

UNIVERSITY OF MINNESOTA

How Do Undergraduate Students Pay For Their Education Today?

October 22, 2008

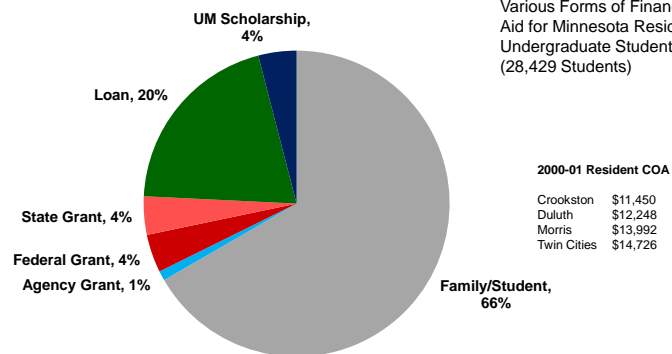
Outline

- How do undergraduate students pay for their education?
- What do aid packages look like at various income levels?
- Why are loans important and how do they work?
- Is there a difference in financial aid for graduates and dropouts?
- What do faculty and staff need to know?
- What should we do differently?

How did undergraduate students pay for their education in 2001?

Extrapolated from Students who Filed a FAFSA

Percentage of Cost of Attendance Covered by Various Forms of Financial Aid for Minnesota Resident Undergraduate Students (28,429 Students)



2000-01 Resident COA

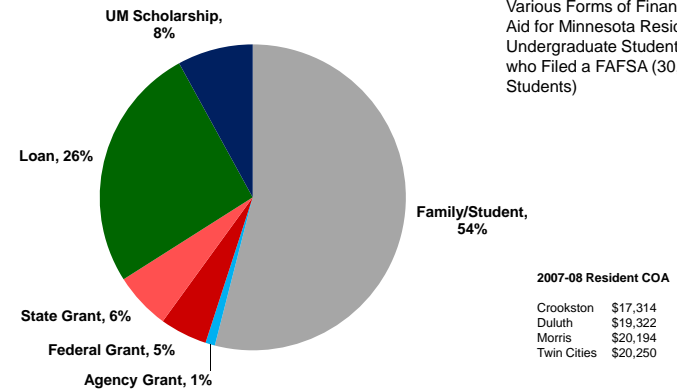
Crookston	\$11,450
Duluth	\$12,248
Morris	\$13,992
Twin Cities	\$14,726

Total Collective 2000-01 Cost of Attendance: \$382 Million

How did undergraduate students pay for their education in 2008?

Extrapolated from Students who Filed a FAFSA

Percentage of Cost of Attendance Covered by Various Forms of Financial Aid for Minnesota Resident Undergraduate Students who Filed a FAFSA (30,457 Students)

