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Highlights of Financial Aid Awarded 2009



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About the Minnesota Office of Higher Education

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to postsecondary education. The agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding up to \$150 million in need-based grants to Minnesota residents attending eligible colleges, universities and career schools in Minnesota. The agency oversees other state scholarship programs, tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and an early college awareness program and initiatives for youth.

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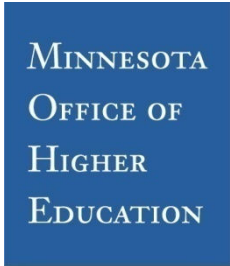
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Highlights of Financial Aid Awarded 2009

Financial aid totaling \$2.76 billion helped Minnesota undergraduates and their families pay for postsecondary education in Fiscal Year 2009. The money was provided by state and federal governments, colleges and private sources. Minnesota students received \$1.07 billion in grants and scholarships¹, \$1.54 billion in student loans, \$119 million in parent loans and \$38 million in work-study earnings.

Financial Aid Awarded, Fiscal Year 2009 is produced every two years and includes annual data on grants, loans and work study earnings statewide and by system and institution. This *Highlights of Financial Aid Awarded, Fiscal Year 2009* is a summary of the full report.

The institution- and system-level data presented in the twelfth *Financial Aid Awarded* report is collected through a survey of postsecondary institutions conducted biannually by the Office of Higher Education since 1987. The report is intended to provide policy-makers, state officials and education administrators with information about how students are financing their educations and how financial aid patterns have changed over time.

National changes in student loans

From 2007 to 2009, several major national developments changed student loans substantially.

- In 2007, the New York Attorney General alleged that banks participating in federal student loans and other lenders providing private student loans were engaged in practices that were not in the best interest of students. The practices in the allegation included payments by lenders to colleges based on the amount students at those colleges borrowed and fees paid to colleges for recommending loans from certain lenders to borrowers. The allegations led to multi-million dollar settlements by the largest private student loan lenders with the New York Attorney General. Lenders and colleges agreed to abide by a new code of conduct banning practices perceived as conflicts of interest. The 2007 allegations were followed by new disclosure requirements for all non-federal student loans enacted as part of the reauthorization of the federal Higher Education Act in 2008.
- A major tightening of credit in the overall economy in 2008 and 2009 made it difficult for banks to obtain capital to make private student loans. With less money available to use in making loans, banks and other private lenders required borrowers and cosigners to have better credit histories when they made new loans.
- As part of the major economic recession, there were many news articles about the dangers to consumers of borrowing too much.

¹ The term grants will be used in this analysis to include scholarships, grants, tuition discounts, tuition waivers and other forms of gift aid.

- In addition, in 2008 the federal government increased the annual and aggregate loan limits for federal Stafford and Direct Loans. The annual borrowing limits increased by \$2,000 per year. For example, the limit for first year students increased from \$3,500 to \$5,500.

Points of interest about the survey data results for 2009:²

Borrowing

- Overall, student borrowing increased 42 percent from 2007 to 2009 among undergraduates attending Minnesota postsecondary institutions. Minnesota undergraduates borrowed \$1.54 billion from federal, state and other sources in 2009, up from the \$1.08 billion they borrowed in 2007.
 - A major reason for the increase was the increase of \$2,000 a year in the loan limit on federal Stafford and Direct loans, beginning in July 2008.
 - Subsidized federal Stafford and Direct Loan borrowing increased by an average of \$600 per student and the number of borrowers increased by 17 percent.
 - Unsubsidized federal Stafford and Direct Loan borrowing increased by an average of \$1,200 per student and the number of borrowers increased by 14 percent.
- In contrast to earlier years when private student loans were increasing rapidly, from 2007 to 2009 the amount borrowed from private lenders *decreased* 6 percent - from \$211 million in 2007 to \$198 million in 2009. Factors that contributed to the decrease in private borrowing included:
 - The increase of \$2,000 per year in the federal Stafford and Direct Loan borrowing limit.
 - The difficulty of lenders in obtaining money to lend as part of the tightening of credit in the overall economy.
- Minnesota SELF Loans to undergraduates *decreased* by 8 percent, from \$122 million in 2007 to \$112 million in 2009. The number of borrowers was 28,000 in 2007 and 22,400 in 2009.
- Loans to parents of undergraduates through the federal PLUS program *decreased* by 16 percent from \$141 million in 2007 to \$119 million in 2009.

Institutional Scholarships

- Grants awarded to students by their colleges and universities increased by 28 percent to \$533 million in 2009, up from \$416 million in 2007.
 - Students attending Minnesota's nonprofit colleges and universities received 73 percent of all institutional grants awarded in Minnesota.

Federal Pell Grants

- Federal need-based Pell Grants increased by 48 percent from \$179 million in 2007 to \$264 million in 2009. The number of recipients increased from 80,400 in 2007 to 98,700 in 2009. The federal government increased the maximum federal Pell Grant by \$681 (17 percent) from \$4,050 in 2007 to \$4,731 in 2009.

² References to Fiscal Year 2009 will be abbreviated as 2009 in this document. Fiscal Year 2009 is the period from July 1, 2008 through June 30, 2009. Similarly, references to Fiscal Year 2007 will be abbreviated as 2007.

