Financial aid innovations for college affordability and mitigating student debt

Brief no. 1: The pandemic, college affordability, and student debt

The Association of Public and Land-grant Universities is undertaking a research project funded by the TIAA Institute to identify and strengthen the evidence for innovative financial aid strategies designed to improve affordability and reduce student debt for a significant number of students.

Ten institutions have been selected as Affordability Fellows to investigate best practices and possible long-term reformation of current financial aid practices. COVID-19 has exacerbated systemic and institutional impediments that underlie the equity disparities that campuses are trying to address, and higher education institutions are working in real-time to support incoming and current students. Over the next five months, this project will examine financial aid innovations in collaboration with the Fellows working to establish long-term solutions in the face of the pandemic and a changing landscape.

Abstract

As a result of the pandemic, our research project pivoted to include a review of the disparate effects of the pandemic on low-income populations and people of color. Specifically, this first brief presents a review of the literature to answer the question:

What inequities related to college affordability and student debt have been exacerbated by the pandemic?

The opportunity to incorporate lessons learned from the pandemic will help the Fellows envision structural, policy, and process changes through Targeted Universalism, a framework that places equity at the center of its analyses of structures and systems. The aim is to build more affordable universities and more sustainable financial aid systems for the most vulnerable student populations.

The stage is set for greater inequality

Amid a global pandemic and an economic downturn, American universities are facing extraordinary challenges. The rapid shift to hybrid and online instruction, increased budget constraints, and enrollment concerns are just a few of the challenges institutions are working tirelessly to manage. Students are feeling the greatest effects of these challenges, although some have been more affected than others. The pandemic has worsened long-standing inequalities—such as barriers to college affordability—that have prevented students from degree completion. In response, many land-grant institutions are urgently reflecting on their core mission to provide access to Americans of the most modest means, and have deepened investments within and across state lines to meet the unprecedented needs facing students.[1] COVID-19 has added another layer of complexity to an already complicated financial aid system, leaving low- and middle-income students, students of color, and minoritized student populations even more financially strained than before.

The aim is to build more affordable universities and more sustainable financial aid systems for the most vulnerable student populations.

Intergenerational economic mobility has declined in the United States over the past several decades, and it is now more critical than ever for institutions to acknowledge and address the link between college affordability and intergenerational wealth.[2,3,4] It has long been known that students' standardized test scores, college decisions and outcomes—including what type of institution to enroll in and whether to finish a degree—are closely tied to their parents' socioeconomic status.[5,6] During times of crisis, the effects of intergenerational wealth gaps are even more prevalent. Today, there is disproportionate job loss across race, income, and education, affecting a larger share of people of color, particularly Black and Latinx workers, and those with less than a college degree.[7,8] Most recent job loss data shows that more than 12 million Americans are jobless, with families of color comprising an oversized share, at 12.1 percent for Blacks and 10.3 percent for Latinx, compared to the national unemployment rate of 7.9 percent.[9] Research shows that students are less likely to go to college if a parent has lost their job, and newer evidence suggests that the pandemic has caused more low-income students and those from minoritized populations to leave higher education, maybe forever.[10]

A poll from the Education Trust and the Global Strategy Group reported that 77 percent of undergraduate students surveyed were concerned about staying enrolled and on track, with higher reported concerns from Black (84 percent) and Latinx (81 percent) students. Through May 31, 2020, this same group found a 240,000 drop in returning students with annual family incomes of less than $25,000.[11] And Strada Education Network reported that as of June 10, 2020, 50 percent of Latinx and 42 percent of Black students had canceled or changed their education plans, while only 26 percent of

Nearly 250,000 fewer returning students from the lowest-income backgrounds have renewed their FAFSA for the 2020-21 cycle.

