

The Effects of the Current Recession

Its Impact on the Financial Circumstances and College Plans of High School Seniors and Their Families

Publishers' note

On many campuses, the May 1 Candidates Reply Date is awaited with both fear and hope. Anxiety about the impact of the economy on yield, enrollment, financial aid, and budgets runs high.

The question is not whether there will be a shake-up; it is which institutions will suffer the most. Our most recent *Student Poll* findings conclusively and starkly reveal that college-bound seniors and their parents are deeply affected by the current recession, which is altering college considerations, plans, and affordability for a significant portion of college-bound high school seniors and their families.

Our *Student Poll* study, a random national sample of high school seniors who registered and/or took the SAT, found that the recession is having a **considerable impact on two-thirds of these students and their families**. Nearly one-third indicated that their parents' income had declined, 23 percent reported that their family had fallen on hard times, and one in six revealed that the current economic circumstances have forced them to change their college plans.

What shifts can we expect? *Student Poll* findings suggest several. More students will choose public institutions and community colleges. More will live at home and commute to college. More will work part-time to pay for college. And to make college affordable many more will require larger financial aid awards than would have been the case in flush times.

While families at all income levels will be affected, less affluent students will suffer the most devastating consequences, likely setting back the recent efforts of many costly private institutions to enroll larger proportions of students from lower-income families.

What do we know for sure? In this climate, nothing can be taken for granted. For example, many public and private colleges and universities will discover that application increases are a false positive. Indeed, our findings and key demographic data suggest that the application increases reported by both private and public institutions are largely the result of the fact students and families are hedging their bets, searching for value, and hoping to put themselves in a position to have more admission and financial aid offers that can be weighed against each other for the best outcome.

These findings are yet another ominous warning to higher education that the class divide in our colleges and universities, which has been steadily widening for the past several decades, will be pushed even further apart by the recession. And they suggest that the moment when affordability will become the defining enrollment issue may have arrived.

What will the consequences of the current recession be for higher education? Will it be the wake-up call to Washington, state government, and higher education itself that our financial model for funding higher education is broken? Will they provide the needed evidence that bold, imaginative ideas are essential and that tinkering with the details of the current structure futile? Will they encourage us to look at the United Kingdom, Scotland, Australia and other nations that have launched bolder and more creative solutions?

Will these challenges be treated, as John Gardner, the founder of Common Cause once said, as a series of great opportunities disguised as “insoluble problems”? Let’s hope.

Richard A. Hesel

principal
Art & Science Group, LLC

Ryan C. Williams

vice president for enrollment
The College Board

Study Findings

1 Many college-bound seniors and their families have been adversely affected by the economic downturn, with considerable numbers reporting income declines and job losses. One in six indicated the impact of the recession had forced a change in their college plans.

To understand the broader impact of the recession, *Student Poll* first asked students to indicate how the current economic recession had personally affected them and their families. Overall, two-thirds reported that the recession has had a “direct impact.”