Minnesota State Grants

- The total volume of Minnesota State Grants awarded decreased by 8 percent, but the number of recipients increased by 5 percent. State Grants to 84,000 recipients totaled \$143 million in 2009. In comparison, in 2007, State Grants went to 80,100 recipients and totaled \$156 million.
- Reasons for the decline in State Grants included:
 - The total amount of State Grants awarded in 2007 was higher than 2009 because unspent funds from 2006 were carried over to 2007. In 2007, a one-year increase of \$715 in the State Grant Program’s living and miscellaneous expense allowance was put into place as the result of a projected surplus of funds in the program. State law authorizes the Office of Higher Education to temporarily increase the living and miscellaneous expense allowance when there is a projected surplus in State Grant funds.
 - The increase in the maximum federal Pell Grant contributed to a decrease in average awards from \$1,900 in 2007 to 1,700 in 2009. State Grants are coordinated with federal Pell Grants to provide assistance to students based on their family income and assets. Money made available by the federal Pell Grant increase was reinvested in the State Grant program by increasing several program parameters which contributed to an increase in the number of recipients. With the existing appropriation spread over a larger number of recipients, the average grant declined.
 - State Grants are income sensitive. On average, the family incomes used in calculating awards increased from 2007 to 2009, reducing the aggregate award amounts to many students.

Financial aid awarded to Minnesota undergraduates (in millions)

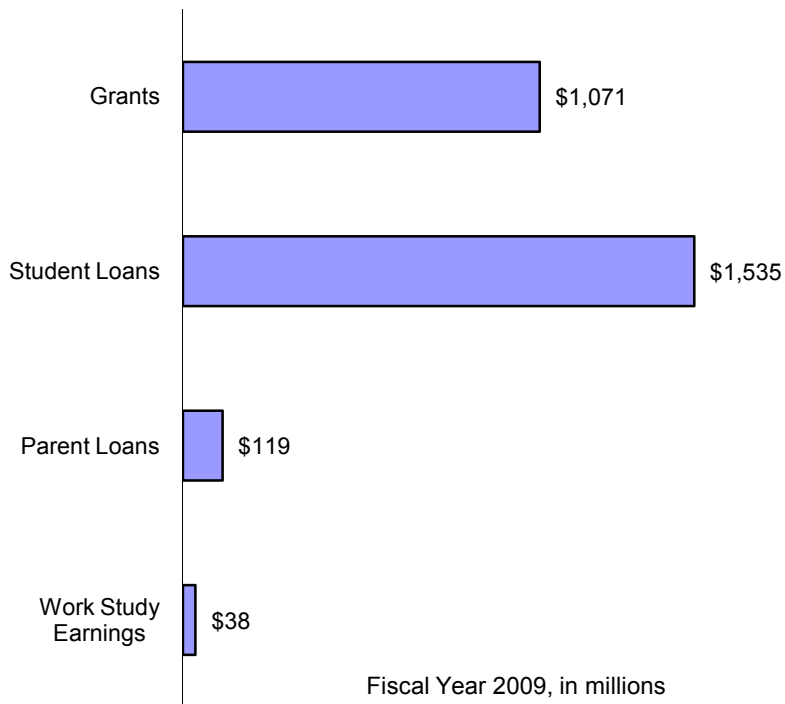
Program	2007 awarded	2009 awarded	Percent increase
Grants			
Federal Pell Grants	\$179	\$264	48%
Minnesota State Grants	\$156	\$143	-8%
Institutional Scholarships	\$416	\$533	28%
Grants from private sources	\$52	\$59	15%
Loans			
Federal student loans	\$740	\$1,213	64%
Federal parent loans (PLUS)	\$141	\$119	-16%
Private student loans	\$211	\$198	-6%
Minnesota SELF Loans	\$122	\$112	-8%

Source: Minnesota Office of Higher Education survey of institutions, 2009

Financial Aid at a Glance

Minnesota students use a variety of financial aid resources to pay for college.

