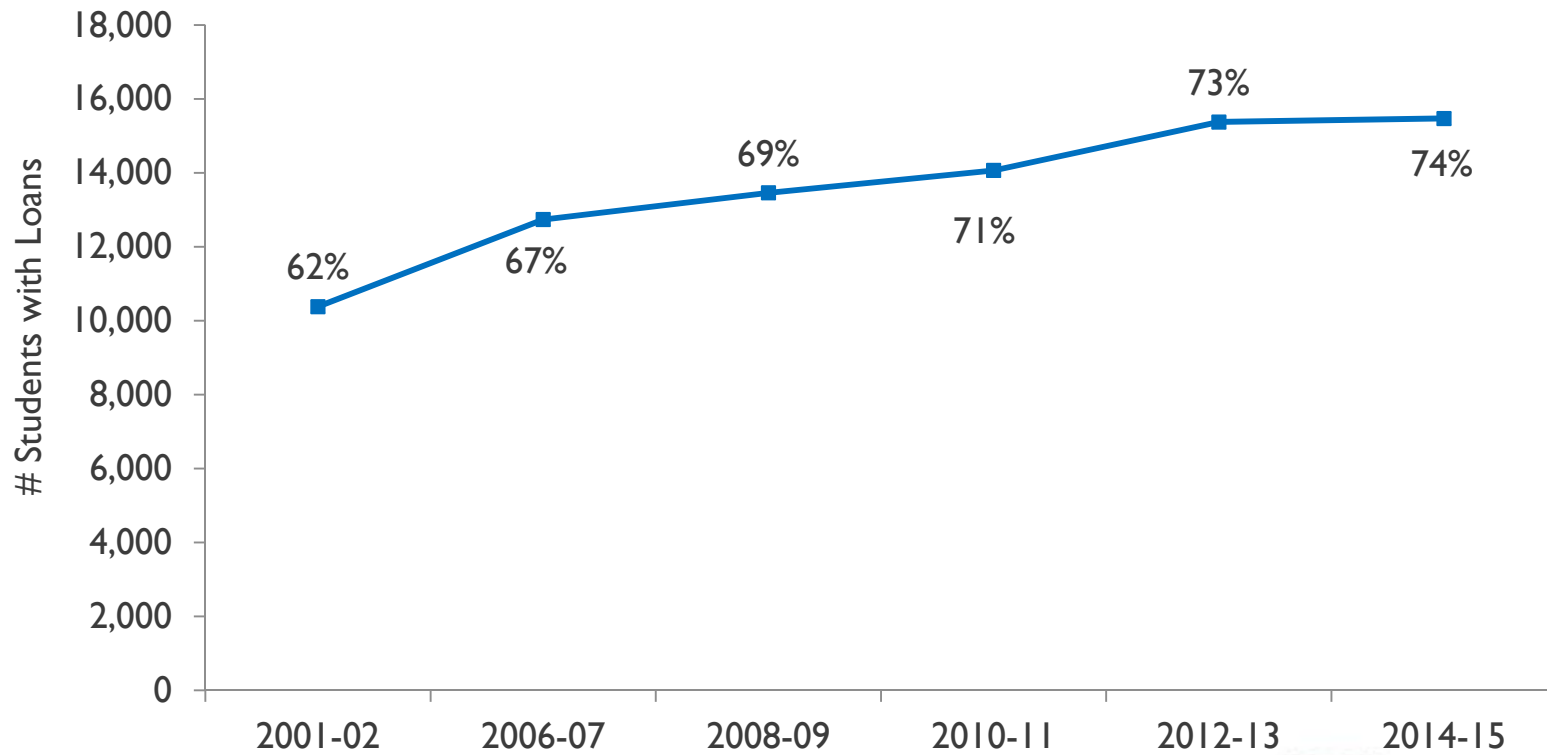
# **Student Debt and Financial Aid**

## **Outline of Presentation**

1. Clarifying Student Debt and Financial Aid Misconceptions
2. Financial Aid 101 – How does it work?
3. What is the UW System doing to address Student Debt?
4. What is going on at the Federal and State Level?
5. What can be done to address Student Debt in the UW System?