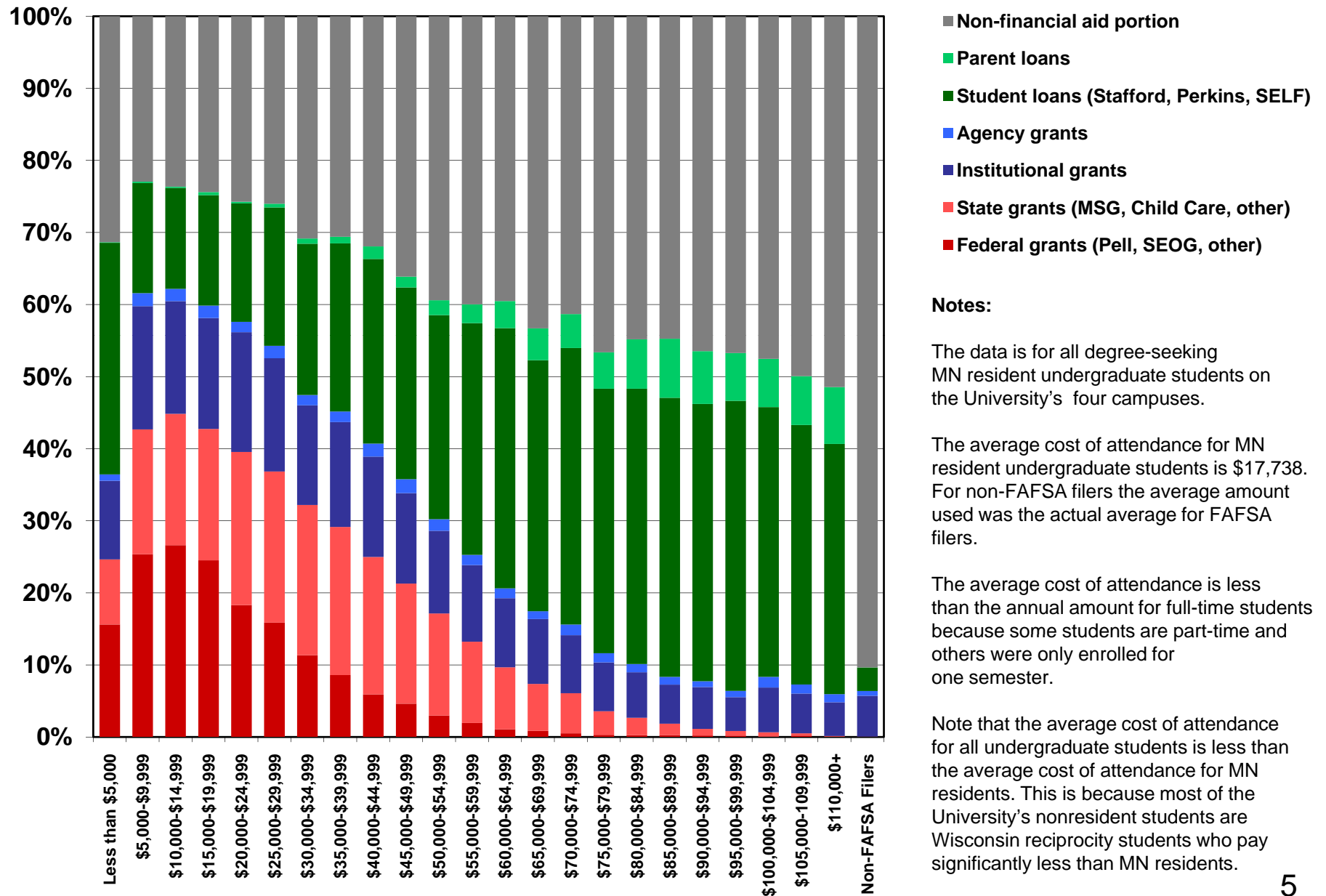


2007-08 Resident COA

Crookston	\$17,314
Duluth	\$19,322
Morris	\$20,194
Twin Cities	\$20,250

Total Collective 2007-08 Cost of Attendance: \$573 Million

Share of Cost of Attendance by Financial Aid Type by Parent Income: University of Minnesota Resident Undergraduates (2007-08)



How do undergraduate students pay for their education?

The University of Minnesota enrolled 40,572 undergraduate students in fall 2007.

- 23% of these students received no financial aid.
- 63% of these students received some form of grant or scholarship assistance and the average amount was \$5,621.
- 57% of these students used loan programs and the average amount borrowed was \$8,705.
- There is significant overlap between the students who receive grants or scholarships and the students who use loan programs.

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How do undergraduate students pay for their education?

Median Parental Adjusted Gross Income for MN Residents

- Crookston \$56,127
- Duluth \$76,784
- Morris \$68,717
- Twin Cities \$72,618

Median Expected Family Contribution for MN Residents

- Crookston \$5,706
- Duluth \$10,475
- Morris \$8,647
- Twin Cities \$10,037

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What do aid packages look like at various income levels?