Minnesota Undergraduate Grants*, Loans, and Work-Study Earnings, 2009



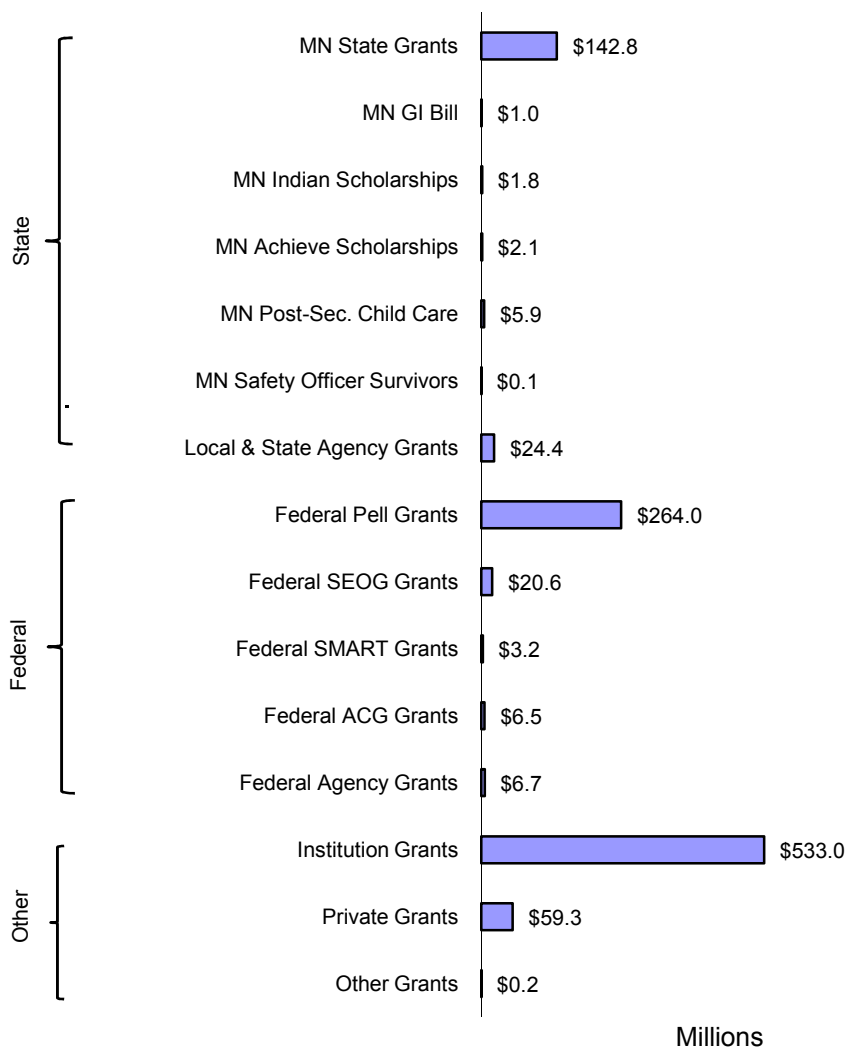
*Grants include scholarships, discounts, waivers and gift-aid.

Source: Minnesota Office of Higher Education

Grants

Minnesota undergraduates received \$1.07 billion in grants in 2009, an increase of 24 percent from \$864 million in 2007. The largest sources of grants were \$533 million from postsecondary institutions; \$264 million came from federal Pell Grants and \$142.8 million in Minnesota State Grants.

Grant amounts by program, 2009



Source: Minnesota Office of Higher Education

Institutional and private grants

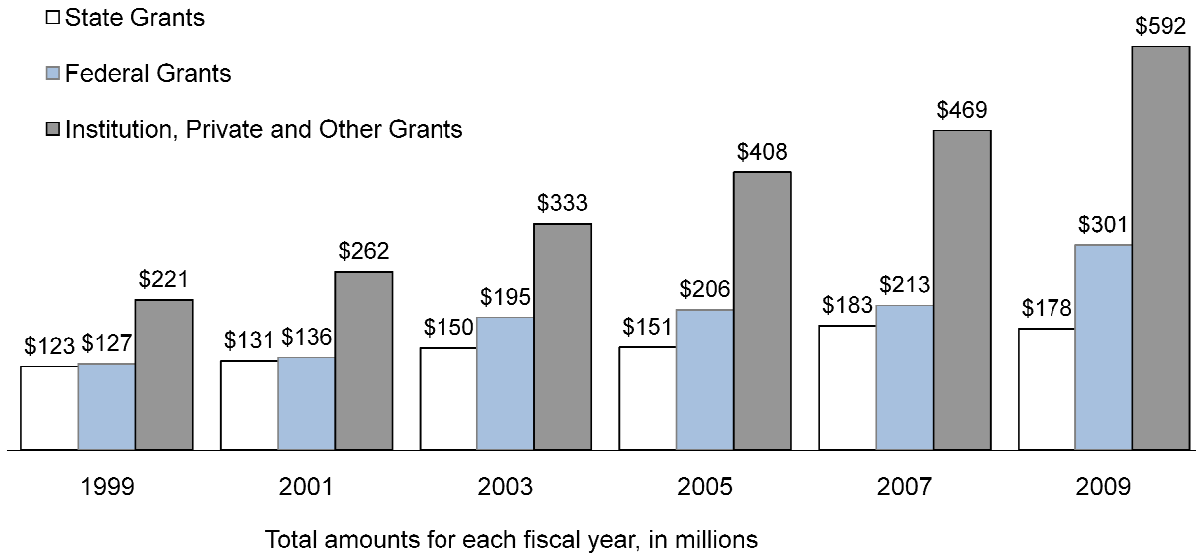
The \$592 million in grants provided by postsecondary institutions, private donors and other sources were a major source of discounts to students' price of attendance in 2009. The \$592 million was a 26 percent increase over the \$469 million undergraduates received in 2007.

Of the \$592 million, institutions provided \$533 million in grants to undergraduates in 2009. Students received \$59 million in grants from private sources, such as service clubs, labor unions and private foundations. Students received \$156,000 in grants from other sources in 2009. Grants from other sources are grants not fitting one of the categories of federal, state, institutional or private grants, such as a grant from another state to a student attending a Minnesota institution.