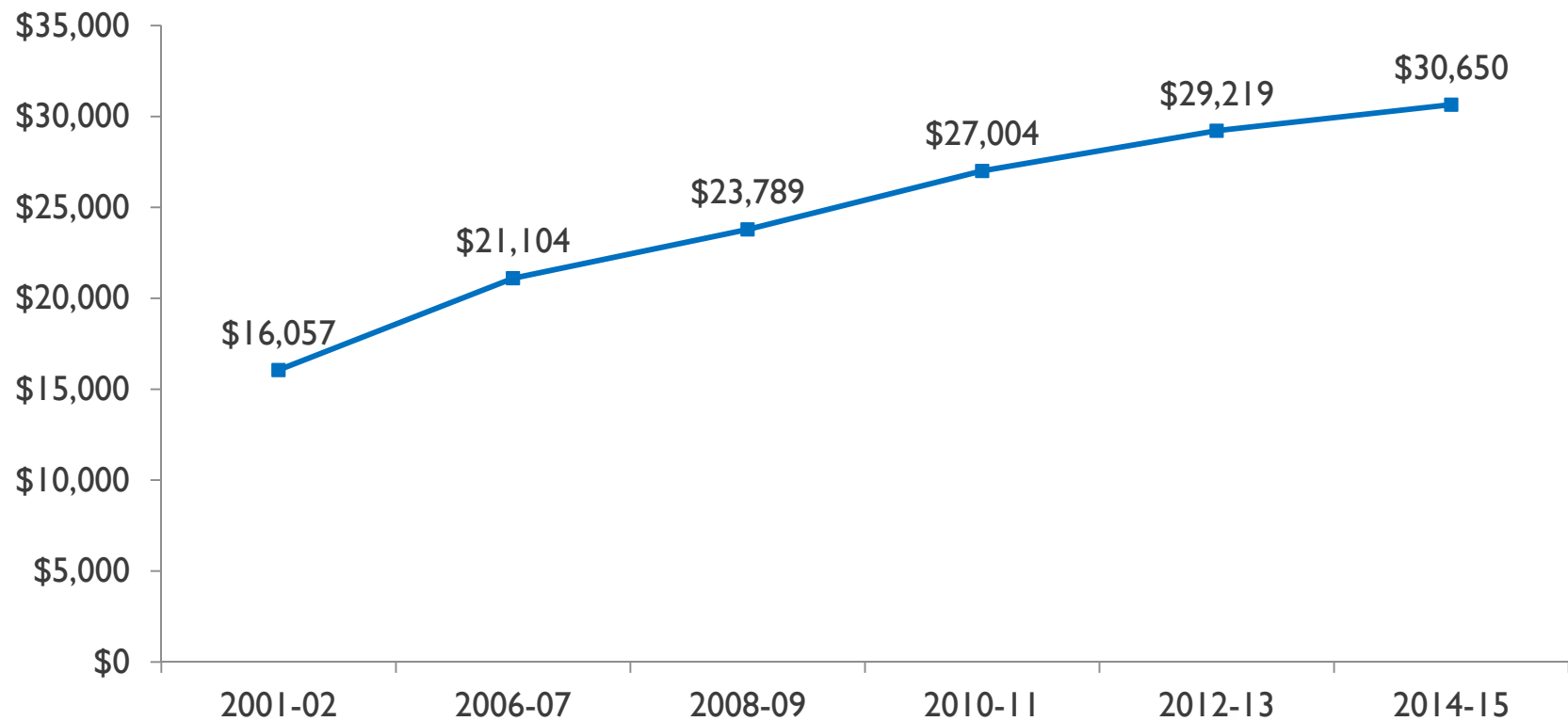


# WI Resident Undergraduates with Student Loans at Graduation





# Cumulative Debt at Graduation of Wisconsin Resident Students





## Comparison of UW System to National Averages on Student Debt

	UW System Institutions	National Average (Public & Non-profit Colleges)
% of Students Who Graduated with Debt in 2014-15	74%	69%
Average Debt per Borrower in 2014-15	\$30,650	\$28,950



# Student Loan Default Rates UW System and National Data

Three-year Default Rate	
	<u>2012</u>
UW System	4.6%
National	11.8%



# **Clarifying Student Debt and Financial Aid Misconceptions**

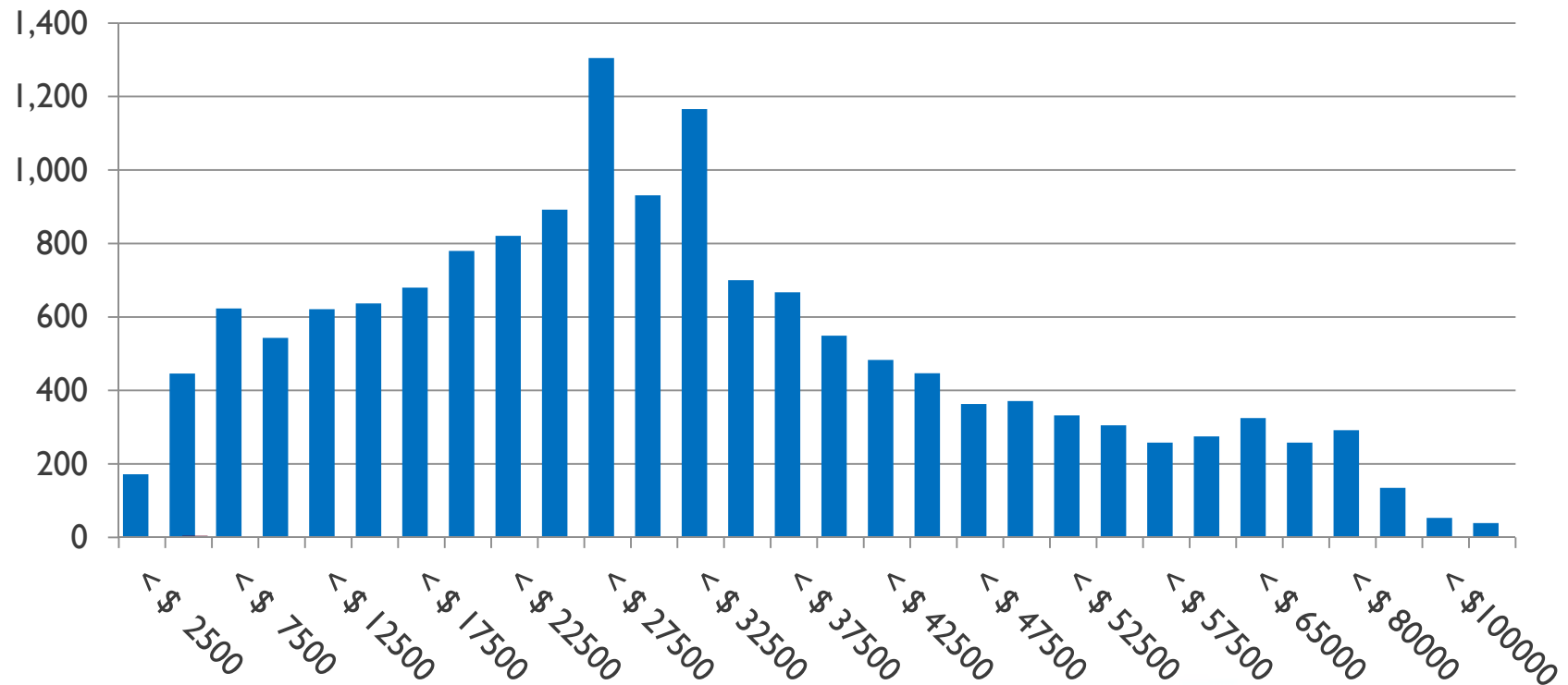
- I. A large percentage of UW System students are graduating with six figure loan debt.





