



moneythink

FINANCIAL NEED & OWNERSHIP:
Student Perspectives on Postsecondary Persistence





Moneythink works with young adults to help them navigate the financial decisions and challenges that they face in their everyday lives, focusing on College Readiness and Youth Employment. We work with existing institutions to reach young adults at key inflection points in their financial lives. We engage these young adults through a technology-enhanced financial mentorship experience that develops long-term behavioral change. Moneythink aims to restore the economic health of the United States by giving young people the tools to spend mindfully, save money, and use financial products safely.

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EXECUTIVE SUMMARY

INTRODUCTION

Higher education has long been acknowledged as one of the best ways to increase socio-economic mobility, yet low-income and first-generation students face significant barriers that make it challenging for them to persist to graduation. To help frame this problem, Moneythink conducted interviews with **90 students across 7 college campuses** from January to May 2016. The goal was to learn how financially insecure students (first-generation, working full-time, low-income, or students returning to school after a break) manage the financial challenges of pursuing higher education. We found that a combination of an internalized sense of ownership and a decreased amount of unmet need can equip students to navigate financial decisions successfully and ultimately decrease the risk of dropping out due to financial stress. We believe that there are opportunities for innovative interventions around key inflection points from university and high school administrators, parents, teachers, and counselors to help students prepare for and handle financial challenges as they arise at each stage of their postsecondary education journey, so as to maximize opportunities and avoid pitfalls.

OUR FINDINGS

The interviews revealed that many students are not adequately prepared for financial challenges in college, such as navigating the complexity of Free Application for Federal Student Aid (FAFSA) or their financial aid award letter, determining loan amounts, or understanding scholarship requirements. Students' financial vulnerability is driven by two main factors:



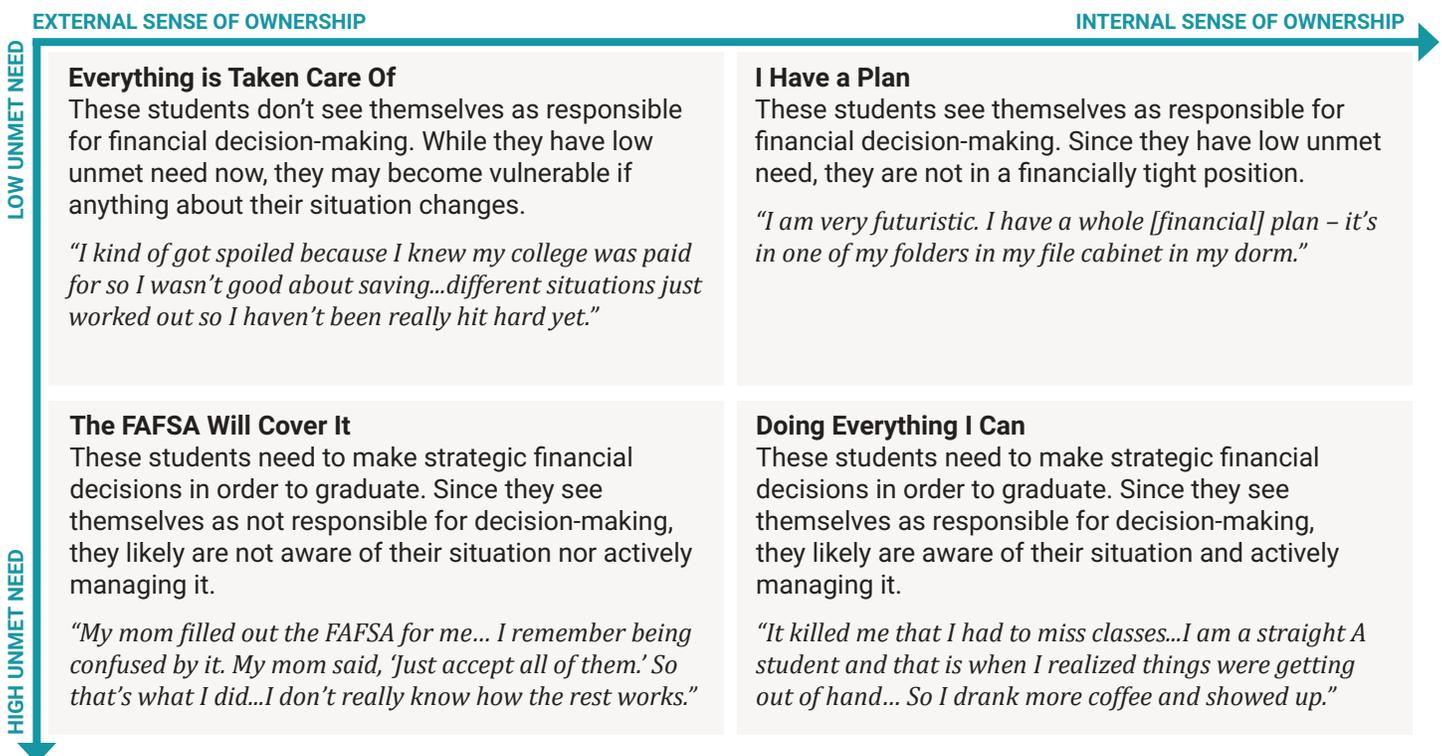
Unmet Need: Unmet need is the amount that is left to be paid after financial aid is awarded. Students with high levels of unmet need often have to work to cover their college costs or make other financial decisions that can affect their ability to complete a degree.



Sense of Ownership: Students tend to distribute financial "responsibilities" either to themselves (**Internal Sense of Ownership**) or to an external source/person such as their parents, scholarships, or "future self" who will pay back loans after graduation (**External Sense of Ownership**).

FOUR ARCHETYPES

We propose that Unmet Need and Sense of Ownership are the critical drivers of students' financial vulnerability. This



EXECUTIVE SUMMARY

MOVEMENT IN THE FRAMEWORK

The framework depicts how a student's mindset might look a given moment. It can be used to trace students' trajectory over time as they make decisions or are confronted with situations that impact their financial vulnerability. Below are some additional features of the framework:

- Although students enter college as a single archetype, **students can move fluidly across any of the framework's mindsets** throughout their college experience.
- **Students can graduate from any corner**, but it may be more challenging if they are not in the “I Have a Plan” group.
- Regardless of their position in the framework, **all students are equally likely to make uninformed financial decisions**.
- Even with support from parents or scholarships, **students at all levels of need can adopt a strong internal Sense of Ownership**.

INFLECTION POINTS

We observed that college students make an incalculable number of decisions that can affect their ability to complete a degree. They weigh some of these choices more carefully than others, but they underestimate how these seemingly small decisions can have cumulative effects on their likelihood of completing their degree.

We concluded that some of these important financial decisions include:

- **Housing:** *“She transferred to UCLA from community college. However, her financial aid doesn’t cover all of her expenses. As a result, she was late on her housing payment one quarter, and by the time she was able to pay it, it was time to make the next housing payment. “They wanted me to pay the housing at once. They kept calling me. They were kinda like loan sharks.”*
- **Loans:** *“I wish I had known how many loans I would have to take out—being about \$15,000 in debt my first year is pretty shocking. I actually thought I would get more financial aid, and it would cover tuition. At first, it seems like you are just getting money in your bank account from loan reimbursements, but then you realize you have to pay it all off.”*
- **Scholarships:** *During the second semester of her sophomore year, she had to deal with a series of tragic personal events, and she ultimately lost her scholarship. Her GPA “failed drastically,” slipping to 2.4 when the minimum was a 2.6. She expected to be put on probation but was shocked to find out that she was cut from the program immediately.*
- **Short-term and long-term shocks:** *His family immigrated to the United States from Ethiopia in 2000. He is paying for college through working 15-30 hours per week, as well as scholarships. Last year, he totaled his car and had to be treated in the hospital. With no car insurance, he was not reimbursed. To afford a new car, he took on many jobs over the summer working 70+ hours a week.*
- **Working:** *She works in retail, and it doesn’t match up to her schedule well. She has finals coming up at the end of the month, and it is also one of the biggest sales of the year starting then. “So it does get stressful for sure. But I also don’t want to turn down hours or time.” Her manager puts it right at the limit of part time / full time so she could be working anywhere from 25 - 35 hours a week while taking five courses.*
- **Major and college choice:** *Throughout my first four years at college, I didn’t have to pay for anything. You have scholarships, and they usually cover more than you need. It’s not until you have financial trouble that you start to pay attention. I started caring last year because it hit me that switching my major to biological engineering meant I would need to be in college for five years but all my scholarships expire after four years. I started rushing to figure out my options and ended up taking out a \$30,000 loan.*

EXECUTIVE SUMMARY

CONCLUSION AND RECOMMENDATIONS

This research confirmed that low-income and first-generation students face significant financial barriers to success in higher education. The financial decisions that students face throughout their postsecondary education experience can drastically impact their lives for years to come.

Though universities currently support a number of programs to assist students in crisis, many are trying to make the shift towards proactive engagement with students, to ensure positive financial outcomes at these inflection points.

INTRODUCTION

“ [My parents and I] talked about how much [college] would be...but they didn't say anything about not being able to afford it...I think about it every day that the interest is adding up. My parents have taken out loans for a bunch of other stuff too, like housing--not just college. It seems we are always going to be in debt.”

Freshman at University of California Los Angeles

“ A lot of people think about [college] in terms of semesters and can afford the first year but can't afford all four years. I heard about other people's experiences where they go for like two semesters and come back home because they couldn't afford it anymore.”

Senior at Indiana University Southeast

Higher education has long been acknowledged as one of the best ways to increase socio-economic mobility. The belief that hard work and determination can bring prosperity and success (i.e., the “American Dream”) has been a national ethos for the United States since its founding. However, access to education and success in college continues to depend largely on socio-economic status in America. Consider, for instance, that in 2012, only 51% of students from low-income families (the bottom 20%) attended a two or four year college, whereas 81% of students from high-income families (the top 20%) attended a two or four year college (Pew, 2014). Furthermore, low-income students enrolled in college still face a substantially lower likelihood of graduating compared to their high-income peers. From 1970 to 2013, the bachelor's degree attainment rate by age 24 rose from 6 to 9 percent for low-income students but rose from 40 to 77 percent among the highest income group (Cahalan & Perna, 2015).