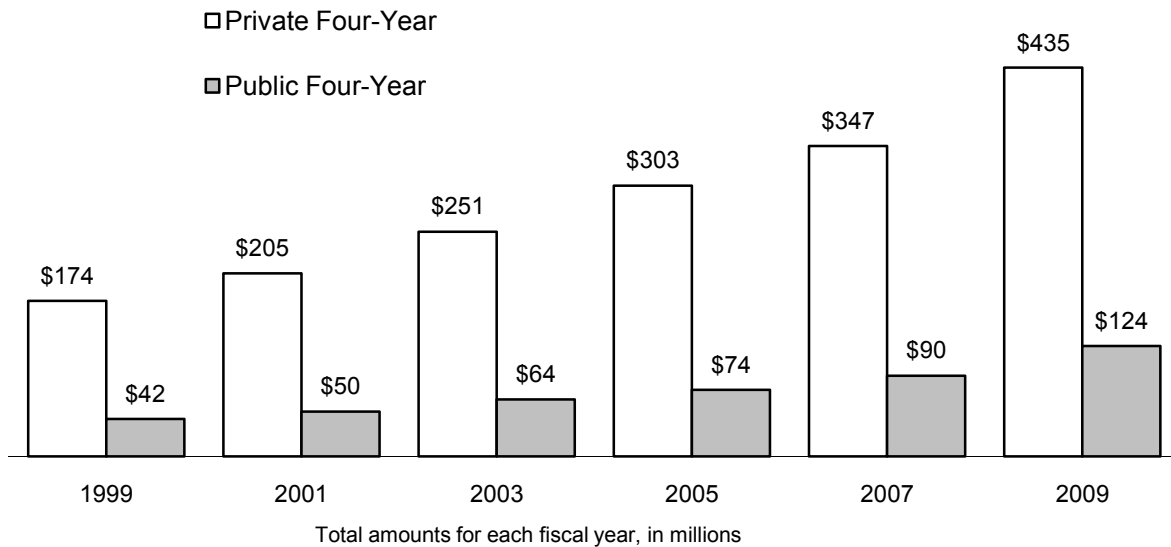
The number of students who received grants from institutions and the average amount received varied by type of institution. The percentage of students receiving institutional grants in 2007-2008 was:

- University of Minnesota campuses - 60 percent of first-time, full-time students received grants and the average amount was \$2,800.
- Minnesota four-year state universities - 27 percent of first-time, full-time students received grants and the average amount was \$2,100.
- Private nonprofit colleges – 92 percent of first-time, full-time students received grants and the average amount was \$9,200.
- Minnesota community and technical colleges - 13 percent of first-time, full-time students received grants and the average amount was \$900.
- Minnesota for-profit career schools - 78 percent of full-time first-year students received grants and the average amount was \$8,100.
- [Source: National Center for Education Statistics, Integrated Postsecondary Education Data System]

Institutional grant amounts increased more than state or federal grants



Much of the increase in institutional and private grants occurred at private colleges and universities



Federal grants

The federal government generally targets grant aid to students from low- and moderate-income families.

Federal Pell Grants

The federal Pell Grant Program provided \$264 million to 98,700 undergraduates attending postsecondary institutions in Minnesota in 2009, a 48 percent increase in the amount awarded and a 23 percent increase in the number of recipients from 2007 to 2009. The maximum federal Pell Grant increased by \$681 (17 percent) from \$4,050 in 2007 to \$4,731 in 2009. The average Pell Grant awarded to Minnesota students increased by \$450 (20 percent) from \$2,225 in 2007 to \$2,675 in 2009.

Other federal grants

Federal Supplemental Education Opportunity Grants totaling \$21 million went to 23,800 students in Minnesota. Institutions must give priority to Pell Grant recipients when awarding SEOG grants.

Federal Academic Competitiveness Grants provided \$6.5 million to 8,200 undergraduates attending Minnesota institutions in 2009. Federal ACG grants went to first- and second-year Pell Grant recipients who had taken college preparatory courses in high school.

National Science and Mathematics Access to Retain Talent Grants provided \$3.2 million to 1,000 students in Minnesota.³ National SMART grants went to Pell Grant recipients who were enrolled in their third and fourth years of postsecondary study and who were majoring in science, math, technology, engineering or a foreign language defined as critical to national security.

Undergraduates attending postsecondary institutions in Minnesota received \$3 million in grants from other federal agencies. Examples of these grants are health professions grants, federal Nursing Scholarships, ROTC stipends and Bureau of Indian Affairs grants.

State grants

The State of Minnesota also invests its grant money in low- and moderate-income students, primarily through the Minnesota State Grant program.

Minnesota State Grant Program

Minnesota State Grants totaling \$143 million went to 84,000 undergraduates in 2009. The number of recipients increased 5 percent, but the total amount awarded decreased by 8 percent from the \$156 million that went to 80,100 recipients in 2007.

The increase in federal Pell Grants, changes in the living and miscellaneous expense allowance and changes in the tuition and fee maximums contributed to changes in State Grant spending from 2007 to 2009. The changes are summarized in the table below.

