Setting Financial Aid Priorities: A Survey of Financial Aid Administrators

As one component of developing policies and information to be supplied to policy makers and elected representatives, the Illinois Student Assistance Commission (ISAC) completed a survey of Illinois financial aid administrators. The survey focused on federal priorities regarding needs analysis, student loans, and loan policy. Administrators felt one of the most important changes to make to needs analysis would be to lower the age for automatic independent status. Many administrators felt freshman and sophomore loan limits should be raised by at least $1,000. The survey results will be one of the ways in which ISAC ensures Illinois concerns are included in the 2003-04 Reauthorization process.

Introduction

Few states offer as comprehensive an array of student financial aid programs as does Illinois. Because of its role in administering state and federal grants and scholarships, federal and alternative educational loans, and college saving and prepaid tuition plans, the Illinois Student Assistance Commission (ISAC) is very interested in the opinions of Illinois aid administrators and the Illinois financial aid community. The feedback provided to ISAC is important in charting the direction of student financial aid in the future.

Survey Methodology

The survey instrument included questions about specific federal financial aid items, primarily needs analysis and federal loan policy. Respondents answered questions using either a scale from "Very Unimportant" through "Neutral" to "Very Important," by indicating the degree to which they agreed or disagreed with a statement, or by checking a box with a desired answer. Recipients were also given space to provide written comments. The survey was sent to 156 institutions which included all institutions which participate in the Monetary Award Program (MAP), Illinois primary need-based grant program, and some non-MAP eligible institutions for which ISAC guarantees a high volume of loans. A total of 105 institutions of all types are represented in the results.

Survey responses from Illinois financial aid administrators (FAA's) will be one component utilized by the Illinois Student Assistance Commission (ISAC) to ensure Illinois concerns are included in the 2003-04 Reauthorization.

Findings

Needs Analysis

Survey recipients were asked a series of questions concerning elements of the federal needs analysis process. Almost 62 percent of all those responding said wages would not be a better measure of family financial strength than adjusted gross income and 85 percent thought home equity information should not be collected and treated as an asset and available resource for financial aid purposes. While 85 percent of all administrators did not think all parental asset information

Most Illinois FAA's do not want to include home equity as an asset for needs analysis purposes and want to retain parental assets information.

should be eliminated from consideration for financial aid purposes, they were more split concerning elimination of the Simplified Needs Test. There were no significant differences in the responses by institution type for these four questions. A majority, 54 percent, of respondents indicated all veterans benefits, including Montgomery G.I. Bill benefits, should be treated as a resource for purposes of student financial aid. This information is shown in Table 1.

Recipients were also asked about the age for automatic independent status. Slightly more than 55 percent of responders thought the age requirement of 24 years for automatic independent status should be changed. Of those who thought the independence age should be changed, 75 percent thought it should be changed to either 21 or 22 years of age. By institution type, 71 percent of respondents from community colleges wanted to changes the independence age, as compared to 41 percent of respondents from four-year institutions. Response percentages for this question are shown in Figure 1.

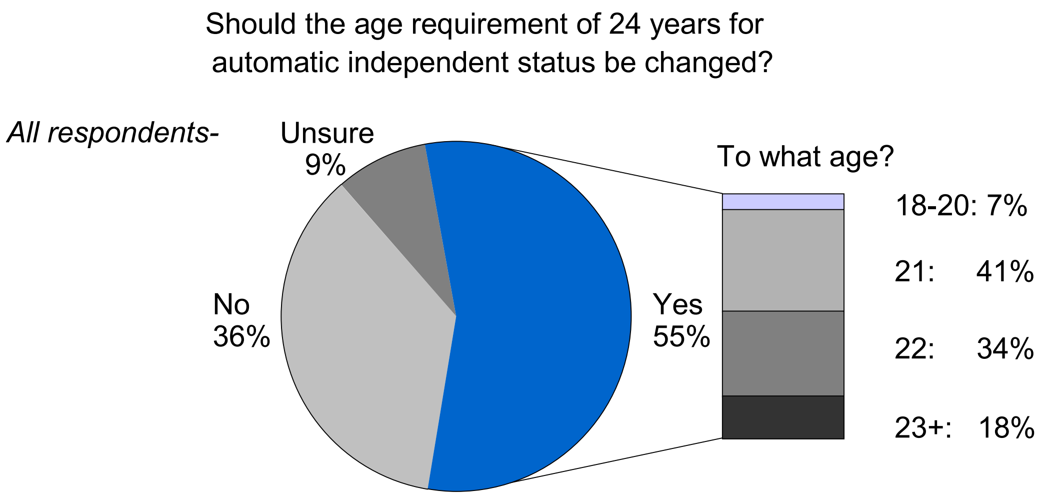
Finally, respondents were asked to characterize the importance of possible needs analysis changes on a 5 point scale from "Very Unimportant" through "Neutral" to "Very Important." Changing the treatment of veterans benefits was seen as the most important item with 61 percent of respondents rating the item Important or Very Important. About 52 percent of respondents rated changing the independence age as important or very important. Eliminating parental assets

