

# Community College Students and Federal Student Financial Aid: A Primer

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## Introduction

The federal government plays an indispensable role in helping community college students pay for their education. It is hard to imagine today's community college campuses without needs-based federal student aid, such as the Pell Grant program and subsidized loans. There are, however, significant differences between community college students and college undergraduates overall in the sources and extent of the financial aid they use. This brief paper is intended to explicate some of these issues.

## Community college student characteristics

In general, community college students do not fit the model of what is known as traditional undergraduates, i.e., those who are 18–24 years of age, high school graduates, financially dependent on their parents, attend college full time, and do not work or work only part time while enrolled. In fact, for some time “traditional” college students have not been the majority of undergraduates. About half (50.3%) of community college students are 24 or older. About one third (29.7%) of community college students are 30 years or older and another 1 out of 5 (20.6%) are between 24 and 29. A majority of community college students are financially independent of their parents. About one third have dependents themselves.

The U.S. Department of Education (ED) distinguishes traditional and nontraditional students along seven lines. The seven factors identifying nontraditional undergraduates are (1) financial independence; (2) part-time attendance; (3) delayed enrollment into postsecondary education; (4) full-time employment while enrolled; (5) having dependents; (6) being single parents; and (7) not having a high school diploma. Research has shown that all of these factors are associated with lower college persistence and graduation.

**Community college students are much more likely to exhibit each of the nontraditional factors than those attending public 4-year institutions** (Table 1).

A majority of community college students are financially independent of their parents (59%) and attend mostly part time (58.6%). Almost 42% of community college students delay enrolling after high school, which is twice the percent of students attending public 4-year institutions (21.1%). About one third of community college students work full time while attending school (32.4%). Community college undergraduates are twice as likely as their public 4-year counterparts to have dependents (31.8% vs. 15.2%, respectively) and they are almost two-and-a-half times more likely to be single parents (17.5% vs. 7.2%, respectively). Finally, 1 out of 10 community college students do not have a high school diploma (10.3%), which is 3 times higher than the percent of undergraduates in public 4-year institutions (3.4%).

**Table 1: Percent of Undergraduates at 2-year and 4-year Public Institutions With Nontraditional Factors**

	Total	Public 2-year	Public 4-year
Financially independent	51.3%	59.0%	35.6%
Attended part time	38.7%	58.6%	27.3%
Delayed enrollment	34.2%	41.9%	21.1%
Worked full time	27.0%	32.4%	19.8%
Had dependents	27.5%	31.8%	15.2%
Single parent	15.2%	17.5%	7.2%
No high school diploma <sup>1</sup>	8.4%	10.3%	3.4%

**A high percent (87.9%) of community college students are nontraditional.** Only about 1 out of 8 (12.1%) students at community colleges are identified as traditional students—those who do not have any of the seven nontraditional or risk factors. At the other extreme, more than two thirds of community college students (68.5%) have two or more risk factors. Undergraduates at public 4-year institutions are very different, with more than 40% identified as traditional and another 21.1% having only one of the nontraditional factors (Figure 1).

