



When Financial Aid Falls Short

New Data Reveal Students Face Thousands in Unmet Need

CLASP

Policy solutions that work for low-income people

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Introduction

College affordability is a pressing issue that's made more urgent by rising costs, increasing enrollment, and changing student demographics. People entering the labor market today are finding it increasingly difficult to secure a good job without first pursuing some postsecondary education or training. As a result, college enrollments have swelled, and traditionally underrepresented groups—such as people of color and low-income, parenting, working, first-generation, or immigrant students—are increasingly pursuing postsecondary education. Public policies, however, have failed to keep pace with rising college costs and changing student needs. As a result, an increasing number of students are left with unmet financial need.

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This brief analyzes new U.S. Department of Education (ED) data from academic year 2015-16 and finds that nearly three in four students experience unmet need, and that unmet need among college students has risen by 23 percent since academic year 2011-12.¹ At public 2-year institutions, 71 percent of students have some

unmet need averaging \$4,920. Unmet need is even greater among students attending 4-year, nonprofit and for-profit institutions, and students of color and low-income students are more likely to have unmet need, including at significantly higher amounts. Unmet need is a significant barrier to student enrollment and completion, and the lack of public policies to address it poses a significant challenge to improving access and advancing equity within postsecondary education.

Understanding unmet need and its limitations as a comparison tool

Unmet need is the gap between the cost of college and all student resources that do not need to be repaid, such as scholarships, grant aid, and a student's Expected Family Contribution (EFC), calculated in the Free Application for Federal Student Aid (FAFSA).

While unmet need gives some indication of student financial burden, it is limited in some respects. For one, it only estimates the need gap for one year of college, not an aggregate of all years of attendance. Additionally, we calculate unmet need using cost of attendance estimates that are produced by colleges, which notoriously underestimate students' cost of living. Research has found that at least one-fifth (but maybe as many as one-third) of

colleges produced cost of attendance estimates that are 20 percent or more below the actual local cost of living.² Two-year and vocational schools, which many low-income students and students of color attend, were most likely to underestimate the cost of living off-campus.

Further, unmet need subtracts a student's full EFC. This assumes it was correctly calculated by the FAFSA and that students can afford to pay that amount out of pocket. Students are more likely to drop classes or find other resources (including student loans) to pay some or all of this amount. Research from Goldrick-Rab and Kendall describes many reasons why the EFC is improperly calculated, including geography, family circumstances, and the EFC's formula being poorly designed for those with the least ability to pay.³ Again, students of color and low-income students are most harmed by an improperly determined estimate of their finances, particularly because our economic and political system has artificially limited their ability to earn and save.

Unmet need is also relative because average employment and earnings outcomes are quite different based on race, gender, and institutional quality. For example: a \$10,000 unmet need gap for a white student at a private college is not equivalent to a \$10,000 gap for a Black student at a for-profit college. If both students fully finance their unmet need with student loan debt, the likely differences in their outcomes will be compounded. Both borrowers may see their future work options and wealth constrained by the debt; however, the white borrower is likely to have higher earnings than the Black borrower both due to the type of institution they attended and broader wage disparities by race.⁴

The most important limitation is that unmet need is simply one figure describing students—it does not define them. All students have qualities that make them valuable citizens; they should not be thought of in terms of their unmet need alone.

Given the above factors, it is possible this brief *underestimates* students' true unmet need.

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How unmet need can affect students

Student unmet need is a symptom of a larger college affordability problem, as well as broader systemic societal and economic barriers that students face before, during, and after college. These include insufficient state and federal grant aid programs, the weakening of our nation's social safety net, and the dearth of jobs that pay family-sustaining wages.

Nearly three in four students experience unmet need, making it a nearly universal phenomenon among today's students.