Low-income and first-generation students face considerable barriers and challenges that make it difficult for them to succeed in college. For one, the cost of college tuition and fees has grown nearly four times the median income over the past four decades (Reimherr, Harmon, Strawn, & Choitz, 2013), which has made college increasingly unaffordable for low-income families. To make matters worse, U.S. financial aid policy has shifted from expanding college access for low-income students toward reducing the costs for middle- and upper-income families (Long & Riley, 2007). As a result, low-income students are more likely to face substantial unmet need, even after taking all financial aid into account (Long & Riley, 2007).

In addition to the lack of sufficient financial aid, there appear to be other barriers preventing financially vulnerable students from succeeding in college. Low-income and first-generation students often lack the guidance and support they need to prepare for college, apply for financial aid, enroll and persist in their studies, and ultimately graduate. Many of these students also have to work part-time, balance family responsibilities that conflict with school responsibilities, and typically carry financial burdens that outweigh their peers.

As income inequality continues to grow in the United States, making college accessible for low-income and first-generation students is a pressing problem. As a non-profit organization focused on low-income students, Moneythink recognizes that there are many institutional, financial, and social barriers preventing low-income students from succeeding in college. As a result, we have conducted research and released this report investigating the financial experiences of college students. We heard from a wide spectrum of students but focused on those with financial stress — particularly first-generation, low-income, or non-traditional students. We learned about their background, how they made their college decision, how they are affording college, their support systems, their barriers, their system for managing their money, their experience with financial shocks, their gaps in understanding, and their college plan.

The goal was to develop a body of observational research on how financially insecure students (first-generation, low-income, high unmet need, and/or students in need of remedial support) prepare and tackle the challenges of attending university and/or college. We were also interested in the existing practices of universities for engaging financially insecure student populations. Universities and administrators are currently supporting students through financial wellness centers and programs that are aimed at increasing financial education and literacy. These centers are making considerable progress in helping students pursue higher education — however, the main

goals of our research were to gain a student perspective of the problem, so discussion on this topic is limited. Our research is presented in several sections. First, we provide some background about who we are at Moneythink and describe the methodology for the research and interviews. Second, we discuss our main findings and framework. Finally, we discuss different inflection points during students' journeys, as well as how students can move within the framework.

MONEYTHINK

Moneythink is a leading organization in the financial capability space that provides financial mentorship to high school students through our 30+ college "chapters". We have been recognized as a White House Champions of Change Award recipient as "one of the best new ideas for social innovation" and our CEO, Ted Gonder, served as the youngest member of President's Advisory Council on Financial Capability for Young Americans. Our approach leverages mobile technology (developed in collaboration with IDEO.org) and best practices from behavioral economics to help develop "bellwether"— financial wellness (the fine-grained financial behaviors that we believe put youth on the path towards financial health as adults). These bellwether behaviors include mindful spending decisions, setting and tracking progress toward saving goals, and evaluating and selecting an appropriate first time financial product. While our existing programs are carefully designed to engage low-income 16-18 year olds in high schools, we recognize that there are many financial challenges and impediments for our youth as they matriculate into postsecondary institutions. As such, Moneythink is now interested in exploring what it might look like to provide additional program support to students as they pursue postsecondary education beyond what is currently offered on campus.

METHODOLOGY

Primary data for this report came from one-on-one and group interviews conducted at seven college campuses across the United States. From January to May 2016, we spoke to over 90 students at the following schools:

- Indiana University - Purdue University Columbus
- Indiana University Southeast
- Northwest Arkansas Community College
- Indiana University Bloomington
- Ohio State University
- University of Illinois at Urbana-Champaign
- University of California Los Angeles

We interviewed a diverse group of students who varied in age, year in school, race/ethnicity, and family background. However, we placed a particular focus on interviewing financially insecure students (i.e., first-generation students, students who are working full-time, transfer students, low-income students, or students returning to school after a break). We focused on these students because they have a greater likelihood of facing financial challenges and barriers throughout college.

We wanted to gain insight into the experiences of financially insecure students entering and persisting through college, as well as how they respond to the various resources that are available to them. The interviews were also structured to obtain a better understanding of different factors that contribute to students' financial vulnerability. We wanted to discern the effective habits that help students, as well as detrimental habits that may hinder students along their college journey. Using a semi-structured interview framework (for some schools similar questions were Institutional Review Board (IRB) approved), we focused on the following topics and questions:

Points of stress and barriers

- Did they have support from their family to go to school?
- Did they take out loans? What was their process like? What was and was not helpful to them? What details fell through the cracks?

- Where are the gaps of understanding? Do students understand their FAFSA letter or the conditions of their scholarship? Do they know how many loans they are taking out per semester? What is confusing for them about financial aid?
- Have they ever faced a financial “shock” or an inability to pay tuition/bills?

Systems for managing finances

- What is their current understanding of their monthly finances?
- Do they work and why do they work? How much money do they need to make to feel “comfortable”?
- How do they manage their finances? Do they have a bank account (checkings, savings) or credit cards?
- Have they ever been late on a payment, or have they ever overdrafted?

Support systems

- Who did they go to for help (friend, University, family)?
- Have they ever visited the Office of Financial Aid/Bursar’s Office before attending or since starting college?

College and Career Plans

- How do they plan on affording school? Does this student have contingency plans?
- What do they want to do career-wise post-graduation?

Interviews lasted approximately one hour. Participants were compensated with a \$5 gift card.

OUR FINDINGS

Deciding how to pay for college is a complex calculation — yet our interviews revealed that many students are left unassisted and confused during the process. In many cases, students are not adequately prepared for college. Although they receive the help that they need to be accepted into the school of their choice, they are expected to figure out the rest once they arrive (especially in regards to financial matters). As a result, they are ill-equipped to handle inevitable financial hurdles such as navigating the complexity of FAFSA, their financial aid award letter, or loan/scholarship requirements. Unanticipated financial burdens, such as parents losing their job or students losing their academic scholarship or grant, further add to the financial problems that many students face.

Students are also not having open and honest conversations with their parents about how they will be paying for college. In one study, only 57% of parents with teens intending to go to college were having conversations about whose financial responsibility it was to pay for school (Rosato, 2014). Students are unaware of how many loans they are taking out each year and only find out a few semesters after they are enrolled in college. Furthermore, many are not familiar with the specific scholarships and grants that they receive each semester, as well as the requirements to keep those scholarships/grants. Not only do these behaviors put students in jeopardy of losing their scholarships, but they also cultivate a decreased awareness that funding sources can vary year to year. Unfortunately, students and their parents do not have these conversations:

“I wish I had known how many loans I would have to take out—being about \$15,000 in debt my first year is pretty shocking. I actually thought I would get more financial aid, and it would cover tuition. At first, it seems like you are just getting money in your bank account from loan reimbursements, but then you realize you have to pay it all off.”

Freshman at University of California Los Angeles

“I don’t think we ever had a conversation about affording college. And even now, I am not sure how much tuition [my parents] will even be able to pay for. They didn’t want to limit my thinking about which college I could go to...I wish we had that conversation sooner. We still haven’t had it. I am still not sure how much they will pay or how much I will pay.”

Freshman at University of California Los Angeles

“It’s a taboo thing to talk about money with my parents. If I say ‘Do I need a loan for school?’ I will just get a ‘No.’”
Sophomore at Indiana University

Many of the challenges students face are only exacerbated if the student is a first-generation college student or non-traditional student. Often, these students are unable to go to their parents for help and don’t know who to ask for help. At a critical time in their college journey, they are not receiving the necessary support from the University or their parents. For example, these students discussed the hardships of transitioning to college as first-generation students:

“I’m a first generation college student. My grandma and mom came from Belize, but they didn’t go to college. They only had a high school diploma. They thought they paid [for] tuition. I didn’t even know to look for additional college aid here.”
Senior at University of Illinois at Urbana-Champaign

“It was so hard because I would talk to my friends and their parents are helping them, but my mom never went to college and didn’t know about college, so it was really hard for me.”
Sophomore at The Ohio State University

The problem for many of these students is that they do not have a financial plan while in college — as a result, they experience difficulty handling financial shocks or unexpected changes in their financial aid. Students need to make strategic decisions but do not know who to go to for help and can feel daunted by the financial aid process. They also have a range of other concerns and worries while in college — classes and schoolwork, living on their own for the first time, finding friends, time management — all of which can divert their attention from pressing financial concerns. Juggling all of these additional responsibilities can prevent or distract students from making strategic decisions while in college. This means that parents, universities, high school counselors, and teachers need to prepare students to make smart, timely decisions during their college career. Students who can anticipate being faced with academic or financial challenges in college will be better equipped to deal with these situations as they happen.

“I think that students are most likely to run into problems because they don’t know what to expect. I know who I can go to, I have advisors and my parents. But not all students have that, their parents might not have gone to college or they might not know where to go.”
Freshman at The Ohio State University

Which factors are driving financial vulnerability?

Analysis of the student interviews revealed two driving factors of students’ financial vulnerability:

- Unmet Need
- A Sense of Ownership

We define students as financially vulnerable if they are more likely to be struggling with their day-to-day financial lives, have little or no financial cushion in case of an emergency, and more likely to make uninformed financial decisions. Below, we explain **Unmet Need** and **Sense of Ownership** in greater detail.

Unmet Need

Unmet need is a driving factor of financial vulnerability. Unmet need is defined as “the cost a student must cover to attend college after accounting for the student’s expected family contribution (EFC) and any grants, scholarships, or other aid that the student does not need to pay back” (Choitz & Reimherr, 2012; Cahalan & Perna, 2015). In other words, **unmet need is the amount that is left to be paid after financial aid (not including loans) is awarded.** Students from low-income families and first-generation families are significantly more likely to have unmet need compared to other students. For instance, students from the lowest family income quartile

averaged unmet need of \$8,221 in 2012, whereas students in the highest income quartile averaged a surplus of \$13,950 after EFC and grants (Cahalan & Perna, 2015).