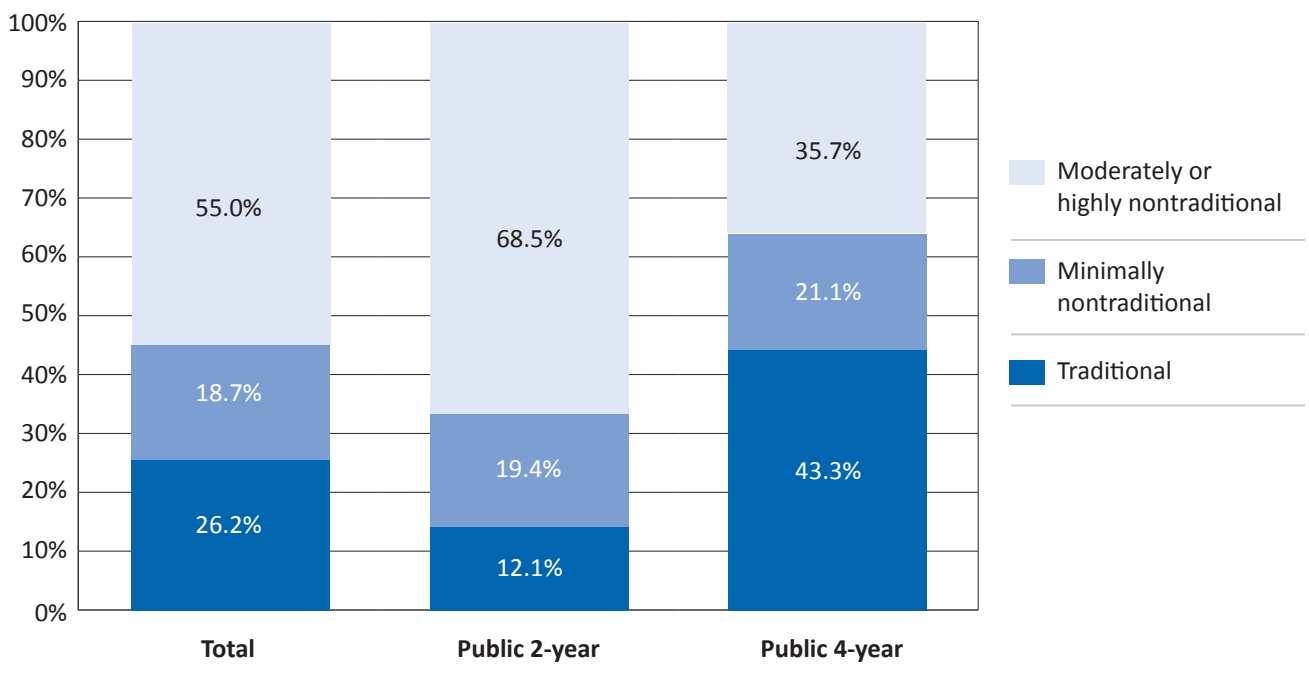
**Community college students also have other challenges.** Many are not college ready and are placed into remedial/developmental education programs, although these programs are changing rapidly. Many represent underserved populations. A high percent have low incomes, are first-generation college goers, and are historically underrepresented minorities. Community colleges have the highest percentage of students who have taken at least one remedial course, according to data from the National Postsecondary Student Aid Study (NPSAS) for 2011–2012, 41% compared to 31% of undergraduates overall and 26% of undergraduates at public 4-year institutions.<sup>2</sup> However, several studies have found that a higher percent, most exceeding 50%, of students at community colleges have taken at least one remedial

course, with the range somewhere between 58% and 63%.<sup>3</sup> Thirty-seven percent of dependent community college students have annual family incomes of less than \$40,000 and 41% of independent students have annual household incomes (personal and spouse’s) of under \$20,000. About 38% of community college students, compared to 26% of undergraduates at public 4-year institutions, have parents whose highest educational attainment is high school or less.<sup>4</sup> More than one third of community college students are Black (16.2%) or Hispanic/Latino (18.7%).

### Costs of community college attendance

ED reported three measures of price estimates for attending postsecondary education institutions for 2011–2012: the average price of attendance, the average net price, and the average out-of-pocket net price.<sup>5</sup> The average price of attendance, also referred to as “sticker price,” includes tuition, fees, books, housing, food, transportation, and personal expenses, which does not take into account financial aid that the student may receive. The average net price is the amount that students and their families need to pay for college, which includes all the items in the price of attendance such as student loans, but excludes grant aid that does not need to be repaid. Average out-of-

**Figure 1: Percent of Traditional and Nontraditional Undergraduates at 2-year and 4-year Public Institutions, 2011-12**



pocket net price is the amount that students and their families need to pay for college during an academic year. As such, this measure of cost may not reflect the actual cost of education because it does not include any financial aid, such as grants, loans, and work study. Of all sectors of higher education, the average price, for all three price measures, is the lowest at public 2-year institutions (Table 2).

## Community college students and financial aid applications

Community college students often face the challenge of traversing through the college application and financial aid application processes without the benefit of a support network to guide them. This is evidenced by the relatively low percent of community college students who apply for financial aid and even a lower percent who apply for federal financial aid. This is a major public policy issue.

- Only 71% of community college students apply for any student aid, which is the lowest percentage of any sector; 80% of all undergraduates apply for some type of student aid.
- The percentage of community college students who apply for federal student aid is 61%, compared to 70% for all undergraduates.