# Cumulative Student Loan Debt

## Resident Undergraduates Completing a Bachelor's Degree Who Borrowed While in College





# **Clarifying Student Debt and Financial aid Misconceptions**

2. Students are staying in school longer because of easy access to student loans.



## Graduation Rates

### New Freshmen Entering Full-Time in the Fall Semester UW System (excluding UW Colleges)

Cohort Year	Anywhere in the UW System	
	4-Year Grad Rate	6-Year Grad Rate
Fall 1981	18.9%	51.5%
Fall 1990	15.6%	57.6%
Fall 2000	26.6%	64.6%
Fall 2008	30.3%	66.2%
Fall 2010	32.6%	



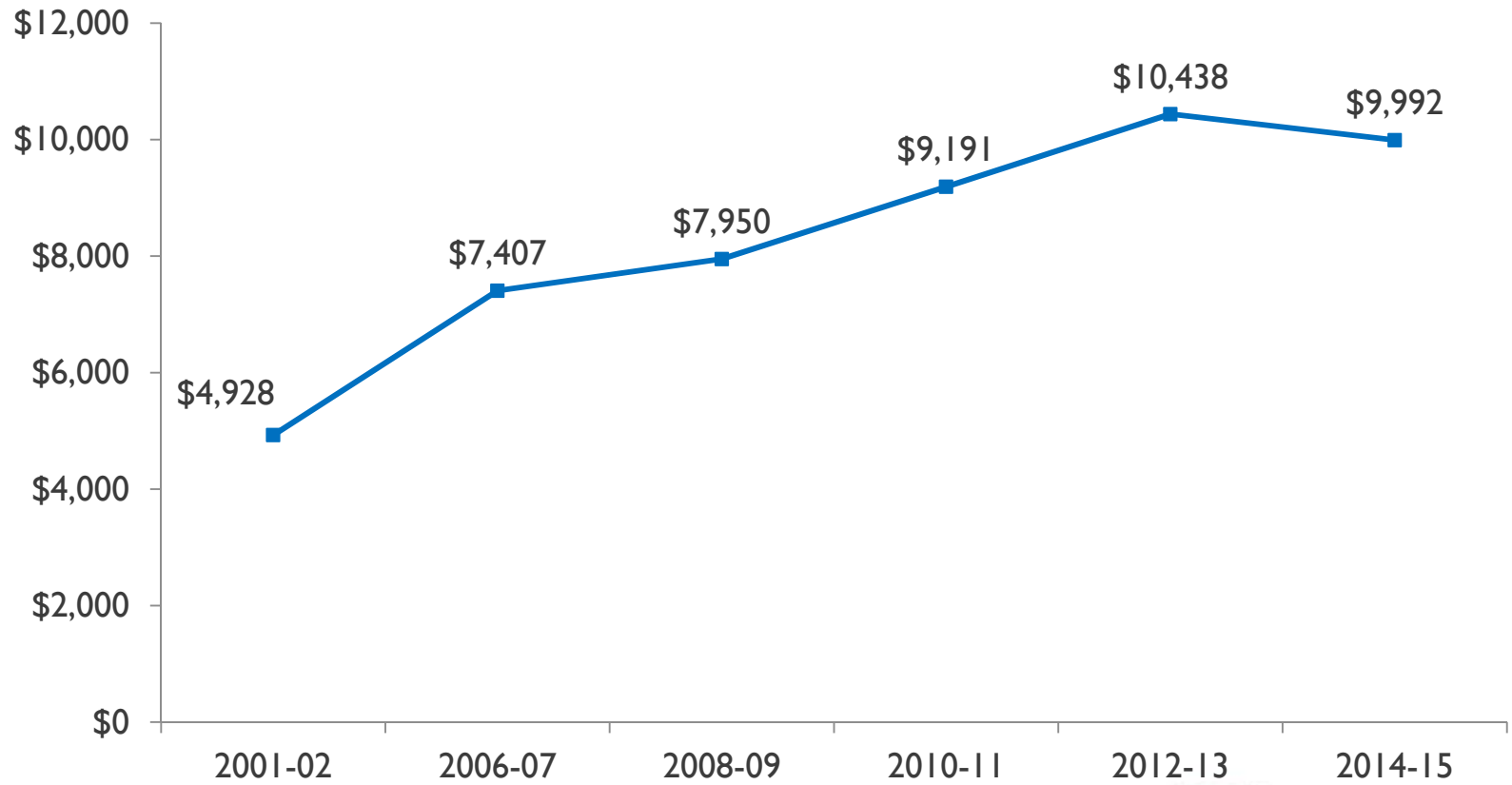
## **Clarifying Student Debt and Financial aid Misconceptions**

3. Too many students use student loans to live high and buy fancy cars.

# UW System



## Average Unmet Need Without Loans



Data are for students with need.