White students reported such disruptions.[12] The College Attainment Network's (NCAN) analysis of Federal Student Aid (FSA) data on FAFSA completions found that nearly 250,000 fewer returning students from the lowest-income backgrounds have renewed their FAFSA for the 2020-21 cycle, an additional indication of students' educational plan disruption.[13]

Research also shows that student borrowing differs across racial and ethnic lines, with Black students more likely to borrow than White students across all income levels, and Latinx students less likely to borrow than White students across all income levels.[14, 15] Wealth gaps might account for student loan borrowing patterns and loan default rates seen among racial and ethnic groups.[16] Black families tend to have lower average wealth than White and Latinx families and are less likely to leverage homeownership, property, stocks, investments, and other known proxies for wealth to pay for a college education.[17,18] The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by Congress and signed into law in March 2020, included some provisions to help mitigate student loan repayment by pausing federal student loan payments and setting interest rates to zero percent (these provisions have been extended through December 2020). The higher education community has requested an additional $120 billion in federal funding for students and institutions to deal with the pandemic, in addition to a host of relief measures for students and student borrowers.

2019 vs. 2020—Financial well-being of American households

Many Latinx and Black American families have not fully recovered the wealth lost in the Great Recession of 2007-2009, and the gains they have made over the past ten years are under threat by the current pandemic. The Great Recession created the largest wealth, income, and employment gaps since the 1990s.[19,20] The Pew Research Report calculated that Black American families had over 53 percent of their wealth stripped away, and Latinx families saw the largest drop in wealth, at 66 percent.[21] In 2005, median household net worth was $12,124, $18,359, and $33,627 for Black Americans, Latinx, and Alaskan Native and American Indian households, respectively, compared to a $134,992 median net worth for White households.[22] By the time the recession officially ended in 2009, the median household net worth for Black Americans had been reduced to $5,677, $6,325 for Latinx households, and $113,149 for White households.[23] Alaskan Natives and American Indians median household net worth had increased to $40,315 by 2010.[24]

Over a decade since the Great Recession, Black and Latinx families still trail White families in median net worth. According to the recent *2019 Survey of Consumer Finances Report on Disparities in Wealth by Race and Ethnicity*, White families' median net worth was $188,200, compared to $24,100 for Black families and $36,100 for Latinx families.[25] The same report depicts the difference in homeownership among these groups.

The *Report on the Economic Well-Being of U.S. Households in 2019* highlights economic disparities in overall well-being by race and ethnicity, and includes supplemental data from April 2020, after the pandemic was declared. For many families, financial circumstances in 2020 look very different than they did in late 2019.[26] The report makes clear that the pandemic threatens to compound longstanding inequalities.

The need for equitable financial innovations in higher education

Clearly, the path to higher education for a significant majority of Americans remains treacherous. Unfortunately, trends suggest that Black and Latinx communities are the last to recover from economic swings and have fewer financial and employment resources to weather the pandemic.[27] This will have severe consequences for America's low-income, first-generation, and minoritized college-ready youth and adults whose families' financial wealth is already tenuous due to racial and economic disenfranchisement, increasing divestment in the economic security of America's middle class and low-income families, and disproportionate debt levels. And now, on top of that, the pandemic has led to unemployment or the permanent loss of jobs for millions of people.

The Student Experience in the Research University Consortium (SERU Consortium) administered a comprehensive survey between May and July 2020 about the impact of COVID-19 on students' academic and personal lives.[28] The report, which gathered responses from 30,000 undergraduates and 15,000 graduate and professional students, found that students of color and low-income students are experiencing significant hardship during the pandemic. Of these students, 26 percent of undergraduates reported losing wages from an off-campus job, and 18 percent lost wages from an on-campus job. In the survey, self-identified low-income and working-class students were more likely to report financial hardship, including loss of income, and unexpected technology costs and housing expenses. Consistent with research on disproportionate job loss for low-income and families of color during times of crisis, 54 percent of working-class students reported having a family member lose income during the pandemic, while 36 percent of middle class and 24 percent of upper-middle-class students reported family member loss of income due to the pandemic. Across undergraduate and graduate students who took the survey, students of color, low-income, and working-class students reported experiencing more anxiety and depression, food shortages, and housing insecurity.[29]