Students with high unmet need are also more likely to work in order to cover the difference between their college costs and what they can afford. Often, they have no other choice and must work in order to pay for their living expenses. Two students described their situations:

“My grandparents offered to cover my college costs so they pay for my tuition and books. I would never want them to know that I still have to work 3 jobs in order cover my living expenses and all my medical bills. I have maxed out credit cards, no savings account, and my checking account always ends up at \$0. There is no money to budget because it all has a place to go. At one point, I ended up barely sleeping in my car between school and work. I got my first C ever and had to withdraw from 2 classes.”
Senior at Indiana University Southeast

“I don't want to take a loan and not know how to pay it back... I am trying to get a job next semester, which is not a lot of money. Back home, I worked at Starbucks, and there is one on campus so I knew I could do something like that up here, or I could work in the library or residence hall.”
Freshmen at Indiana University Bloomington

However, working excessive numbers of hours can be detrimental to a student's academic success and persistence in college (Dundes & Marx, 2006). Evidence suggests that moderate hours of work (1-14 hours) is associated with greater persistence in college and academic achievement (Dundes & Marx, 2006), but excessive hours (more than 15-20 hours) can hinder academic success and even lengthen time to earning a degree (Tinto, 2004). As a result of unmet need, low-income students are also often forced to attend two-year institutions rather than four-year options, reduce their attendance from full-time to part-time, and live off-campus rather than on-campus. All of these behaviors can significantly reduce the probability that students will persist in finishing a four-year degree.

Yet, unmet need seems to only be one of the factors driving financial vulnerability. Throughout their college careers, students are forced to make decisions that can affect their ability to complete a degree, such as how many course hours to take per semester, how many scholarships (if any) to apply to, how much in loans to take out per semester, or whether to accept a new part-time job. Unfortunately, many students are not adequately prepared to make these difficult financial decisions and don't know where to go when they do have problems and questions. As a result, these students don't have a plan for overcoming financial barriers that they may encounter during college. Below, we describe how a sense of ownership can contribute to a student's financial vulnerability.

A Sense of Ownership

As a result of students not being prepared for financial challenges in college, we uncovered that students tend to distribute financial “responsibilities” either to themselves or to an external source/person (e.g., their parents, scholarships, or “future self” who will pay back loans after graduation). We conceptualize these as an internal or external sense of ownership, which we describe in more detail below.

An Internal Sense of Ownership

Students who view themselves as responsible for their financial situation have an **internal sense of ownership** over their financial situation. These students believe that they are responsible for their college tuition costs and are more likely to have a plan in case of financial challenges. These students are more likely to say, “I am very futuristic. I have a whole [financial] plan.” or “The way I have things now, I have like 6 backup accounts so it is hard for me to run out of money.”

An External Sense of Ownership

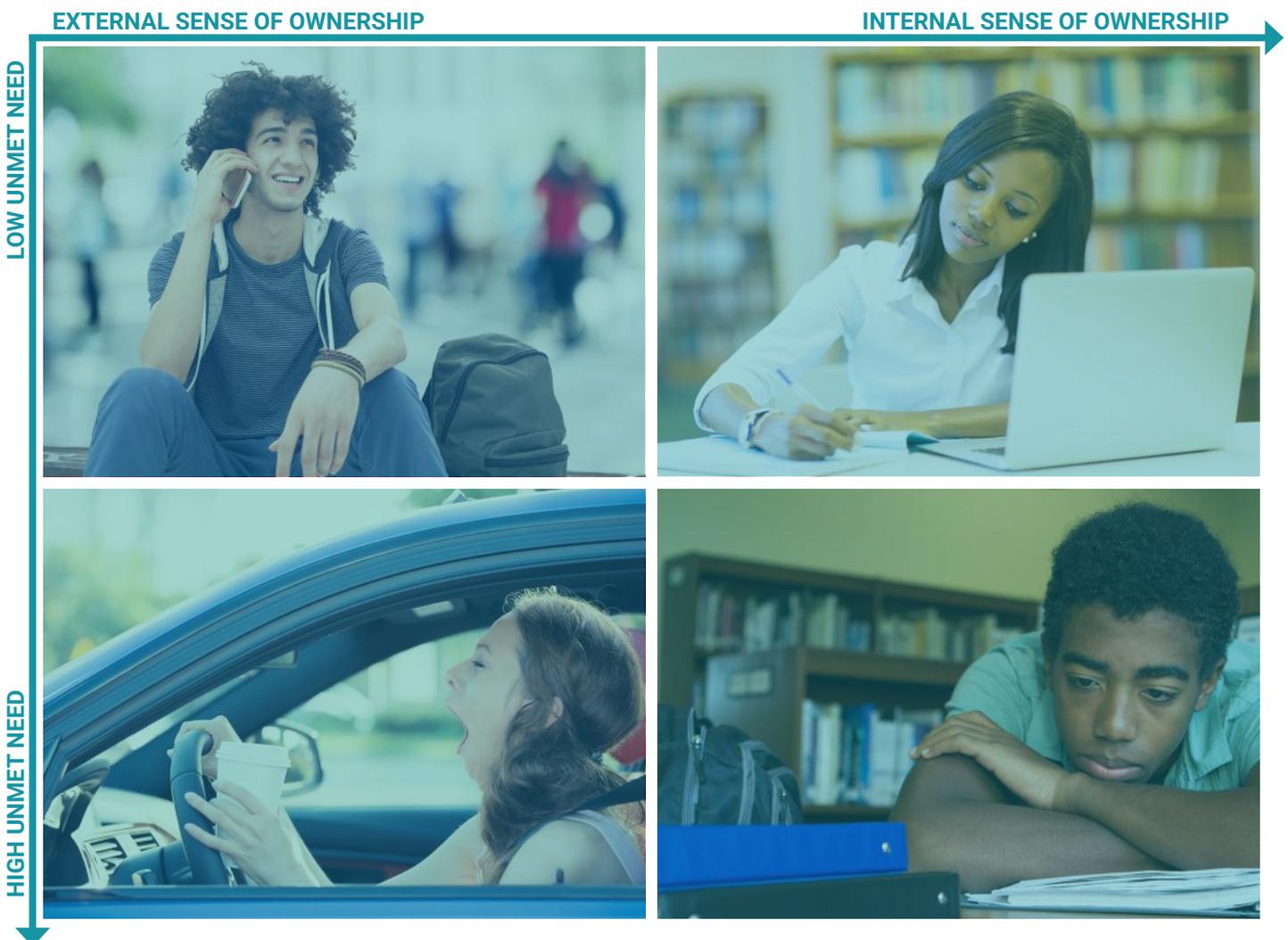
In contrast, students who view their parents, scholarships/financial aid, or “future self” (paying back loans after graduation) as responsible have an **external sense of ownership** over their financial situation. These students are likely to say, “I don't need to worry about it. My scholarships take care of it.” They believe that others or external

sources (loans, scholarships) will take care of their tuition, and they typically do not demonstrate behaviors that show future financial orientation.

Importantly, we find that **external ownership is risky when it is not actually true**. For example, a student is left not knowing how to pay for tuition when their parents file bankruptcy. Or a student believes that their next year of college is paid for through scholarships but then fails to meet the eligibility requirements or finds out that their scholarship does not renew for the next year. We believe that some of these situations arise because students are mistakenly placing ownership on an external source.

Research suggests that there may be consequences for students who have an external sense of ownership over their financial situation. A lack of financial ownership can result in decreased financial literacy and deficits in financial learning (Ward & Lynch, 2013). Research has found that in long-term relationships, one person becomes a “financial specialist” who develops increased levels of financial literacy, whereas the other partner experiences deficits in financial literacy. The “financial specialist” is more likely to seek out information and learn about finances as a result of taking on this role. We believe a similar effect is occurring with college students, where some students are taking financial ownership of their situation, whereas others are not.

The Framework



We propose that unmet need and a sense of ownership interact and are both driving factors of the financial vulnerability of students. As seen from the diagram above, there are four quadrants in which “unmet need” is on the y-axis and “sense of ownership” is on the x-axis. We propose that these quadrants correspond to four types of students’ mindsets.

Four Archetypes of Students

There are 4 archetypes of student mindsets (which map to the 4 corners of the framework) that emerged from our research. Archetypes are not real people but are based on the behaviors and motivations of real people we have observed throughout the design process. They are a composite based on data gathered from many actual users encountered in interviews.



Everything is Taken Care Of

Throughout my first 4 years at college, I didn’t really think about money. Between Pell Grants, a full-tuition scholarship, and other scholarships, I didn’t have to pay for anything. You have scholarships, and they usually cover more than you need. It’s not until you have financial trouble that you start to pay attention. It happens at different times — I just ended up caring about money earlier than others. I started caring last year because it hit me that switching my major to biological engineering meant I would need to be in college for 5 years but all my scholarships expire after 4 years. I started rushing to figure out my options and ended up taking out a \$30,000 loan. I discovered that there are a lot of resources on campus. I started going to workshops, learning how to budget, and treating managing my money like a hobby.

External sense of ownership,
 Low unmet need

“My family set up measures way before hand to afford university. I guess the investment now is me in college. We made sure to be in little to no debt so we could afford to take on financial burdens in the future.”
Freshman at Indiana University Bloomington

“I kind of got spoiled because I knew my college was paid for so I wasn’t good about saving...different situations just worked out so I haven’t really been hit hard yet.”
Sophomore at Indiana University Southeast

These students have an external sense of ownership and low unmet need. They usually enter college with full-tuition scholarships or believe that their parents will financially support them throughout college. As a result, they have low levels of stress about finances and believe that “everything is taken care of.” While their unmet need is low, they are incredibly financially vulnerable if the external partner is not actually owning decision-making. While students may believe that their parents or scholarships will take care of their college expenses, reality may be very different. Most students only learn that their external partner is not owning decision-making after there is a significant financial problem. As a result, they are usually ill-equipped to deal with financial problems or shocks.



