



Prepared for  
**The North Carolina  
Institute for Minority  
Economic Development**

By Adam Rust  
Community Reinvestment  
Association of North Carolina

*A research project funded by  
the North Carolina Institute  
for Minority Economic  
Development*

***Young Minds,  
Big Debts:  
Student Loans at  
North Carolina's  
HBCUs***

**North Carolina  
Legislative Black Caucus Foundation  
2009 Education Scholarship Weekend  
June 19-20, 2009**

# **Young Minds, Big Debts: Student Loans at North Carolina's HBCUs**

*Prepared for  
The North Carolina Institute of Minority Economic Development*

By Adam Rust  
Community Reinvestment Association of North Carolina

June 19<sup>th</sup>-20<sup>th</sup>, 2009  
Legislative Black Caucus Foundation  
2009 Education Scholarship Weekend

## EXECUTIVE SUMMARY

Student loan debt is a pressing public policy issue for African-American leaders. The expectation of higher earnings, in anticipation of college wage premiums, sets up some borrowers to take on more debt that they can ultimately bear. The goals of closing gaps in educational attainment and in assets among races are linked. This paper links economic literature from Lifecycle Theory and Assets Policy with on the ground trend data about student loans. It drills down to examine the current student loan environment at North Carolina's ten Historically Black Colleges and Universities (HBCUs).

Current factors in education and in student finance underlie the need for policy intervention at our HBCUs.

- More students at HBCUs (76.8 percent compared to 70.3 percent) receive financial aid than do students as a whole nationwide. More HBCU students receive a student loan (51.4 percent, compared to 40.1 percent). Average student loan amounts are greater at HBCUs, for each category of school (US Department of Education, 2002).
- Increases in tuition elsewhere are driving enrollment increases at HBCUs.
- In North Carolina, approximately 94 percent of undergraduate full-time, first-time degree seeking freshman students enrolled in an HBCU in school year 2005-06 received some kind of financial aid (grants or loans).
- Almost 80 percent of undergraduates at the state's ten HBCUs received student loan aid.
- African-American students at HBCUs are more likely to come from a low-income household than are African-American students at a "primarily white institution" (PWI).

This is part of a broader trend. Tuition increases, coupled with stagnant ceilings on grants, have driven the demand for more student loans. Students are taking out more loans. They are borrowing more. They are seeking out second-best forms of aid.

- In the 90s, the percent of dependent students at four-year public universities using unsubsidized Stafford loans increased 100 fold, from two-tenths of one percent to more than 20 percent of all students.
- In 1995-6, 87 percent of low-income students who took on debt used subsidized loans only. Another 10 percent used both subsidized and unsubsidized. By 2003-4, just 72 percent of low-income students used only subsidized loans.
- In 2003-4, 89 percent of full-time, full-year African-American undergraduate college students received some kind of financial aid.
- The use of private student loans has increased 750 percent in the last 10 years. Average interest rates are 11.5 percent and average origination fees are 4.5 percent.
- The number of students who took out both subsidized and unsubsidized Stafford loans (indicating a need for large loans to meet expenses) more than doubled during the same period, from 7 to 15 percent.
- Graduates have more debt. In 2007, graduates at North Carolina schools had \$16,888 in debts. The national averages were \$21,900 at public and \$25,700 at private schools (Project on Student Debt, 2008).

More students and families need to prepare for the costs of college.

- Only 18 percent of students and thirty percent of parents had obtained information on the costs associated with the kinds of postsecondary institutions where they intended to enroll.
- Cost of tuition at public 4-year colleges in North Carolina is increasing 14 times faster than the rate of increase in per capita income in the 90s (National Center for Public Policy and Higher Education, 2002).
- Credit is drying up: many private lenders now require credit scores of 700 or higher.

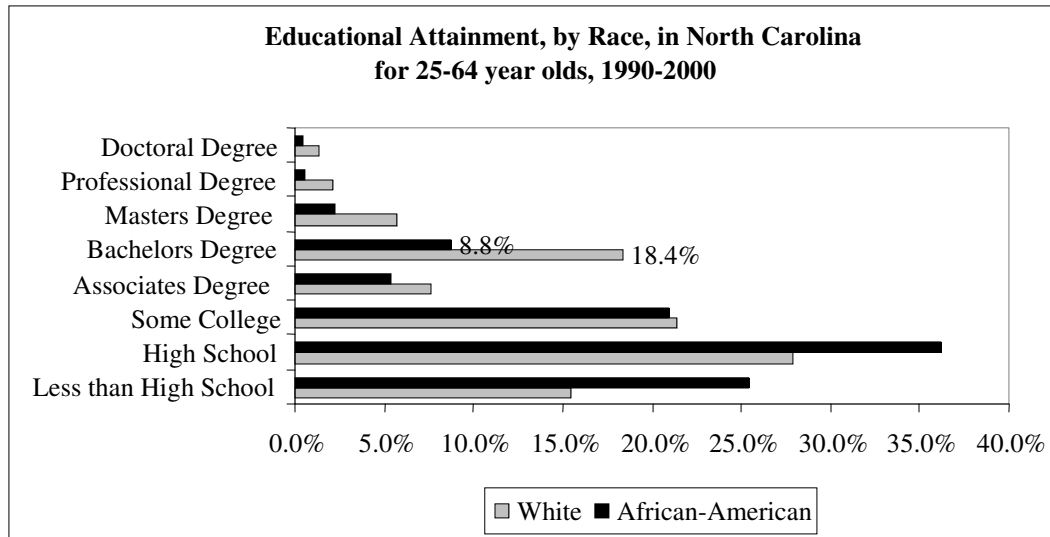
**R**ealizing the dream of living in a country where all young people can seize opportunity depends upon more than lofty words. It requires access to capital. Public policy has devoted a great deal of attention to the plight of entrepreneurs, who justifiably need small business loans, or to moderate-income families, who depend upon affordable mortgages. They are not alone. Public policy should turn its eyes to the bleak prospects facing young people who seek to finance their postsecondary educations. This is a pressing problem for many types of students. We live in an era of increasing tuition, low household savings rates, and stagnant grant programs. In that environment, more and more students must borrow if they are to attend college. One group bearing a heavy burden are students at historically black colleges and universities (HBCUs), where all of these trends are acting in concert to create a burgeoning crisis.

We achieve the promise of a democratic society when the brightest minds, and not just those fortunate enough to be born with ample financial resources, are able to realize their talents. This goal has aspects of the constantly reborn challenge faced in Greek myth by Sisyphus. Sisyphus rolls a boulder up a hill, but it rolls back down again time and time again. He must always return to his task. Never is he able to rest on his laurels.

So it is with extending opportunities for education. It is not enough to build the bridge once. It is a priority that must be reasserted with the challenges of each new era, on behalf of each new generation.

### **How well are we doing?**

**W**e have a long way to go. One recent study estimates that in the current decade, that between 1.4 and 2.4 million bachelor's degrees that would have otherwise been attained will never materialize, due to financial obstacles (Advisory Committee on Student Financial Assistance, 2006). In the 1990s, between 1 and 1.6 million qualified high school graduates failed to earn a bachelor's degree because of financial issues. These findings are derived by comparing graduation outcomes of low and moderate income (LMI) students with those of middle and upper income students. The next table shows the stark contrast in the attainment of bachelor's degrees among African-Americans and whites in North Carolina during the 1990s.



Whereas 18.4 percent of white residents had a bachelor’s degree, only 8.8 percent of African-Americans earned one during the last decade. The same inequalities perpetuated themselves in terms of more advanced degrees. Almost three times more (9.2 percent compared to 3.3 percent) of white residents had advanced degrees compared to African-Americans in North Carolina.

There is some progress. In North Carolina, college attainment among 25-64 year-olds showed an increase by 2005. The greatest gains were within the African-American community. Approximately 12 percent had a college degree by 2005, compared to 21.2 percent of white residents (National Post-Secondary Education Cooperative). These numbers show great gains from decades ago.

More often than not, these gains come with a price. Even as grant aid has remained relatively flat, tuition costs continue to rise. In the absence of other support, students are taking out more loans. This paper will discuss trends in loans to students. First, it will discuss the trends in broad strokes, showing how the use of student loans fits with microeconomic theory on finances. It will show how African-Americans are being affected in recent years, and it will consider the impact on low-income students. Then, it will look at the specific experiences among students at North Carolina’s ten Historically Black Colleges and Universities (HBCUs). Finally, it will consider several options for leaders to contemplate in response to the issues that have been addressed.

The findings show that all students, including both low-income and African-American students, are forced to rely upon student loans with greater frequency. Recent legislation will increase the size of Pell Grants in the near future, but much damage has already been done. We as a society have witnessed rapid growth in debt loads.

## **Methodology**

**T**his paper utilizes data from the U.S. Department of Education’s National Center for Education Statistics (NCES). Most of the information comes from two databases: the National Postsecondary Study on Aid to Students (NPSAS) and the Integrated Postsecondary Education Data System (IPEDS). Trend data covers the five years, ending with the 2005-06 school year. The IPEDS data enables a user to make selections by institution. It is useful for questions that focus solely on North Carolina. By contrast, the NPSAS data allows analysis to drill down to the level of the student, but it does not allow an analyst to focus solely on students in North Carolina.