The effect of this may be increased material hardship like food or housing insecurity that forces students to make such difficult choices as sleeping in their car or choosing between buying food and paying tuition. Difficulties making ends meet may also cause students to reduce the number of courses they take or drop or stop out altogether. This common cost-cutting strategy is why policies that require full-time enrollment (particularly full-time enrollment without significant, additional aid) can be harmful to students with unmet need. Students with unmet need may also take on costly student loan debt that can endanger their financial future. Student loan debt is riskiest for students of color who default on student loans at disproportionately high rates, even if they completed their program of study.⁵

The more covert or subtle consequences of unmet need can be just as pernicious. For instance, the perception of unmet need—often understood as 'college is too expensive'—may prevent potential students from pursuing postsecondary education or training at all. This has the most significant consequences for Black, Latinx, and students of Native origin who already enroll in college at lower rates than other races/ethnicities.⁶

No matter what type of institution they attend, Black students are most likely to have unmet need.

Students experience high rates of unmet need

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The \$4,920 total for academic year 2015-16 represents a 23 percent increase in four years.

The universality of this experience, however, shouldn't obscure the gaps in need among different groups of students. For example, Tables 1 (page five) and 2 (page six) show that across race/ethnicities, the prevalence and amounts of need don't necessarily correspond. For instance, the frequency of unmet need for Asian-American students is generally close to the average, although they consistently have the highest dollar amounts of need. The reverse is true for Black students. While they do not have the largest dollar amount of need in any category in Table 2, no matter what type of institution they attend, they are most likely to have unmet need.

Table 1. Prevalence of Unmet Need by Race/Ethnicity and Institution Type

Race/Ethnicity	Public 2-year	Public 4-Year	Private Not-for-Profit	For-Profit
All Students	71%	75%	78%	93%
Asian-American	72%	79%	81%	94%
Black	81%	86%	89%	96%
Latinx	76%	83%	87%	95%
Multi-Racial	76%	82%	78%	96%
Native	72%	72%	82%	94%
White	66%	69%	74%	88%

Table 2 (next page) shows the average unmet need for students based on income, race/ethnicity, and the type of institution—all of which are important factors in determining a student's unmet need. To get a sense of how unmet need has changed over time, our 2015 brief found the average unmet need for community college students in academic year 2011-12 was \$4,011. The \$4,920 total for academic year 2015-16 represents a 23 percent increase in four years.

Table 2. Student Average Unmet Need by Race, Income, and Institution Type

Income Quartile ⁱ	Public 2-Year	Public 4-Year	Private Not-for-Profit	For-Profit
All Students				
TOTAL	\$4,920	\$9,134	\$13,844	\$14,815
Bottom	\$6,903	\$12,792	\$18,727	\$16,194
Lower-Middle	\$6,315	\$11,928	\$17,774	\$16,620
Upper-Middle	\$3,967	\$8,475	\$15,124	\$14,630
Top	\$1,920	\$3,946	\$8,056	\$9,072
Asian-American Students				
Bottom	\$8,507	\$16,756	\$26,718	\$21,693
Lower-Middle	\$7,292	\$14,875	\$25,542	\$21,122
Upper-Middle	\$5,124	\$12,076	\$25,355	\$16,976
Top	\$1,659	\$4,615	\$12,029	\$15,754
Black Students				
Bottom	\$6,714	\$12,310	\$16,341	\$15,942
Lower-Middle	\$6,856	\$12,155	\$15,914	\$15,530
Upper-Middle	\$4,892	\$9,549	\$13,713	\$14,710
Top	\$2,789	\$4,262	\$7,043	\$9,875
Latinx Students				
Bottom	\$6,833	\$10,524	\$14,568	\$15,015
Lower-Middle	\$6,293	\$10,925	\$17,694	\$17,832
Upper-Middle	\$3,861	\$7,561	\$15,734	\$15,191
Top	\$2,098	\$4,642	\$7,958	\$10,959
Multi-Racial Students				
Bottom	\$6,666	\$13,172	\$17,760	\$17,956
Lower-Middle	\$5,770	\$11,429	\$20,618	\$15,936
Upper-Middle	\$4,254	\$10,098	\$19,968	\$14,580
Top	\$3,204	\$4,076	\$10,922	\$10,121
Native Students (American Indian, Alaska Native, Native Hawaiian, and Other Pacific Islander)				
Bottom	\$7,073	\$9,892	‡	\$16,651
Lower-Middle	\$5,198	\$6,789	‡	\$17,490
Upper-Middle	\$4,932	\$7,665	‡	\$18,856
Top	‡	‡	‡	\$8,299
White Students				
Bottom	\$6,748	\$13,286	\$20,289	\$16,722
Lower-Middle	\$6,082	\$12,051	\$17,418	\$16,314
Upper-Middle	\$3,614	\$8,061	\$14,082	\$13,970
Top	\$1,711	\$3,767	\$7,682	\$7,606