## Importance of federal aid to community college students

As stated above, about 1 out of 5 students attending community colleges do not apply for federal financial aid and about one third do not apply for any financial aid. The information in this section applies to those who applied and the type of financial aid that they received. What distinguishes community college students from all undergraduates is the lower percentage who receive any financial aid (57% compared to 71%, respectively), but particularly student loans (about 18% compared to 42%, respectively).

The average amount of student financial aid received by community college students is less than half (\$4,700) that of undergraduates overall (\$10,800). That ratio, more or less, holds true for various categories of financial aid: grants, loans, and PLUS loans to parents. The average amount of veterans' benefits received by community college students is less than the average received by undergraduates overall, but not by a 2:1 ratio. The average amount received through Federal Work-Study is actually higher for community college students than undergraduates overall, \$2,700 compared to \$2,300.

**Table 2: Average Charged Price, Net Price, and Out-of-Pocket Price of Undergraduates at 2-year and 4-year Institutions by Attendance and Income, 2011–12**

	Public 2-year			Public 4-year (In-state price)		
	Average price	Average net price	Average out-of-pocket price	Average price	Average net price	Average out-of-pocket price
Total undergraduates	\$ 8,700	\$ 7,100	\$ 6,000	\$ 17,900	\$ 14,300	\$ 9,600
Full time/full year	15,000	11,700	9,900	23,200	18,000	11,800
Part time or part year	7,100	5,900	5,000	11,900	10,100	7,100
Dependent Undergraduates Lowest Income Quartile	9,200	5,800	5,200	18,500	10,800	6,500
Independent Students Lowest Income Quartile	9,200	6,800	5,400	16,000	11,600	6,800

Less than half of all community college students receive any type of federal aid (44%), but of those who do, a much higher percent receive grants than borrow (38% compared to 17%, respectively). Overall, community college students are much more likely to rely on federal student aid than other sources, such as state or institutional aid. Almost 44% of community college students receive some form of federal financial aid compared to 12% and 13%, respectively, who receive state or institutional aid (Table 3).

**There is a wide gap—\$3,600—between community college students and all undergraduates with respect to the average amount received in any federal aid, mostly attributable to the discrepancy in loans.** The average amount of student loans borrowed by community college students is \$1,800 less than the average amount borrowed by undergraduates overall. The average amount that community college students receive in the form of federal grants and Federal Work-Study is comparable (i.e., within \$500) to the average amount received by all undergraduates.

**Table 3: Percent of Undergraduates at All Institutions and 2-year Public Institutions Receiving Financial Aid by Type and Average Amount, 2011–12**

	All undergraduates		Public 2-year	
	Percent of undergraduates	Average amounts received	Percent of undergraduates	Average amounts received
Any Aid	70.7%	\$ 10,800	57.0%	\$ 4,700
Any grants	59.1%	6,200	50.5%	3,200
Any student loans	41.8%	7,100	17.6%	4,700
Work-study	5.9%	2,300	1.9%	2,700
Veterans' benefits	3.7%	7,500	2.9%	5,600
Direct PLUS loans to parents	4.5%	12,100	1.1%	5,700
<b>Federal aid</b>				
Any aid	57.3%	\$ 8,200	43.6%	\$ 4,600
Any grants	41.5%	3,500	37.9%	3,000
Student loans	40.2%	6,500	16.7%	4,700
Work-Study	5.3%	2,200	1.8%	2,700
<b>State aid</b>				
Any aid	15.4%	\$ 2,700	12.2%	\$ 1,600
Any grants	14.9%	2,600	11.7%	1,600
<b>Institutional aid</b>				
Any aid	20.5%	\$ 6,500	13.4%	\$ 1,000
Any grants	20.1%	6,400	13.3%	1,000

## Title IV federal aid

A more detailed examination of federal student aid, particularly Title IV, reveals even more starkly the discrepancies in the type and amount of aid received by community college students compared to all undergraduates. As already noted, a minority of community college students (43.5%) receive Title IV aid, whereas a majority of all undergraduates (57.2%) receive federal Title IV aid. There is also a discrepancy between the two types of undergraduates in the average amount of Title IV aid received, \$4,600 by community college students and \$8,200 by all undergraduates.

About 38% of community college students receive an average Pell Grant of \$3,000, compared to 41% of undergraduates overall who receive \$400 more in their average Pell Grant. The discrepancy in Pell Grant size is due in part to the greater percentages of community college students who enroll less than full time, and therefore receive smaller grants (Table 4).