For comparisons in IPEDS between students at HBCUs and other schools, this paper developed a 26-school list of comparable schools. All of the comparable schools offer four year degrees and are located in North Carolina. Each is considered a Primarily White Institution (PWI), even though all are open to students of color. The term is not made by the author, but one that is used by education policy makers and adopted for the purpose of making comparisons in this study. The list of schools is attached in Appendix One.

## **Introduction**

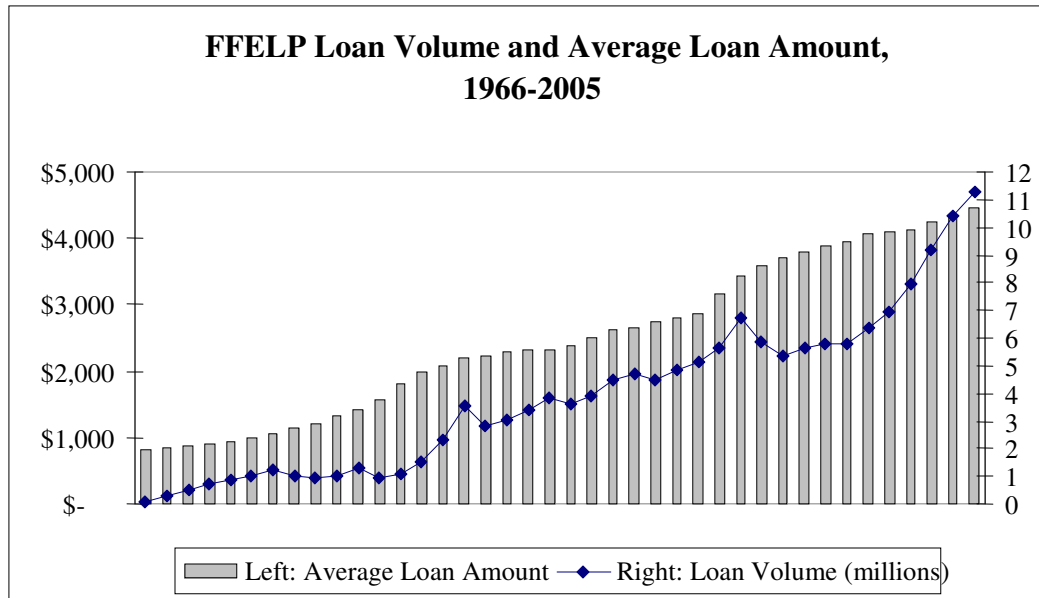
**T**he payoff for pursuing an undergraduate college education is understood to have many advantages. A college education affords opportunities for leadership, for personal actualization, and not unimportantly, for higher wages. Recent analysis suggests that a college degree increases wages by approximately 40 percent (Hanming, 2006). The “college wage premium” increased in the 1980s and 1990s (Murphy & Welch, 2001), but has dropped some since then. In recent years, rewards for a degree have stratified. Gains have increasingly gone to those with degree levels beyond college, or to those with specialized technological training (Barrow & Rouse).

For African-Americans, there are additional layers to the idea of the value of education. The hard facts of history matter here. Students and their parents approach education from a perspective imbued by a heritage of segregation and of “separate but equal” schools. And, it is not just in schooling where the past is prologue. If it was hard for African-Americans to get a good education at a time when Jim Crow and institutional racism kept people back, it was just as tough to get a good job.

Both the law and the world economy have changed to mutually reinforce the significance of education. The promise of *Brown vs. Board of Education* and *U.C. Regents v. Bakke* set the legal stage for the expansion of educational opportunity. In turn, wages increasingly reflect the rising importance of education and the lessening significance of race. Since 1967, the gap in wages between African-Americans and whites, after controlling for factors of skill (work experience, education) has shrunk by 18 percentage points (Deere, 2001, pp. 9-36). Race is still a negative factor upon wages, though. One estimate, after controlling for college GPA, college major, and educational institution attended, suggested that white male graduates earn 10 to 15 percent more than black male graduates (Weinberger, 2002); others have put the gap between races at 20 percent (Moro).

Students appear to understand that education pays off. They are willing to go into debt to follow that belief. Enrollments have not been curbed by price increases. Students may be rationally deciding that they can afford higher levels of debt because the college wage premium is rising.

The cost of going to school has increased at rates faster than general wage growth during the last decade. The result of these tuition increases is predictable. More and more students are compelled to call upon financial aid in order to pay for their schooling.



Source: US Department of Education

This graphic shows the rise in the use of Federal student loans under the Federal Family Education Loan Program (FFELP). The left side shows the average loan amount per year. The right side shows the number of loans originated. From 2000 to 2005, the volume of student loans originated increased by about 12.3 percent per year (US Department of Education, 2007).

The result is that many students come out of school with debt. When they do have debt, they are increasingly likely to have more of it. More and more regularly, students must utilize student loans for their education. Loan amounts are going up, too.

### Theoretical Conceptualization

This paper applies assumptions in the Lifecycle Theory (Modigliani & Brumberg, 1954) of personal finance to decision-making in student loans. The Lifecycle Theory emphasizes behavioral decision-making in personal finance choices within the context of a consumer’s lifetime (Tin, 2000). The theory says that people view their wealth as both their current assets, plus the expected future returns from their human capital (their skills). The visioning of these assets supports an inclination to “smooth-out” consumption over the peaks and troughs of earnings. The theory suggests that they spend according to how much they perceive they will have in the future, and not just based upon what assets they already hold. That long-term view of wealth becomes the basis for the day-to-day consumption decisions.



Consumers place a priority is avoiding downturns in consumption during hard times (Hogan P. , 2007).

It is easy to see the implications for this theory, and its relevance, in the context of on-the-ground decision-making that students make about loans. Student loans are a gateway credit product that influences subsequent credit decisions: home mortgages, small business loans, credit cards, and car loans. As the first large credit event in a lifetime, they are important beyond the dollars within their originations. For the individuals, student loans hold the potential to influence many subsequent opportunities. Repayment will help or hinder future prospects at credit. It might even be a factor in getting a job. Student loans may not represent as large a liability as the typical mortgage, but the fact that individuals usually make them earlier in their lives than they do a mortgage applications points out the path-dependent significance of the decision in the wealth-building trajectory.

Not only are students likely to want to avoid reducing consumption in school, but uncertainty about future earnings may lead them to overstate the power of their future skills to produce earnings. These forces produce an opportunity for students to make mistakes. It also gives credit merchants an opportunity.

Student debt is important to consider within the context of asset policy. Student debt can determine access to credit for other products, including mortgages and small business loans. African-American households, on average, hold less in savings than whites or even Hispanics. In this context, the size of debt among students at HBCUs must be re-examined.

The use of student loans ties in to the literature on wealth building and asset accumulation within social policy. This research demonstrates how assets influence the social outcomes of families and individuals in many indirect ways. Student loans are a significant “first-step” in the financial pathway of individuals. The need to access significant financial aid in order to get an education reflects the legacies of asset inequalities that perpetuate class in our society, and the extent to which those needs become greater for low-income families over time indicates a step backward in achieving a society with broad opportunity (Hogan, Solheim, Wolfgram, Nkosi, & Rodrigues, 2004).

Student loans allow people to avoid downturns in consumption during schooling. These loans are unique. With each successive student loan, the borrower increases his or her expectation of future earnings and their ability to handle debt. Our student loan policies match these assumptions. Third and fourth year undergraduates, for example, have higher ceilings on the limits of their Federal loans.

See Appendix Two for a schematic diagram that outlines a conceptualization of how choices made by students in the repayment of their student loans impacts on future wealth-building events in the life of a person.

### **Recent Trends in Student Loans**

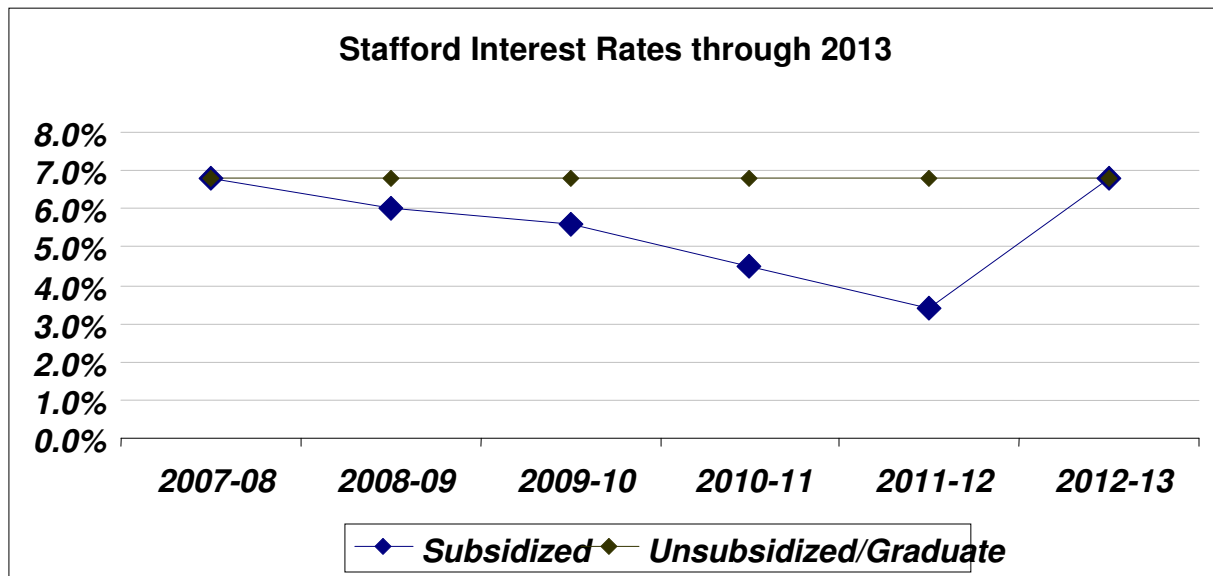
In FY2006, students enrolled in North Carolina colleges took out 303,139 student loans, an increase of 5.7 percent from the previous fiscal year (286,859). The trend is not just for more loans, but for larger loans. The amount of loans increased 9.5 percent, from \$1.292 billion to \$1.415 billion (Student Market Measure, 2008).