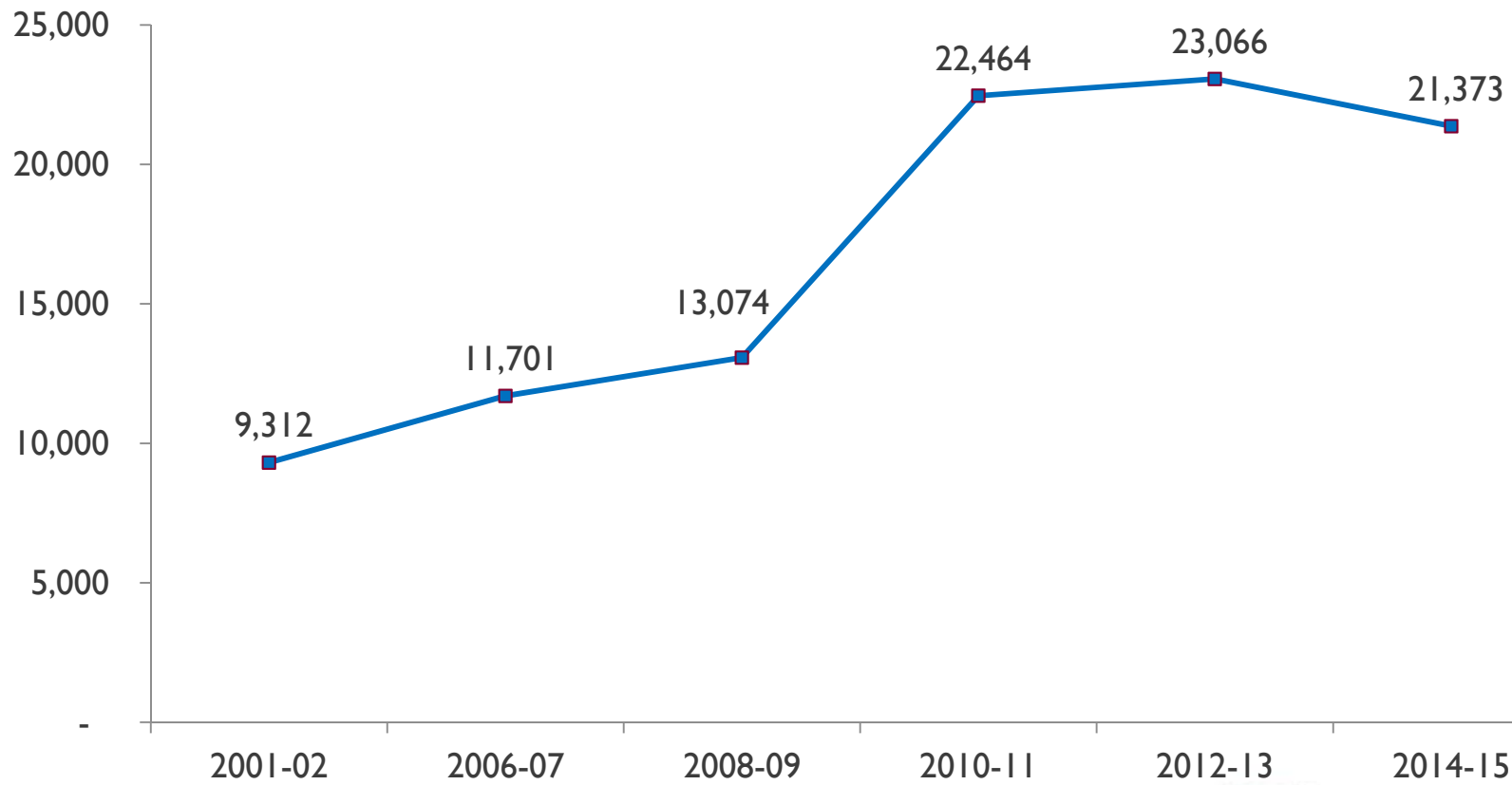
# Student Loan Limits

Year	Dependent Students	Independent Students
<b>First-Year Undergraduate Annual Loan Limit</b>	\$5,500 (\$3,500 in subsidized loans)	\$9,500 (\$3,500 in subsidized loans)
<b>Second-Year Undergraduate Annual Loan Limit</b>	\$6,500 (\$4,500 in subsidized loans)	\$10,500 (\$4,500 in subsidized loans)
<b>Third-Year and Beyond Undergraduate Annual Loan Limit</b>	\$7,500 (\$5,500 in subsidized loans)	\$12,500 (\$5,500 in subsidized loans)
<b>Subsidized and Unsubsidized Aggregate Loan Limit</b>	\$31,000 (\$23,000 in subsidized loans)	\$57,500 (\$23,000 in subsidized loans)