‡ represents too few cases for a reliable estimate.

Quartile	Dependent Students	Independent Students
Bottom	Less than \$27,900	Less than \$7,200
Lower-Middle	\$27,901 - \$63,000	\$7,201 - \$20,200
Upper-Middle	\$63,001 - \$113,500	\$20,201 - \$43,000
Top	More than \$113,500	More than \$43,000

For dependent students, income levels encompass their and their parents' income; for independent students, income is theirs alone.

Displaying unmet need in this way helps our understanding of the affordability and accessibility of postsecondary education for various student groups. Consider an independent student with a very low income (in the bottom income quartile) who is attending community college. Community college students in this range have an average unmet need of \$6,903. Even if these students are among the highest-earning people in the bottom quartile (\$7,200), the \$6,903 in need equates to 96 percent of their income.

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Asian-American students have the most unmet need, although the cause is not fully known

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Across the board, Asian-American students have the greatest amount of unmet need, regardless of the institution they attend. We offer a few explanations for this. Across all races/ethnicities, Asian-Americans are the most income-stratified; while some Asian-American subpopulations are as financially secure as whites, many others live

in deep poverty.⁷ This disparity might also be driven by where these students live and attend college—and the cost of those institutions. This disparity could also be influenced by international students from Asia who cannot pay in-state tuition and have limited access to aid. We hypothesize these as possibilities and investigate them further in a companion blog piece.⁸ However, the issue would benefit from further study and disaggregated data among Asian-American subgroups.

Public college students have the least unmet need, yet can still face significant financial challenges

Community colleges are considered the most affordable postsecondary education option, and indeed often are. Yet the lowest-income students—those in the bottom income quartile and who are living near or below the poverty line—have more than \$6,900 in unmet need. Students in the lower-middle quartile are not much better off with an average of \$6,315 in unmet need.

While Asian-American students continue to have significant need up to the top income quartile, Black students in the lower-middle quartile have *more* need than their bottom quartile peers. One possible explanation is that dependent students having family incomes within, but on the upper end of, the lower-middle income range are unlikely to receive Pell Grants. Among dependent students who received Pell Grants in academic year 2016-17, only 15 percent had family incomes above \$50,000, and only 7 percent had incomes above \$60,000.⁹

Students attending public 4-year colleges have an average unmet need of approximately \$9,100.

Students attending public 4-year colleges have an average unmet need of approximately \$9,100. Asian-American students in the bottom quartile again have the highest unmet need. Latinx students in the lower-middle quartile have even higher unmet need than their bottom income counterparts. This could be attributable (in part) to the same Pell Grant problem noted above.

Both private and for-profit college students have high need, reflecting the high cost of these institutions, but masking potential disparities in student outcomes

Across the board, students attending private colleges have an average unmet need of nearly \$14,000. Latinx and multi-racial students in the lower-middle income range have higher unmet need than similar students in the bottom range.