In the first six months of 2008, about 26,418 undergraduate students at North Carolina universities got a Stafford loan. That represents an increase of 9.1 percent in loan volume compared to the same period a year ago. It also reveals a 15.1 percent increase in loan amounts (US Department of Education, 2008). More students are getting Staffords, and they are for larger loan amounts. It is not clear if this trend will continue as the supply and demand equation continues to evolve with the changes in interest rate ceilings projected for the next several years. It does appear relatively certain that tuition prices will not go down, so student demand should remain high.

National trends are the same. They show that the appetite for student loans is increasing. More students are seeking more kinds of debt to meet their goals. More debt is not necessarily bad. Students in the highest quintile category of debt upon graduation in 1993 were found to have the highest annual salary 10 years later. Among married couples where both partners had taken out student loans, debts and debt loads were high – an average of \$37,400 in debt, with a monthly payment of approximately \$300 – but also with an average household income of

\$100,700 (Choy, Li, & Carroll, 2006). Of course, students with the most debt are likely to capture ones with doctoral degrees or with professional degrees in law, medicine or business.

One bright spot is a recent change in the cost of lending for federal loans. The College Cost Reduction Act of 2007 mandated some caps on interest rates. These rules seem positive, but they may have unintended consequences. The chart that follows shows the maximum interest



rates that borrowers can pay on their Stafford loans in the next five years. These lines show the differing interest rate trajectories for subsidized and unsubsidized student loans.

Going forward, lenders will see lower and lower returns on their student loans, with no ability to accommodate for the inherent risks associated with lending to a group of borrowers whose future income is relatively unpredictable and whose past credit histories are often either short or non-existent.

#### More students find that they need to finance more for their education

Nonetheless, it is worrisome to see debt needs expand beyond Stafford loans. Students at all income levels routinely utilize second-best forms of aid. In 1995-6, 87 percent of low-income students who took on debt used subsidized loans only. Another 10 percent used both subsidized and unsubsidized. By 2003-4, just 72 percent of low-income students used only subsidized loans (a decline of fifteen percentage points.) The

increase was made up by the dramatic increase in the percentage of low-income students who took both subsidized and unsubsidized loans.

Unsubsidized Stafford loans do not require that students meet “need-based” criteria. Low-income students can take them out, though. Low-income students face a difficult scenario. Some students who qualify for subsidized Stafford loans are taking those loans to the maximum level possible and then taking out unsubsidized Stafford loans, as well. In fact, the percentage of students who took out only subsidized Stafford loans, as a share of all students, declined by two percentage points (from 15 to 13 percent) from 1995-6 until 2003-4. The number of students who took out both more than doubled during the same period, from 7 to 15 percent (Wei, Berkner, & Carroll, Trends in Undergraduate Borrowing II; Federal Student Loans in 1995-6, 1999-2000, and 2003-4, 2008).

In a study that compared debt among students in academic year 1989-90 with students 10 years later, rates of unsubsidized loans use surged 105-fold among borrowers at public four-year institutions and forty fold at private four year institutions (Wei, Li, & Berkner, A Decade of Undergraduate Student Aid: 1989-90 to 1999-2000, 2004). The next table, drawn from statistics recorded with the National Postsecondary Student Aid Study, shows the rate of change among different categories of students.

**Changes in Percent of Students Utilizing Loans, by Dependency Status and Loan Type**

	<i>Public Four Year</i>			<i>Private Four Year</i>		
	Percent unsubsidized Stafford			Percent unsubsidized Stafford		
	89-90	99-00	Change	89-90	99-00	Change
Dependent	0.2	21.1	10450%	0.5	20.8	4060%
Independent	5.8	37.4	545%	9	39.9	343%
	Percent subsidized Stafford			Percent subsidized Stafford		
Dependent	19.7	33	68%	36.9	50.1	36%
Independent	41.3	55.8	35%	51.4	51.1	-1%
	Percent non-federal			Percent non-federal		
Dependent	2.1	5.3	152%	3.6	15	317%
Independent	2.3	4.7	104%	3.2	9.2	188%

Source: National Postsecondary Student Aid Study

This tells us that the cost of college has started to exceed the ability to pay for it among more well-to-do families. The “needy” students continue to draw Stafford loans and have in fact increased their rate of utility among them. Yet, now the “un-needy” – who might be

characterized as more middle class – are also seeing college as an expense that requires financing.

*An important factor to remember is that students who take out both subsidized Stafford loans are also likely to qualify for Pell Grants.* Pell Grants can normally pay for several thousand dollars in tuition. The fact that low-income students are borrowing unsubsidized loans on top of subsidized loans and Pell Grants speaks to the burdens of tuition. Going to college as a low-income student with subsidized loans means making interest payments at a time when earning power is low. The scenario paints a picture of low-income students racing the clock to finish school before debt loads catch up with them.

### **Loan type makes a big difference**

**M**ost students can help themselves by focusing on loans that are either financed or guaranteed by the federal government. Private student loans, on the other hand, present some dangers. Many have features that draw parallels to the substandard terms in subprime mortgage loans. For example, most do not have a fixed rate. Instead, the variable rate is tied to an index (often the LIBOR). The premium above LIBOR varies according to the credit characteristics of the student. Interest rates are much higher. In November 2008, a Congressional panel revealed that private student loans were on average more than 10 percentage points above LIBOR (Paley, 2008). Not only do outstanding bill payments influence loan pricing, but also the student's choice of major.

*Interest rates are often very high.* The average interest rate, by one survey, was 11.5 percent. The average origination fee was 4.5 percent of the loan amount (Loonin & Cohen, 2008). Private loans accrue interest while a student is still in school. Private student loans have high ceilings. Students can get private loans for sums as high as \$40,000. For the most part, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA) makes all private student loans non-dischargeable in bankruptcy (Kantrowitz, 2007).

The unfortunate trend is that increases in tuition, coupled with stagnant ceilings on grants, have led more students to use private loans. Up until August 2008, when securitization for these products ceased, banks have been more than willing to engage in this business. The sum of

dollars loaned annually for private student loans increased from just \$1.5 billion per year as late as 1997 to approximately \$17 billion in 2006. This is an increase of 750 percent. During the same period, lending for federal loans only increased 61 percent (Harnisch, 2008). Until the credit crisis, private student loans were a popular asset-backed security class, accounting for approximately 9 percent of all issuance in (US Department of Education, 2008)2005. From 2005 to 2006, securitizations increased from \$9.4 billion to \$16.6 billion (Loonin & Cohen, 2008).

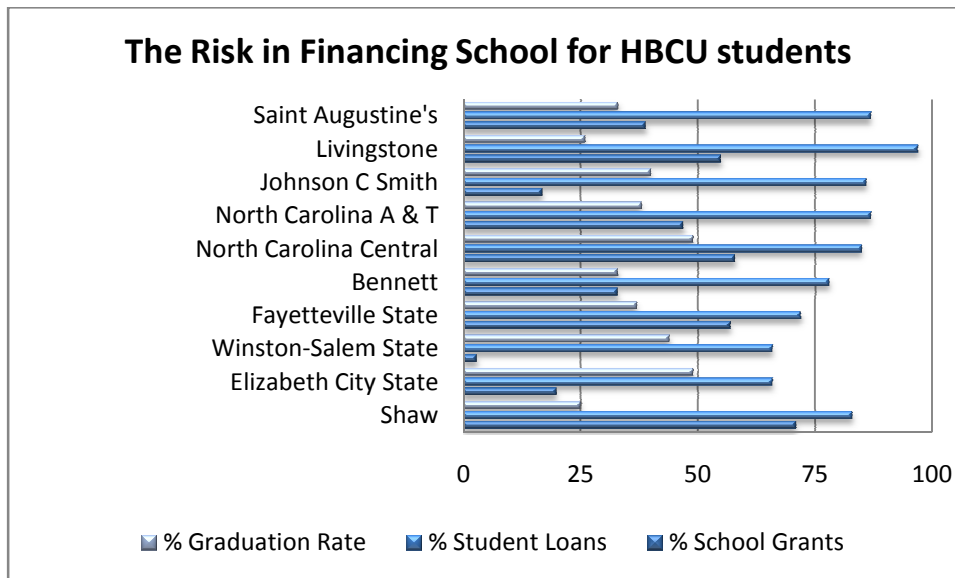
Then again, plenty of students take out private loans without even considering the resources available to them through FFELP, PLUS, or other federal loan programs. A 2007 study by the American Council of Education determined that one in five students with a private loan never applied for a federal loan first. The reason could be as simple as convenience. About half of the students in this group never filled out the FAFSA (King, 2007).

