

Highlights of Financial Aid Awarded Survey, 2003

Grants, Loans, and Earnings from Work Study Jobs

Financial Aid Received by Undergraduates Attending
Minnesota Post-Secondary Institutions, Fiscal Year 2003

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Executive Summary

Undergraduates attending Minnesota post-secondary institutions in Fiscal Year 2003 used \$1.56 billion in grants, education loans, and earnings from work study jobs to pay for post-secondary education.

Financial aid from all sources grew by 33 percent from 2001 to 2003. Grants and student loans increased substantially.

Grants

Grants from all sources totaled \$687 million in 2003 – up 30 percent from 2001.

Grants from post-secondary institutions and private sources were \$343 million, an increase of 31 percent from 2001.

Federal Pell Grants were \$167 million in 2003 – an increase of 49 percent from 2001.

- 75,000 students received Pell Grants in 2003, up 24 percent from 2001.

Minnesota State Grants were \$134 million, an increase of 15 percent from 2001.

- 72,000 students received State Grants in 2003, up 11 percent from 2001.
- State Grant totals were affected by spending constraints imposed by the Services Office in January 2003 when it appeared demand for grants would exceed available funds.

Student Loans

Overall, student borrowing by undergraduates increased to \$777 million, a 40 percent increase from 2001.

Borrowing increased faster than tuition and fees or personal income.

Tuition and required fees increased from 2001 to 2003:

- 29 percent at the University of Minnesota
- 23 percent at MnSCU institutions
- 10 percent at private four-year institutions

Personal income per capita increased 7 percent from 2000 to 2002.

The increase in borrowing varied by source:

Federal - The amount borrowed from federally guaranteed programs increased by 52 percent from 2001 to 2003

Private Loans - The amount undergraduates borrowed in private loans for their post-secondary education tripled, going from \$25 million in 2001 to \$76 million in 2003.

State - The amount borrowed from the state of Minnesota's Student Educational Loan Fund (SELF) program increased by 15 percent.

Student borrowing increased by 40 percent in Minnesota compared to 30 percent nationally between 2001 and 2003.

Borrowing also increased faster than tuition and personal income from 1987 to 2003.

- Undergraduate borrowing quadrupled from 1987 to 2003.
- Tuition at the University of Minnesota nearly tripled.
- Tuition at Minnesota State Colleges and Universities doubled.
- Personal income per capita doubled from 1987 to 2002.

Parent Loans

10,000 parents borrowed \$67 million in Federal Parent Loans for Undergraduate Students (PLUS), up 31 percent from 2001.

The number of families with PLUS loans increased by 14 percent from 2001 to 2003.

Work-Study

Students earned income to pay for part of their price of attending college through work:

Work-study jobs

- 17,500 students earned \$24 million in federal work-study jobs in 2003.
- In 2003, no students received Minnesota State Work Study earnings – the State Work-Study appropriation was transferred to help cover a shortfall in the State Grant Program.

Other campus jobs and off-campus jobs

- The amounts students earned on campus in non work-study jobs and off campus are not known, but they are estimated to be much greater than student work-study earnings.

About the Report

This report summarizes results from the Higher Education Services Office's 2003 survey of financial aid received by undergraduates attending Minnesota post-secondary institutions. This survey has been conducted once every two years since 1987.

Table 1. Financial Aid by Type (in Millions)

	1987	1989	1991	1993	1995	1997	1999	2001	2003
Grants	\$227	\$258	\$301	\$367	\$364	\$403	\$470	\$529	\$687
Student Loans	\$188	\$207	\$243	\$281	\$375	\$420	\$483	\$555	\$777
Parent Loans	\$4	\$7	\$13	\$17	\$26	\$42	\$42	\$51	\$67
Work Study Earnings	\$21	\$20	\$25	\$27	\$29	\$30	\$34	\$36	\$24
Total	\$440	\$492	\$582	\$693	\$795	\$895	\$1,029	\$1,171	\$1,556

Work-Study earnings are earnings from federal and state work-study programs.

Wok-Study earnings from 1987-2002 include earnings from state and federal work-study programs. In 2003, no students received earnings from the MN State Work Study Program – the entire State Work-Study appropriation was transferred to help cover a shortfall in the State Grant Program.

Source: Minnesota Higher Education Services Office

Table 2. Financial Aid by Source (in Millions)

	1987	1989	1991	1993	1995	1997	1999	2001	2003
Federal	\$284	\$322	\$363	\$419	\$512	\$566	\$594	\$649	\$891
State	\$91	\$96	\$127	\$146	\$138	\$137	\$196	\$231	\$245
Institution	\$49	\$60	\$77	\$106	\$123	\$164	\$188	\$235	\$303
Private and Other	\$15	\$14	\$15	\$21	\$22	\$29	\$51	\$55	\$116
Total	\$440	\$492	\$582	\$693	\$795	\$895	\$1,029	\$1,171	\$1,556