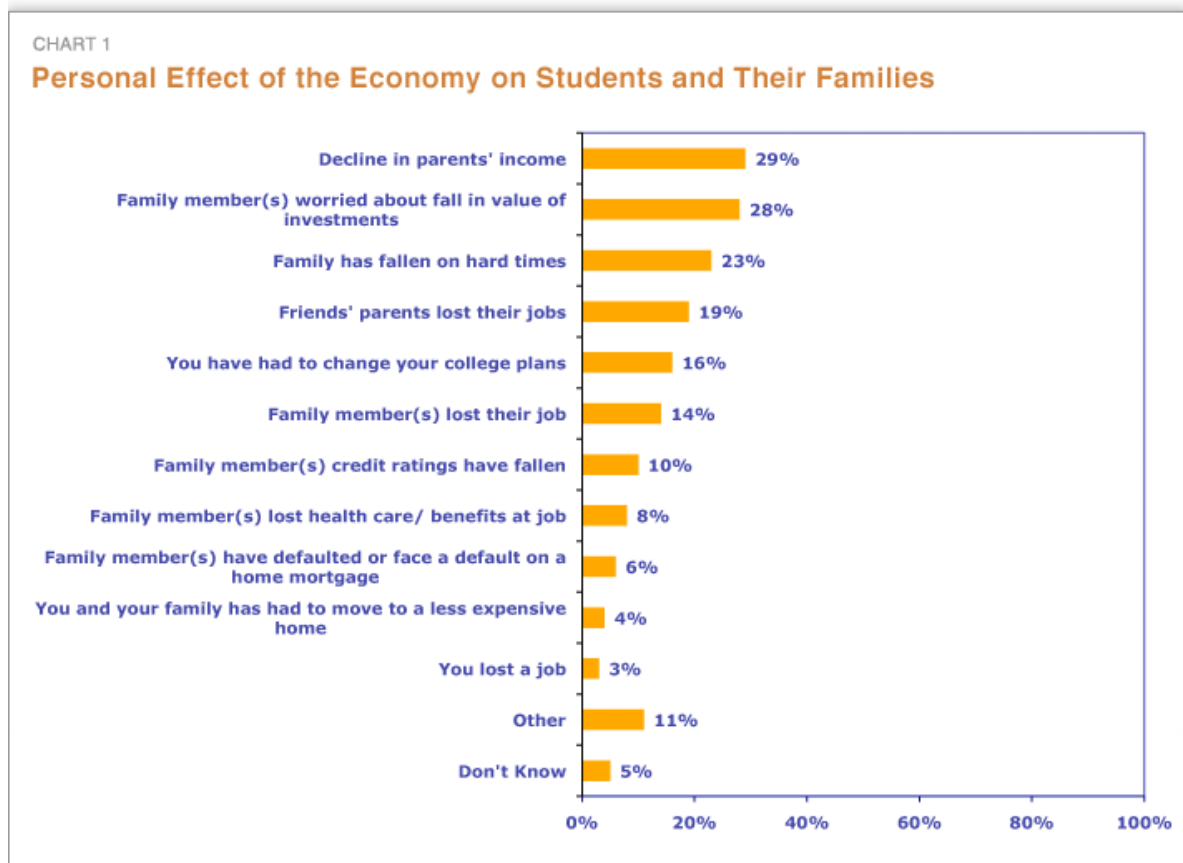
We then explored the nature of that impact. Nearly 30 percent indicated that their parents’ income had declined. Twenty-three percent reported that their family had “fallen on hard times,” 19 percent reported that parents of their friends had lost their jobs; and 14 percent reported that a family member had lost a job. Six percent reported that a family member faced default or had already defaulted on a home mortgage.

How have these circumstances affected college plans? Sixteen percent, more than one in six, reported that these factors have resulted in a change in their college plans. Here, household income makes an enormous difference: Twenty-nine percent of students from lower income families (\$40,000 or less) reported that their college plans had changed, compared to 16 percent of middle-income (\$40,001 to \$100,000) students and 10 percent of high income (\$100,001 plus) respondents.

Further examination of the findings by income and race makes it clear that the recession has been widely felt across the socioeconomic spectrum, but most acutely by lower-income students and families:

- Lower income students were far more likely to report that a family member had lost a job (32% versus 12% for middle income and 5% for high income students).
- Lower income students also were more likely than middle or high income students to indicate that their family had fallen on hard times (38% compared to 26% for middle income and 11% for high income students).
- Middle and high income students (41% and 32% respectively) were more likely to report family members were worried about the fall in the value of their investments compared to lower income students (16%). The relatively low concern about investments reported by students from lower income families is likely a result of the fact that the magnitude of these investments is much smaller.

- African American students were more likely than Caucasian students to agree that their family had fallen on hard times (31% versus 20%).
- African American students also were more likely than Caucasian students to agree that their parents had experienced a decline in income (39% versus 27%).