Community college students are much less likely to take out federal student loans, whether subsidized or unsubsidized, than undergraduates overall, about 17% compared to 40%, respectively.

**Table 4: Percent of Undergraduates at All Institutions and 2-year Public Institutions Receiving Federal Student Aid by Type and Average Amount, 2011–12**

	All undergraduates		Public 2-year	
	Percent of undergraduates	Average amounts received	Percent of undergraduates	Average amounts received
Any federal Title IV	57.2%	\$ 8,200	43.5%	\$ 4,600
Federal Pell Grants	41.3%	3,400	37.7%	3,000
Federal campus-based aid	11.3%	1,700	4.9%	1,300
Any federal direct loans	40.1%	6,400	16.7%	4,700
Subsidized	35.9%	3,500	14.6%	2,800
Unsubsidized	33.5%	3,900	11.3%	3,300

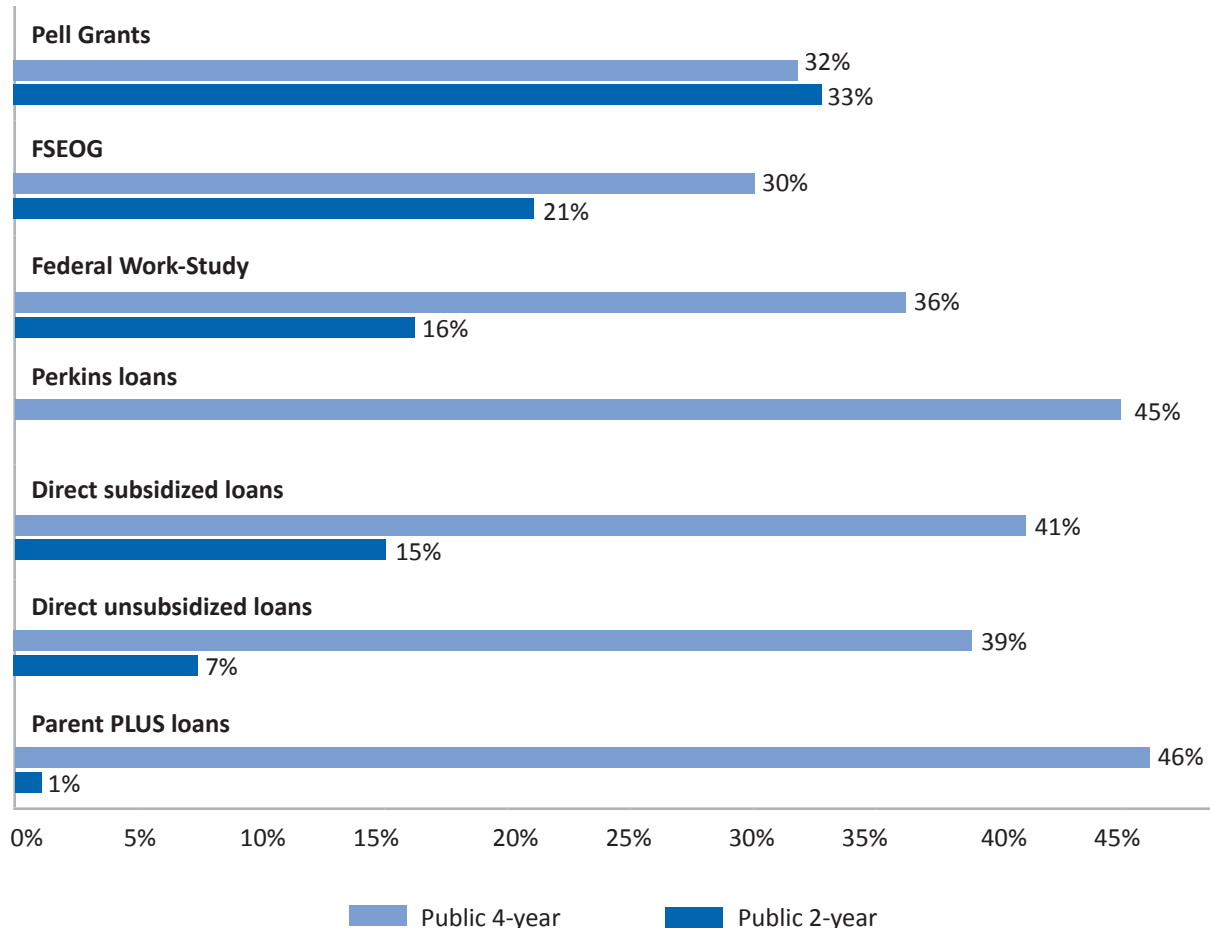
## Allocation of federal aid

According to the College Board, in fall 2012, about 30% of full-time equivalent (FTE) undergraduate students were enrolled in public 2-year colleges.<sup>6</sup> Their share of various types of federal student aid is quite telling given their student population. Public 2-year institutions received 33% of Pell Grant funds, which is slightly higher than the 30% share of FTE enrollment. Yet, the percentage of distribution with respect to other forms of aid, particularly loans, is far smaller. Specifically, community colleges received 21% of Federal Supplemental Educational Opportunity Grant (FSEOG) funds, 16% of Federal Work-Study funds, and 15% of subsidized federal loans (Figure 2).

Compared to public 4-year college undergraduates, a higher percentage of community college students are financially independent of their parents as reflected

in the percentage receiving Parent Plus loans, just 1% compared to 46% of public 4-year institutions. A higher percentage of community college students are employed full time while attending school than public 4-year undergraduates, which is partially reflected in the discrepancy in percentage distribution of work study funds, 16% compared to 36%, respectively. But the greatest gap between the two groups is in terms of federal loans. It is not surprising that community college students account for a higher percentage of subsidized than unsubsidized loans, 15% compared to 7%, respectively, given their income profiles and lower cost of attendance. These percentages are much lower in comparison to their aggregate FTE enrollment and lower still when compared to public 4-year institutions.

**Figure 2: Percentage Distribution of Federal Aid Funds for 2-year and 4-year Public Institutions, 2012–13**





## Community college students and loan repayment

ED calculates official annual student loan cohort default rates (CDR), which, among other things, are used to determine an institution's Title IV eligibility. For each institution,<sup>7</sup> the 3-year cohort default rate measures the number of students who defaulted<sup>8</sup> before the end of the second fiscal year following the fiscal year in which they entered repayment. Through 2013, the 2-year CDR was used for this purpose, but starting in 2014, the 3-year CDR will be used to determine Title IV eligibility. In 2013, the 3-year CDR was considered official for the first time and used to identify institutions whose CDR exceeded a certain threshold and were required to put in place a default prevention plan.