# Students with \$0 EFC

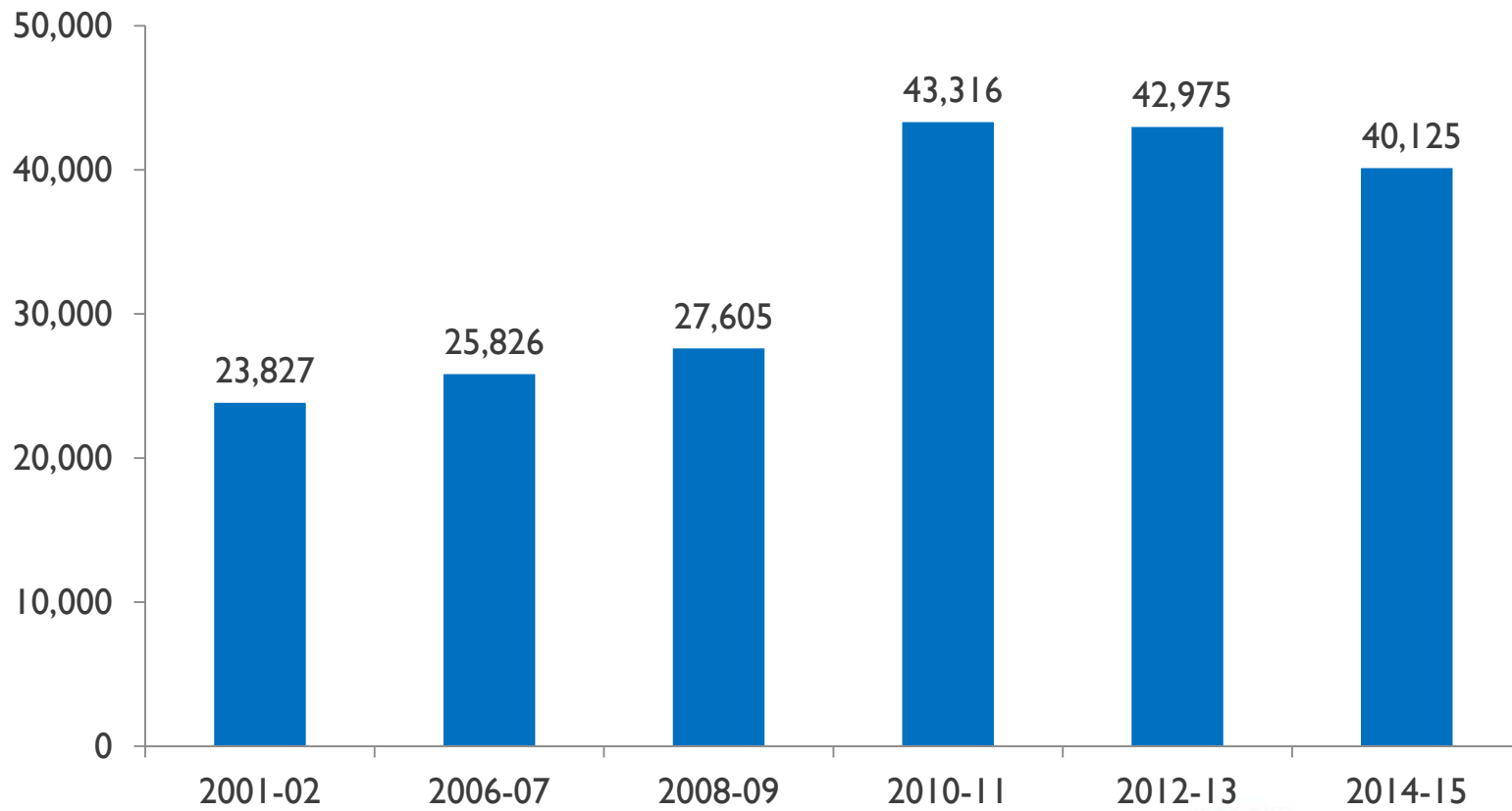
## Wisconsin Resident Undergraduates





# Pell Recipients

## Wisconsin Resident Undergraduates





# Clarifying Student Debt and Financial aid Misconceptions



4. Students with higher student debt have higher default rates – more debt leads to more default

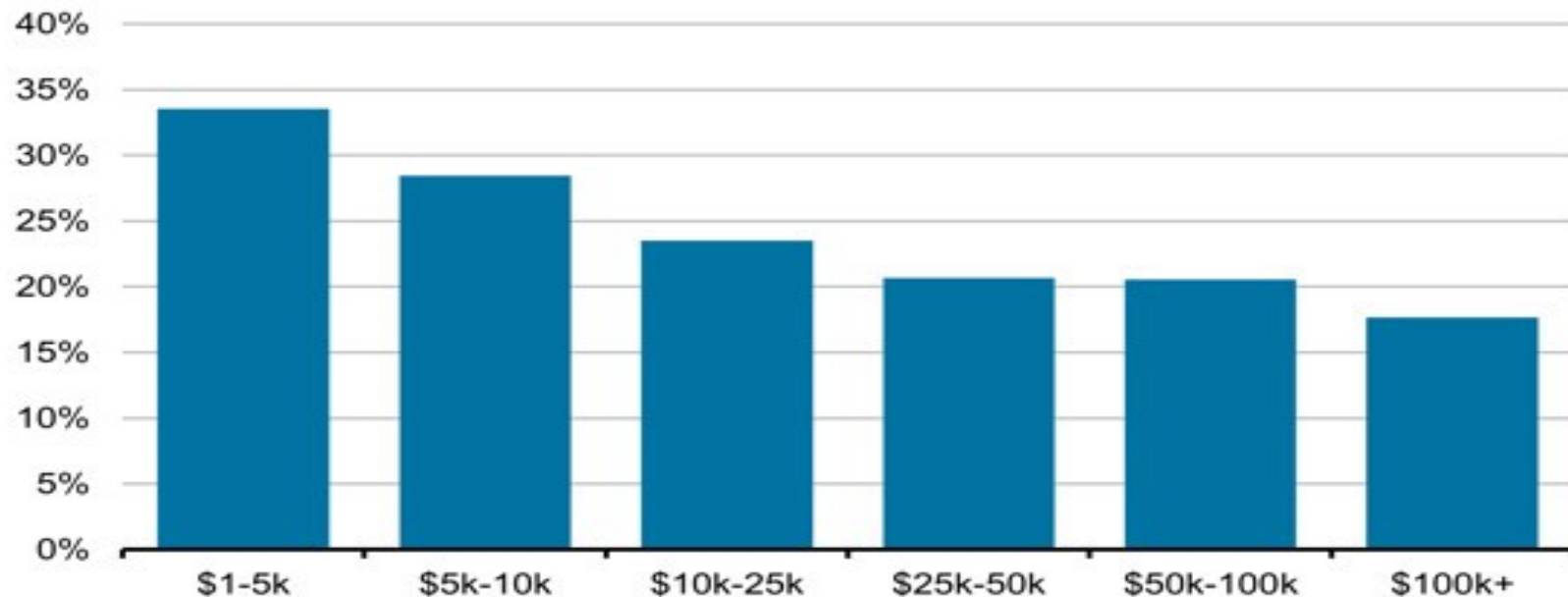
# Student Borrowers with Higher Debt are Defaulting at a Lower Rate



(National Data)