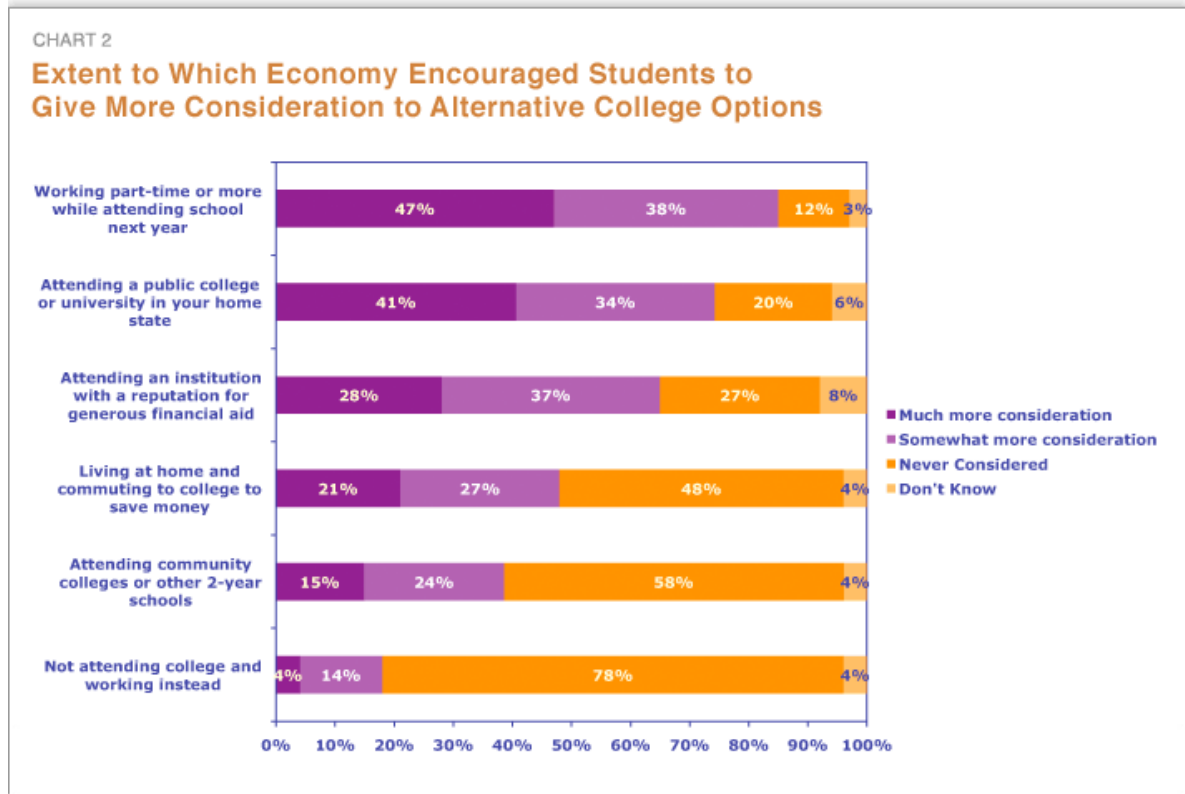
2 The recession is affecting several student behavior patterns likely to have an impact on matriculation decisions and retention: More are considering attending a public institution in their home state, working part-time while in college, and/or considering schools with generous financial aid resources. Yet few have given up the dream of attending college.

Student Poll next examined the impact of the economic crisis on college plans and other factors affecting college choice and retention. The findings imply a number of likely scenarios: a shift from the private to public sector and from four-year institutions to community colleges and other two-year schools; an increase in the number of commuting students who live at home; the increased impact of financial aid on matriculation decisions; and higher proportions of new students who will need to work part-time while in college.

- Forty-one percent of the students surveyed indicated they were now giving much more consideration to attending a public university or college close to home, and 15 percent are giving much more consideration to community college or other two-year schools.
- One in five are giving much more consideration to living at home and commuting to college.
- Nearly half are giving much more consideration to working part-time or more while attending school next year.
- Twenty-eight percent indicated they were giving much more consideration to attending an institution with a reputation for generous financial aid.

Students from lower and middle income families were much more likely to say they were considering attending a community or two-year school compared to students from the most affluent families (20% versus 18% for middle income and 7% for high income students).

Yet despite the difficult economic circumstances many of these students and their parents are facing, few have given up the dream of attending college. When asked whether the current economic situation had encouraged students to give much more consideration to the option of not attending college and working instead, only 4 percent indicated that they had given any real consideration to this option. By comparison, 78 percent responded that they had never considered this an option despite the challenges of the current economy.