The Education and Human Resources Program at the American Association for the Advancement of Science (AAAS), makes the case that attention to the inequities —unmasked in higher education and in our larger society by the pandemic—must inform how institutions develop a future-focused strategy that moves beyond the next experiment, the next grant, and the next crisis.[30] A federal rescue package will help in the short-term. However, now is the time for American higher education to create a fundamentally different policy architecture that will provide equitable access and opportunity for all.[31]

"The strategies are targeted, but the goal is always universal."

Using Targeted Universalism to develop equitable financial innovations

Created by John A. Powell, Stephen Menendian, and Wendy Ake of the Othering & Belonging Institute at the University of California, Berkeley, Targeted Universalism is a framework that designs and implements policies that can achieve critical goals and bring higher education institutions closer to their collective aspirations, including student success and affordability. Targeted Universalism emphasizes goals and re-centers policy debates on outcomes, wherein all processes are directed toward service of an explicit, universal goal. Implementation strategies created via the Targeted Universalism framework are unique in that the focus is on structural changes. The framework helps institutions develop a range of implementation strategies designed to both: 1) change the structures that impede different groups and populations from attaining the universal goal, and 2) develop structures that promote the desired outcome for different populations.[32]

There are two critical aspects of Targeted Universalism. First, it is important to be clear on the universal goal and to keep it at the center of the work being done. Second, the "universal" in Targeted Universalism doesn't lie in implementation strategies or applications—it does not aim to reach all people in the same way. Indeed, the framework rejects blanket universal strategies, which are often indifferent to lived reality, wherein different groups are situated differently relative to society's institutions and resources. Furthermore, it also rejects the claim of formal equality that would treat all people the same, as that approach ignores differences. While the universal goal may be one to which all groups aspire, some groups have more acute needs and more extreme circumstances. Groups further from obtaining the universal goal—and groups in extreme distress—should be the recipients of greater support.[33]

This framework borrows the strengths and avoids the weaknesses of both targeted and universal approaches and is also categorically distinct in both conception and execution. Universal and targeted policies are often politically fraught and have proved incapable of addressing and solving the most enduring social and economic problems. For Targeted Universalism, the primary target is the institutional arrangement and structures; the targeted groups include individuals facing the same barriers, and who are similarly situated relative to systems, structures, and culture. The groups of people that benefit from a particular targeted strategy under Targeted Universalism are likely to be more diverse than a single identity group, especially for strategies that create significant structural changes. By focusing on structures and group outcomes—rather than on the groups themselves—the framework enables a comprehensive analysis that serves to improve outcomes for groups that suffer in different ways and experience different harms.[34]

Targeted Universalism also is an opportunity to put belonging "on the ground," in practice. In inclusion, the structure that similarly situates people is critical. In belonging, the structure is co-created by the participants, which for universities would include students, alumni, faculty, staff, administration, and community partners (local businesses, high schools, etc.).

Five steps for creating a Targeted Universalism framework[35]

Determination of the universal goal must be the result of a deeply-considered process, with no prior assumptions. There are five steps for developing a Targeted Universalism framework:[36,37]

1. Establish a universal goal based upon a broadly shared recognition of a societal problem and collective aspiration.
2. Assess general population performance relative to the universal goal. (Measurement)
3. Identify groups and places that are performing differently with respect to the goal. Groups should be disaggregated. (Measurement)
4. Assess and understand the structures that support or impede each group or community from achieving its universal goal. (Analytical—understanding the nature of the problem at its root)
5. Develop and implement targeted strategies for each group to reach the universal goal.