## Falling Behind

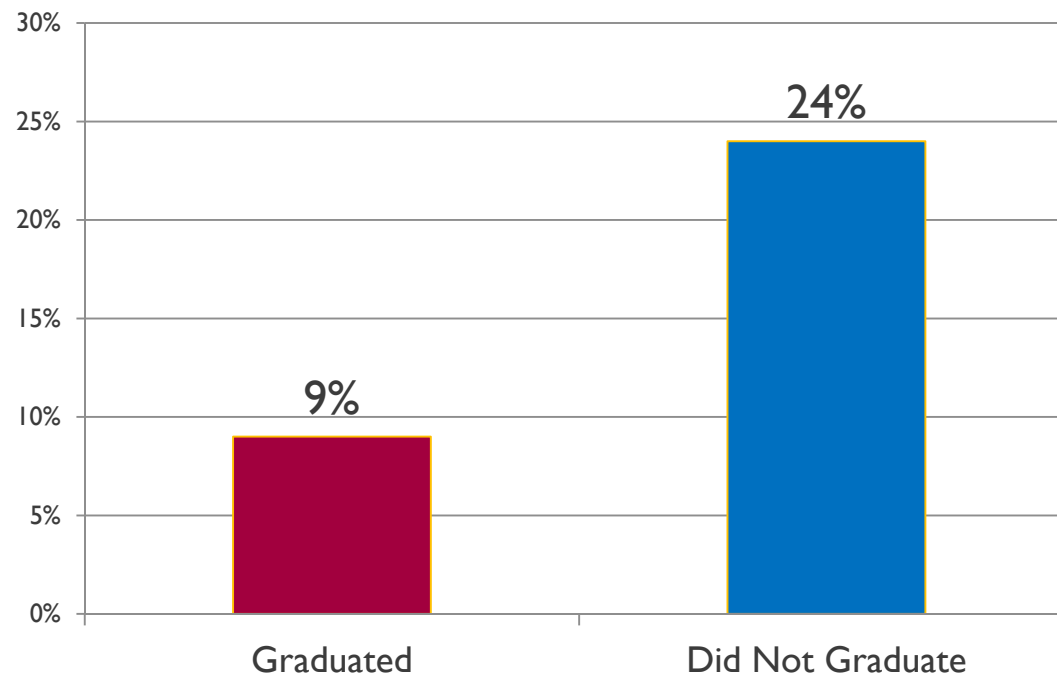
Percent of borrowers who defaulted as of Dec. 31, 2014, by debt load upon leaving school. Defaults are most common among those with the lowest student-loan balances.



Source: Federal Reserve Bank of New York | WSJ.com



# Student Loan Default Rate by Degree Completion Status (National Data)



• SOURCE: The College Board, *Trends in Student Aid 2015*, Figure 14A





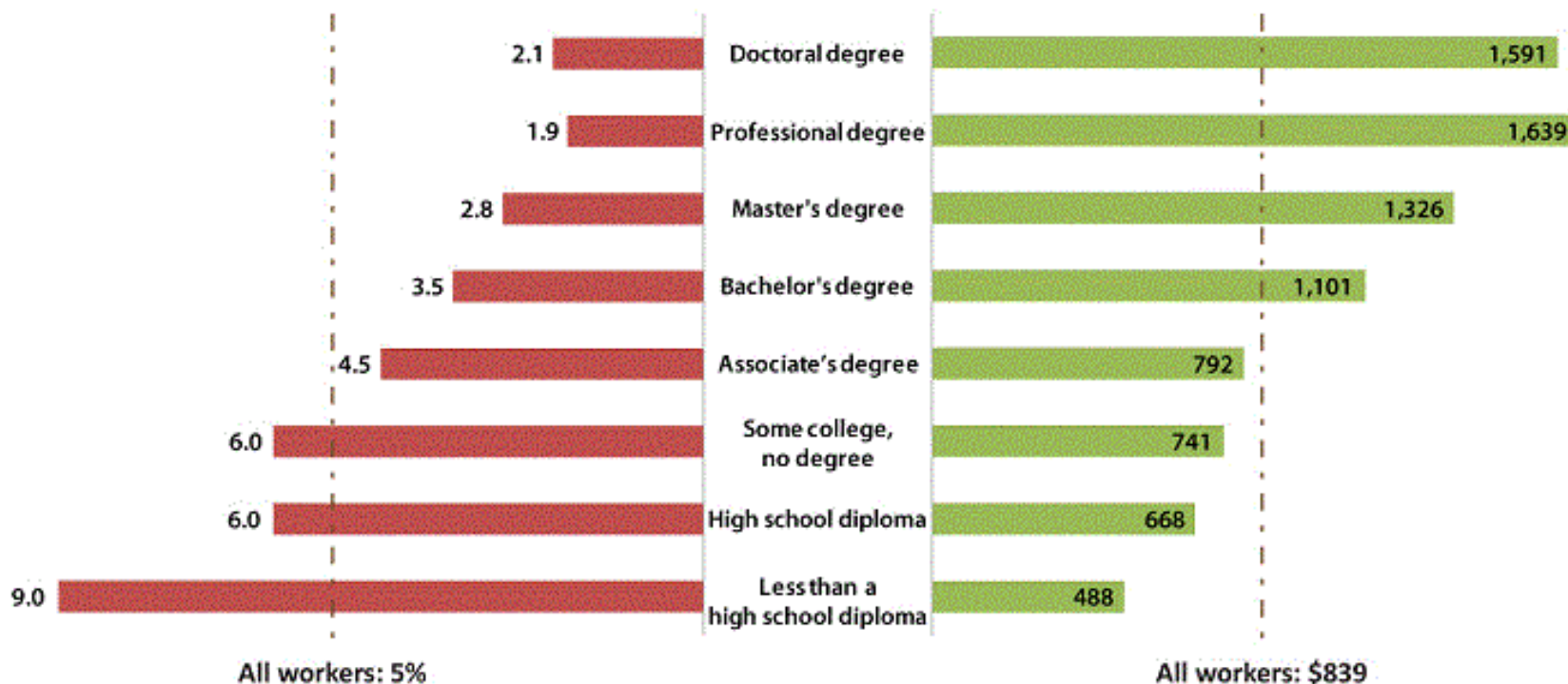
# **Clarifying Student Debt and Financial Aid Misconceptions**

5. Because of student debt, college is no longer a good return on investment.

## Earnings and unemployment rates by educational attainment

Unemployment rate in 2014 (%)

Median weekly earnings in 2014 (\$)



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.  
 Source: Current Population Survey, U.S. Bureau of Labor Statistics, U.S. Department of Labor



# **Student Debt and Financial Aid**

## **Outline of Presentation**

1. Clarifying Student Debt and Financial Aid Misconceptions
- 2. Financial Aid 101 – How does it work?**
3. What is the UW System doing to address Student Debt?
4. What is going on at the Federal and State Level?
5. What can be done to address Student Debt in the UW System?