³ The federal ACG and SMART grant programs were new in 2007 and are scheduled to sunset at the end of the 2010-2011 academic year. The President's proposed budget and published plans from Congressional leaders indicate the programs are not likely to be continued.

Changes in Minnesota State Grant parameters, and their general effects:

Parameter	2007	2009	Comment
Living and miscellaneous expense allowance	\$6,065	\$6,200	Increase of \$135, generally increased State Grant awards and the number of recipients
Tuition and fee maximum - 2-year programs	\$6,436	\$5,808	Decrease of \$628, decreased awards to students in those programs and the number of recipients
Tuition and fee maximum - 4-year programs	\$9,438	\$9,838	Increase of \$400, increased awards to students in those programs and the number of recipients
Maximum federal Pell Grant	\$4,050	\$4,731	Increase of \$681. Money made available by the Pell Grant increase was used to increase LME and the four-year tuition maximum, which contributed to an increase in the number of recipients. With the existing appropriation spread over a larger number of recipients, the average grant declined.

Another change that had an impact on State Grant awards was that, on average, family incomes used in calculating awards increased from 2007 to 2009, reducing the award amounts to many students.

Average State Grants decreased from \$1,900 in 2007 to \$1,700 in 2009.

Other state grants

Minnesota Postsecondary Child Care grants totaling \$5.9 million went to 2,900 undergraduates in 2009. The maximum award per child increased from \$2,300 to \$2,600 in 2008, and the appropriation increased from \$4.9 million in 2007 to \$6.2 million in 2009.

The Minnesota Achieve Scholarship Program provided \$2.1 million in awards to 1,900 recipients in 2009. The program began in 2008 and provided a one-time \$1,200 award to eligible Minnesota undergraduates who completed a qualifying secondary school program and attended a Minnesota postsecondary institution. In 2009, students had to be from families with annual incomes less than \$75,000.⁴

Minnesota Indian Scholarships totaling \$1.8 million went to 565 undergraduates in 2009. The Minnesota Indian Scholarship Program provided assistance to Minnesota resident students with financial need who were of one-fourth or more American Indian ancestry. In Fiscal Year 2008, administration of the program was transferred from the Minnesota Department of Education to the Office of Higher Education.

Minnesota GI Bill awards totaling \$957,100 went to 719 undergraduates in 2009. The Minnesota GI Bill Program, established in Fiscal Year 2008, provided postsecondary aid to eligible Minnesota veterans and service members who served on or after September 11, 2001 and to the children and spouses of deceased or severely disabled veterans and service members who served after that date. The Minnesota Department of Veterans Affairs contracted with the Minnesota Office of Higher Education to administer the program.

Minnesota Safety Officer’s Survivor grants totaling \$56,600 went to 12 students in 2009. The Public Safety Officer's Survivor Grant provided an educational benefit to children and spouses of public safety

⁴ Substantial changes in Achieve Scholarships occurred in 2010 – after the time period included in this analysis.

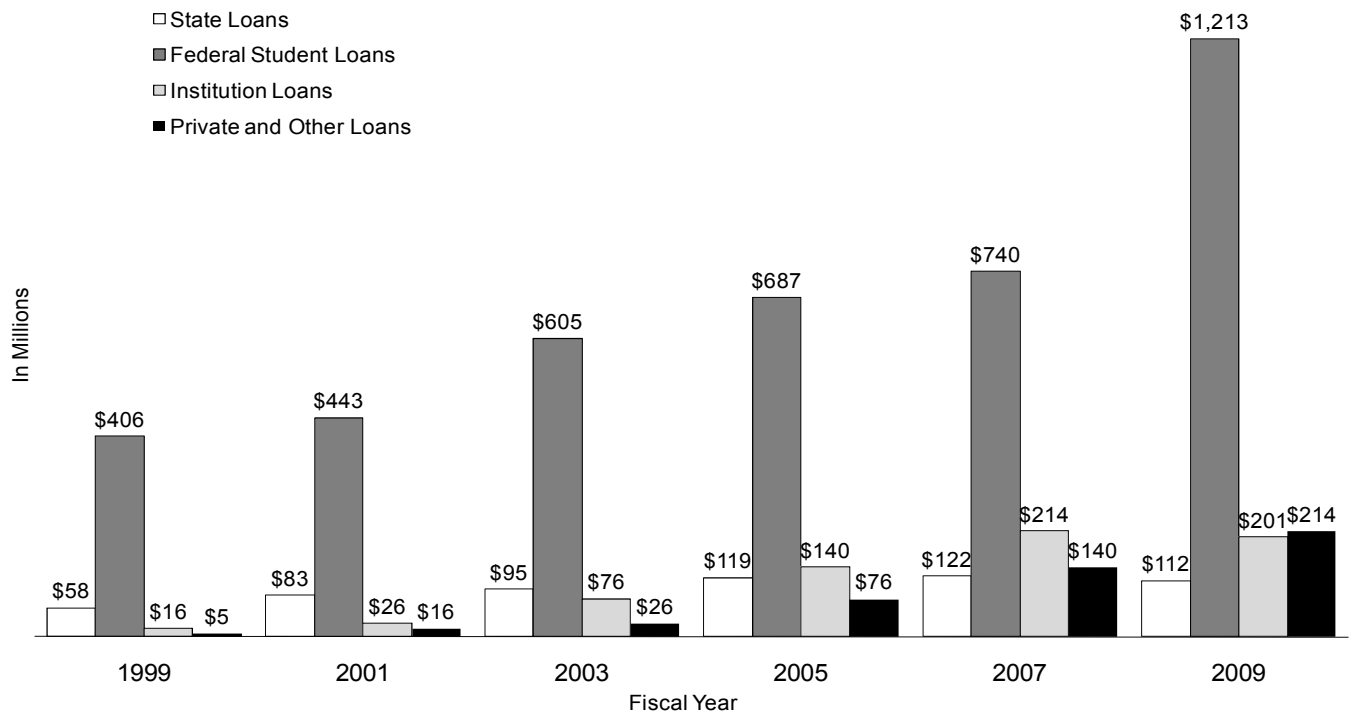
officers killed in the line of duty. Eligibility was determined by the Minnesota Department of Public Safety.