Table 1: Needs Analysis Elements

	Percent of Responses		
	Yes	*No*	*Unsure*
Would wages be a better measure of family financial strength than adjusted gross income?	23%	62%	15%
Should home equity information be collected and treated as an asset and an available resource for financial aid purposes?	15%	80%	5%
Should the Simplified Needs Test be eliminated?	48%	36%	16%
Should all parental asset information be eliminated from consideration for financial aid purposes?	8%	85%	7%

	Percent of Responses
All federal veterans benefits should be treated as a resource.	54%
No federal veterans benefits should be treated as a resource.	26%
Veterans benefits should continue to be treated the way they are now.	12%
Unsure how veterans benefits should be treated.	8%

Figure 1- Independence Age



Respondents by institution type-

	Yes	No	Unsure
Community College	71%	26%	3%
Public University	27%	64%	9%
Private Institution	50%	36%	14%

was seen as Very Unimportant or Unimportant by 58 percent of survey respondents. Response percentages to this question are shown in Table 2.

A majority of all survey respondents wanted to increase underclass loan limits, however responses are sharply divided between two and four-year institutions. Most respondents from four-year institutions want to raise limits in general, most respondents from community colleges do not.

Loans and Loan Policy

Survey recipients were asked several questions regarding loan limits, including whether limits should be changed, as well as questions about loan policies and loan features. The majority of respondents, 56 percent, thought freshman loan limits should be changed. Of those wanting to change freshman limits, 74 percent said the limit should be raised to $3,500 or more from the current level of $2,625. About 77 percent of respondents from four-year institutions thought freshmen limits should be changed as compared to 35 percent of respondents from community colleges. One-half of all respondents wanted to change sophomore loan limits and of those suggesting a change 67 percent wanted to change the sophomore limit to $4,500 or more. Slightly less than 70 percent of respondents from four-year institutions thought sophomore limits should be changed as compared to 29 percent of respondents from community colleges. Almost 38 percent of all respondents said upperclass levels should be changed. Of those wanting to change upperclass limits, 61 percent suggested a change to $6,500 or more from the current level of $5,500. About 53 percent of respondents from four-year institutions thought upperclass limits should be changed as compared to 15 percent of respondents from community colleges. Almost 40 percent of all respondents said the combined subsidized and

Table 2: Most Important Needs Analysis Changes

Possible Change	Percent of Respondents Rating Item as "Important" or "Very Important"
Change treatment of veterans benefits	61%
Change independence age	51%
Eliminate simplified needs test	41%
Include home equity	32%
Use wages instead of AGI	28%
Eliminate parental assets	27%

unsubsidized limit should stay the same for all class levels. Just under 21 percent of respondents from four-year institutions thought the combined limit should stay the same as compared to 62 percent of respondents from community colleges.

Regarding additional unsubsidized loans for independent students, only 30 percent of all respondents felt the limits should change. Of those desiring a change, 93 percent supported a change to $5,000 or more from the current limit of $4,000 for freshmen and sophomores, and 90 percent supported a change to $6,000 or more from the current limit of $5,000 for upperclassmen. Almost 40 percent of respondents from four-year institutions thought freshmen and sophomore limits should be changed and 37 percent thought upperclass limits should be changed, as compared to 12 percent of community college respondents on both questions. About 56 percent of respondents from four-year institutions felt additional unsubsidized limits should stay the same for all class levels as compared to 71 percent of respondents from community colleges.