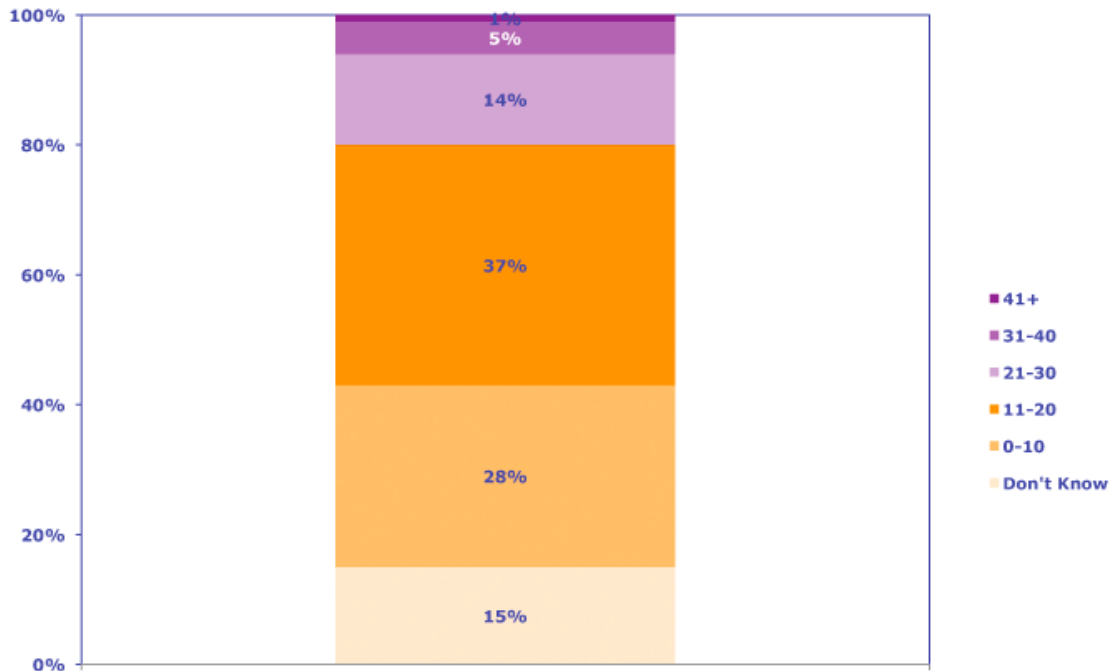


Among the sizable segment of students who indicated they planned to work part-time while attending college, over one-half of those students (among those who specified the likely number of hours they would be working) estimated that they plan to work 15 hours a week or more and nearly one-fifth of these students plan to work in excess of 20 hours per week, a workload, along with other financial pressures, that could have major implications for academic performance and retention.

Another interesting subgroup difference by income: A higher proportion of students from households with lower and middle incomes plan to work part-time in college (53 and 57 percent respectively) compared to students from high household incomes (29%). However, even a sizable segment of students from higher income families plan to work during college.

CHART 3

Hours per Week Students Plan to Work in College



3 Students and their parents are strongly concerned about the rising costs of college and how they will finance a college education.

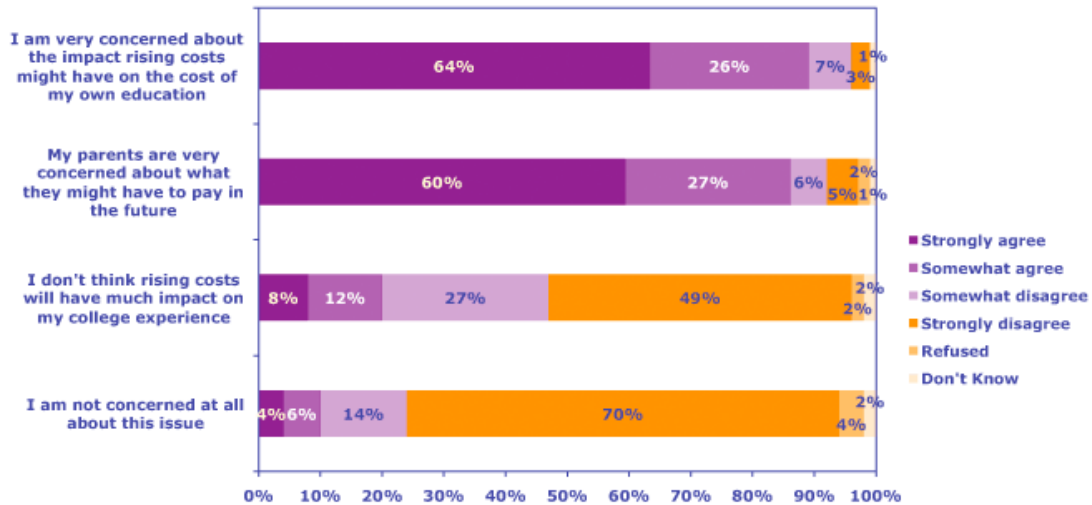
To further gauge student and family anxieties about paying for a college education, *Student Poll* asked students to consider a series of statements related to the rising costs of college and then asked them to indicate whether they strongly agreed, somewhat agreed, somewhat disagreed or strongly disagreed with these statements.