Grants from other state and local agencies totaled \$24.4 million in 2009. Examples of these grants were Department of Rehabilitation Services Grants and Workforce Investment Act Grants, which are administered by the Minnesota Department of Employment and Economic Development.

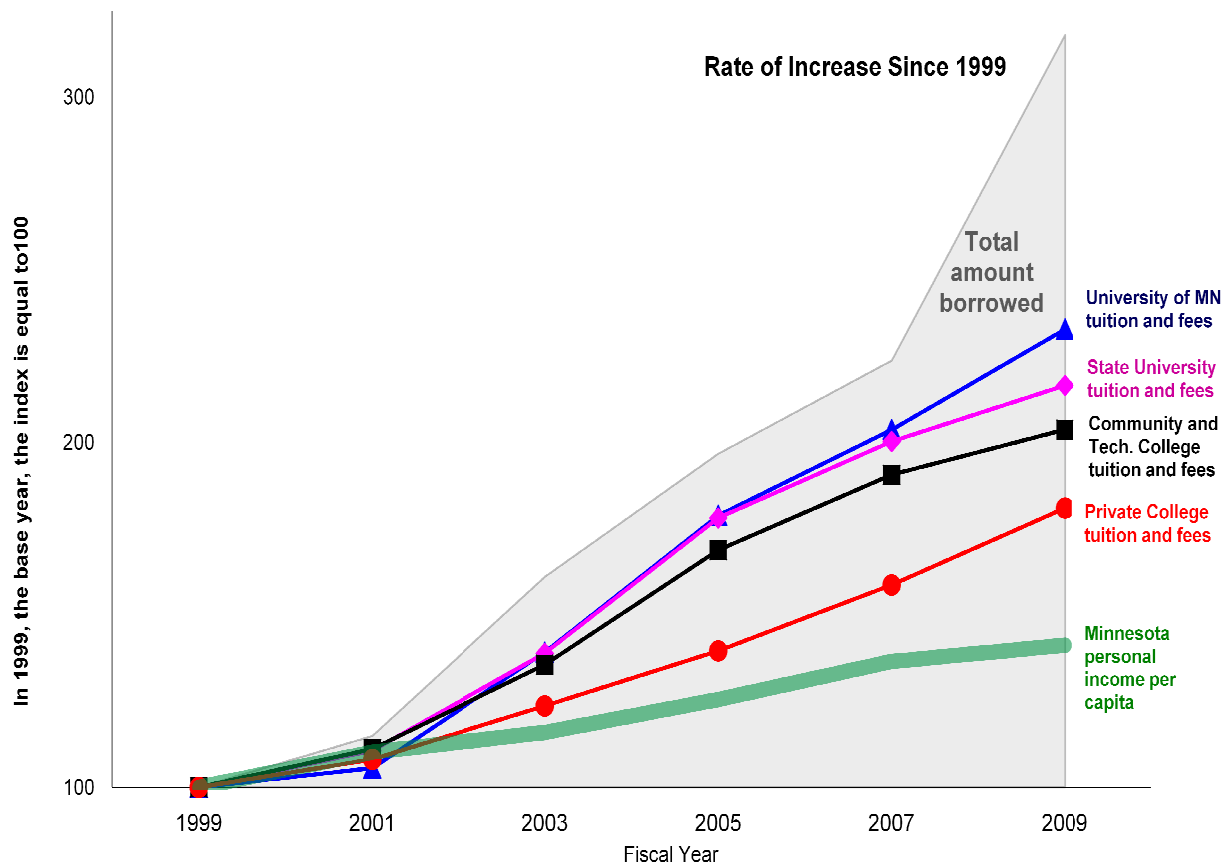
Loans

Loans enabled students and their parents to defer paying \$1.65 billion of their price of attendance until after students were no longer attending postsecondary education. Of the \$1.65 billion, \$1.21 billion came from federal student loans, \$198 million from private postsecondary education loans, \$112 million from state student loans, \$9 million from institution loans, \$3 million from other loans and \$119 million from federal parent loans.