2008 Packages AGI \$25K to \$30K

Cost of Attendance	\$20,250
Expected Family Contribution (Parent)	\$894
Expected Family Contribution (Student)	<u>1,356</u>
Expected Family Contribution Total	\$2,250
State Grant	\$5,980
Pell Grant	1,960
Founders Gift	2,144
MN Resident Scholarship	221
Work Study –must be earned	2,700
Student Loan	<u>3,500</u>
Total Aid	\$16,505

Parent Loan—expected family contribution plus shortfall is \$3,745 each year

Four year family and student debt: \$28,980

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What do aid packages look like at various income levels?

2008 Packages AGI \$79K—2007 MN Median income

Cost of Attendance	\$20,250
Expected Family Contribution (Parent)	\$9,365
Expected Family Contribution (Student)	<u>247</u>
Expected Family Contribution Total	\$9,612
State Grant	-
Pell Grant	-
Founders Gift	-
MN Resident Scholarship	\$221
Work Study –must be earned	2,700
Student Loan	<u>3,500</u>
Total Aid	\$6,421

Parent Loan—expected family contribution plus shortfall is \$13,829

Four year family and student debt: \$69,316

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What do aid packages look like at various income levels?

Median expenses budget based on averages
Median family income in Minnesota is \$79,000

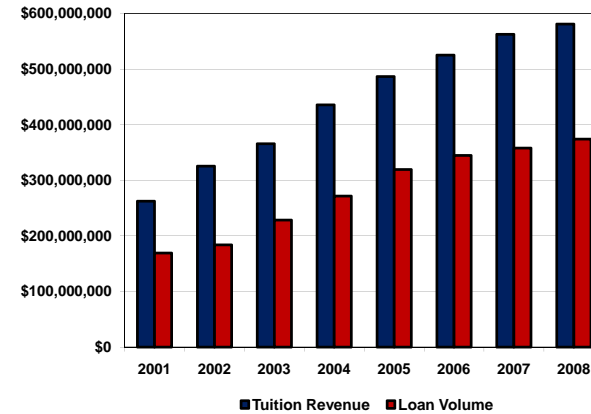
	Monthly	Annual
Food	\$926	\$11,112
Housing	1,600	19,200
Utilities	350	4,200
Healthcare	396	4,752
Transportation	1,170	14,040
Clothing/other	263	3,156
Retirement	658	7,900
Net taxes	<u>732</u>	<u>8,782</u>
Total	\$5,745	\$73,142

No money for entertainment, purchase of major items, pets, school sports/activities

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Why are loans important and how do they work?

Increase in Tuition Revenue from All Students: \$318 M (121%)
Increase in Loan Volume from All Students: \$205 M (121%)



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Why are loans important and how do they work?

2007-08 Total University Loan Volume \$374,148,021

	FY 2001	FY 2008
Undergraduate Loan Volume	\$102,415,932	\$201,169,500
Percent of undergraduate students borrowing	49%	57%
Average undergraduate amount borrowed	\$5,501	\$8,705

Loan Indebtedness for 2006-07 Baccalaureate Graduates

	% of Grads	Average Debt
Crookston	72%	\$22,188
Duluth	74%	\$23,996
Morris	77%	\$22,809
Twin Cities	62%	\$24,995

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Why are loans important and how do they work?

Is it one loan or several?

Undergraduate students borrow from one or more of the following programs:

	Total	Max/Year
Federal:		
Stafford	\$66,665,752	\$3,500 to \$5,500
Perkins	\$3,309,310	\$4,000
Nursing	\$199,690	
PLUS (Parent)	\$17,781,528	to COA
State/SELF	\$30,741,707	\$7,500
University Trust Fund Loan	\$633,449	\$4,000
Private Loans	\$14,343,558	to COA

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Why are loans important and how do they work?

Estimated Minimum Salary Required for Loan Payment

Amount Borrowed	Monthly Payments(120)	Estimated Income Level
\$10,000	\$115	\$14,400
15,000	173	21,600
20,000	230	28,800
23,000	265	33,100
30,000	345	43,200
40,000	460	57,500
50,000	575	71,900
65,000	754	94,200

Assumes 6.8 percent interest rate and 8% maximum of income for undergraduate repayment and 15% maximum of income for graduate/1st professional repayment.