Almost two-thirds of students strongly agreed that they are “very concerned about the impact rising costs might have on the cost of my own education” and more than one-quarter somewhat agreed with this statement. Similarly, 60 percent of those surveyed strongly agreed that “My parents are very concerned about what they might have to pay in the future” and another 27 percent somewhat agreed with this statement. By stark comparison, only 4 percent strongly agreed that “I am not concerned at all about this issue” and only 8 percent strongly agreed with the statement “I don’t think rising costs will have much impact on my college experience.” Reflecting the deep concern students have about rising college costs and their ability to pay for college, 70 percent *strongly disagreed* with the statement “I am not concerned at all about this issue.”

A high proportion of students across all income groups also expressed great concern about the impact rising college costs might have on their education with lower and middle income students even more likely to strongly agree with the statement “I am very concerned about the impact rising costs might have on the cost of my own education.” In fact, 71 percent of students from both lower and middle income households strongly agreed with this statement compared to 52 percent of high income students (household incomes of \$100,001 plus).

CHART 4

Students' Level of Concern About Rising College Costs



4 Large majorities of students have discussed with their parents financial matters related to paying for college and the anxieties about paying for college run high. The need for more financial aid and concern about spending a lot for college during a recession top parents' financial concerns.

To further explore the impact current economic circumstances are having on families' anxieties about their ability to pay for college, we asked all respondents whether their parents had talked to them about certain economic conditions that might personally affect their families' ability to pay for college.

Sixty-five percent of all respondents answered "yes." Even across income groups, high percentages of students had talked to their parents about matters pertaining to the economy and the family's ability to pay for college (73% of low income, 75% of middle income, and 60% of high income students indicated this was the case).

Among the two-thirds of students who answered "yes," we then asked them to indicate the specific nature of their parents' concern about financing college. Forty-six percent reported that their parents discussed the "need for more financial aid to pay for college," followed by 32 percent who reported that their parents expressed concern about "spending a lot of money on college when the economy is not good." Approximately one-quarter of respondents also indicated that their parents had expressed concern about "the possibility of making less money in the future" (26%) and "the amount saved for college and the decrease in the value of investments to pay for college" (25%). Roughly one-fifth also reported their parents sharing their concern about whether they would "have a job in the future" (22%) and "not willing to take on more debt" (19%).

CHART 5

College-Related Financial Concerns Parents Expressed to Students



A number of significant differences by income subgroups emerged in terms of how students described their parents' concerns about paying for college in the midst of the recession:

- Middle and high income parents were more likely than low income parents to be concerned about the amount saved for college and the decreased value of investments designated to pay for college (34% for middle, 32% for high, and 15% for lower income parents).
- Lower income parents were more likely to express their concern about losing their job compared to middle income and high income parents (19% compared to 4% for middle income and 3% for high income parents).
- Both lower and middle income parents were more likely to express concern about the need for more financial aid to pay for college compared to high income parents (58% for lower, 57% for middle, and 37% for high income parents). Despite these differences, the proportion of parents across all income groups concerned about needing more financial aid to finance college is significant.

5 More than half of the high school seniors surveyed are ruling out colleges on the basis of cost alone, with two-thirds of this group not considering what they might receive in financial aid.