Undergraduate borrowing continued to increase

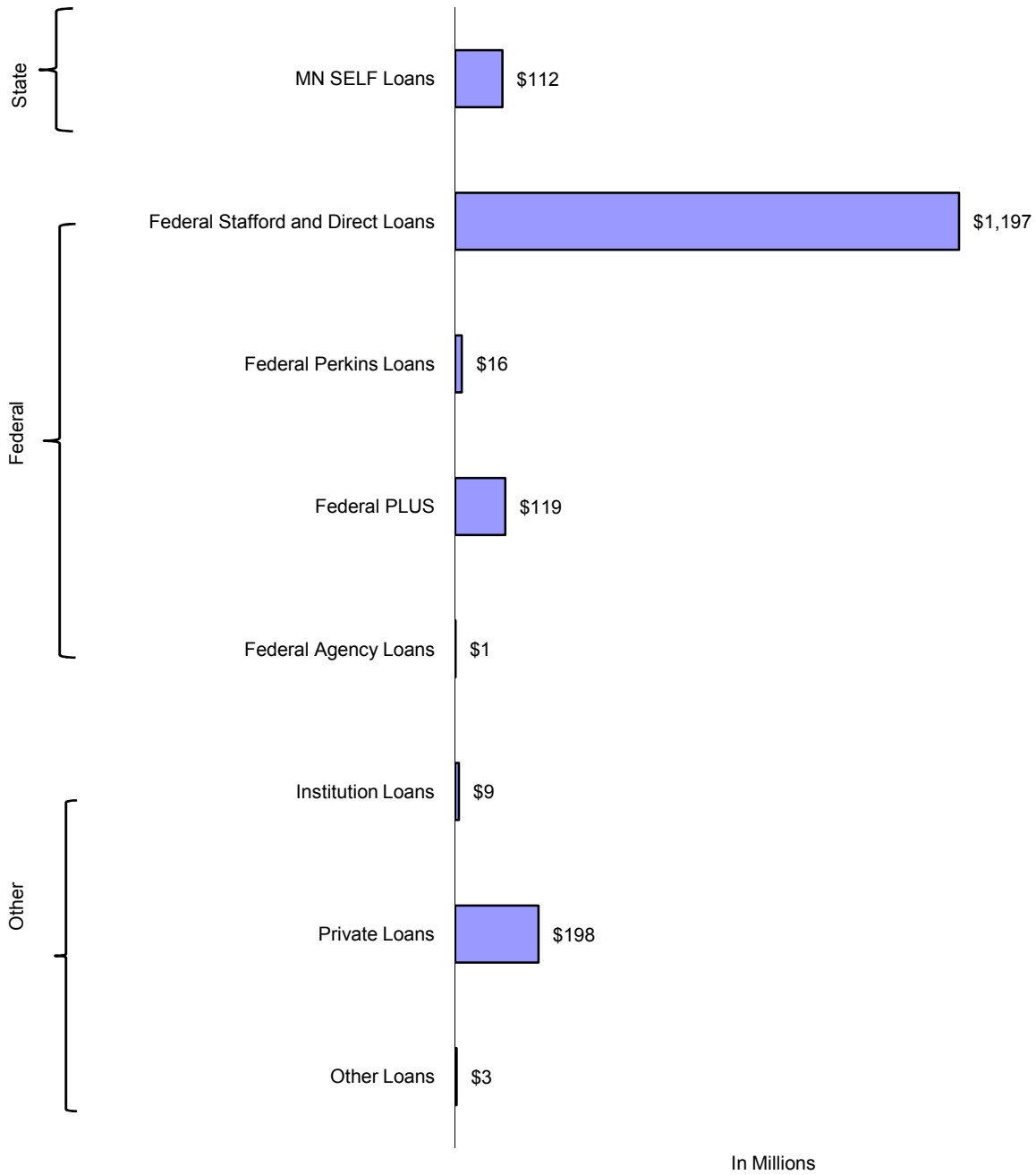


Borrowing by Minnesota undergraduates increased faster than tuition or personal income



While tuition and fees increased substantially from 1999 to 2009, undergraduate borrowing increased even faster. Tuition and borrowing increased much faster than per capita personal income.

Loan amounts by program, 2009



Federal student loans

The largest loan programs were the federal Stafford and Direct Loan Programs. Federal Stafford and federal Direct loans have similar interest rates and their other terms and conditions are similar.

Federal Stafford and Direct Loans

The federally-guaranteed Stafford Loan Programs were part of the Federal Family Education Loan (FFEL) programs.⁵ The federal Stafford Loan Program included subsidized and unsubsidized loans. Students with financial need could borrow subsidized Stafford Loans and the federal government paid the interest on their loans while they were attending postsecondary education. Students without financial need could borrow unsubsidized Stafford Loans and interest was charged while the student was attending postsecondary education. In 2009, the interest rate on subsidized loans was 6.0 percent interest each year and the interest rate on unsubsidized loans was 6.8 percent each year.

