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?
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WI Resident Undergraduates with Student Loans at Graduation

Percentages and student loan counts over the years:
- 2001-02: 62%
- 2006-07: 67%
- 2008-09: 69%
- 2010-11: 71%
- 2012-13: 73%
- 2014-15: 74%

# Students with Loans
Cumulative Debt at Graduation of Wisconsin Resident Students

- 2001-02: $16,057
- 2006-07: $21,104
- 2008-09: $23,789
- 2010-11: $27,004
- 2012-13: $29,219
- 2014-15: $30,650

Yearly Debt Trends:
- $0
- $5,000
- $10,000
- $15,000
- $20,000
- $25,000
- $30,000
- $35,000
## Comparison of UW System to National Averages on Student Debt

<table>
<thead>
<tr>
<th></th>
<th>UW System Institutions</th>
<th>National Average (Public &amp; Non-profit Colleges)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Students Who Graduated with Debt in 2014-15</td>
<td>74%</td>
<td>69%</td>
</tr>
<tr>
<td>Average Debt per Borrower in 2014-15</td>
<td>$30,650</td>
<td>$28,950</td>
</tr>
</tbody>
</table>
Student Loan Default Rates
UW System and National Data

<table>
<thead>
<tr>
<th>Three-year Default Rate</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>UW System</td>
<td>4.6%</td>
</tr>
<tr>
<td>National</td>
<td>11.8%</td>
</tr>
</tbody>
</table>
Clarifying Student Debt and Financial Aid Misconceptions

1. 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
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)**

<table>
<thead>
<tr>
<th>Cohort Year</th>
<th>Anywhere in the UW System</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4-Year Grad Rate</td>
</tr>
<tr>
<td>Fall 1981</td>
<td>18.9%</td>
</tr>
<tr>
<td>Fall 1990</td>
<td>15.6%</td>
</tr>
<tr>
<td>Fall 2000</td>
<td>26.6%</td>
</tr>
<tr>
<td>Fall 2008</td>
<td>30.3%</td>
</tr>
<tr>
<td>Fall 2010</td>
<td>32.6%</td>
</tr>
</tbody>
</table>
Clarifying Student Debt and Financial aid Misconceptions

3. Too many students use student loans to live high and buy fancy cars.
Data are for students with need.
# Student Loan Limits

<table>
<thead>
<tr>
<th>Year</th>
<th>Dependent Students</th>
<th>Independent Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Year Undergraduate Annual Loan Limit</td>
<td>$5,500 ($3,500 in subsidized loans)</td>
<td>$9,500 ($3,500 in subsidized loans)</td>
</tr>
<tr>
<td>Second-Year Undergraduate Annual Loan Limit</td>
<td>$6,500 ($4,500 in subsidized loans)</td>
<td>$10,500 ($4,500 in subsidized loans)</td>
</tr>
<tr>
<td>Third-Year and Beyond Undergraduate Annual Loan Limit</td>
<td>$7,500 ($5,500 in subsidized loans)</td>
<td>$12,500 ($5,500 in subsidized loans)</td>
</tr>
<tr>
<td>Subsidized and Unsubsidized Aggregate Loan Limit</td>
<td>$31,000 ($23,000 in subsidized loans)</td>
<td>$57,500 ($23,000 in subsidized loans)</td>
</tr>
</tbody>
</table>
Students with $0 EFC
Wisconsin Resident Undergraduates

9,312  11,701  13,074  22,464  23,066  21,373
Pell Recipients
Wisconsin Resident Undergraduates

<table>
<thead>
<tr>
<th>Year</th>
<th>Pell Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>23,827</td>
</tr>
<tr>
<td>2006-07</td>
<td>25,826</td>
</tr>
<tr>
<td>2008-09</td>
<td>27,605</td>
</tr>
<tr>
<td>2010-11</td>
<td>43,316</td>
</tr>
<tr>
<td>2012-13</td>
<td>42,975</td>
</tr>
<tr>
<td>2014-15</td>
<td>40,125</td>
</tr>
</tbody>
</table>
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)
Student Loan Default Rate by Degree Completion Status
(National Data)

- Graduated: 9%
- Did Not Graduate: 24%

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 (%)