Targeted Universalism platforms are designed to realize the full potential of pursuing equity. Sometimes referred to as “Equity 2.0,” the framework embraces difference and delegitimizes inequitable status quos that treat everyone the same, with the same solutions, and the same attention. Given the current climate, with institutions facing significant challenges, prioritizing transformational structural change by utilizing a Targeted Universalism framework can be a more efficient use of limited financial resources, as it directs attention to development of strategies that promote more durable changes and provide greater relief. Further, by contributing to the benefit of all people impeded by structural barriers and/or lack of resources, Targeted Universalism policies can help higher education institutions better serve their local, state, and national constituencies.[38,39]

In anticipating the long-term repercussions of COVID-19 and another economic downturn likely to present additional impediments for vulnerable minoritized students and their families, we are introducing Targeted Universalism as a tool for reimagining financial aid innovations under a university-generated universal goal. We will be discussing with Fellows the implications of this framework, as well as the adoption of universal goals that mitigate student debt and the structural barriers that contribute to racial wealth disparities and financial hardships for students and their families.

Conclusion

The harsh economic realities and disparities that low-income, first-generation, and students of color and their families have long contended with in the United States have been exacerbated by the pandemic. An examination of several data sets—including the U.S. Census, the Bureau of Labor Statistics, the Consumer Finance Survey, and the Federal Reserve's Survey of Economic Wellbeing in U.S. Households—highlights the imperative for higher education leaders to become critically aware of the structural barriers to affordable education that these students encounter at their universities. Given the research provided in this brief, it is our position that transformational efforts through an equity-focused framework are required to remove impediments at the university level that exacerbate inequities. A Targeted Universalism framework can help universities implement equity-forward strategies that recognize their students' lived realities and provide ample opportunities for an affordable education.

APLU, with support from the TIAA Institute, is developing a series of briefs in the coming months, based on qualitative research gathered from a group of Affordability Fellows based at ten universities participating in APLUs Powered by Publics Initiative. To address the lived realities of their students—specifically, their students' positionality within deep social and economic structures—these institutions will be exploring best practices, financial aid innovations, and possible long-term reformation of current financial aid approaches. Forthcoming briefs will capture lessons learned from the distribution of CARES Act funding to Title IV students, financial innovations currently in place at Fellow institutions, and re-envisioning financial aid solutions through an equity lens focused on their most vulnerable students and those most affected by COVID-19.

Endnotes

1 The U.S. economy needs more stimulus to slash the risk of a 'double dip' recession, former Fed official says. Theron Mohamed (August 29, 2020) Retrieved from: https://www.businessinsider.com/us-economy-needs-stimulus-risks-double-dip-recession-fed-official-2020-8

2 College Admissions Are About to Get Even More Unfair. Noah Smith (August 19, 2020) Retrieved from: https://www.bloomberg.com/opinion/articles/2020-08-19/college-admissions-are-about-to-get-even-more-unfair?sref=WdP33HKJ

3 Report on the Economic Well-Being of U.S. Households in 2019 - May 2020. Retrieved from: https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-higher-education.htm

4 Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances (September 28, 2020) – Retrieved from: https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm

5 Bailey, M. J., & Dynarski, S. M. (2011). Inequality in postsecondary education. In G. J. Duncan & R. J. Murnane (Eds.), Wither opportunity?: Rising inequality, schools, and children's life chances (pp. 117-132). New York: Russell Sage Foundation;

6 Perna, L. W. (2006). Studying college access and choice: A proposed conceptual model. In Higher Education: Handbook of Theory and Research (pp. 99- 157). Springer; Wapole, M. (2003). Socioeconomic status and college: How SES affects college experiences and outcomes. The Review of Higher Education, 27(1), 45-73.

7 Ananat, E. O., Gassman-Pines, A., Francis, D. V., & Gibson-Davis, C. M. (2017). Linking job loss, inequality, mental health, and education. Science, 356(6343), 1127-1128.