Federal Direct Loans had terms and conditions very similar to Stafford Loans. The difference was the federal government provided the loan capital, rather than private banks and other lenders. Federal Direct Loans also had subsidized and unsubsidized loans, with the same interest rates described above.⁶

Increase in federal student loan borrowing

Minnesota undergraduates borrowed \$1.2 billion in federal Stafford and Direct loans in 2009. This was an increase of 68 percent over the \$711 million borrowed from these programs in 2007. The increase in borrowing from these programs occurred primarily because the federal government increased the loan limits for federal Stafford and Direct Loans. The annual borrowing limits increased by \$2,000 per year. For example, the limit for first year students increased from \$3,500 to \$5,500.

Subsidized federal Stafford and Direct loans increased by \$600 per student, on average, and the number of borrowers increased by 17 percent. Unsubsidized federal Stafford and Direct loans increased by \$1,200 per student, on average, and the number of borrowers increased by 14 percent. In contrast to the increases in borrowing from the federal Stafford and Direct loan programs, borrowing from other loan programs decreased from 2007 to 2009, as described below in the sections on federal PLUS loans, state student loans and private student loans.

Other federal student loans

Federal Perkins Loans totaling \$16 million went to 7,500 Minnesota undergraduates, a decrease from \$27.4 million provided to 11,900 undergraduates in 2007. The federal government did not provide funding for students who earned loan cancellations due to teaching in low-income schools and other work that qualified the borrowers for loan forgiveness. As a result, campuses had to pay for the loan forgiveness from existing Perkins Loan revolving funds on campus, which made fewer funds available for new loans.

Undergraduates also borrowed \$600,000 in loans from federal agencies in 2009. One example of "other loans" was federal Nursing Loans.

⁵ By federal law, these programs accepted no new borrowers beginning on July 1, 2010, but they were in effect in 2009.

⁶ In February 2010, Congress enacted a law specifying that that the FFEL program would cease in 2011 and all new federal loans in these programs would be Direct Loans.

Federal parent loans (PLUS)

Loans to parents of undergraduates through the federal PLUS program *decreased* by 16 percent from \$141 million in 2007 to \$119 million in 2009. The number of borrowers decreased from 19,200 in 2007 to 13,200 in 2009. The decrease in PLUS loans was primarily due to the \$2,000 increase in the amount students could borrow each year in federal Stafford and Direct loans.

The amount of loans to pay educational expenses from second mortgages, home-equity lines of credit and other loans to parents is not known. However, the decrease in housing prices that occurred in the recession of 2008 and 2009 caused loans based on home equity to be less available to many families.

State SELF loan program

The State of Minnesota operates one state loan program, the SELF Loan program. In 2009, \$112 million was loaned to 22,400 undergraduates. The \$112 million in 2009 was a decrease of 8 percent from the \$122 million that went to undergraduates in 2007. The decrease in SELF loans was primarily due to the \$2,000 increase in the amount students could borrow each year in federal Stafford and Direct loans.

Loans from postsecondary institutions

Institutional loans are loans funded by capital controlled by postsecondary institutions. Undergraduates borrowed about \$8.9 million in institutional loans in 2009, an increase from \$4.5 million in 2007.

Private student loans and loans from other lenders

Undergraduates attending Minnesota institutions borrowed \$198 million in private loans in 2009, a decrease from \$211 million in 2007. This was a change from substantial increases in private loans in earlier years. The decrease in private loans was partly due to the \$2,000 increase in the amount students could borrow each year in federal Stafford and Direct loans. In addition, a major tightening of credit in the overall economy in 2008 and 2009 made it difficult for private lenders to obtain capital to make private student loans. As a result, private lenders tightened the credit requirements they used in making new private student loans.

Loans from “other sources” are loans not fitting one of the categories identified above. For example, some students get loans from the State of North Dakota’s loan program to attend Minnesota institutions. Minnesota undergraduates borrowed \$3.2 million in loans from other sources in 2009.

Earnings from Federal and State Work-Study Jobs

Students earned income to pay for postsecondary education through work-study jobs, campus jobs and off-campus jobs. Work-study jobs were arranged by postsecondary institutions, with 75 percent of the wages paid from state or federal funds and 25 percent from institutional funds. Most work-study positions were sponsored by institutions, but a small percentage of positions were with nonprofit agencies and other off-campus employers.

Federal work study

About 12,700 students attending Minnesota institutions earned \$20.2 million working in federal work-study jobs in 2009. This compares to \$19.6 million earned by 12,800 students in 2007.

State work study

Approximately 10,500 students attending Minnesota institutions earned \$17.6 million working in state work-study jobs in 2009, a decrease from the 11,900 students who earned \$20 million in 2007. The total amount earned in 2007 was higher than 2009 because there was a temporary increase in State Work-Study funds in 2007. \$2.73 million was transferred into state work-study from unspent funds appropriated for the State Grant Program and College Savings Plan matching grant program in 2007.

State work-study funds are supplemented by campus matching funds of at least 25 percent.

Other student jobs

Students also had earnings from campus jobs that were not subsidized. The institution was the employer for some campus jobs, but other organizations, such as food service contractors, also employed students on campus. Earnings from jobs on campus are not included in this report.

In addition, students had earnings from off-campus jobs. The amounts students earned from two types of jobs — on-campus non work-study jobs and off-campus jobs — are not known, but they are estimated to be much greater than student work-study earnings.