FAA's at four year institutions think aggregate loan limits should be raised, FAA's at community colleges do not. Most FAA's do not support annual awarding flexibility gained by eliminating annual loan maximums.

With regard to changing the aggregate maximum loan limits under the Stafford program, 44 percent of all respondents thought the current dependent student loan limit of $23,000 should be changed. Of those desiring a change, 54 percent supported a change to $30,000 or more. By institution type, 70 percent of respondents from four-year institutions and 18 percent of respondents from community colleges thought dependent loan limits should be raised. One-third of all respondents thought the independent student loan limits should be changed from the current limit of $46,000 of which $23,000 may be subsidized loans. Of those respondents supporting a change, 56 percent supported a change to $56,000 or more. About 52 percent of respondents to this question thought subsidized loans could account for $30,000 or more of any changed aggregate maximum amount. By institution type, 42 percent of respondents from four-year institutions and 9 percent of respondents from community colleges thought independent aggregate maximum loan limits should be raised.

Nearly 50 percent of all respondents thought aggregate maximum limits should stay the same. By institution type, 30 percent of respondents from four-year institutions and 82 percent of respondents from community colleges thought aggregate maximum limits should stay the same. In addition, recipients were asked if they supported eliminating annual maximum loan limits so that loans could be made in any amount in any year as long as a student's aggregate maximum limit was not exceeded. Of those responding, 77 percent did not support this change. By institution type, 67 percent of respondents from four-year institutions and 88 percent of respondents from community colleges did not support eliminating annual maximums for awarding flexibility.

Finally, administrators were asked to characterize the importance of possible loan limit changes on a 5 point scale from "Very Unimportant" through "Neutral" to "Very Important." Of those responding to these questions, 60 percent of all respondents thought increasing annual maximum loan limits was important or very important, 52 percent indicated increasing aggregate maximum loan limits was important or very important, and 30 percent thought allowing annual awarding flexibility within aggregate limits was important or very important. Response percentages to the questions on loan limits are shown in Tables 3 and 4.

Table 3: Changes to Loan Limits

Should the combined annual limits for subsidized and unsubsidized loans under the Stafford Loan Program be changed…

…for freshmen?		…for sophomores?		…for upperclassmen?	
Yes	56%	Yes	50%	Yes	38%
From \$2,625 to…		From \$3,500 to…		From \$5,500 to…	
Less than \$3,500	26%	Less than \$4,500	33%	Less than \$6,500	39%
\$3,500 or more	74%	\$4,500 or more	67%	\$6,500 or more	61%

No, the combined limits should stay the same for all class levels	40%

Should the annual limits for additional unsubsidized loans for independent students under the Stafford Loan Program be changed…

…for underclassmen?		…for upperclassmen?	
Yes	30%	Yes	30%
From \$4,000 to…		From \$5,000 to…	
Less than \$5,000	7%	Less than \$6,000	10%
\$5,000 or more	93%	\$6,000 or more	90%

No, the additional unsubsidized limits should stay the same for all class levels	59%

Because respondents could choose multiple responses, category percents do not add to 100.

Table 4: Aggregate Maximum Changes

Should the aggregate maximum loan limits under the Stafford Loan Program be changed…

…for dependent students?		…for independent students?	
Yes	44%	Yes	33%
From $23,000 to…		From $46,000 to…	
Less than $30,000	46%	Less $56,000	50%
$30,000 or more	54%	$56,000 or more	50%

No, the aggregate maximum limits should stay the same	49%

Because respondents could choose multiple responses, category percents do not add to 100.

Subsidized loans for independent students should be limited to…

Less than $30,000	48%
$30,000 or more	52%

Would you support eliminating annual maximum limits as long as a student's aggregate maximum limit was not exceeded?