The unmet need of nearly \$15,000 for students attending for-profit colleges is comparable to those attending private institutions. However, while the unmet need gap may be similar to private colleges, the quality of many of these institutions is not comparable with the quality of most private institutions. (Nor is it comparable with more affordable public institutions.) Students of color are more likely to enroll in for-profit colleges—institutions that too often aggressively target students who can bring in veterans education benefits and student aid dollars and too rarely produce quality educational and employment outcomes. Once again, students at for-profit colleges who are Latinx or from Native populations have greater unmet need when they are in the lower-middle quartile than in the bottom quartile.

Appendix A examines student unmet need by state.

Recommendations

Our analysis demonstrates that **federal and state governments must increase their investment in public institutions and need-based aid programs.** The maximum Pell Grant has declined in value for decades and now covers just half of the total cost of community college. Close to 6 in 10 Black students receive Pell Grants, and nearly half of Latinx and students of Native origin do, which makes Pell Grants a particularly important resource for low-income students of color. Other federal grant programs aimed at reducing costs to students and institutions—such as Federal Work-Study, Supplemental Educational Opportunity Grants, and aid provided to minority-serving institutions (MSIs) through Title III of the Higher Education Act—have remained flat-funded in the face of constant tuition increases and need an increased investment.

Policymakers must also update the FAFSA to improve the calculation of EFC and how colleges estimate cost of attendance. They should also consider creating a “negative EFC,” which would change the calculation to more accurately determine the need of the lowest-income students.

At the state level, spending on public colleges declined during the Great Recession and, in most cases, has not recovered.¹⁰ State disinvestment in higher education has hurt institutions in many ways, including their ability to address students’ comprehensive financial needs as well as their social and emotional health. To address students’ unmet need, **states should restore funding for postsecondary education and prioritize investments in state aid programs** that are need-based, inclusive of all students and enrollment patterns, and used to strategically target awards to students with unmet need.¹¹

Federal and state governments should also modernize financial aid and economic security policies to reflect the needs of today’s students. This includes designing and implementing free college programs to prioritize students who have the most unmet need and provide them the resources they need to be successful. Policymakers should also advance policies that support tuition equity and state-funded financial aid for undocumented immigrant students who complete high school (or its equivalent) and attend college in-state.

In CLASP's recently released framework for low-income working adults, **we recommend that states center equity and diversity in state higher education plans** by working to close equity gaps and target supports to historically underserved groups.¹² States should consider unmet need while developing these plans and recognize how doing so can address these equity gaps. Institutions should also examine how equity gaps look across their campus(es).

Finally, **states and institutions should consider capitalizing on resources that are already available to students but often go under-utilized.** One of these is the Ability to Benefit (ATB) provision of the Higher Education Act, which provides access to financial aid for students who are enrolled in career pathway programs but who have not yet received a high school diploma or its equivalent. States should also connect eligible students to public benefits programs—like Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and child care subsidies—and take advantage of flexibilities in federal law to better align their public benefits programs to encourage college attendance and support institutions with outreach efforts.

Conclusion

Unmet need can be considered a rough measure of our nation's underinvestment in students that highlights the gap between expectations of affordability and reality. When policymakers don't address unmet need, college becomes increasingly unaffordable and inaccessible for all students but particularly students of color, who comprise a growing share of our nation's college-going population. Equitable access to postsecondary education that is both affordable and high-quality is essential to creating a productive and dynamic economy. Federal and state policymakers and institutions should take advantage of the many policy options available to eliminate student unmet need.

Endnotes

¹ In 2015, CLASP released a pair of briefs that looks into the unmet need of students from AY 2011-12.

² Robert Kelchen, Sara Goldrick-Rab, and Braden Hosch, "The Costs of College Attendance: Examining Variation and Consistency in Institutional Living Cost Allowances," March 2017, <https://www.tandfonline.com/doi/abs/10.1080/00221546.2016.1272092?journalCode=uhej20>.