The information in this section will be confined to the 3-year CDR. The current national 3-year cohort default rate is 14.7% across all sectors of higher education. Not surprisingly, the sector with the lowest CDR is 4-year private not-for-profits, which counts among its members the most selective institutions. Not far behind is the public 4-year institution sector, among whose members are state flagship universities, which are also highly selective. The sectors that are predominantly open admissions, such as community colleges and private for-profit institutions, have higher CDRs (Table 5).

**Table 5: Fiscal Year 2009 and 2010 3-Year Cohort Default Rates by Institution Type**

	3-Year cohort default rate	
	FY 2009	FY 2010
All institutions	13.4%	14.7%
Public 4-year	7.9%	9.3%
Public 2-year	18.3%	20.9%
Private not-for-profit	7.5%	8.2%
Private for-profit	22.7%	21.8%

For FY 2010, the most recent 3-year CDR calculation showed that community college students made up a larger percentage of students who default (20.9%) than the percentage of borrowers who entered repayment (14.6%) (Table 6). What does this mean? Should community college students be expected to be equally represented in both groups? Is it the type of institution attended that explains borrowing and/or defaulting or are other factors, such as student characteristics or economic factors, responsible? There are numerous studies of factors affecting default that show that institution type plays a small and indirect part in student defaults.<sup>9</sup>

As stated, community colleges educate a high percentage of nontraditional students, who by definition are at higher risk of noncompletion. Indeed, community colleges have a higher noncompletion rate than 4-year institutions. Noncompletion is related to defaulting on loans because, among other things, noncompleters have a higher likelihood of unemployment. A 2012 study using data from the Beginning Postsecondary Students Longitudinal Study (BPS) found that “borrowers who dropped out were more than 4 times more likely to default on their loans.”<sup>10</sup>

However, community college students borrow in lesser numbers and smaller amounts than other undergraduates.<sup>11</sup> Students who attend 4-year institutions, particularly public and private non-profit, are mostly bachelor degree-seeking and tend to borrow more than community college students, who are mostly associate degree-seeking. Borrowers from community colleges, of whom 20.9% defaulted, account for about 15% of all the borrowers. Thus, community college borrowers who default represent only 3% of all borrowers.