### **HBCUs and Credit Cards**

**S**chools can influence the choices that students make about credit. Student loans are part of a larger set of financial products that students utilize while in school. North Carolina Institute of Minority Economic Development's survey of 88 students found that many had substantial amounts of credit card debt as well.

Although schools may permit lenders to set up credit card application displays in student unions or at school events, students need to take a weary view of those solicitations. A recent study found that 78 percent of college students have a credit card and more than 2 in 5 who graduate are leaving school with more than \$3000 in credit card debt (Staten & Barron, 2002).

The next chart shows graduation rates (percentages) compared to use of student loans at NC HBCU's in 2005-06.



Source: Economic Diversity (Peterson's)

The other variable is the percentage of students who got financial grant aid from their school. The overall message of this chart is that many students are taking out loans but not graduating. The largest discrepancies would be at Livingstone and Shaw. It is important to note that graduate rates reflect performance over six years, whereas student loans reflect just one year. That means that the numbers cannot be subtracted from each other to find the exact percentage of students who took out loans without graduating. In spite of that, the implication is apparent. Many students are going to have a hard time paying off their loans.

It can become a level of debt that compromises ambitions for putting a degree to work in a career. Some anecdotal reports talk about students having to forego graduate school because of college credit card debt. The implications are more significant as credit scores become more and more pertinent for job applications.

Moreover, paying off credit card debt is another obligation that students may put off, expecting to have more financial resources after college graduation. Most HBCU students do not graduate. In 2005-06, graduation rates at North Carolina HBCUs ranged from as low as 25 percent (Shaw) to as high as 49 percent (North Carolina A&T and Elizabeth City State) (Institute for College Access and Success, 2008). Another set graduates, but fails to get the right skills sets to secure high-paying employment.

## Race and Student Loans

If the increase in tuition is constraining choices for all students, then it has the potential to severely threaten African-American families. Even as incomes have grown more approximate across races, African-Americans still have far fewer household financial assets than do whites, Asian-American, or even Hispanic Americans.

Many African-American students rely upon financial aid. In 2003-4, 89 percent of full-time, full-year African-American undergraduate college students received some kind of financial aid (Ramani, Angelina, Fox, & Provasnki, 2007), including both grants and loans.

African-American students come from families with less income, in general. In 2003-04, dependent African-American students were 2.05 times more likely to report parent income of less than \$20,000 than were all dependent students, and almost half as likely (0.55) to report parental income of more than \$100,000. Other minority groups draw less from the lowest income group and more from the highest income group (Hispanics: 1.91 and 0.57, Asian-Americans: 1.59 and 0.77) (US Department of Education, 2008).

Not only are more students taking out loans, but they are also taking out more in loans, on average, than they did a few years back. This is true for African-Americans as well as for any other racial group. The next table shows changes in loan amounts from 1999-2000 to 2003-04.

### Aid, including both loans and grants, by Race and Ethnicity in 1999-2000 and 2003-04.

Type of aid and race/ethnicity	1999-2000	2003-04	1999-2000	2003-04	1999-2000	2003-04
	Any aid		Grants		Loans	
<b>Total<sup>1</sup></b>	<b>\$9,300</b>	<b>\$9,900</b>	<b>\$5,400</b>	<b>\$5,600</b>	<b>\$6,000</b>	<b>\$7,300</b>
White	9,500	9,900	5,600	5,500	6,000	<b>7,400</b>
Black	9,300	10,500	5,100	5,700	5,800	<b>7,100</b>
Hispanic	7,800	9,000	4,700	5,400	5,900	<b>7,000</b>
Asian/Pacific Islander	10,100	10,000	6,400	6,700	6,000	<b>7,100</b>
<b>American Indian/Alaska Native</b>	<b>9,200</b>	<b>9,500</b>	<b>5,700</b>	<b>5,400</b>	<b>5,800</b>	<b>6,900</b>

Source: U.S. Department of Education, National Center for Education Statistics, 1999-2000 and 2003-04 National Postsecondary Student Aid Study (NPSAS:2000 and NPSAS:04).

This data includes both Stafford subsidized, unsubsidized, and PLUS loans for undergraduates. Grant amounts are where race and ethnic groups have taken different turns. For white and

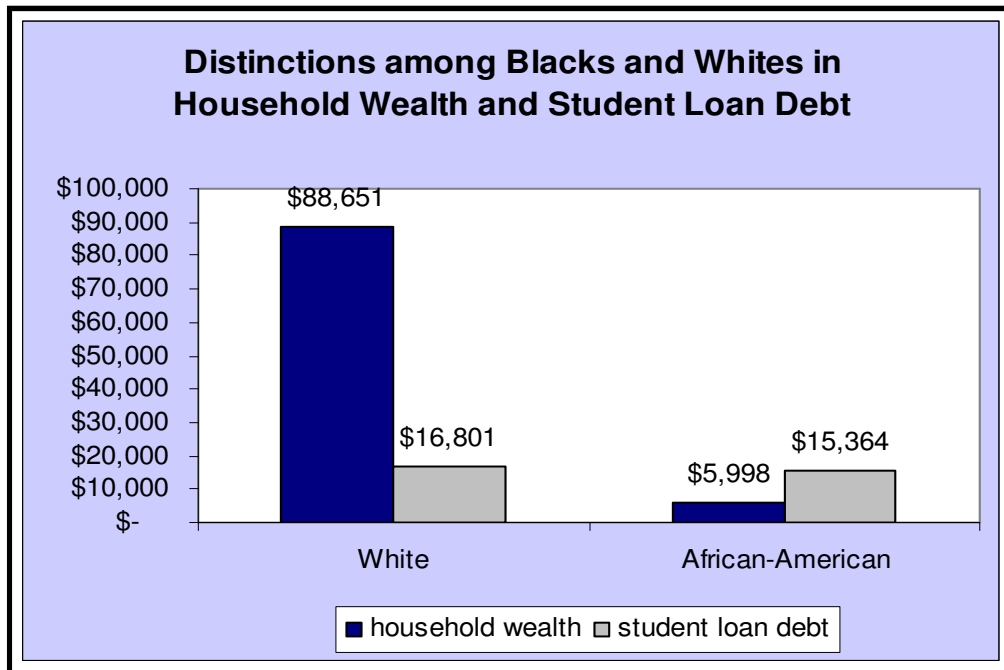


American Indian students, grant amounts have actually gone down. Increases have been more observable for African-American and Hispanic undergraduates.

Loans are often accessed in an order. If students are judicious, they choose grants first, then subsidized Federal Loans, then unsubsidized Federal Loans, and then, only as a last resort, private student loans. Some will also be able to qualify for Perkins Loans. Some will have parents willing to use the PLUS loan program.

When they do use private loans, African-American borrowers are less likely to have as much private student loan debt. Approximately 15.7 percent of undergraduate African-Americans who had private loans had more than \$10,000 in such debts, compared to 26.7 percent of white undergraduate students who did have private loans (US Department of Education, 2004).

It is impossible to consider the impact of student loans to African-Americans without considering the context of household finances. While average incomes among races have grown more proximate over time, a pronounced gap in asset accumulation continues to distinguish the contrast in white and black America (Kochhar, 2004). The next chart, showing the average debt load of black and white students upon entering repayment status, puts this in context.



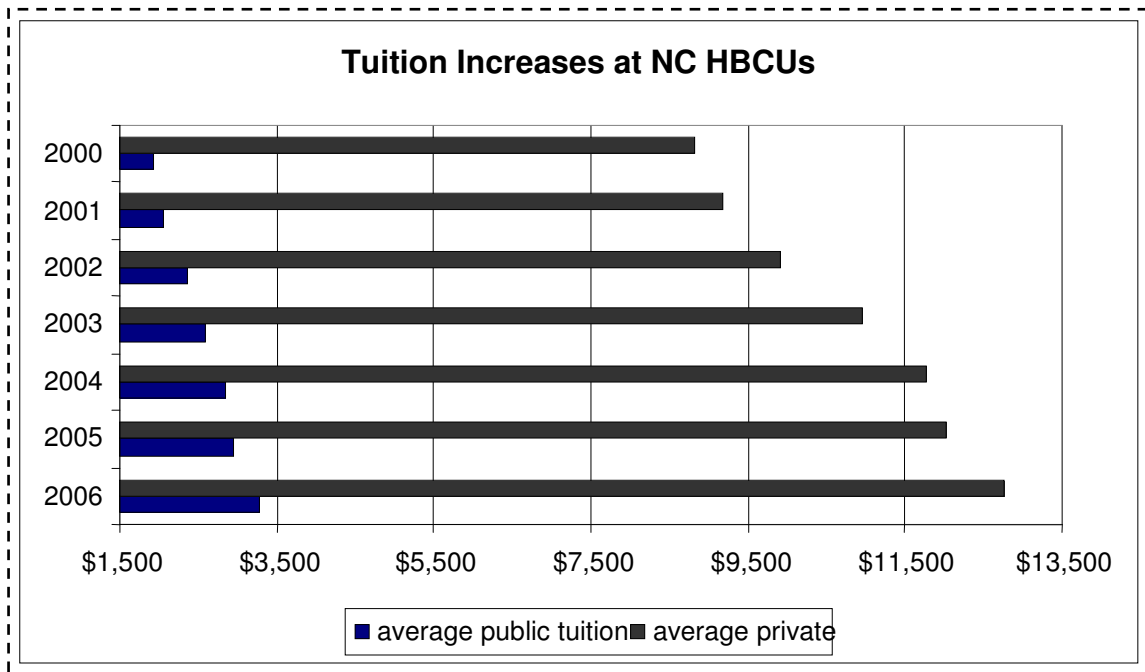
Source:  
PEW  
Hispanic  
Center

This shows how paying for even one year of college can outstrip the assets of the median African-American family. The average loan amount financed by a student at a North Carolina HBCU to attend one semester of school is approximately 80 percent of the average sum of assets held by African-American households. These sums include housing equity. More than one-quarter of African-American households have no wealth, or even less (US Department of Education, 2004).