I Have a Plan

When I was applying to colleges, I knew all the tuition numbers by heart. My mom didn't go to college, but I made sure she knew how much it would cost for me to go and that I had to figure it out. I would repeat "\$24,180!" all over the house over and over. I was selected for a scholarship program that covered most of the costs for my first year, but there was still a \$2,500 gap. I started a GoFundMe campaign and worked really hard to get donations from my relatives sending hand-written notes to all of them. But I didn't need the money really because it turned out that I received another scholarship that would cover my gap. I look for the scholarships that require long essays or are for small amounts because I figure less people are applying to those. I've applied to a lot of scholarships for next year because I don't know how many of them will come through. I am very futuristic. I have a whole [financial] plan – it's in one of my folders in my file cabinet in my dorm.

Internal sense of ownership,
 Low unmet need

“I was very careful about what I spend and what I spend it on...It's the way that I was raised. Growing up in a low-income family, you're always money conscious. This gave me awareness for how I spend, why I spend. I always think that there might come a day when I have a car accident, or something that makes my financial situation flip. I'm very future oriented.”

Junior at The Ohio State University

“I don't want to worry about finances. I have everything planned, I know how much I'm going to spend over the next four years. I budgeted with my family and the bursar's office.”

Freshman at Indiana University Southeast

These students have an internal sense of ownership and low unmet need. They believe that they are responsible for paying for their college tuition and living costs, not anyone else. They are generally future-oriented and try to prepare for any foreseeable financial problems. These students are low risk and are clear on their responsibility for decision making. Although these students may face financial challenges, they have a plan for overcoming different barriers. Out of the four archetypes of student mindsets, these students should be the most likely to persist in college.



The FAFSA Will Cover It

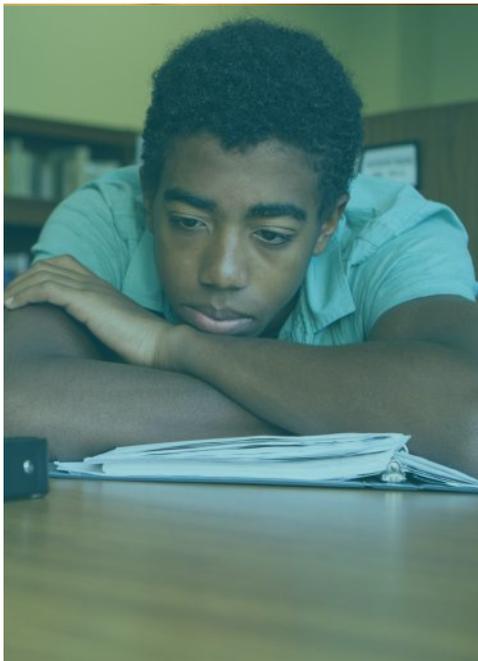
I didn't think about how I would pay for college. I knew about FAFSA and I figured, being older, I could maybe get some government assistance. I figured I could get between 70-75% of the cost covered... I did not think about money when I quit my job. Everything is being paid for through scholarships, grants, and loans. A year and a half later, "The lights are still on." I have no idea who I would talk to for help if I needed it. Initially, I just wanted to defer payments or that sort of thing so I went to the Financial Aid office. I didn't know what questions to ask so she gave me some literature to read and a form to fill out, and I never filled it out. I have no idea how I am doing this. I am amazed at how well I am doing. I feel like my school is being taken care of.

External sense of ownership,
 High unmet need

“My senior year I was flying by the seat of my pants going to all these dance auditions and not really sure what I wanted to do with my life, and they are like if that is what you are called to do, and that is your purpose, you do that...They [my parents] never raised a worry about how it would happen or how it would be afforded.” She was shocked when her parents declared bankruptcy in her second year. She says that she has no idea why her parents let her go to OSU and why they would let her go on a study abroad trip her freshman year, especially. She says she is very blessed to have their support but that there was definitely some semesters where she wasn't able to create her schedule on time because there were holds on her account [due to late payment]. She says that within her family there can be a shuffling of finances. All of their accounts are treated as one big pool, and this means that sometimes her parents take money from her bank account. “I plan out my money very poorly...Honestly I wonder what I spend my money on sometimes.”
Junior at The Ohio State University

“My mom filled out the FAFSA for me. She just handled it.” When speaking about receiving her financial aid award letter, she says, “I remember being confused by it. My mom said, ‘Just accept all of them.’ So that’s what I did...I don’t really know how the rest works.”
Junior at University of Illinois at Urbana-Champaign

These students have high unmet need and an external sense of ownership. They are more likely to use terms inaccurately or have clear misunderstandings about how the financial aid process works. They believe that others (e.g. their parents, scholarships, loans) will take care of their education costs, but in reality this is often not the case. Many of these students only find out that their external partner is not owning decision making after a financial problem or challenge occurs. These students are high risk — they need to make strategic decisions to lower their need, yet they don’t feel that this decision-making falls on them.



Doing Everything I Can

As soon as I graduated from high school, I moved out of the house and stopped talking to my parents. I saw how hard it was for my parents to work multiple jobs with no degree, and there was nothing that was going to stop me from going to college. My grandparents offered to cover my college costs, so they pay for my tuition and books. I would never want them to know that I still have to work 3 jobs in order cover my living expenses and all my medical bills. I have maxed-out credit cards, no savings account, and my checking account always ends up at \$0. There is no money to budget because it all has a place to go. At one point, I ended up barely sleeping in my car between school and work. I got my first C ever and had to withdraw from 2 classes. It killed me that I had to miss classes sometimes, because academics are my thing. I am a straight-A student, and that is when I realized things were getting out of hand, and that even if work was crazy, I needed to make it to class. So I drank more coffee and showed up.

- Internal sense of ownership,
- High unmet need

“I feel like I’ve just been playing catch up. My car got towed, then I have to pay the school back. I totally forgot about phone bills. \$350... It’s really rough now. It’s tough with financial issues. I feel like I never got a break... I never considered dropping out of school. I’d rather take out more loans.”
Senior at University of Illinois at Urbana-Champaign

“I was broke all the time, and it was hard to go school and work. I decided to work more, and my grades were suffering. So I got put on academic probation, and I decided to go to IVY [a local community college].”
Senior at Indiana University Southeast

These students have high unmet need and an internal sense of ownership. They understand that decision-making falls on them, yet they face significant financial barriers that can affect their success in college. These students are medium risk — they need to make strategic decisions to lower their need and feel that this decision-making falls on them.

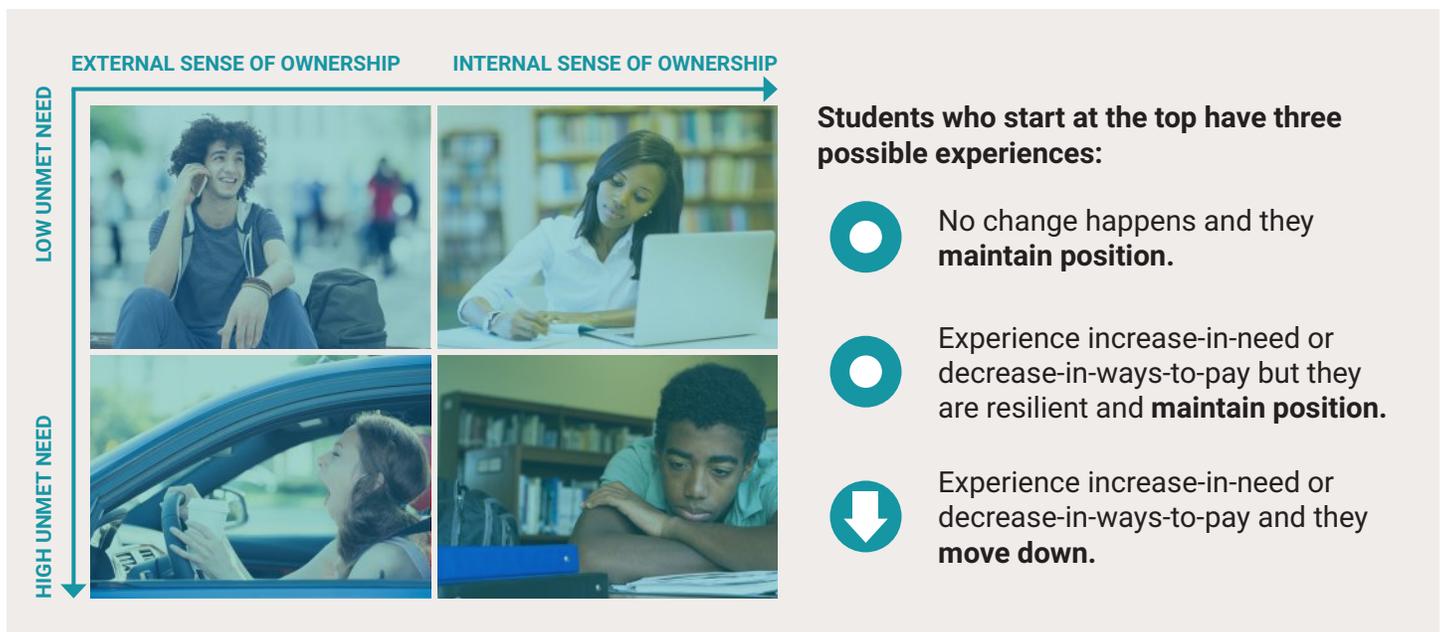
Movement in the Framework

Students Begin in One Corner of the Framework

When students enter college, they begin their college journey in one of the four corners. However, as they are confronted with experiences or decisions during their college journey, their position in the framework may change. Movement in the framework is fluid, and where students start in the framework is not necessarily where they remain during their college career.