# Financial Need

Cost of Attendance (COA)

$$\begin{array}{r} - \\ \hline \end{array} \text{Expected Family Contribution (EFC)} \\ = \text{Financial Need}$$

# What are the costs?



- Tuition and Fees
- + Room and Board
- + Transportation
- + Books and Supplies
- + Miscellaneous Living Expenses
- = **Cost of Attendance (COA)**



**2015-16**



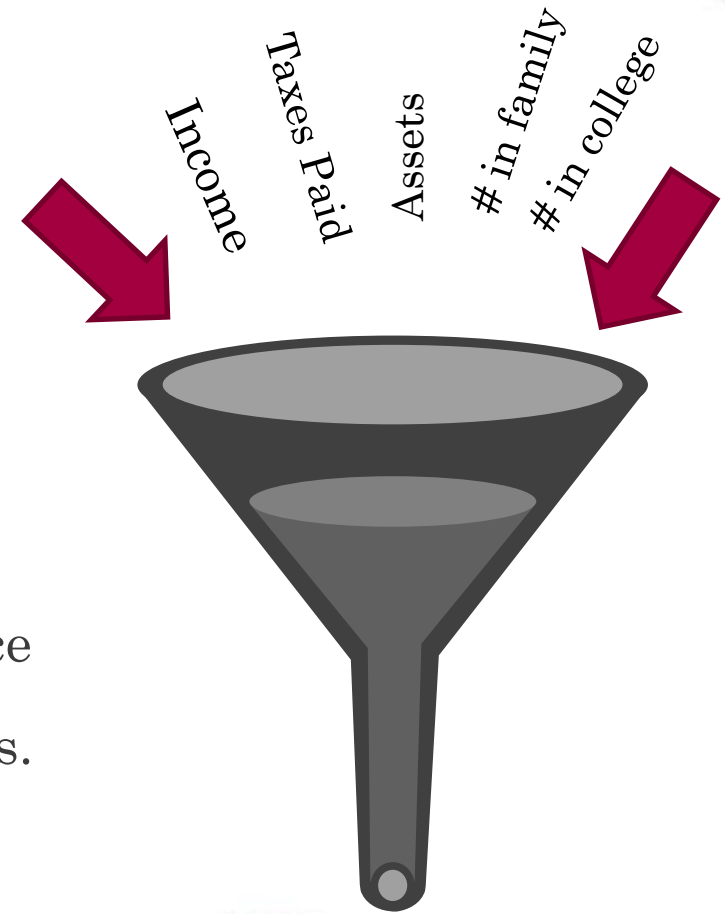
**Costs of Attendance**

UW-Madison	\$24,735
UW-Milwaukee	\$23,588
UW-Eau Claire	\$19,670
UW Colleges	\$19,060
Edgewood College	\$35,950
Chippewa Valley Tech College	\$15,369
Notre Dame	\$64,775
University of MN – TC	\$25,784
Iowa State University	\$32,390 (non res)

# EFC Calculation



- Established by Congress
- Uses both student and parent (*for dependent students*) asset and income information
- Has protection allowances for income and assets
- May be adjusted by the Financial Aid office as a result of verification corrections or individual professional judgment decisions.



Expected Family Contribution (EFC)



# EFC Example

Family Size	4
Number in college	1
Parent AGI (IRS 1040A)	\$ 52,000
Parent Untaxed Income	\$ 3,500
Parent's Assets	\$ 45,000
Student's AGI	\$ 4,500
Student's Assets	\$ 500

Parent's Contribution	\$ 3,450
(Parent's Contribution from Assets = \$1,056)	
+ Student's Contribution	\$ 100
(Student Contribution from Assets \$100)	
<hr/>	
= Expected Family Contribution:	\$ 3,550

\*\*EFC based on 2014/15 formula

# Eligibility for Need-based Aid

Cost of Attendance

$$\begin{array}{r} - \\ = \end{array} \quad \begin{array}{l} \text{Expected Family Contribution} \\ \text{Eligibility for Need-based Aid} \\ \text{(or "Financial Need")} \end{array}$$



# UW-Eau Claire Financial Aid Scenarios

<i>Typical Family of Four Income</i> →	<i>\$37,000</i>	<i>\$69,000</i>
Cost to Attend	\$19,670	\$19,670
Expected Family Contribution	(\$0)	(\$5,500)
Need	\$19,670	\$14,170
Pell Grant	(\$5,775)	(\$0)
WI Cov Grant	(\$2,500)	(\$1,000)
WHEG	(\$2,324)	(\$0)
SEOG	(\$500)	(\$0)
Blugold Grant	(\$900)	(\$900)
Sub. Stafford Loan	(\$3,500)	(\$3,500)
Perkins Loan	(\$671)	(\$3,000)
Unsub. Stafford Loan	(\$2,000)	(\$2,000)
Work Study	(\$1,500)	(\$1,500)
<b>Unmet Student Need</b>	<b>\$0</b>	<b>\$2,270</b>



# UW-Eau Claire Financial Aid Scenarios

<i>Typical Family of Four Income</i> →	<i>\$37,000</i>	<i>\$69,000</i>
Cost to Attend	\$19,670	\$19,670
Expected Family Contribution	(\$0)	(\$5,500)
<hr/>		
Need	\$19,670	\$14,170
Pell Grant	(\$5,775)	(\$0)
WI Grant	(\$2,324)	(\$0)
SEOG	(\$500)	(\$0)
Blugold Grant	(\$900)	(\$900)
Sub. Stafford Loan	(\$3,500)	(\$3,500)
Unsub. Stafford Loan	(\$2,000)	(\$2,000)
Work Study	(\$1,500)	(\$1,500)
<b>Unmet Student Need</b>	<b>\$3,171</b>	<b>\$6,270</b>



# **Student Debt and Financial Aid**

## **Outline of Presentation**

1. Clarifying Student Debt and Financial Aid Misconceptions
2. Financial Aid 101 – How does it work?
- 3. What is the UW System doing to address Student Debt?**
4. What is going on at the Federal and State Level?
5. What can be done to address Student Debt in the UW System?