### **How this Impacts Students at North Carolina's HBCUs**

**A**t HBCUs, a high percentage of students use student loans to finance their education. In North Carolina, approximately 94 percent of undergraduate full-time, first-time degree seeking freshman students enrolled in an HBCU in school year 2005-06 received some kind of financial aid (grants or loans). This represents an increase from about 88.6 percent in 2000 (US Department of Education, 2008). Almost 80 percent of undergraduates at the state's ten HBCUs received student loan aid (US Department of Education, 2008).

The same trends hold true at North Carolina's ten HBCUs. Tuition is definitely on the increase at these schools. There have been annual increases in tuition at virtually every North Carolina HBCU during the last six years.



Tuition costs for in-state, on-campus undergraduate students have increased by an average of 7.4 percent per year at private HBCUs in the state, and by 11.4 percent at public HBCUs (US Department of Education, 2008). While the average loan amount did not increase significantly, more loans are being originated. It is a picture of broadening need. More and more students at HBCUs in North Carolina must call upon student loans to finance their college education.

It is worth mentioning that even after increasing prices for their students, many HBCUs have lower tuitions than comparable schools in their regions. Nationwide, the cost of attending a private four-year HBCU in 2006 was approximately \$10,000 less than the cost of attending a private four-year PWI (Baskerville, 2006). The same income constraints that exist among all African-American families are also evident among students at HBCUs. Still, the picture is somewhat nuanced. African-American students at HBCUs are more likely to come from a low-income household than are African-American students at a PWI. At the same time, HBCUs are not the institutions with the poorest student bodies. Minority-serving HBCUs are even more likely to have more low-income students. The next chart shows the distribution of low-income students as a share of the undergraduate population in 2004.

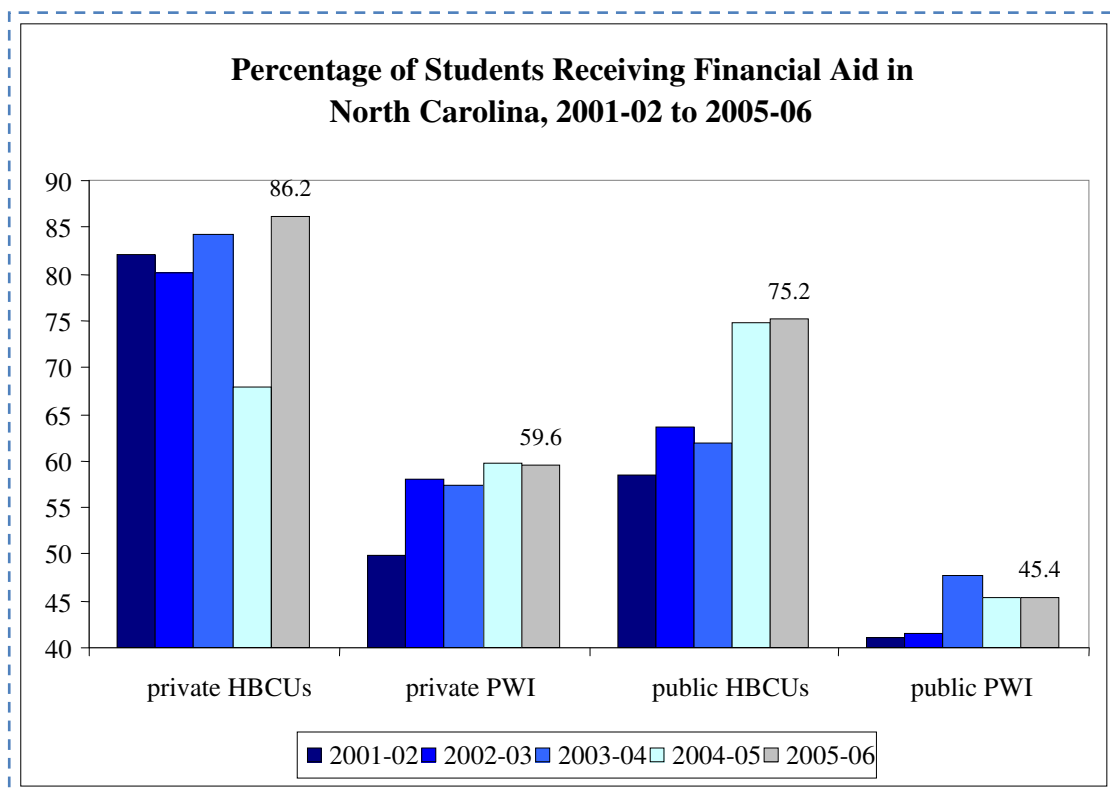
**Percentage of Low-Income Undergraduates, Sorted by Type of School**

Type of School	ALL	Public Four Year	Private Four Year
All	27.1	17.1	18.0
PWI	21.2	15	16.1
HBCUs	33	31.8	33.3
Minority serving non-HBCU	44.4	16.8	25.4

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Fall 2004; Pell Grants Recipients Data for Fiscal Year 2004

The gap is consistent across both public and private colleges and universities. About twice as many low-income students are in the student bodies of HBCUs compared to PWIs.

Students at North Carolina HBCUs have responded by seeking more loans. The recent trend is for more students to utilize loans. Students call upon a variety of resources, include grants, work study, and even outside employment. In the period from 2000-01 to 2005-06, though, the percentage of undergraduate full-time students who got loans increased by over fifteen percentage points. The next table crosstabs student loan use among undergraduates at North Carolina colleges and universities for the years 2001-02 to 2005-06. The outcomes are cross tabbed by HBCU or PWI and by public or private school.



Source: IPEDS.

The findings further reinforce the trend that shows a greater use of student loans among students at HBCUs. There is about a thirty percentage point gap in loan use, after controlling for public or private school category, when comparing HBCU students with their peers at PWIs. Moreover, while the findings for private HBCUs show a reduction in student loan use in 2004-05, that finding should be viewed with a sense of caution. Most of the difference can be attributed to the lack of a report on student loans by one school. An interesting trend is the decline in rate of use of student loans at public PWIs.

Loan amounts show a more consistent picture, comparing PWIs to HBCUs, in North Carolina. At each set of institutions, the average loan amounts have gone up about four percentage points, per year, over the period from 2000-01 to 2005-06. The average increase is actually slightly higher at PWIs. The next table compares the percentage of full-time, first-time undergraduates taking out student loans, and the amount that they borrowed, in their freshman year.

**Percentage of Student using Loans**

		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
HBCU	Percent	65	70	72	73	71	81
PWI	Getting Loans	60	64	69	68	67	77
HBCU	Average	\$ 3,922	\$ 3,640	\$ 3,490	\$ 3,611	\$ 4,726	\$ 4,843
PWI	Loan Amount	\$ 3,576	\$ 3,964	\$ 4,181	\$ 4,134	\$ 4,462	\$ 4,531

Source: IPEDS, 2001-06

This table shows that average amounts of student aid have increased in a proportional manner at both sets of institutions. Students at HBCUs are slightly more likely to take out a student loan, and those that do take out loans are more likely to take out a slightly larger sum of money.

Borrowing at low-cost schools is not limited to low-income students. At the three lowest priced HBCUs in the state (Elizabeth City State, Fayetteville State, and Winston-Salem State), almost 3 in 10 students still took out unsubsidized loans. In-state tuition at these schools was less than \$3,000 at each of these schools in 2005-06 (US Department of Education, 2008). Students at HBCUs are more likely to take out an unsubsidized student loan than are other students. At private HBCUs, the mean percentage of students taking out unsubsidized loans is 49.4 percent, compared to just 33.9 percent (US Department of Education, 2008).

*Assumptions Must be Examined when Comparing African-American Students at HBCUs to African-American students at PWIs, nationwide.*

African-American students at HBCUs and PWIs are often in a different place in their lives than are African-American students at predominantly white-institutions. Among African-American students who have declared themselves independent for financial aid status, more than 21.1 percent of students are single parents. That is almost double the percentage (12.9) among African-American independent students at PWIs (US Department of Education, 2004).

Some differences are less about life trajectory, but also worth mentioning. The percentage of African-American students at HBCUs who are women is slightly higher at HBCUs (59.9 percent to 56.4 percent) than at PWIs, but not as high as at black-serving non-HBCUs (73.8 percent). African-American students at HBCUs are less likely to have parents with a college degree (33.2 percent) than are African-American students at a PWI (36.9 percent).

As a group, African-American students at HBCUs are more likely to be unemployed while in school than are African-American students at PWIs. Fewer work full-time (41.8 percent at HBCUs, 47.8 percent at PWIs). Potentially, this could reflect the lower tuitions at HBCUs, fostering an opportunity for students to study unimpeded by the need to work. Not only are there more low-income students at HBCUs, but there are also more low-income African-American students at HBCUs: 46.5 percent of African-American students at HBCUs are considered low-income, compared to just 35.6 percent of African-Americans at PWIs. Fewer African-Americans at HBCUs took remedial courses in 2003-04. More African-Americans at HBCUs are enrolled full-time (61.1 percent) than are African-American students at PWIs (51.1 percent) (US Department of Education, 2004). See Appendix Three for more demographic comparisons.