Is there a difference in financial aid for graduates and dropouts?

Financial Aid for Fall 2001 Cohort: Total

Aid Type	Dropouts 2,920 AAR = 113.8	Graduates * 5,164 AAR = 127.9
Loan (Student/Parent)	59% \$12,871	62% \$24,028
Agency Grants	13% \$2,443	23% \$3,678
Federal Grants	28% \$6,071	25% \$8,121
State Grants	31% \$4,507	30% \$8,166
UM: GOM Scholarship	22% \$5,266	35% \$9,202
UM: Other Scholarship	13% \$6,849	34% \$7,354
UM: Total Scholarship	29% \$7,076	52% \$11,018
Grant/Scholarship Total	50% \$11,013	66% \$16,824
Financial Aid Total	73% \$17,919	82% \$31,617

* Includes students still enrolled

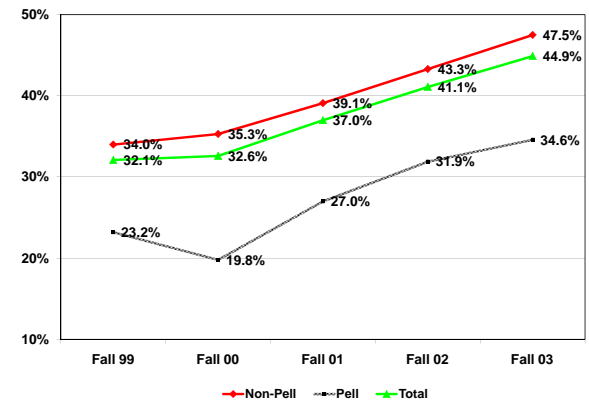
Is there a difference in financial aid for graduates and dropouts?

Financial Aid for Fall 2001 Cohort: 1st Year

Aid Type	Dropouts 2,920 AAR = 113.8	Graduates * 5,164 AAR = 127.9
Loan (Student/Parent)	46% \$5,451	39% \$5,819
Agency Grants	12% \$1,400	18% \$1,480
Federal Grants	23% \$3,509	15% \$3,483
State Grants	27% \$1,908	20% \$2,220
UM: GOM Scholarship	14% \$3,300	18% \$3,605
UM: Other Scholarship	9% \$3,974	17% \$2,940
UM: Total Scholarship	21% \$4,017	30% \$3,857
Grant/Scholarship Total	44% \$5,232	49% \$4,849
Financial Aid Total	66% \$7,247	66% \$7,041

Is there a difference in financial aid for graduates and dropouts?

Four Year Graduation Rates Pell versus Non-Pell



What do faculty and staff need to know?

All of the above.

The best way for students to control the cost of their education is to graduate in four years.

Whatever is in second place is way behind.

What do faculty and staff need to know?

Average Credits per Degree for NHS: FY01 – FY06

	Students with No Credits at Matriculation	Total for All Graduates
Biological Sciences	130.9	138.4
Continuing Education	131.0	134.4
Design	134.5	138.8
Food/Ag/NatRes	133.0	140.1
Liberal Arts	128.8	135.7
Carlson School of Mgmt	129.5	136.5
Dentistry	152.3	152.2
Education and Human Dev	131.8	136.2
Technology	139.8	147.1
Medicine	139.7	144.9
Nursing	156.0	161.2
UMTC	131.9	139.2

Concluding Points

The University's future enrollment is increasingly contingent on how much students and families are willing to borrow.

For every \$3 increase in tuition the majority of undergraduate students borrow \$2 more.

Poor retention and graduation rates are a financial problem for both the students who fail and the University.

The best way for students to control the cost of their educations is to graduate in four years. Whatever is in second place is way behind.

The University should not admit students who cannot graduate in four years. Marginal admits must be extremely well supported.

The University should continue working to eliminate barriers to timely graduation; too many programs require far more than 120 credits to complete in a reasonable way.

Faculty and staff need to know more about how students pay for their education today.