Students Move Up and Down in the Framework

Students' movement in the framework depends, in part, on whether they have an **increase-in-need or decrease-in-ways-to-pay**. Increase-in-need is characterized as an event or scenario where students' tuition, living costs, or financial burdens increase, whereas a decrease-in-ways-to-pay is an event or scenario where a student's financial aid or ability to pay are diminished. Both of these factors can increase a student's financial vulnerability, making it harder for them to deal with financial challenges and burdens. Where students move in the framework is also dependent on whether they have low or high unmet need. That is, the impact of experiencing an increase-in-need or decrease-in-ways to pay has differential effects on students with low or high unmet need.



When a student has low unmet need, there are three possible ways they can move within the framework:

- The student **does not experience any change** in decrease-in-ways-to-pay or increase-in-need and maintains their position in the framework. In this example, the student has low unmet need and an external sense of ownership, as his parents cover most of his college costs. He also has not experienced any change in his financial situation, so he maintains his position in the framework.

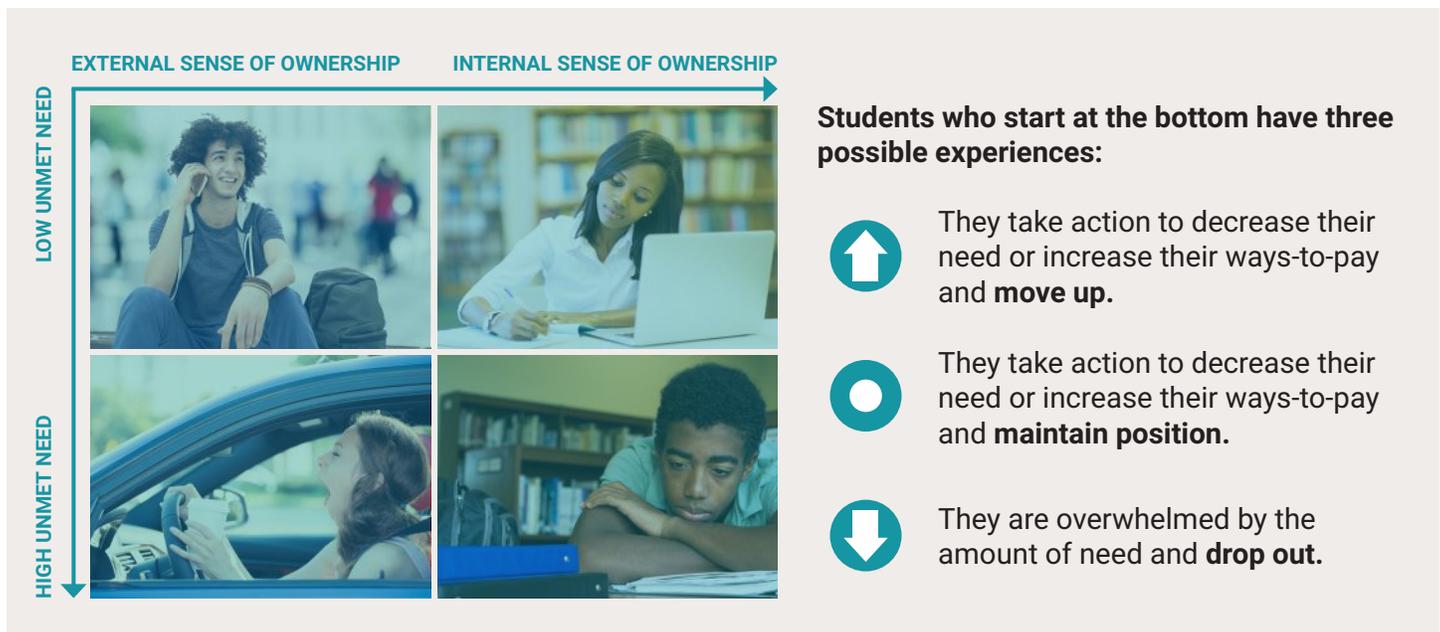
“ He applied for all the scholarships because he qualified and thought, “why not?” While he does have some scholarships, his parents are mainly covering his college costs. His involvement in extracurricular activities has him “too busy to work” but his summer business internship enabled him to pay for a ski trip to Aspen with his fraternity brothers.
Sophomore at Indiana University Bloomington

○ The student **experiences an increase-in-need or decrease-in-ways-to-pay but is resilient** and maintains their position in the framework. These students find some way to bounce back quickly — often through reaching out to their support network, having a contingency plan, or having an emergency fund. In this example, although she has experienced an increase-in-need, she is able to rely on her mother to help her with the financial aid process. As a result, she maintains her position and does not move down in the framework.

“ While she says her mom handles “everything financial,” she is still part of the process and aware of what is happening. She has had 3 holds on her account because of cash flow problems and has had to visit the financial aid office. If she feels like she isn’t being heard, she puts her mom on speaker phone.
Freshman at University of California Los Angeles

⬇ The student **experiences an increase-in-need or decrease-in-ways-to-pay but is not resilient**. This student is unable to recover from the shock either because it is too large or because they do not have a support network, contingency plan, or emergency fund. As a result, they move down in the framework as they now have high unmet need. In this example, the student experienced a financial shock and was ill-equipped to handle the financial challenge. She is now experiencing high unmet need.

“ She was doing well, getting good grades, finished her freshman year strong. Halfway through her sophomore year, she got pregnant. She could only work 20 hours a week while being in school full time, then she worked at Old Navy, and her boyfriend and her moved in together. She depends heavily on her refund check each semester to pay ahead on bills and rent, and she had to take out an emergency loan for the second time this semester.
Senior at University of Illinois at Urbana-Champaign



When a student has high unmet need, there are three possible ways they can move within the framework:

⬆ The student **takes action to decrease their need or increase their ways-to-pay**. Their action is appropriate and enough to move up in the framework as they now have low unmet need. In this example, although this student experienced a financial shock, he took action and saved money over the summer in order to afford a new car.

“ His family immigrated to the United States from Ethiopia in 2000. He is paying for college through working 15-30 hours per week, as well as scholarships. Last year, he totaled his car and had to be treated in the hospital. With no car insurance, he was not reimbursed. To afford a new car, he took on many jobs over the summer working 70+ hours a week.
Junior at The Ohio State University

 The student takes action to decrease their need or increase their ways-to-pay. Their **action is either not appropriate or not enough** to move them up in the framework, but they are able to maintain position and stay in school. In this example, the student experienced an increase-in-need as a result of changing schools. Although she has taken action by quitting her part-time job and focusing entirely on school, she is still in a precarious financial situation where she would be challenged to stay in college if she experienced any slight shock.

“ She transferred to UCLA from community college. However, her financial aid doesn't cover all of her expenses. As a result, she was late on her housing payment one quarter, and by the time she was able to pay it, it was time to make the next housing payment. “They wanted me to pay the housing at once. They kept calling me. They were kinda like loan sharks.” She also had to help her family with financial problems. Eventually, it was too much to handle, and she would end up missing class. Now she is on academic probation. Since then, she stopped working in order to focus on her studies.
Junior at University of California Los Angeles

 The student is **overwhelmed by the amount of need and drops out of college**. This student has high unmet need. As a result of working too much, she was unable to handle her schoolwork and disenrolled from the university.

“ I was broke all the time, and it was hard to go school and work. I decided to work more, and my grades were suffering.” With the late night shifts, it wasn't working for her schedule. She was put on academic probation, and she moved back home to save money.
Senior at University of Indiana Southeast

Students Move Right and Left in the Framework

In addition to students moving in the framework because of an increase-in-need or decrease-in-ways-to-pay, they can also move due to a change in sense of ownership. That is, they can shift from an external sense of ownership to an internal sense of ownership, or vice versa.

 A student with **an external sense of ownership shifts to an internal sense of ownership**. In this example, although this student began freshman year with an external sense of ownership (due to being awarded two scholarships), she learned ways to decrease her need-to-pay and adopted an internal sense of ownership. In addition to moving to a cheaper dorm, she took action to save more and manage her money more effectively.

“ She received two scholarships her freshman year and was given \$6000 as a tuition refund. “My first year I managed my money pretty badly. \$6,000 was a lot but I was really not on top of my finances, and I lived in an expensive dorm...The first year, I didn't have a savings account so I let go of my money.” She says that since freshman year, she has made the decision to move to a less expensive dorm and has opened a savings account, allowing her decreased scholarship amount to cover housing. Her refund disbursement goes to her checking and she transfers it to her savings account, which is only for “school expenses.” She also has a job working 10 hours a week. “I save 80% to my savings, which is moved over automatically,” but if her checking is below \$100 - \$200, she will keep more money in her checking account.
Junior at University of California Los Angeles



A student with an **internal sense of ownership shifts to an external sense of ownership**. In this example, the student viewed financial decision-making as her responsibility and secured a full-tuition scholarship. However, due to the conditions of her scholarship, she now does not need to worry about finances or paying for college. She is more likely to believe that “everything is taken care of.”

“Entering high school, her goal was to be valedictorian. Senior year, she felt there was no point in her going to college unless she received a scholarship. “If I didn’t get a scholarship, I wasn’t going to put myself in debt for something I felt I could do myself...My understanding of college wasn’t what it is now.” She eventually won a full scholarship that covers her tuition and housing. She says, “There is no way to lose the scholarship unless sentenced up to 5 years in prison or something crazy like that. They want you to succeed. If you are failing a class, someone will call you and make sure you get tutoring. We can even take up to 10 years off and still have the scholarship when we come back.” She says that in terms of finances, she would like to learn how to write a check, get a credit card, or pay bills. She hasn’t had these experiences because of her scholarship.

Freshman at University of California Los Angeles

Making Uninformed Decisions

No matter where students are in the framework (whether they view financial decision-making as something they are responsible for or not), they are all equally as likely to make uninformed decisions. This is evinced by the number of students who have an internal sense of ownership, yet move back and forth between high and low unmet need. Below is one example of a student from Indiana University Bloomington with an internal sense of ownership who transitions from low unmet need to high unmet need:

“Going into college, she knew her scholarship would cover more than half of her costs for her first year. After pell grants, and scholarships from her high school, she thought there was going to be a \$2,500 gap. As a result, she started a GoFundMe campaign and raised \$2,000. After the campaign, she found out that she received a scholarship, which covered her gap. Instead the \$2,000 she raised became allowance for her that she used on “frivolous shopping.” She has no idea how she is going to cover her second year at Indiana University because she doesn’t know how much her scholarship will cover. She has applied to scholarships at her university as well as external scholarships (the ones that give small amounts of money and require long essays because she figures she has a better chance at getting them). She won’t find out if she has received any of them until May or June. “I’m not scared about finances yet, I always feel like I have it under control. I don’t really ask people about things. I just thinking in my head ‘I am doing all these things and it will work out.’”