- All workers: 5%
- Doctoral degree: 2.1%
- Professional degree: 1.9%
- Master's degree: 2.8%
- Bachelor's degree: 3.5%
- Associate's degree: 4.5%
- Some college, no degree: 6.0%
- High school diploma: 6.0%
- Less than a high school diploma: 9.0%

Median weekly earnings in 2014 ($)

- Doctoral degree: $1,591
- Professional degree: $1,639
- Master's degree: $1,326
- Bachelor's degree: $1,101
- Associate's degree: $792
- Some college, no degree: $741
- High school diploma: $668
- Less than a high school diploma: $488

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) - Expected Family Contribution (EFC) = 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.
### EFC Example

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Size</td>
<td>4</td>
</tr>
<tr>
<td>Number in college</td>
<td>1</td>
</tr>
<tr>
<td>Parent AGI (IRS 1040A)</td>
<td>$52,000</td>
</tr>
<tr>
<td>Parent Untaxed Income</td>
<td>$3,500</td>
</tr>
<tr>
<td>Parent’s Assets</td>
<td>$45,000</td>
</tr>
<tr>
<td>Student’s AGI</td>
<td>$4,500</td>
</tr>
<tr>
<td>Student’s Assets</td>
<td>$500</td>
</tr>
</tbody>
</table>

Parent’s Contribution: $3,450
(From assets: $1,056)

Student’s Contribution: $100
(From assets: $100)

**Expected Family Contribution:** $3,550

**EFC based on 2014/15 formula**
Eligibility for Need-based Aid

Cost of Attendance

- Expected Family Contribution

= Eligibility for Need-based Aid

(or “Financial Need”)

UNIVERSITY OF WISCONSIN SYSTEM
### UW-Eau Claire

#### Financial Aid Scenarios

**Typical Family of Four Income**

<table>
<thead>
<tr>
<th>Income</th>
<th>$37,000</th>
<th>$69,000</th>
</tr>
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<tbody>
<tr>
<td>Cost to Attend</td>
<td>$19,670</td>
<td>$19,670</td>
</tr>
<tr>
<td>Expected Family Contribution</td>
<td>($0)</td>
<td>($5,500)</td>
</tr>
<tr>
<td>Need</td>
<td>$19,670</td>
<td>$14,170</td>
</tr>
<tr>
<td>Pell Grant</td>
<td>($5,775)</td>
<td>($0)</td>
</tr>
<tr>
<td>WI Cov Grant</td>
<td>($2,500)</td>
<td>($1,000)</td>
</tr>
<tr>
<td>WHEG</td>
<td>($2,324)</td>
<td>($0)</td>
</tr>
<tr>
<td>SEOG</td>
<td>($500)</td>
<td>($0)</td>
</tr>
<tr>
<td>Blugold Grant</td>
<td>($900)</td>
<td>($900)</td>
</tr>
<tr>
<td>Sub. Stafford Loan</td>
<td>($3,500)</td>
<td>($3,500)</td>
</tr>
<tr>
<td>Perkins Loan</td>
<td>($671)</td>
<td>($3,000)</td>
</tr>
<tr>
<td>Unsub. Stafford Loan</td>
<td>($2,000)</td>
<td>($2,000)</td>
</tr>
<tr>
<td>Work Study</td>
<td>($1,500)</td>
<td>($1,500)</td>
</tr>
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**Unmet Student Need**

<p>| Unmet Student Need | $0 | $2,270 |</p>
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<td>Work Study</td>
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<td>($1,500)</td>
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<tr>
<td><strong>Unmet Student Need</strong></td>
<td></td>
<td>$3,171</td>
<td>$6,270</td>
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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

UNIVERSITY OF WISCONSIN SYSTEM
## UW System Scholarship Funding

<table>
<thead>
<tr>
<th>Year</th>
<th>Scholarship Funding</th>
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</thead>
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<tr>
<td>FY2009</td>
<td>$63.9 million</td>
</tr>
<tr>
<td>FY2010</td>
<td>$74.3 million</td>
</tr>
<tr>
<td>FY2011</td>
<td>$88.7 million</td>
</tr>
<tr>
<td>FY2012</td>
<td>$112.2 million</td>
</tr>
<tr>
<td>FY2013</td>
<td>$122.6 million</td>
</tr>
<tr>
<td>FY2014</td>
<td>$164.2 million</td>
</tr>
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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
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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?