Yes	14%
No	78%
Unsure	8%

Survey recipients were asked if they felt the current ten year repayment period for loans in the Federal Family Education Loan (FFEL) Program should be changed, and if so to what length of time. Sixty-seven percent of all those responding indicated the repayment period should stay the same. About 31 percent said it should be lengthened, and 1 percent thought it should be shortened. Of those wishing to lengthen the repayment period, 77 percent suggested a period of 15 years. By institution type, 58 percent of respondents from four-year institutions and 74 percent of respondents from community colleges thought the repayment period should stay the same. Respondents were split on whether changes to the cohort default rate calculation used at their institution ought to be made. Sixteen percent of all respondents thought the cohort default rate calculation method should be changed, 41 percent thought it should not be changed, and 43 percent were unsure. By institution type, 30 percent of respondents from four-year institutions and 53 percent of respondents from community colleges thought the calculation method should be changed.

Table 5: Relative Priority of Possible Aid Changes

Possible Change	Percent of Respondents Who Disagreed or Strongly Disagreed	Percent of Respondents Who Agreed or Strongly Agreed
A nominal increase in student loan fees would be appropriate in order to obtain higher Stafford loan maximums.	55%	31%
Student loan subsidies should be eliminated if it would result in increased Pell grant funding.	44%	37%
Pell grant eligibility should be limited to five years if it would result in higher average Pell awards.	20%	66%
New federal funding for Perkins loans should be eliminated if it would result in increases in Stafford loan maximums.	34%	34%

Respondents could also indicate they were neutral on an issue.

In addition, administrators were asked about the impact of the one percent student loan guarantee fee for FFEL program loans on the enrollment decisions of students at their institution. Administrators were asked to rate the impact of the fee on a scale of one to five, where one was "No Impact" and five was "Very High Impact." Of those responding, 47 percent said the fee had no impact on enrollment decisions. About 12 percent of all respondents rated the impact of the fee a 4 or a 5.

With regard to the upcoming federal student financial aid reauthorization process, FAA's suggest increasing loan limits, increasing grant and Pell funding, and changing the age for independent status should be priorities.

Finally, with regard to overall priorities concerning students loans and loan policy, administrators were asked to characterize the importance of possible changes on a 5 point scale from "Very Unimportant" through "Neutral" to "Very Important." Nearly 63 percent of respondents thought increasing loan limits was important or very important, 62 percent thought eliminating or reducing guarantee fees was important or very important, and 50 percent thought extending or expanding repayment was important or very important.

Overall Issues and Priorities

Survey recipients were asked to agree or disagree with a series of statements regarding the relative priority of possible changes in student financial aid. A small majority, 55 percent, disagreed or strongly disagreed that a nominal increase in student loan fees would be appropriate in order to obtain higher Stafford loan maximums. A smaller proportion, 44 percent, disagreed or strongly disagreed with the statement that student loan subsidies should be eliminated if it would result in increased Pell grant funding. Many respondents, 66 percent agreed or strongly agreed that Pell grant eligibility should be limited to 5 years if it would result in higher average Pell awards, however respondents were evenly split as to whether new federal funding for the Perkins program should be eliminated in favor of increases in Stafford loan maximums. This information is shown in Table 5.

Survey recipients were asked to identify what they thought should be ISAC's top three priorities in the upcoming reauthorization process with regard to federal student financial aid. The responses suggest administrators feel the top three priorities should be increasing loan limits, increasing grant and Pell funding, and changing the age for independent status. A sample of responses is provided below. Numbers indicate the number of times the item was suggested as one of ISAC's top three priorities.

Increase annual and aggregate loan limits. (24)
Increase funding for grant programs.(13)
Lower the age requirement for automatic independent status. (13)
Eliminate drug conviction question or motor voter requirement.(4)

Conclusions

Administrators support retaining the use of parental assets and information in needs analysis, and support lowering the age of independence to 21 or 22 years of age, thus decreasing the population which would report parental information. A majority of administrators seem to support raising annual maximum loan limits in the Stafford loan program by $1,000 for underclassmen, but are more divided on raising aggregate maximum limits. A majority do not want to raise unsubsidized loan limits and do not support eliminating annual maximum limits within a maximum aggregate limit. Increasing grant funding is important to administrators and two-thirds of them would support limiting Pell eligibility to five years in order to increase average Pell awards. Student loan guarantee fees seem to have little negative impact on enrollment, but administrators do not support raising fees to finance higher Stafford loan maximums.