Freshman at Indiana University Bloomington

The student above took ownership of her financial situation and independently raised \$2000 in order to cover any unmet need, but she is now uncertain about next year’s tuition funds.

Distributed Responsibility and Internal Sense of Ownership

Students who have parents actively involved in managing their financial situation or who are on a full-tuition scholarship are not necessarily automatically defaulting to an external sense of ownership. Students can have a strong internal sense of ownership even if they are not the sole person responsible for their financial management. Below is one example of a student from the University of California Los Angeles with an internal sense of ownership even though her mom is actively involved in her financial decision-making:

“ My mom still went to school, had me, and handled a full time job. For me going to college was never not an option. I have only one thing on my plate.” Her mom was the first in her family to go to college and now has two PhDs. “She would tell me ‘You are going to fill out this form for this. You are going to select this race and write this.’ We did school 24/7.” She graduated valedictorian with a 5.2 GPA. Four colleges offered her a full-ride scholarship but going to UCLA would mean graduating with \$40,000 in loans. She chose UCLA for its marine biology program and reputation for being academically challenging. Now that she is going to be a Residence Assistant, the \$2,500 in financial aid she was receiving for housing will go in their pocket instead. However, she doesn’t see this as a way to decrease the amount of loans she is taking out. “Our family needs that money. I feel like I can pay off the loans myself [after graduating], but right now there is more of a need for the money since right now my grandma is sick so we would rather use it for that first.” “My mom takes care of everything financial.” While she says this, she can also report exactly how much money she is receiving, from where, and how it is being used. She has had 3 holds on her account for late payments in her first year. The first time was a surprise, but the second and third time they knew they wouldn’t be able to make the payment, so she went to the financial aid office in advance. Her mom tells her what to say, and if the person in the financial aid office isn’t understanding her or gives her push back, she puts her mom on speaker phone. She has never had a problem with this working and imagines that without her mom, she would bring in her counselor (she has through a minority program) or her friend who knows “everything.”

Freshman at University of California Los Angeles

Although her mom “takes care of everything financial,” this student has an internal sense of ownership over her financial situation. She stays highly informed regarding the scholarships and loans that she is awarded, and she knows who to turn to for help. Moreover, she is taking an active role by becoming an RA and decreasing her need-to-pay.

Students Graduate From Any Corner

No matter where students are in the framework, they have the ability to graduate, but it may be harder from some positions than others. Students who are in the bottom of the framework are more financially vulnerable and need to make strategic decisions to increase ways-to-pay or decrease need. However, this does not mean that these students will drop out or fail to graduate.

Inflection Points in Student Journey

Through insights gained from the interviews, we observed that college students make an immeasurable number of decisions that can affect their ability to complete a degree. They weigh some of these choices more carefully than others, such as which college to attend and which major to study. However, they vastly underestimate the impact of other choices, for instance, how many course hours to take per semester or how many hours to work at their job. These decisions may seem small and inconsequential, but they can have cumulative effects on students’ likelihood of completing their degree. Below, we focus on several key inflection points or “moments of awareness” that can affect students’ academic success and likelihood of graduation.

Working

- Having an **appropriate workload** (1 - 15 hours per week) has been shown to increase college persistence, but working over 15-20 hours per week can challenge a student’s ability to maintain their focus on academic performance.
- As students are confronted with new or unexpected challenges, having a **flexible work environment** empowers them with the capacity to handle those challenges (by deprioritizing work) and increases their chances of success in responding to these challenges.
- Students sometimes **run out of work-study allocation** before a semester is over. When this happens, they may try to take on another job in order to continue to have income.

“ She works in retail, and it doesn't match up to her schedule well. She has finals coming up at the end of the month, and it is also one of the biggest sales of the year starting then. “So it does get stressful for sure. But I also don't want to turn down hours or time.” Her manager puts it right at the limit of part time / full time so she could be working anywhere from 25 - 35 hours a week while taking 5 courses.
Super Senior (Year 5) at The Ohio State University

Loans

- Some students are unaware that they have loans at all or **are unaware of the amount and type of loans** that have been taken out in their name. This sets them up to make uninformed financial decisions in other parts of their life such as workload, applying for scholarships, or changing majors.
- While some students refuse to take out loans, other students are taking out more loans than are manageable to pay off on a reasonable timeline post-graduation. It is recommended that the **appropriate maximum amount of loans** is when student loan payments only represent 10 to 15% of student's annual salary after graduation (Baum & Schwartz, 2006).
- Students sometimes underestimate their costs and do not take out enough in loans. Once they receive the disbursement, they may not have a **plan for managing their disbursement** so they don't run out of money before the end of the semester.
- Students sometimes are in situations where they are **supporting a family member** with part of their loan disbursement or where a family member has direct access to their account and can pull out money from their loan disbursement.

“ She says, “I need to learn how to save money. I don't have a system.” By the end of the semester, her disbursement starts to run out, and she needs more money. She has also given her mom money out of her disbursement check before in order help her pay bills. The reason she took out loans this semester was because her refund from her scholarships wasn't that big, and she needed to help her parents out. Her mom doesn't work, and her dad was injured at work. She took out the maximum subsidized loan she could take out.
Sophomore at The Ohio State University

Scholarships

- Students with scholarships are sometimes unaware of their scholarship (this was the case with some 21st Century Scholars at IU Southeast) or are **unaware of the eligibility requirements of their scholarship** (number of years the scholarship covers, credit hour minimum, minimum GPA, probation policy, and effect of a change in Expected Family Contribution (EFC) if any).
- Students often do not have a **contingency plan for managing the loss of eligibility for a scholarship** or a scholarship amount decreasing due to a change in EFC. Students will sometimes have enough scholarships to afford their first year but do not come into college with enough to cover all four years.
- Students often do not have a **contingency plan for rejection from scholarships** and hope for the best. The timeline for finding out results of scholarships applications is often very late and leaves students with little time to cover a gap that they were hoping might be covered by the scholarship.
- Students are often **unaware of the eligibility requirements of a grant or the effect of an EFC change** has on the grant amount. (For example, Pell Grants only cover 6 years of college.)

“ When she was a second semester sophomore, events in her life compiled, and she ultimately lost her scholarship. Her GPA “failed drastically” slipping to 2.4 when the minimum was a 2.6. She expected to be put on probation but was shocked to find out that she was cut from the program immediately. Near the end of the semester and into the summer, she appealed to be reconsidered for the program, and she applied for other scholarships.
Sophomore at The Ohio State University

Housing

- Students who **commute long distances** to campus sometimes face limitations in class scheduling which can make it challenging to take the required courses needed to graduate. Additionally, it can be costly in terms of time spent driving, the price of gas, and the expenses of car maintenance.
- **Managing a move into an apartment** off-campus can be a new experience for students that can be challenging to plan for as, it requires new deadlines for payments, new types of payments, and new kinds of unexpected expenses that could pop up.
- Students who are part of specialty housing like fraternities or sororities often don't have a **plan for managing specialty housing fees** that they may not have been initially aware of.

“That’s something that I learned on my own these past semesters. Once sophomore year hit, I wasn’t dorming and in an apartment so I had to manage my own money. I feel like knowing more about that would have been kind of useful.”
Junior at University of Illinois at Urbana-Champaign

Major and college choice

- Students weigh heavily on their happiness and passionate pursuits while making decisions. They also often set up the decision-making as binary — **“doing what will make them happy” vs. “doing what is less financially risky”** — rather than finding a different pathway that allows both. Sometimes their decision is made knowing there will be a large financial consequence, and sometimes that consequence isn't realized until later.
- Students are often **unaware of how a change in major will impact their graduation timeline**. This decision has potentially significant financial implications that often comes as a surprise to students.

“She enrolled, received her student ID, and went to orientation where she was handed a sheet showing the tuition per semester. She turned to her friend and said, “How much do we really like this school?” She did the math and became uncertain that a degree in fine arts would allow her to pay off loans. She instead decided to go to IUS instead where her scholarships cover all her college costs.”
Sophomore at Indiana University Southeast

Short-term or long-term shocks

- Especially for first-generation students, college is often a completely new experience to be navigated, and it can be hard to predict the kinds of hidden costs that may arise. Without access to an **appropriately-sized emergency fund**, a small shock can quickly spiral into something as detrimental as dropping out (Kruger, Parnell, & Wesaw, 2016; Pew Charitable Trusts, 2015).
- Students often don't have a **plan for how and when they will get help** before it is too late / reactive. Students often don't realize that they are in a financially vulnerable position and even view “being broke” as a norm for college students.
- Students **go to places of familiarity when they are in need of help**, although these sources may not be the best equipped to help them--very seldom do they think to go to the specific office on campus intended to help them with financial matters.