8 Higher Education and Work Amid Crisis. Paul Fain. (June 17, 2020). Retrieved from: https://www.insidehighered.com/news/2020/06/17/pandemic-has-worsened-equity-gaps-higher-education-and-work

9 September 2020 U.S. Bureau of Labor Statistics' The Employment Situation News Release - https://www.bls.gov/news.release/pdf/empsit.pdf

10 Higher Education and Work Amid Crisis. Paul Fain. (June 17, 2020) Retrieved from: https://www.insidehighered.com/news/2020/06/17/pandemic-has-worsened-equity-gaps-higher-education-and-work

11 Higher Ed Survey Highlights the Academic, Financial, and Emotional Toll of Coronavirus on Students. (May 28, 2020) Retrieved from: https://s3-us-east-2.amazonaws.com/edtrustmain/wp-content/uploads/sites/3/2017/11/27120859/Higher-Ed-Nationwide-CA-Memo-F05.27.20.pdf

12 Public Viewpoint: COVID-19 Work and Education Survey. (June 10, 2020) Retrieved from https://www.stradaeducation.org/wp-content/uploads/2020/06/Public-Viewpoint-Report-Week-9.pdf

13 New Data: Nearly 250,000 Fewer Low-Income FAFSA Renewals This Cycle Nationally. (May 6, 2020) Retrieved from: https://www.ncan.org/news/505741/New-Data-Nearly-250000-Fewer-Low-Income-FAFSA-Renewals-This-Cycle-Nationally.htm

14 Black-White disparity in student loan debt more than triples after graduation. Judith Scott-Clayton & Jing Li. (October 20, 2016) Retrieved from: https://www.brookings.edu/research/Black-White-disparity-in-student-loan-debt-more-than-triples-after-graduation/

15 Student Debt: The Unique Circumstances of Black American Students. Sandy Baum. Retrieved from: http://1xfsu31b52d33idlp13twtos-wpengine.netdna-ssl.com/wp-content/uploads/2019/02/REHE-Essay-Chapter-8-SA.pdf

16 What accounts for gaps in student loan default, and what happens after. Judith Scott-Clayton. (June 21, 2018) Retrieved from: https://www.brookings.edu/research/what-accounts-for-gaps-in-student-loan-default-and-what-happens-after/

17 Student Debt: The Unique Circumstances of Black American Students. Sandy Baum. Retrieved from: http://1xfsu31b52d33idlp13twtos-wpengine.netdna-ssl.com/wp-content/uploads/2019/02/REHE-Essay-Chapter-8-SA.pdf

18 What accounts for gaps in student loan default, and what happens after. Judith Scott-Clayton. (June 21, 2018) Retrieved from: https://www.brookings.edu/research/what-accounts-for-gaps-in-student-loan-default-and-what-happens-after/

19 Report on the Economic Well-Being of U.S. Households in 2019 - May 2020. Retrieved from: https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-higher-education.htm

20 Umbrellas Don't Make it Rain: Why Studying and Working Hard Isn't Enough for Black Americans. (April 2015). Retrieved from: http://www.insightcced.org/wpcontent/uploads/2015/08/Umbrellas_Dont_Make_It_Rain_Final.pdf

21 The Toll of the Great Recession. Rakesh Kochhar, Richard Fry, & Paul Taylor. (July 26, 2011). Retrieved from: https://www.pewresearch.org/Latinx/2011/07/26/the-toll-of-the-great-recession/

22 American Indians: Census Facts, 2005. Retrieved from: https://www.infoplease.com/history/native-american-heritage/american-indians-census-facts-2005

23 The Crisis in Black Homeownership. Jamelle Bouie. (July 24, 2014). Retrieved from: https://slate.com/news-and-politics/2014/07/Black-homeownership-how-the-recession-turned-owners-into-renters-and-obliterated-Black-american-wealth.html

24 Racial Wealth Snapshot: American Indians/ Native Americans. Retrieved from: https://ncrc.org/racial-wealth-snapshot-american-indians-native-americans/

25 Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances (September 28, 2020) - https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm. (Defined as the difference between families' gross assets and their liabilities; net worth and wealth are used interchangeably.)

