NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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# News from NASFAA

## *Ensure Continued Access To Student Aid Despite Economic Unrest*

Washington, D.C. (April 2008) – Whether it's been officially announced or not, most experts believe that the U.S. economy is in recession. Technically, a recession occurs when the nation's Gross Domestic Product has declined for at least two successive quarters. But to millions of Americans, the effects of recession are far less academic. Recessions usually mean layoffs, inflation, stagnant wages, and decreased net worth as markets (including retirement and college savings portfolios) tumble.

The 2008 recession is punctuated by a looming student loan credit crunch, which could make college access even more difficult during this recession. At the time this article was written, nearly 60 lenders dropped out or limited their participation in the federal student loan program. Sallie Mae – by far the largest student loan provider – announced that top executives are holding "daily deliberations" on whether the company will have enough capital to continue offering federal student loans.

Fortunately for most families, Congress, the Department of Education, colleges and universities, higher education associations, guaranty agencies and lenders are working diligently to ensure there are no disruptions in students' access to loans.

But many families may still face an uphill battle in paying for college during a recession. A report from Illinois State University's Center for the Study of Educational Policy found that during times of recession, state appropriations for higher education falter and financial access to college diminishes.

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Opening Doors of Educational Opportunity

The report – *Recession, Retrenchment, and Recovery: State Higher Education Funding & Student Financial Aid* – examined the effects of recessions on financial access to college during recessions over a 25-year period from 1979 to 2004. During that period the U.S. experienced four distinct recessions. The analysis found that during these recessions:

- State appropriations decreased, and continued to do so even after the recession ended
- Appropriations per full-time equivalent (FTE) decreased
- Higher education funding took longer to recover following each successive recession
- Tuition increased faster than student aid and family income, decreasing financial access to college

This all adds up to a double whammy for families who are experiencing the effects of the recession and being denied college access by decreases in state appropriations and financial aid funding. College enrollments also tend to increase during recessions, as many nontraditional and adult learners return to college to retool their skills or change career paths following a layoff. This places an additional strain on college budgets and financial aid resources, compounding an already difficult situation.

Still, the report found that there are steps colleges and states can take now to provide continued access and support to struggling families. Here are a few.

- **Place priority on need-based aid:** Since the late 1990s, states and schools have been dually funding need and merit-based financial aid. The analysis found that during the 2001 recession, 15 states were able to increase financial access for students by placing a higher emphasis on need-based aid.

- **Reaffirm the state's role in providing student financial aid:** During times of recession states generally demonstrate a lack of interest in funding higher education. This is starkly illustrated by the dramatic decrease in appropriations during previous recessions, and the amount of time has taken states to return to previous funding levels after a recession. Schools that lobby state leaders in an effort to keep funding on the front burner are more likely to see positive financial results.

- **Improve awareness of higher education's contributions to economic development.** Several studies have linked education with higher levels of economic output. States who are usually hit hardest by recession generally have fewer college graduates. These states are in the best position to see more positive outcomes from a recession by financially encouraging higher education.

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- **Define goals and develop a coherent plan for maintaining and improving financial access.** States with comprehensive student financial aid plans were better able to weather economic storms. By maintaining a long-term financial access programs that are in alignment with state higher education principles and goals, states can cushion families against turbulent economic conditions.

Former Federal Reserve Chairman Alan Greenspan predicted in his book, *The Age of Turbulence: Adventures in a New World*, that the U.S. and world economies would continue to see cycles of recession, perhaps on a faster rate than we've been used to in the past. The good news for schools – and ultimately families – is there are steps that can be taken at the state level to ensure continued access to student aid despite economic unrest.

*The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization that represents more than 14,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. Each year, financial aid professionals help more than 16 million students receive funding for postsecondary education. Based in Washington, D.C., NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators. In addition to its member Web site at www.NASFAA.org , the Association offers a Web site with financial aid information for parents and students at www.StudentAid.org.*

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[Editor: A photograph of the author is available for download at www.NASFAA.org/Subhomes/MediaCenter/JustinDraegerPhotoMediaCenter.jpg.]