While the study findings clearly underscore the importance of financial aid on enrollment decisions in the recession climate, sticker price alone may have an equally powerful impact. Fifty-three percent of the students we surveyed indicated that they had ruled out a specific college on the basis of cost alone. Two-thirds of this group said that their decision did not include what they might receive in financial aid.

Clearly, for a substantial number of applicants, financial aid, as generous as it might be, will have no impact on matriculation decisions, as they are not even giving financial aid consideration in the determination of cost. This suggests that many

institutions in particular, and higher education in general, have done an extremely poor job of communicating the impact of financial aid on the actual cost of college.

Again, differences by household income were significant: 58 percent of both lower and middle income students ruled out colleges on the basis of cost alone compared to 41 percent of students from high income families.

African Americans were more likely than Caucasian students (66% versus 49%) to report that they ruled out a college on the basis of cost.

6 A majority of students and their parents have set aside money to pay for college, but few have saved enough to pay a significant portion of the four-year cost.

To more fully understand the circumstances underlying students' and parents' challenges and concerns about financing a college education, *Student Poll* asked students whether their parents had a savings account or other money set aside specifically to pay for the student's college education. We then asked those students who indicated that money had been saved for college to estimate the amount of money they or their families had put aside.

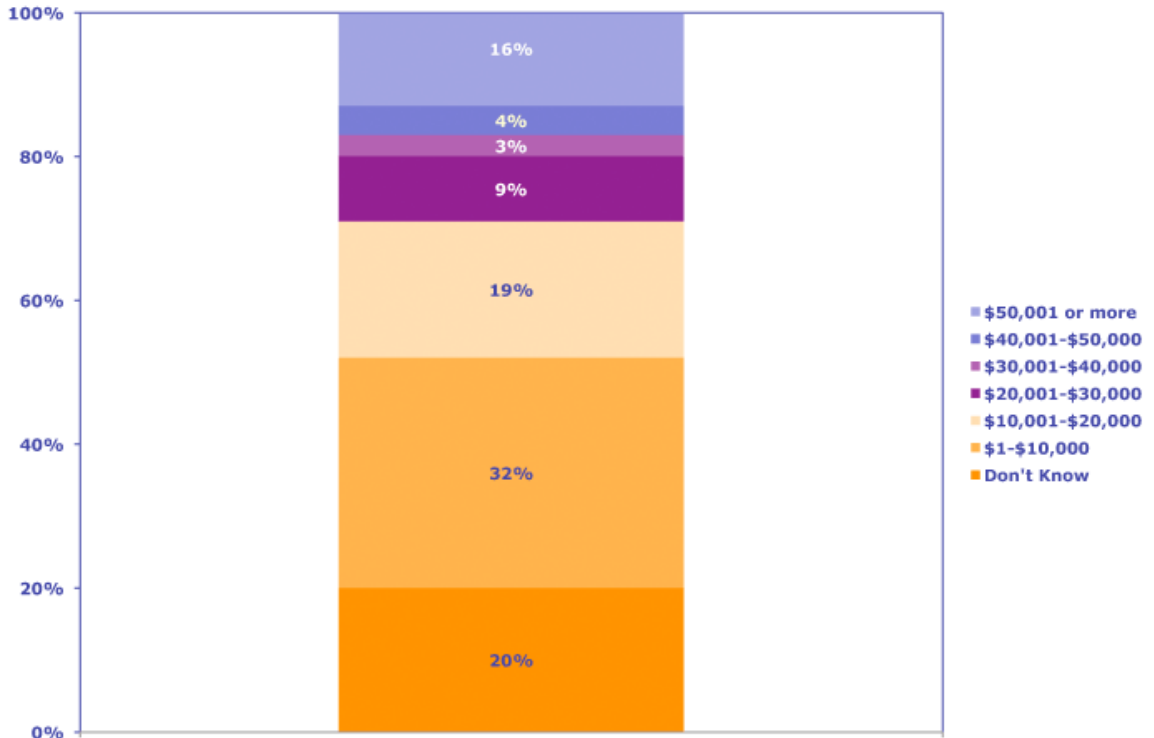
Over half indicated that they or their parents had a savings account or other monies specifically designated to pay for college. Of the students indicating that money had been saved for college, 50 percent reported having saved \$20,001 or less (a year or less of college at most institutions). Another 10 percent indicated that the amount saved for college was between \$40,001 and \$70,000. Only 5 percent of students indicated that \$100,001 or more had been saved for their college education and 20 percent reported that they did not know how much their parents had saved for their college education.