### **Student Loans: A Blessing, or A Curse**

**S**top and think for a second. No one really has a problem with a student who takes out student loans and then gets a job that allows him or her to pay them off without burden. What is problematic (and a concern for public policy) is the scenario that occurs when a

student cannot handle his or her debt. Some students may overestimate the value of their degree upon future earnings. Others might not graduate.

But with each successive loan, though, the stakes grow higher on the prospect that a college education will pay off with a high-paying job. Unlike a mortgage or even a car, there is no collateral for a student loan. It is up to the borrower to make something of the money. If a borrower doesn't graduate, or if the borrower chooses the wrong path, then the college wage premium isn't realized and the student is burdened with a load of debt. Not graduating is a real concern, too. In 2005-06, the average graduation rate (as defined by the US Department of Education) at North Carolina's ten HBCUs was 36.8 percent.

This grounding means that student loans are a serious concern (and potentially a problem) for the long-term financial health of a person, a household, a community, or a region. Offering credit creates opportunity but also risk. African-American student loan debt, viewed in the context of the lower levels of asset accumulations among African-American households, is potentially of greater concern for subsequent credit-related decisions.

Public policy has some rules in place to help out struggling borrowers to deal with their loans. That said, the scope of those rules is finite. Loan forgiveness, where lenders cancel principal payments, is one option. Loan forgiveness rules are often focused on relieving the burden of debt for students who pursue public service jobs that do not pay well. The new laws allow students to qualify for loan forgiveness when they work in a qualifying profession (teaching, nursing, non-profit work, et al). Even so, they must repay their loans, without interruption, for as long as ten years. This can make people think twice about staying in a lower-paying profession.

When borrowers are aware of the facts, it makes a difference. The lack of knowledge about what it takes to pay for college is widespread, and it represents an obstacle that deserves the attention of policy makers. College plays a key role in opening doors for opportunity, and yet many students or parents are not adequately prepared to pay for tuition. Part of this owes to financial capacity, but another portion reflects areas where counseling and planning can make inroads toward improvement. A 2003 study by the College Board concluded that only eighteen

percent of students and thirty percent of parents had obtained information on the costs associated with the kinds of postsecondary institutions where they intended to enroll. The study only included students and parents whose children had plans to attend college (Horn & Chapman, 2003).

The likelihood of having sought cost information was associated with higher-income families, and negatively correlated with both low-income families as well as with African-American families. Interestingly, though, when potential college students did seek information, they found out that tuition costs were lower than their expectations. Looking at it differently, almost three-quarters sought information on the academic requirements to attend college.

Again, policy can make a difference. Students and their parents have time on their side. Policy should seek to get people saving for college when children are young. Efforts at marketing and outreach could make a difference. In North Carolina, by one estimate, it takes 26 percent of median family income to pay for a year of college at a four-year public university, after tuition is reduced with financial aid (National Center for Public Policy and Higher Education, 2008). If a person waits until their senior year to consider how to pay for college, he or she will have missed out on programs (NC 529 Plan, Coverdell) that exist to aid student finance.

### **Some Policy Actions**

**C**oncerned leaders can press for change at multiple points. They should engage with institutions as diverse as lenders, HBCUs, state legislatures, and the US Department of Education. Student loans are financed, regulated, and disbursed at many different points, and an appropriate policy response can engage change at any of these places. An important theme is to push borrowers away from private student loans. Although they are convenient, they expose students to high interest rates and come with few protections.

#### **SCHOOLS:**

- Help the schools to avoid defaults among former students. Develop linkages between admissions offices, registrar and financial aid departments.



- Redesign courses to take advantage of gains in information technology. At most community colleges, 25 courses make up half of enrollment. At four-year colleges, the 25 most popular courses make up 35 percent of enrollment (Twigg, 2005).
- Develop “career-ladder” partnerships. Already, many nursing and allied health jobs work to create a discrete transition to workforce by focusing education on skill development and leading students into jobs through internships and apprenticeships. The best programs relieve students of some tuition cost.

#### STUDENTS:

- *Redirect students away from private lenders.* Currently, interest rates on private loans range from 11 to 13 percent (Paley, 2008). In a low-interest rate environment, there are better alternatives.
- *Pay interest while in school:* Students should consider, and loan repayment should allow, students to make interest only payments on their loans while they remain in school. The alternative and widely accepted plan on non-subsidized loans is to defer interest. This creates a systemic habit to negatively amortize a loan. The end result is that students have a shorter period of repayment with the same payment amount. Pay down deferrable interest while in school, if possible, in order to lower the debt service.
- Borrow smart: Find out about Pell Grants before you borrow. It sounds obvious, but it needs to be said, if only because about one-in-five private loan applicants never did it, but fill out a FAFSA and apply for federal loans. Avoid private loans.
- Apply for either the Hope Education Credit or the Lifetime Learning Credit
- Utilize savings vehicles, either through Roth, Coverdell, 529 or matching IDA savings accounts, to build up accounts to pay for school without debt.

#### STATES

States can lever federal resources to increase the availability of loans and grants for students:

- *Increase state support for Perkins loans to attract matching Federal support.* The state-by-state distribution of Federal Perkins loans, which provide aid to low-income students, are determined by the percent of participation by each state. All participating states must contribute at least 25 percent.
- *States can attract grant dollars by investing in LEAPS and SLEAPS.* The Leverage Education Assistance (LEAP) and the Supplemental Leveraging Education Assistance (SLEAPS) programs provide grants of between \$1,000 and \$5,000 to needy students.

- *Focus on need-based aid.* Research indicates that college aid based upon merit goes disproportionately to non-low income students (Singell & Stone, 2002). Analysts suggest that this can lead to great inequality, not just in opportunity, but in outcomes.

*Apply state resources to secondary student loan markets:* Here are a few ways:

- Buy student loans originated on behalf of students at NC schools.
- Provide backstops in the form of loan guarantees to lenders for loans made to North Carolina students. This would enhance the attractiveness of schools for prospective students and potentially encourage cross-subsidization of financing products to underserved students.
- Provide grants that supplement federal grants, thus reducing demand for loans.
- Provide loans that supplement federal loans, thus reducing demand for private loans.
- Develop state-level savings accounts that provide matching dollars for use at North Carolina universities.

If we view student loan debt in the context of Lifecycle Theory, some policy options come into play. If savings is motivated by self-consumption, this would lend support for policies that allow students to enhance their savings prior to schooling.

- In recent years, asset policy leaders have sought *universal children's savings accounts* at birth. In this system, federal or state funds are deposited into an account created for each child. The accounts can be matched.
- Some propose to link these savings accounts with 529 plans, to provide tax protections for gains in account holdings (Lopez-Fernandini, Cramer, & O'Brien, 2008). Not only would such a plan introduce savings, it would also limit the number of under-banked and unbanked people. Coverdell contributions can only go to children under age 18. Contributions are not tax-deductible.

Service is an important priority for the current generation of students, often referred to as "millennials."

## Conclusion

**T**he playing field is changing. A 2006 commission charged with examining how undergraduate education could be changed to better serve low-income students concluded that increasing Pell Grants would be the most effective course of action. The commission was specific, indicating that the value of the average Pell award should go from 48

percent of average in-state tuition to 70 percent within five years. This would double federal expenditures on Pell Grants from \$13 to \$26 billion (Heller, 2006).

Given that there are many low-income students at HBCUs, this could relieve a lot of pressure on student financial needs in the future. It bears repeating that the consequences of any economic intervention are often not perceived without hindsight. The CCRAA, coupled with the renewal of the Higher Education Act of 2008 (also known as the Higher Education Opportunity Act), will shift supply and demand functions for student loans.

Recent legislation will address those suggestions. In 2007, Congress passed the College Cost Reduction and Access Act," which increased the annual grant amount ceilings on Pell Grants. They increase maximum Pell Grant awards by \$490 for 2008 and 2009, by \$690 for the subsequent two years, and by \$1,090 for years thereafter. Pell Grants are currently maxed at \$4,310 per year. A new income-based repayment program will be developed. Borrowers will be expected to pay fifteen percent of the portion of their income above 150 percent of the poverty line (federal). Subsidies to originators and to re-insurers are reduced. This makes the law a zero sum impact on taxpayers. It increases grant aid to LMI borrowers.

The CCRAA also helps students on the other side of debt. For graduates who are challenged to pay off their loans, rules now exist to help them can qualify for loan forgiveness, if they meet certain requirements. Graduates that choose to work for non-profits, or within select professions, can earn loan forgiveness. It is not an easy path. Borrowers must demonstrate a long-term history of making payments. Loans are only forgiven after many years of public service. The original language in the bill created caps on income for people who sought to qualify for the program. A technical amendment passed this year removes the "marriage penalty" that was created for married couples who file jointly.

It remains true, in any scenario, that students should pursue a course for financing their education that is sensible. In order to get the best kinds of debt, students have to complete the Free Application for Federal Student Aid (FAFSA). Policy makers should listen to critics who assert that the complexity of the application, as currently written, reduces application rates for

FFELP loans. It is not a simple application. It is more complicated than most of the tests that students will take while in school! By some estimates, it takes more time to fill out than an income tax return. It has fifteen pages of information. It has to be filled out repeatedly.