## **What is the UW System Doing to Control Student Debt?**

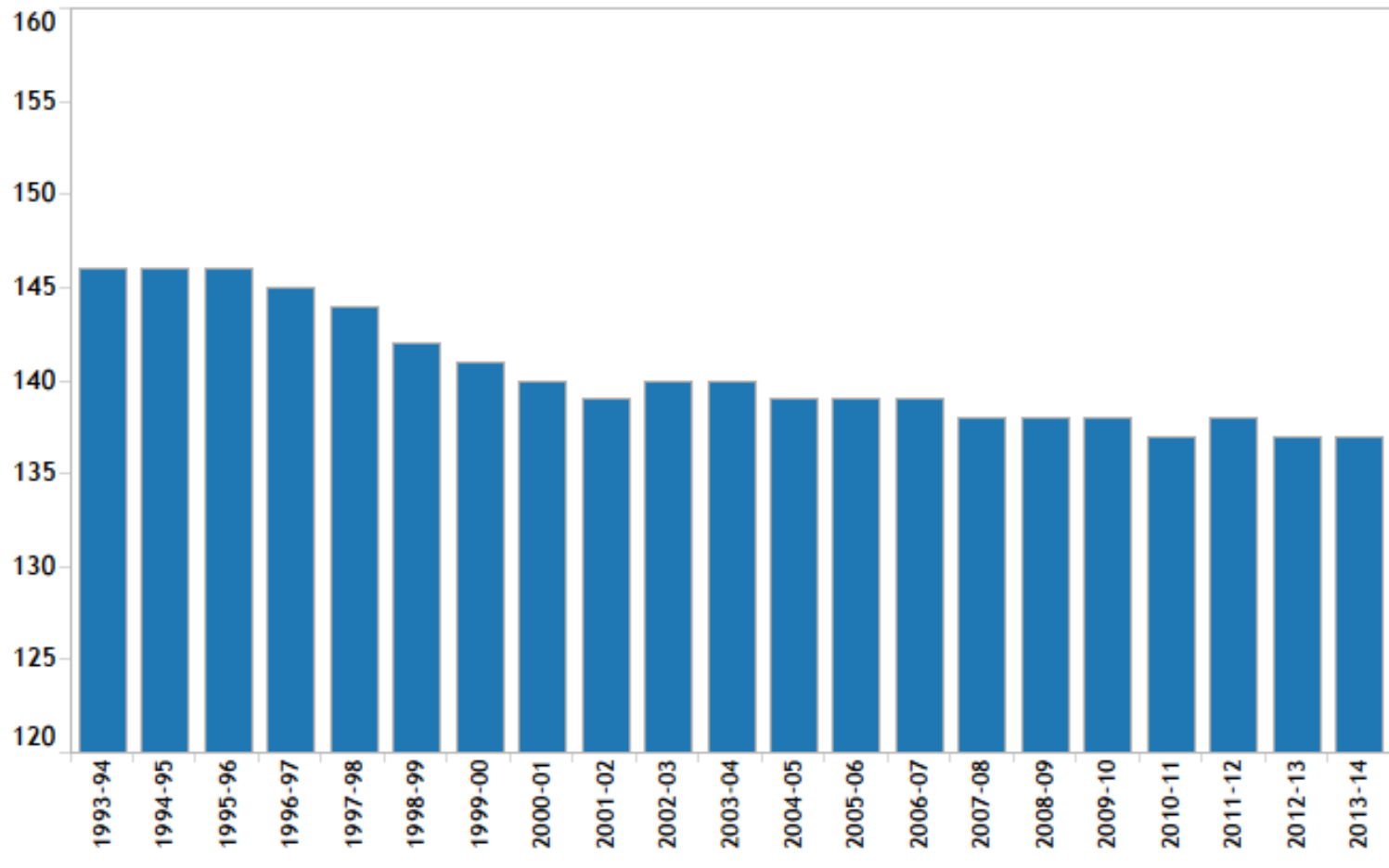
- Financial Aid Initiatives
- Student Employment Programs
- Four year graduation rates are up
- Driven down number of credits to degree
- Scholarship Funding
- UW programs to bring back students who have dropped out





# Credits to Degree at Any UW System Institution

AVERAGE CREDITS ATTEMPTED BY BACHELOR'S DEGREE RECIPIENTS





## UW System Scholarship Funding

	Scholarship Funding
FY2009	\$63.9 million
FY2010	\$74.3 million
FY2011	\$88.7 million
FY2012	\$112.2 million
FY2013	\$122.6 million
FY2014	\$164.2 million



# **Student Debt and Financial Aid**

## **Outline of Presentation**

1. Clarifying Student Debt and Financial Aid Misconceptions
2. Financial Aid 101 – How does it work?
3. What is the UW System doing to address Student Debt?
- 4. What is going on at the Federal and State Level?**
5. What can be done to address Student Debt in the UW System?



## **What is Going on at the State and Federal Level?**

- Perkins loan program ending
- FAFSA Simplification
- Income based repayment
- First two years of college free



# **Student Debt and Financial Aid**

## **Outline of Presentation**

1. Clarifying Student Debt and Financial Aid Misconceptions
2. Financial Aid 101 – How does it work?
3. What is the UW System doing to address Student Debt?
4. What is going on at the Federal and State Level?
5. What can be done to address Student Debt in the UW System?



## **What can be done to address student debt in the UW System ?**

- Continue Focus on Retention, Graduation, & Credits to Degree, including reducing remedial demand
- Request additional Wisconsin Grant Funding



# Crisis/Opportunity Options

## What if we. . .

- Re-purpose WI Covenant grant funds to low/middle income students?
- Develop a state-of-the-art financial literacy program for all UW students?
- Partner with State or private sector to create a loan program to replace Perkins Loan resources?
- Enrich our on-campus student work programs?
- Reach out to previous students who are in danger of defaulting on loans and help them see their options?



# Closing Comments from Vice President Dave Ward





Questions?