26 Report on the Economic Well-Being of U.S. Households in 2019 - May 2020 - https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-higher-education.htm.
This report describes the responses to the 2019 Survey of Household Economics and Decision-making (SHED) as well as responses to a follow-up survey conducted in April 2020. The Federal Reserve Board has fielded this survey each fall since 2013 to understand the wide range of financial challenges and opportunities facing families in the United States. The findings in this report primarily reflect the financial circumstances of families in the United States in late 2019, prior to the onset of COVID-19 and the associated financial disruptions. Furthermore, the data employs weight-pop analysis; these weights allow for the entire sample to reflect the observable characteristics of the U.S. adult population. They are rescaled to add up to the total population of the U.S. adults eligible for this survey.

[27] The Coronavirus Pandemic and the Racial Wealth Gap -https://www.americanprogress.org/issues/race/news/2020/03/19/481962/coronavirus-pandemic-racial-wealth-gap/

[28] SERU COVID-19 Survey: Social Class Differences in Students' Experiences during the COVID-19 Pandemic - https://docs.google.com/document/d/1fgQdrXCyquMrEKzGn_5ZaSVrF8zXpvtI6Rn3-RINfXs/edit#heading=h.65u541fvntta

[29] More Pandemic Consequences for Underrepresented Students - https://www.insidehighered.com/news/2020/09/16/low-income-and-students-color-greatest-need-pandemic-relief

[30] Reimagining Colleges and Universities to Make Them More Equitable - https://www.scientificamerican.com/article/reimagining-colleges-and-universities-to-make-them-more-equitable/

[31] How to Save Higher Education: A New Deal for America's Sinking Colleges - https://washingtonmonthly.com/magazine/september-october-2020/how-to-save-higher-education/

[32] Targeting Within a Targeted Universalism Framework - https://belonging.berkeley.edu/targeting-within-targeted-universalism-framework

[33] Categorizing Strategies - https://belonging.berkeley.edu/categorizing-strategies

[34] Targeting Within a Targeted Universalism Framework - https://belonging.berkeley.edu/targeting-within-targeted-universalism-framework

[35] Creating a Targeted Universalism Framework - https://belonging.berkeley.edu/creating-targeted-universalism-framework

[36] Categorizing Strategies - https://belonging.berkeley.edu/categorizing-strategies

[37] Building the Table for a Targeted Universal Framework - https://belonging.berkeley.edu/buildingtable-targeted-universal-framework

[38] Categorizing Strategies - https://belonging.berkeley.edu/categorizing-strategies

[39] Universal Goals and Limited Resources - https://belonging.berkeley.edu/universal-goals-and-limited-resources

About the authors

Alcione Frederick joined APLU's Center for Public University Transformation as a Program Manager in July 2020. Prior to APLU, Alcione spent over 10 years working in student affairs supporting student-centered initiatives both nationally and internationally. She is a former Peace Corps volunteer and a teacher trainer who spent three years working in Senegal. Alcione completed her master's degree in Anthropology at Washington State University. She also holds a bachelor's degree in Anthropology and Psychology from Juniata College.

Melissa Rivas is the Assistant Director for the Center for Public University Transformation at APLU, working primarily on the Powered by Publics Initiative. Before joining APLU, Melissa was a graduate intern at Excelencia in Education, where she analyzed strategies for improving Latino student success through their "Growing What Works" program. She has also worked with the University of Maryland, College Park's ADVANCE program, and with uAspire in Oakland, CA, where she helped local high school students navigate the financial aid process as a College Affordability Advisor. Melissa completed her master's degree in Higher Education, Student Affairs, and International Education Policy at the University of Maryland, College Park. She also holds a bachelor's degree in sociology from the University of California, Berkeley.