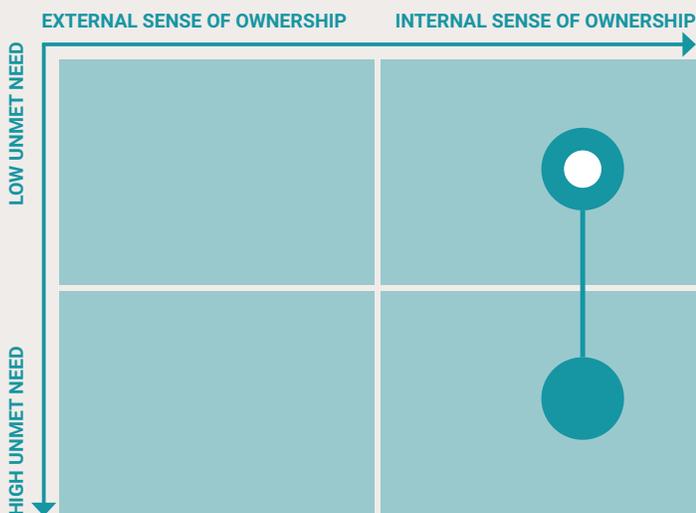
“Her family had a financial shock when her mom had to spend 70 days in the hospital after a heart attack and had a 2 million dollar hospital bill. They had to take all the money out of her savings account because they thought they would need to use it to cover these bills, but they ended up not having to. The experience made her question staying in college and was thinking about dropping her summer classes, but her dad told her not to.”
Senior at Indiana University Southeast

Inflection Points and Movement in Context

We highlight a few stories below to demonstrate how students move within the framework and encounter different inflection points. In order to keep the anonymity of students that we interviewed, we have provided a nickname for each of the stories and only include students' year and major. The wording that is highlighted below the title corresponds to the inflection points mentioned previously. On the left, we provide a visualization of how students move within the framework, with the open circle indicating where a student begins and a closed circle indicating where the student ends in the framework.

Nice-Car-A-Lot *Super Senior (Year 7) at large public university studying speech and language pathology*

commute long distances | awareness of the amount and type of loans | appropriate amount of loans



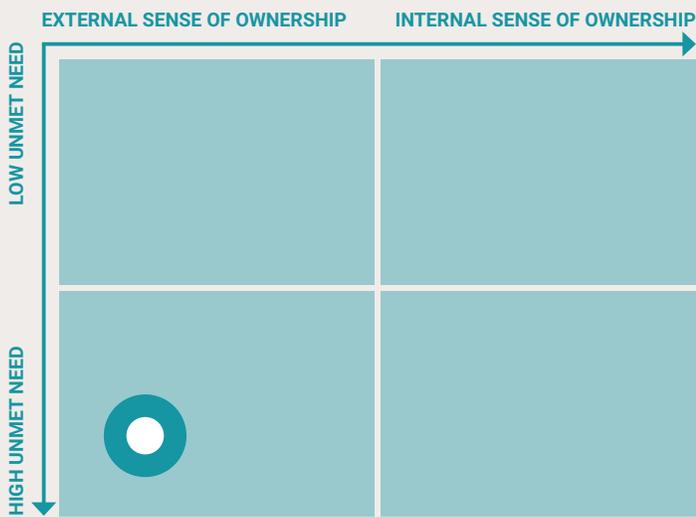
She knew from the beginning she would be on her own to afford college, and she also knew she needed to get out of her house. She went to a branch of a large university that she felt she could afford if she worked three jobs.

When she changed her major to Speech and Language Pathology, she knew she needed to leave the branch school in order to get a bachelor's degree. In order to cover her college costs at the university, she is taking out loans and working 25 - 35 hours a week while commuting 45 minutes to campus every day. "Honestly, I have already bought more books in two semesters than I had to buy in my full two years at the [university] branch."

When asked about how much debt she would have upon graduation she said, "A lot [of debt]. I mean probably \$60,000 - \$70,000. I dunno. Nice-car-a-lot...I mean I try to stay pretty positive and not think about that stuff. I have a pretty busy home life, and I don't have time to worry about that. Worst case scenario, I end up with a lot of debt and am an educated, well-rounded human being. I look forward to that....There is nothing in my savings account. If there was, I wouldn't be a college student."

Our Finances *Sophomore at large public university studying public health*

plan for managing disbursement | supporting a family member



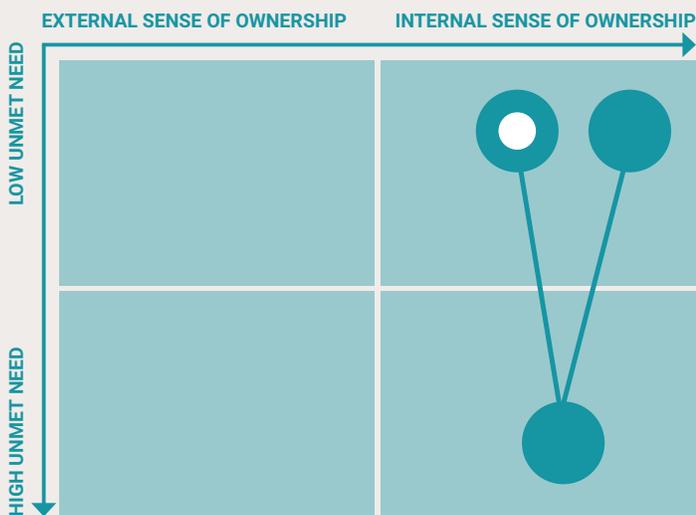
She applied to be part of the “I Know I Can” program in 8th grade because she had a 3.0 GPA and federal Pell Grant eligibility. She has had to reapply every year since, but if her FAFSA doesn’t change a lot, she is covered. She also has taken out subsidized loans and estimates she will have \$4,000 in loans when she graduates. Every semester, she gets a disbursement (from loans and scholarship) and work-study income from working 9 hours per week. She lives at home and commutes about 10 minutes to college. She uses her family’s credit card to cover her phone bill and gas because they offered to help her afford college.

By the end of the semester, her disbursement runs out and she has to ask her parents for money. She took out the maximum subsidized loan this semester

because her refund from her scholarships wasn’t that big, and she needed to help her parents out (mom doesn’t work and her dad was injured at work). “I need to learn how to save money. I don’t have a system.”

Family Changes *Sophomore at large public university studying human development services*

contingency plan for managing the loss of scholarship eligibility | go to places of familiarity for help | contingency plan for rejection from scholarships | managing move off-campus | awareness of eligibility requirements or the effect of an EFC change on a grant | appropriately-sized emergency fund

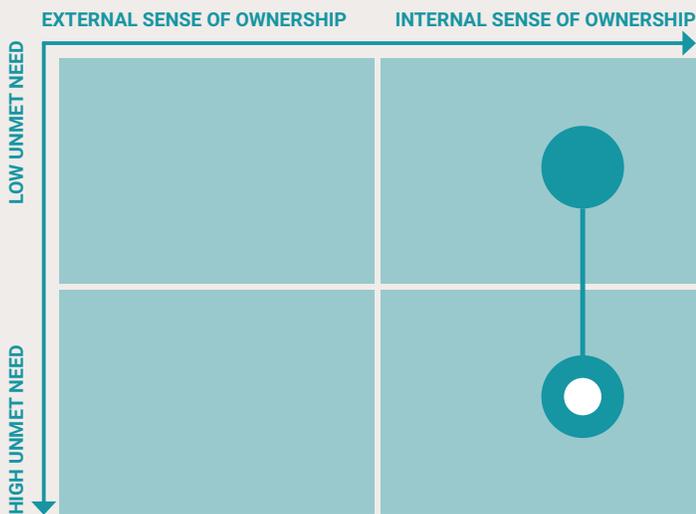


She attended community college classes for her last two years of high school and made sure all the credits transferred. A scholarship program for first-generation students and other scholarships cover her college costs. During sophomore year, her uncle was murdered, and her dad was diagnosed with PTSD. Her GPA slipped below the 2.6 minimum. She expected to be put on probation but was shocked to find out that she was cut from the program immediately. She appealed to be reconsidered for the program. She also applied for other scholarships and received two. By junior year, she was re-accepted into the scholarship program, and she changed her major to something with easier classes so she could ensure a higher GPA.

Her dad made a slightly higher income, and her EFC score went up meaning her refund check at the beginning of the semester went from \$534 per semester to \$22. In order to cover books (with a “little wiggle room”) for the year, she decided to take out a \$2,000 loan. Shortly after, she discovered a hold on her bursar account for \$438 that baffled her and her scholarship advisor. She found out that, as best as she could understand it, she had too many scholarships and therefore owed the university \$438 for going over their threshold. She used part of the loan to cover it. She is moving off-campus next year because she has done the math; it will be much less expensive, and she won’t need any loans. “I am very futuristic. I have a whole [financial] plan – it’s in one of my folders in my file cabinet in my dorm.”

Six Planners *Sophomore at public university studying Pharmacology*

awareness of scholarship eligibility requirements | supporting a family member | happiness vs. financial risk

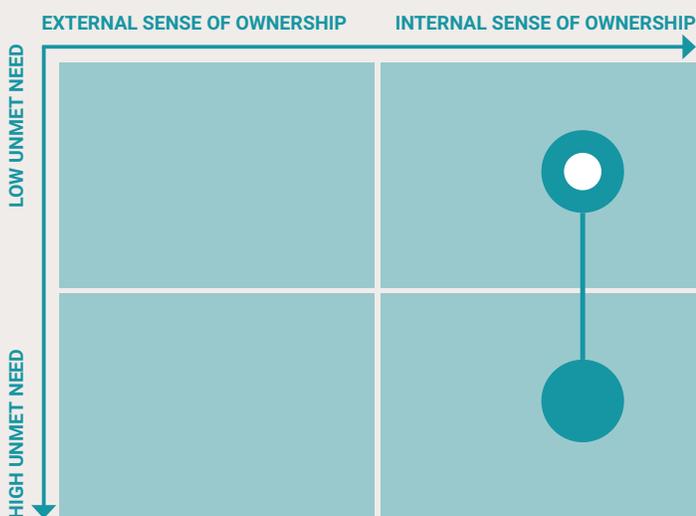


She decided she wanted to go to the Kentucky School of Art to study Art Therapy. She enrolled, received her student ID, and went to orientation where she was handed a sheet showing the tuition per semester. She turned to her friend and said, “How much do we really like this school?” She did the math and became uncertain that a degree in fine arts would allow her to pay off the loans. She instead decided to go to IUS where her scholarships cover all her college costs. “I knew it was going to be expensive, but I had the support of 21st century scholars and other scholarships. I knew tuition was going to be a significant amount, but there wasn’t a good way for me to estimate how significant that would be.”