## Conclusion

Community colleges are the most affordable of all postsecondary institutions. Yet, without federal student aid, especially Pell Grants, a substantial percent of community college students could not afford to attend school. Most community college students are nontraditional and low- or middle-income. Yet, far too many do not apply for federal student aid. Only about half as many community college students borrow federal loans as receive Pell Grants. Yet, far too many borrowers default on their loans. Student financial aid, particularly federal aid, is indispensable to ensure access to college. And this is especially true for the historically underserved, who make up a large segment of the community college student population.

**Table 6: Percent of Borrowers Who Entered Repayment and Who Defaulted by Type of Institution, Fiscal Year 2010 (Cohort Default Rate)**

	% of all borrowers who entered repayment	% of all borrowers who defaulted
Public 4-year	32.2%	20.6%
Public 2-year	14.6%	20.9%
Private not-for-profit	21.5%	12.0%
Private for-profit	31.1%	46.1%

## Notes

<sup>1</sup>This category includes students who reported having earned a GED or other equivalency and those without a high school degree or certificate. It does not include those who earned a high school degree or certificate in a foreign school and those who were home schooled.

<sup>2</sup>The source for this information, as well as for all the other student characteristics and background factors, is the 2011-2012 National Postsecondary Student Aid Study (NPSAS) of undergraduates. Whereas NPSAS data come from multiple sources, including institutional records, government databases, and student interviews, detailed data on participation in student financial aid programs are extracted from institutional records, data about family circumstances, demographics, education and work experiences, and student expectations are collected from students through a Web-based multi-mode interview (self-administered and computer-assisted telephone (CATI)). <http://nces.ed.gov/surveys/npsas/about.asp>

<sup>3</sup>The Completing Arch: Measuring Community College Success – What the Research Tells Us: Development Education Placement, College Board. <http://media.collegeboard.com/digitalServices/pdf/advocacy/arch/The-Completion-Arch-Development-Education-Placement-What-Research-Tells-Us.pdf>

<sup>4</sup>The percentage is calculated only for students whose parents' educational attainment level was known. The percentage drops to 36% of community college students having parents with only a maximum of a high school diploma if the unknown category is included in the calculation.

<sup>5</sup>2011-12 National Postsecondary Student Aid Study (NPSAS: 12) Price Estimates for Attending Postsecondary Education Institutions, U.S. Department of Education, December 2013. <http://nces.ed.gov/pubs2014/2014166.pdf>

<sup>6</sup>"Trends in Student Aid 2013," Trends in Higher Education Series, College Board, 2013. <http://trends.collegeboard.org/sites/default/files/student-aid-2013-full-report.pdf>

<sup>7</sup>Institution for purposes of the CDR is defined by OPEID, which refers to the identification number used by the U.S. Department of Education's Office of Postsecondary Education (OPE) to identify schools that have Program Participation Agreements (PPA) so that its students are eligible to participate in Federal Student Financial Assistance programs under Title IV regulations. This number may include more than one campus in the same or different states. By contrast, the campus ID, which is also known as the UNITID or IPEDS ID, is a unique identification number assigned to postsecondary institutions surveyed through the Integrated Postsecondary Education Data System (IPEDS).

<sup>8</sup>Student loan default is defined as not having made a payment for at least 270 days.

<sup>9</sup>Robin McMillion, Student Loan Default Literature Review, TG Research and Analytical Services, December 2004. [http://www.tgslc.org/pdf/default\\_lit\\_review.pdf](http://www.tgslc.org/pdf/default_lit_review.pdf)

<sup>10</sup>Mary Nguyen, Degreeless in Debt: What Happens to Borrowers Who Drop Out, Education Sector? February 2012. [http://www.educationsector.org/sites/default/files/publications/DegreelessDebt\\_CYCT\\_RELEASE.pdf](http://www.educationsector.org/sites/default/files/publications/DegreelessDebt_CYCT_RELEASE.pdf)

<sup>11</sup>Christina Chang Wei and Laura Horn, "Federal Student Loan Debt Burden of Noncompleters," Stats in Brief, U.S. Department of Education, April 2013. <http://nces.ed.gov/pubs2013/2013155.pdf>