The schools themselves can complement this process by exerting as much effort as possible to counsel students. It is the same principle that holds true for home buyers, except that these borrowers are even younger. Counseling is a low-cost way to improve borrower outcomes. If counselors can “steer” students to subsidized loans and Pell Grants, and away from private loans, students will benefit. The “Direct-to-Student” private loan channel bypasses the loan counseling office. These loans can be applied for over the Internet.

Partnerships can make a difference, as well. HBCUs could encourage sign ups with the North Carolina 529 plans. At the end of 2007, there were 44,947 North Carolina College Savings Plan Accounts holding \$391 million in assets. That is an average of \$8,692 per account (College Savings Plan Network, 2008). This is below the national average in terms of account size, and a thin representation for a state with 1.94 million people under the age of 18 (Census, 2000).

North Carolina’s support for need-based aid would help low-income students. Indirectly, more need-based aid would also help HBCU students. We know that HBCUs educate a higher than average number of students from low-income households. State education spending on need-based aid accounts for 39 percent of the funds spent from federal sources. This is below the mean for the United States, although it represents a substantial increase from 1992, when North Carolina’s spending on need-based aid represented just 3 percent of federal Pell Grant expenditures (National Center for Public Policy and Higher Education, 2008).

This paper has documented that more students are financing their education with student loans, and that the average loan amounts are increasing as well. While the rate of increase among students at HBCUs is roughly comparable to the rate of increase among students at PWIs, it is not a healthy development. Asset building research indicates that African-American households have only one-twelfth the savings of white households (Kochhar, 2004). Although recent legislation has lowered interest rates on some FFEL loan programs, it remains unclear how well so many asset poor households will be able to shoulder so much debt, at the onset of

their professional lives. These challenges seem likely to remain as long as government deficits grow. Those deficits will put pressure on states and institutions to push cost for education onto consumers.

The question that remains is how this will threaten our goal as Americans, and the goal shared by the HBCUs as institutions, to extend the opportunity of a good education to as many students as possible.

Appendix One: Primarily White Institution (PWIs) List

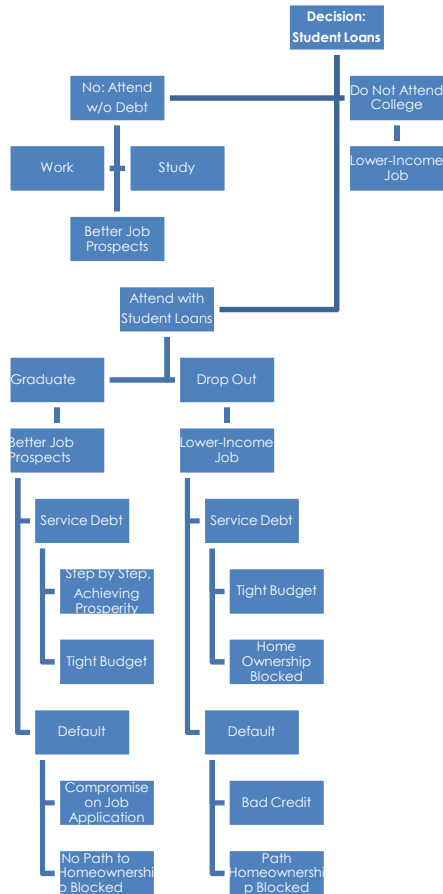
College or University	Location
University of North Carolina at Asheville	Asheville
North Carolina State University	Raleigh
University of North Carolina at Chapel Hill	Chapel Hill
University of North Carolina at Charlotte	Charlotte
University of North Carolina at Greensboro	Greensboro
University of North Carolina at Pembroke	Pembroke
University of North Carolina-Wilmington	Wilmington
Western Carolina University	Cullowhee
Catawba College	Salisbury
Guilford College	Greensboro
Meredith College	Raleigh
Peace College	Raleigh
Appalachian State University	Boone
Brevard College	Brevard
Campbell University Inc	Buies Creek
Davidson College	Davidson
Duke University	Durham
East Carolina University	Greenville
Elon University	Elon
Gardner-Webb University	Boiling Springs
Pfeiffer University	Misenheimer
Salem College	Winston Salem
Wake Forest University	Winston Salem
Greensboro College	Greensboro
Queens University of Charlotte	Charlotte
Warren Wilson College	Swannanoa

North Carolina HBCUs

College or University	Location
North Carolina A&T	Raleigh
North Carolina Central	Durham
Johnson C. Smith	Charlotte
Elizabeth City State	Elizabeth City
Winston-Salem State	Winston-Salem
Fayetteville State	Fayetteville
Bennett College	Greensboro
Shaw University	Raleigh
St. Augustine's	Raleigh
Livingstone College	Salisbury

## Appendix Two: Conceptualization of Wealth-Building Trajectory

The next chart shows a theoretical model for the financial progression of a student.



The implication of this chart is that student loans are very important, because they influence many subsequent events in a person's lifetime. They are more important than the sums of debt alone. While student loan debts for graduates in North Carolina average around \$15,000, the sum is more significant.

**Appendix Three: Demographic Characteristics of African-Americans, by type of postsecondary Institution**

	TOTAL	PWI	HBCU	Black Serving non-HBCU
Total	100	100	100	100
<b>Gender</b>				
Male	40.4	43.7	40.2	26.3
Female	59.6	56.4	59.9	73.8
<b>Age as of 12/31/03</b>				
23 or younger	62.4	63.5	65.8	50.8
24 or older	37.6	36.5	34.2	49.2
24-29	17.1	16.4	13.8	22.7
30 or older	20.5	20.1	20.4	26.5
<b>Dependency and family status</b>				
Dependent	56	58.2	57.1	43
Independent	44.1	41.8	42.9	57
No dependents, unmarried	16.1	15.2	13.7	19.8
Married, no dependents	4	4.9	2.7	2.3
Single parent	16.5	12.9	21.1	25.4
Married parents	7.5	8.8	5.4	9.5
<b>High school degree type</b>				
Diploma	94.2	93.7	95.1	92.6
GED or other equivalence	3.5	3.2	4.1	4.7
Other	2.3	3	0.8	2.7
<b>Enrollment into postsecondary education</b>				
Did not delay	70.3	68.9	73.8	66.9
Delayed 1 or more years	29.7	31.1	26.2	33.2
<b>Undergraduate major</b>				
Business/management	19.8	20.4	19.5	17.9
Education	7.9	6.4	11.8	8
Engineering/sciences	27.2	25.9	31.1	29.3
Humanities/social/behavioral sciences	20.6	22.2	14.5	21.7
Other	15.1	14.1	17.8	10.7
Undeclared/not in degree programs	9.4	11	5.2	12.4
<b>Attendance intensity and duration</b>				
Full-time and full-year	52.9	51.1	61.1	42.9
Part-time or part-year	47.1	48.9	38.9	57.1
<b>Attendance intensity</b>				
Exclusively full-time or mixed full/part-time	74.3	73.8	78.4	69.2
Exclusively part-time	25.7	26.2	21.6	30.8
<b>Work intensity while enrolled</b>				
Did not work	23.7	22.5	29.2	22
Worked part-time	46.2	47.8	41.8	42.4
Worked full-time	30.2	29.7	29	35.6
<b>Primary role as student or employee</b>				
Student working to meet expenses	76.4	77.1	76	70.7
Employee enrolled in school	23.6	23	24.1	29.3
<b>Took remedial courses in 2003-04</b>				
No	80.4	83.3	75.4	72.5



Yes	19.6	16.7	24.6	27.6
<b>Parent's educational attainment</b>				
High school or less	36.4	35.3	38.5	33.2
Some college	28.3	27.8	28.4	33.8
Bachelor's or higher degree	35.3	36.9	33.2	33
<b>Highest level of education ever expected</b>				
Less than bachelor's degree	1	0.8	1	2.9
Bachelor's degree	20.5	19.7	21.6	17.1
Advanced degree	78.6	79.5	77.5	80
<b>Low-income status</b>				
Low-income	38.8	35.6	46.5	39.3
Not low-income	61.2	64.4	53.5	60.7

Source: IPEDS, Among Black undergraduates enrolled in public 4-year degree-granting Title IV institutions, percentage distribution of student demographic and enrollment characteristics, by minority-serving status of institution: 2003-04

## Appendix Four: Legislative Changes in the Stimulus Bill

### In the Stimulus Bill

- In 2009, President Obama has proposed to increase the size of *Pell Grants* and extend the portion of the population eligible for them, in the new stimulus bill. The final language will raise maximum Pell grant awards by \$500. Students can get \$5,350 in 2009, and \$5,550 in 2010.
- *The Tuition Tax Credit* will provide a partially-refundable tax credit of \$2,500 for money spent on college. The tax credit phases out for filers filing separately or as singles at incomes above \$90,000, or for couples with incomes above \$180,000. For families without this much tax liabilities, up to \$1,000 is refundable.