By income subgroup, the mean savings or monies students reported specifically set aside for their college education totaled:

- Lower income (\$40,000 or less): \$5,001 to \$10,000 in reported college savings
- Middle income (\$40,001 to \$100,000): \$10,001 to \$15,000 in reported college savings
- High income (\$100,000 and above): \$30,001-\$35,000 in reported college savings

CHART 6

Student Estimate of Savings Set Aside to Pay for College



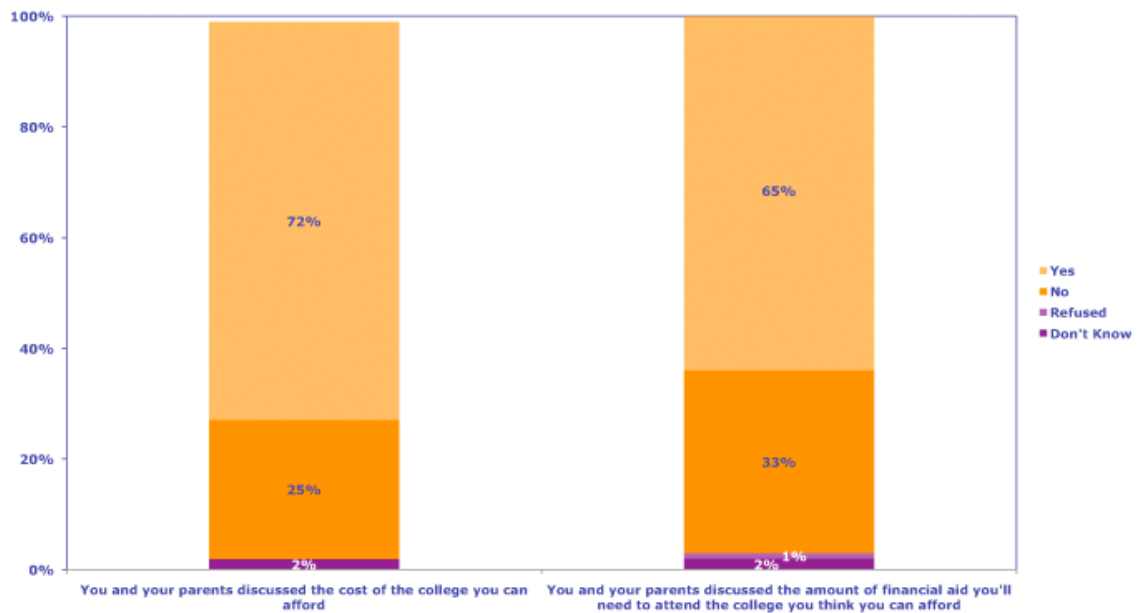
7 **Students and parents increasingly have discussed cost, the affordability of certain colleges, and the level of financial aid needed to attend an affordable college.**

The findings in this issue of *Student Poll* also reveal that given the state of the economy and the high costs of college, many students and families have had discussions about the cost of college and what college they would be able to afford. Specifically, we asked all students surveyed to indicate whether they had discussed with their parents the cost of the college they could afford.

Nearly three-quarters (72 percent) said they had had this discussion. Moreover, 65 percent of those polled reported that they also had discussed the amount of financial aid they'll need to attend the college they think they can afford.

CHART 7

Extent of Student/Parent Discussions About Costs and Financial Aid Needed to Attend College Family Can Afford



Study Methodology

The findings reported in this *Student Poll* are based on 971 responses from a random national sample of 63,200 high school seniors who registered for the SAT and who completed an optional Web survey between February 11 and March 3, 2009. The margin of error for this survey is plus or minus 3.3 percent. The findings are weighted to represent this population of students' gender, race, and the region of the United States where they reside.

For more information about this issue of *Student Poll* or to discuss the potential impact of the economy on your institution, please contact Rick Hesel, Principal, Art & Science Group by phone at 410-377-7880 x12 or via email at hesel@artsci.com.

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