³ Sara Goldrick-Rab and Nancy Kendall, "The Real Price of College," March 2016, <https://tcf.org/content/report/the-real-price-of-college/>.

⁴ Federal Reserve Bank of Kansas City, "Assessing Differences in Labor Market Outcomes Across Race, Age, and Educational Attainment," April 2017, <https://www.minneapolisfed.org/institute/working-papers/17-09.pdf>.

⁵ Ben Miller, "New Federal Data Show a Student Loan Crisis for African American Borrowers," October 2017, <https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/>.

⁶ NCES, U.S. Department of Education, "The Condition of Education 2018: College Enrollment Rates," https://nces.ed.gov/programs/coe/pdf/coe_cpb.pdf.

⁷ Rakesh Kochhar and Anthony Cilluffo, "Income Inequality in the U.S. is Rising Most Rapidly Among Asians," July 2018, <http://www.pewsocialtrends.org/2018/07/12/income-inequality-in-the-u-s-is-rising-most-rapidly-among-asians/>.

⁸ Duy Pham, "Asian-American Students Have Highest Amount of Unmet Need," Center for Law and Social Policy, December 11, 2018, <https://www.clasp.org/asian-american-students-have-highest-amount-unmet-need>.

⁹ U.S. Department of Education, Federal Pell Grant Program Annual Data Report Fiscal Year 2016-2017, <https://www2.ed.gov/finaid/prof/resources/data/pell-data.html>.

¹⁰ Michael Mitchell, Michael Leachman, Kathleen Masterson, and Samantha Waxman, "Unkept Promises: State Cuts to Higher Education Threaten Access and Equity," October 2018, <https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and>.

¹¹ Wayne Taliaferro and Amy Ellen Duke-Benfield, "Redesigning State Financial Aid to Better Serve Nontraditional Adult Students," September 2016, <https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/Redesigning-State-Financial-Aid-to-Better-Serve-Nontraditional-Adult-Students.pdf>.

¹² Amy Ellen Duke-Benfield, Rosa García, Lauren Walizer, and Carrie Welton, "Developing State Policy that Supports Low-Income, Working Students," September 2018, <https://www.clasp.org/publications/report/brief/developing-state-policy-supports-low-income-working-students>.

Appendix A: Average student unmet need by state

State	Student Unmet Need (Average)
TOTAL	\$8,800
Alabama	\$8,876
Alaska	\$6,284
Arizona	\$7,035
Arkansas	\$8,563
California	\$8,399
Colorado	\$8,120
Connecticut	\$11,140
Delaware	\$10,186
District of Columbia	\$15,411
Florida	\$9,007
Georgia	\$9,790
Hawaii	\$8,254
Idaho	\$7,265
Illinois	\$8,184
Indiana	\$6,912
Iowa	\$6,895
Kansas	\$6,341
Kentucky	\$8,030
Louisiana	\$8,276
Maine	\$11,098
Maryland	\$10,423
Massachusetts	\$9,766
Michigan	\$7,434
Minnesota	\$7,362
Mississippi	\$7,812
Missouri	\$7,500
Montana	\$8,007
Nebraska	\$5,581
Nevada	\$7,142
New Hampshire	\$11,138
New Jersey	\$10,351
New Mexico	\$7,060
New York	\$10,791
North Carolina	\$7,909
North Dakota	\$6,037
Ohio	\$8,347

State	Student Unmet Need (Average)
Oklahoma	\$7,204
Oregon	\$8,281
Pennsylvania	\$10,408
Rhode Island	\$8,641
South Carolina	\$10,333
South Dakota	\$8,950
Tennessee	\$8,742
Texas	\$8,168
Utah	\$6,309
Vermont	\$6,271
Virginia	\$8,557
Washington	\$7,881
West Virginia	‡
Wisconsin	\$7,488
Wyoming	‡
Puerto Rico	\$8,533
Overseas Territories	\$12,932

‡ represents too few cases for a reliable estimate.