### Other Potential Changes

- *The American Opportunity Tax Credit (HR 106)* bill would add a tax credit for low-income students. It will be refundable, although there are competing versions of the bill where the credit is either fully or partially refundable. Also, the size of the credit has varied from \$2,500 to \$4,000. Some versions limit eligibility to students in the first two years of their schooling. It would replace the Hope Tax Credit, which provides a non-refundable credit of up to \$1,650 to students for the first two years of their undergraduate schooling. The bill was referred to House Way & Means.
- *College Opportunity Tax Credit (S143)* increases the Hope Tax Credit, providing 100 percent of the first \$2,000 in higher education expenses and 50 percent of the next \$4,000. The Credit is also made refundable and is applicable for all four years of college. The Lifetime Learning Credit is doubled (from 20 percent to forty percent) of applicable tuition expenses. The latter credit is aimed at older students and graduate students. The Hope has been aimed at the first two years after high school. Referred to Senate Finance Committee.
- Senator Schumer has proposed a different bill to replace the same two credits, (S. 250.) It refunds at a slightly lower rate, but covers more of the tuition (up to the first \$8,000 per year) in the Hope Credit portion. The bill has exclusions for students with adjusted gross incomes above \$70,000, for families with more than three children in school, for convicted drug felons, and for students enrolled beyond the second year of graduate school.
- *Teacher Loan Forgiveness (HR 13)* would provide up to \$25,000 in loan forgiveness on FFEL loans for teachers who have completed 5 years of work at either public or private schools. Loan payment must be current. Referred to House Committee on Education and Labor.
- *Denying federal funds to illegal aliens (HR 892)* is proposed by North Carolina's Sue Myrick. This bill would have troubling consequences, forcing colleges to assume financial risk when accepting students who may be illegal aliens. The bill would provoke a lot of fear. It is written so that all federal funds would be shut off from a university if they allow a student who is determined to be a legal alien. Referred to House Committee on Education and Labor.
- *Student Credit Card Protection Act (S.165)* puts limits on amount of credit (\$500) and interest rate (20 percent) that can be extended to full-time college students under 21, unless parents co-sign or provide their approval. Referred to Committee on Banking, Housing, and Urban Affairs.

## Bibliography

- Advisory Committee on Student Financial Assistance. (2006). *Mortgaging our Future: How Financial Barriers to College Undercut America's Global Competitiveness*. Washington, DC: Education Commission of the States.
- Barrow, L., & Rouse, C. E. Does College Still Pay? *The Economist's Voice* , 2 (4).
- Baskerville, L. (2006). *National Education Association's Comment on Trends in College Pricing and Student Aid*. Retrieved from CollegeBoard.Com:  
<http://www.collegeboard.com/press/cost06/trends.html>
- Census. (2000). *Census 2000*. Washington, DC: US Census Bureau.
- Choy, S., Li, X., & Carroll, C. D. (2006). *Dealing with Debt: 1992-3 Bachelor's Degree Recipients 10 Years Later*. US Department of Education, National Center for Education Statistics. Washington, DC: US Department of Education.
- College Savings Plan Network. (2008). Retrieved from  
<http://collegesavings.org/529plandata.aspx>
- Deere, D. (2001). Trends in Wage Inequality in the United States. (F. Welch, Ed.) *The Causes and Consequences of Economic Inequality* , pp. 9-36.
- Hanming, F. (2006). Disentangling the College Wage Premium: Estimating a Model with Endogenous Education Choices. *International Economic Review* , 47 (4), 1151-85.
- Harnisch, T. (2008). *The Public Realities of Private Student Loans*. Washington, DC: American Association of State Colleges and Universities.
- Heller, D. (2006, Sept. 25). The Elephant in the Student Aid Office. *Inside Higher Education* .
- Hogan, J., Solheim, C., Wolfram, S., Nkosi, B., & Rodrigues, N. (2004). The Working Poor: From the Economic Margins to Asset Building. *Family Relations* , 53 (2), 229-36.
- Hogan, P. (2007, May). Human Capital and the Theory of Life Cycle Investing. *Journal of Financial Planning* .
- Horn, L., & Chapman, C. (2003). *Getting Ready to Pay for College: What Students and their Parents Know About the Cost of College Tuition and What They are Doing to Find Out*. National Center for Education Statistics. Washington, DC: US Department of Education.
- Institute for College Access and Success. (2008). (Peterson's, Producer, & NelNet) Retrieved from Economic Diversity: <http://www.economicdiversity.org/>
- Kantrowitz, M. (2007, August 14). *Impact of the Bankruptcy Exception for Private Student Loans on Private Student Loan Availability*. Retrieved 2008, from Finaid.org:  
<http://www.finaid.org/educators/20070814pslFICOdistribution.pdf>
- King, J. E. (2007). *Who Borrows Private Loans*. Washington, DC: American Council on Education.
- Kochhar, R. (2004). *The Wealth of Hispanic Households: 1996-2002*. Washington, DC: Pew Hispanic Center.
- Loonin, D., & Cohen, A. (2008). *Paying the Price: Private Student Loans and the Dangers for Student Borrowers*. Washington, DC: National Consumer Law Center.
- Lopez-Fernandini, A., Cramer, R., & O'Brien, R. (2008). *The Assets Agenda: Policy Options to Promote Savings and Asset Ownership by Low and Moderate-Income America*. Retrieved from [http://www.newamerica.net/publications/policy/assets\\_agenda\\_2008](http://www.newamerica.net/publications/policy/assets_agenda_2008)
- Moro, A. The Effect of Statistical Discrimination on Black-White Wage Inequality: Estimating a Model with Multiple Equilibria. *International Economic Review* , 44 (2), 467-500.

Murphy, K., & Welch, F. (2001). Wage Differentials in the 1990s: Is the Glass Half-Full or Half-Empty? (F. Welch, Ed.) *The Causes and Consequences of Increasing Inequality*, pp. 341-64. National Center for Public Policy and Higher Education. (2002). *Measuring Up 2002: The State-by-State Report Card for Higher Education*. Retrieved from [http://www.highereducation.org/reports/affordability\\_supplement/state\\_trends\\_11.shtml](http://www.highereducation.org/reports/affordability_supplement/state_trends_11.shtml)

National Center for Public Policy and Higher Education. (2008, September 12). *Measuring Up*. Retrieved 2008, from The National Report Card on Higher Education: <http://www.highereducation.org/>

National Post-Secondary Education Cooperative. (n.d.). *Educational Attainment and Earnings by Race and Gender*. Retrieved 2008, from Higher Ed Info: <http://www.higheredinfo.org/raceethnicity>

Olivas, M. (1986). Financial Aid and self-reports by disadvantaged students: The Importance of Being Earnest. *Research in Higher Education*, 25 (3), 245-252.

Paley, A. R. (2008, November 28). Student Loan Aid is Test for Treasury: Groups Urge No Bailout Benefit to Private Lenders. *Washington Post*, p. A1.

Ramani, K., Angelina, L. G., Fox, M. A., & Provasnki, S. (2007). *Status and Trends in the Education of Racial and Ethnic Minorities*. Washington, DC: National Center for Education Statistics.

Singell, L. D., & Stone, J. A. (2002). The Good, the Poor and the Wealthy: Who Responds Most to College Financial Aid? *Bulletin of Economic Research*, 54 (4), 393-407.

Staten, M., & Barron, J. M. (2002). *College Student Credit Card Usage*. Washington, DC: Georgetown University Credit Research Center.

Student Market Measure. (2008). Retrieved 2008, from Student Market Measure: <http://www.student-marketmeasure.com/facts>

Tin, J. (2000). Life-Cycle Hypothesis, Propensities to Save, and Demand for Financial Assets. *Journal of Economics and Finance*, 24 (2), 110-21.

Twigg, C. A. (2005, June). *Course Redesign Improves Learning and Reduces Cost*. Retrieved February 4, 2009, from National Center for Public Policy and Higher Education: [http://www.highereducation.org/reports/pa\\_core/index.shtml](http://www.highereducation.org/reports/pa_core/index.shtml)

US Department of Education. (2008). *Integrated Postsecondary Education Data System*. Retrieved from Students Seeking Secondary Aid, 2000-06: <http://nces.ed.gov/IPEDS/>

US Department of Education. (2002, Spring). *National Center for Education Statistics*. Retrieved 2008, from [www.nces.edu](http://www.nces.edu)

US Department of Education. (2007). *National Center for Education Statistics*. Retrieved 2008, from Federal Family Education Loan Program: Annual and Cumulative Commitments FY66 to FY2006.

US Department of Education. (2008). *National Center for Education Statistics*. Retrieved from FFELP Loan Volume for First Six Months of FY2008 & FY2007.

US Department of Education. (2004). *National Postsecondary Student Aid Study (NPSAS)*. Retrieved 2008, from <http://nces.ed.gov/surveys/npsas/>

US Department of Education. (2008). *Percentage Distribution of Dependent Undergraduates, by Parents Income and Selected Institutional and Student Characteristics, 2003-04*. Washington, DC: National Center for Education Statistics.

Wei, C. C., Berkner, L., & Carroll, C. D. (2008). *Trends in Undergraduate Borrowing II; Federal Student Loans in 1995-6, 1999-2000, and 2003-4*. US Department of Education, National Center for Education Statistics. Washington, DC: US Department of Education.

Wei, C. C., Li, X., & Berkner, L. (2004). *A Decade of Undergraduate Student Aid: 1989-90 to 1999-2000*. US Department of Education, National Center for Education Statistics. Washington, DC: US Department of Education.

Weinberger, C. (2002). Race and Gender Gaps in the Market for Recent College Graduates. *Industrial Relations*, 37 (1), 67-84.