She describes herself as an extreme “planner” saying she loves making lists, harasses the bursar’s office, and when thinking about how others manage their finances exclaims, “What do you mean you don’t write down all your bills??” She has six planners where she tracks what bills are supposed to be coming up, so she can plan spending to make sure they are covered. She is planning that the 21st Century Scholarship will cover her completion of her bachelor’s in two years and the completion of pharmacy school in two years, but after she did a quick search on Google, it appeared it will not cover the pharmacy program she is planning to attend.

Life Shocks *Super Senior (Year 5) at large public university studying Anthropology and Dance*

awareness of how a change in major impact on graduation timeline | appropriate workload | flexible work environment | run out of work study allocation



She always knew she would need a bachelor’s degree to “get somewhere in life,” and “it was a given” that she would have to afford it on her own. Terra State College seemed like an option she could afford. She spent four years full-time getting an associate degree in biology with Pell Grants and work-study income covering all her college costs (and while living at home with her grandparents.) She would run out of work-study allocation, and her manager would find money in her budget to make sure she could continue to work.

She transferred to a larger university in order to get her bachelor’s in entomology and, a semester in, changed her major to Anthropology and pick up a minor in Dance because she felt certain she wouldn’t

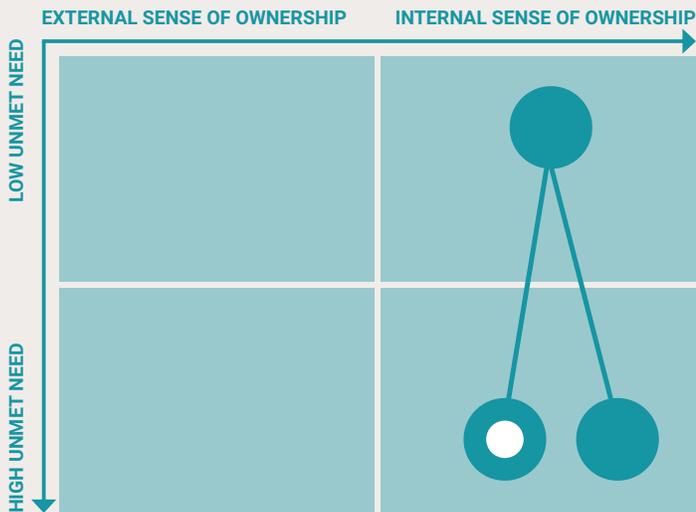
be able to pass calculus. Originally, when she decided to go to this university, she thought she would only need to afford one extra semester, but when she switched majors it became a year. Her final year will be entirely covered by loans because Pell Grants extend to six years maximum. She estimates she will graduate with \$50,000 in loans.

She found a job grading eight hours a week for an online class, but she found the job difficult because it was very unstructured. Everything in her life suddenly became too stressful. Her health insurance was dropped, she was trying to pass calculus, her fiancé lost his job, and she was planning a wedding. She dropped the job, dropped planning the wedding, and ended up on academic probation.

“I think I have a grasp on it. I think I would get help when I know I can’t make any payments or when I know I can’t hold a job anymore because my academics are hurting or when I have already taken out the max for loans.”

Appropriate Workload *Senior at public university studying communications*

appropriate workload | flexible work environment



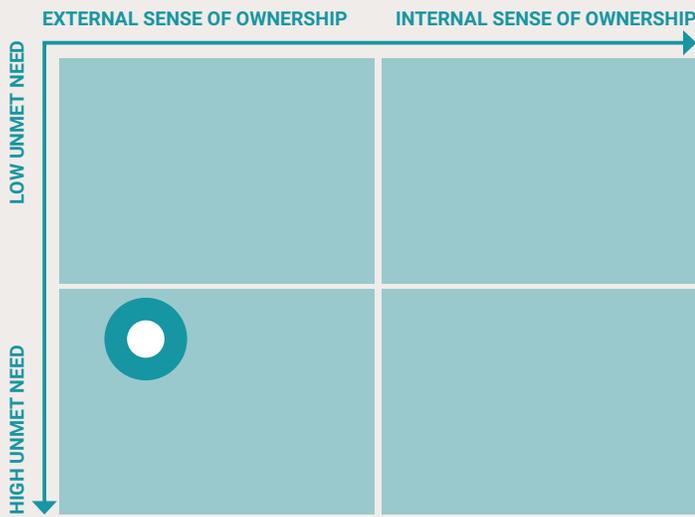
She started working at UPS during her sophomore year. They provide a student card for meals during the day if you work a certain number of hours and/or some type of loan assistance. However, with the late night shifts, it wasn’t working for her schedule. “I was broke all the time, and it was hard to go school and work. I decided to work more, and my grades were suffering. So I got put on academic probation.” She eventually moved back home and started going to a community college.

After two years at community college, she enrolled again at the university. She graduates this May at 24 years old, but with zero debt. “I got frustrated when I went back to school because I couldn’t have been able to save. I can only save maybe \$40 bucks a week.

I put my bills to the side, [she works as a waitress] I have what I need to live on, then I save. If I spent too much, I would use a credit card.”

This is the most stressful time because as a senior, she has to take certain classes at certain times that affect her work schedule. Thus, she has almost no control over her schedule. So if she has a class at 2:00 pm and a class at 6:00 pm, she can’t go to a shift for work. In order to manage that, she has looked for morning jobs like a coffee shop, and then she drives for Lyft.

I'll Figure It Out After College *Freshman at large public university with undecided major*
unaware of the amount and type of loan | appropriate amount of loan



“I don’t think we ever had a conversation about affording college. And even now I am not sure how much tuition they will even be able to pay for. They didn’t want to limit my thinking about which college I could go to... I wish we had that conversation sooner. We still haven’t had it. I am still not sure how much they will pay or how much I will pay.”

She is uncertain about the cost of tuition and how much her need-based grants are covering. After looking it up on her laptop (during the interview), she saw that the total cost of housing and tuition is \$34,000 and that she has a \$12,000 Cal grant, a \$2,000 university grant, and a \$2,000 grant for health insurance. The rest (around \$18,000) is covered by loans. This surprised her: she thought her parents

were covering part of the costs this year. “I wasn’t sure if they were paying anything or not. I didn’t realize until I just looked it up. I thought they had money saved up in an account somewhere for college, but I don’t know what happened to that. They never talked about how much they saved up. Based on our living situation, I didn’t feel like we were living paycheck to paycheck. Paying \$18,000 per year for 4 years doesn’t sound like a lot for a middle-class family?” The first time she received a disbursement summary, she says they opened it together, and her parents told her to accept all the loans. It didn’t register with her that that meant they weren’t paying anything for her first year.

She plans on talking to her parents about how much they have saved up to contribute to her college costs. If they don’t have anything, she figures she will take out the rest in loans. “For loans, I always just thought I would figure it out after college. I will have the ability to pay for it eventually.”

CONCLUSION

Interviews with over 90 college students from 7 college campuses confirm that low-income and first-generation students face significant financial barriers to success in higher education. Moreover, many of the existing efforts to mitigate these circumstances are not nearly enough to make college a realistic option for these students. In addition to the financial burdens that they face, these students often lack the support systems that they need in order to overcome these barriers. As a result, many of these students do not strategize about how to pay for college and are ill-equipped to handle financial challenges when they arise.

We also identify two driving factors of financial vulnerability: Unmet Need and Sense of Ownership. Observations from the interviews revealed that these two factors interact, and students will fall in one of the four quadrants: Everything is Taken Care of (Low Unmet Need and External Sense of Ownership), I Have a Plan (Low Unmet Need and Internal Sense of Ownership), The FAFSA will Cover It (High Unmet Need and External Sense of Ownership), and Doing Everything I Can (High Unmet Need and Internal Sense of Ownership).

While students begin in one of these four corners, they can move throughout the framework depending on the decisions they make throughout college. We consider these key decision points or moments of awareness as “inflection points”. In many cases, students need to make strategic decisions during their college journey, such as housing, work, loans, scholarships, major and college choice, and how to handle short-term or long-term financial shocks. However, many students do not recognize that these key inflection points are directly tied to money and finances. For instance, students may transition from living on-campus to off-campus without calculating or realizing the financial implications of doing so. In other cases, students may change majors or even universities, without considering that they may have to stay an extra year or take additional courses. These decisions or inflection points can affect students’ academic success and likelihood of graduation.

So how do we help financially vulnerable students succeed in college? For one, we suggest that these inflection points are moments that universities can build interventions around. Currently, there are various university programs and financial wellness centers in place to assist students. Many are trying to better support students and reach out to them around these inflection points. These financial decisions, although seemingly inconsequential, can have significant impacts on students’ success in college. A combination of internalized sense of ownership and decreased amount of unmet need can together equip a student to navigate these decisions successfully and ultimately decrease their risk of dropping out due to financial stress. Below, we list several questions that are centered on how to better support and guide students during these moments:

- How might we help students understand the details of their college funding, including how their funding sources can vary from year to year?
- How might we better assist students in managing their cash flow, including any scholarship or loan disbursements and the costs they will encounter during college?
- How might we guide students to create appropriate, realistic contingency plans for what they will do when classes, work, or life don’t go as planned?
- How might we help students recognize when they are in a financially vulnerable situation?
- How might we help students identify someone who is well-equipped to advise them in the event of a financial challenge?
- How might we help students recognize the hidden but significant financial impact of certain decisions in college (e.g., switching majors or schools, moving off/on campus)?

While solutions to these questions might look different on each campus, we think these questions are a valuable place to start the conversation. We believe that there is an opportunity for innovative interventions from university and high school administrators, parents, teachers, and counselors to help students prepare for and handle these challenges as they arise at each stage of postsecondary education’s financial journey, so as to maximize opportunities and avoid pitfalls.

Higher education is considered one of the most important ways to upward mobility — yet as it stands, higher education may be widening the inequality gap as low-income and first-generation students are finding it more difficult to graduate from college. However, the hope is that with additional support from universities, administrations, parents, teachers, and high school counselors, students can learn to take ownership of their financial situation and prepare for financial challenges that may arise.

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