Source: Minnesota Higher Education Services Office

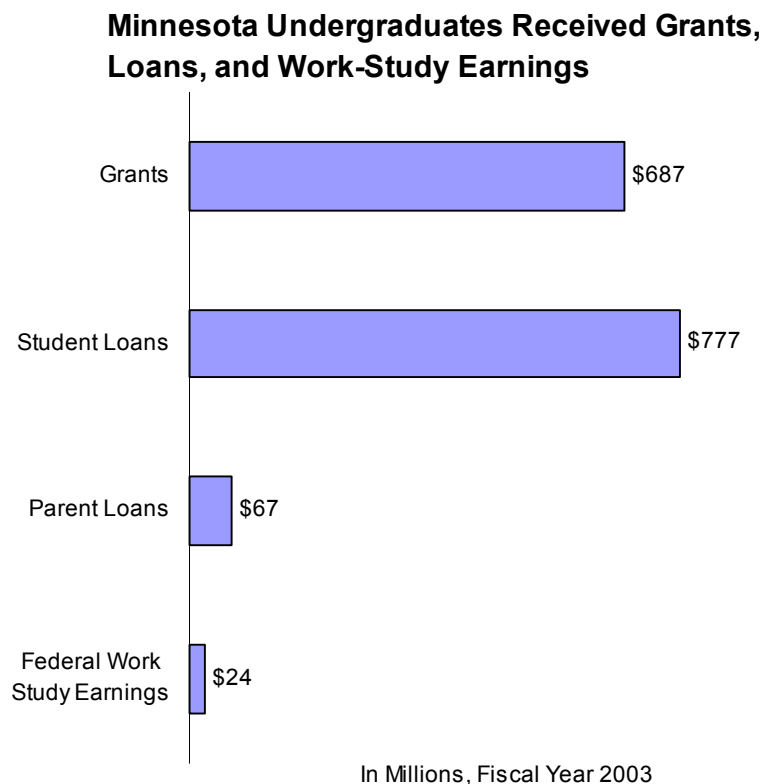
Introduction

The Higher Education Services Office conducted a survey to examine non-family sources of financial assistance for undergraduates attending post-secondary institutions in Minnesota during Fiscal Year 2003. The survey included information from Higher Education Services Office records and from a questionnaire completed by financial aid directors at Minnesota post-secondary institutions. This survey has been conducted once every two years since 1987.

This report has four sections, including information about:

- Grants and scholarships
- Student and parent loans
- Undergraduate earnings from work-study jobs

Information on how to obtain the detailed survey results in *Financial Aid Awarded, 2003*.



Note: Grants include scholarships, discounts, waivers and gift aid.

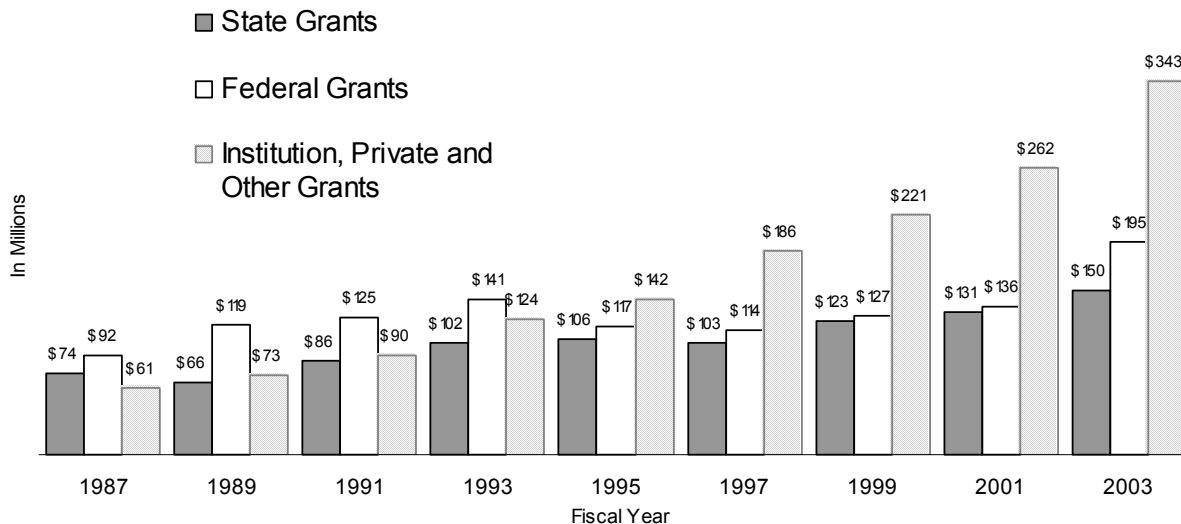
Source: MN Higher Education Services Office

Grants

Minnesota undergraduates received \$687 million in grants, scholarships, and tuition discounts in 2003, an increase from \$529 million in 2001. Of the \$687 million in grants in 2003, \$343 million came from

post-secondary institutions and private sources. In addition, \$195 million came from the federal government, and \$150 million from the state of Minnesota.

Institution Grants Increased More Than State or Federal Grants



Students received 30% more in grants from institution, private and other sources in 2003 than in 2001.

Students received 49% more in Federal Pell Grants in 2003 than in 2001. The number of Pell Grant recipients increased 24% from 2001 to 2003.

Students received 15% more in Minnesota State Grants in 2003 than in 2001. The number of State Grant recipients increased 11% from 2001 to 2003.

Source: Minnesota Higher Education Services Office

Institution and Private Grants

The \$343 million in grants and scholarships provided by post-secondary institutions, private donors, and other sources were a major source of discounts to students' prices of attendance in 2003. The \$343 million was a 30 percent increase over the \$262 million students received in 2001. The amount of institution, private, and other grants in 2003 was more than five times the \$62 million in grants undergraduates received from these sources in 1987.

Within the \$343 million of institution and private grants, institutions provided \$302 million in grants to students in 2003. Students received \$40 million in grants and scholarships from private sources such as service clubs, labor unions, and private foundations. Students received \$900,000

in grants from other sources in 2003. Grants from other sources are grants that do not fit one of the categories of federal, state, institution or private grants.

The number of students who received grants from institutions and the average amount received varied by sector. University of Minnesota campuses reported providing an average of \$2,800 to 41 percent of full-time, first-year students in 2001 (these figures are a weighted average for the four campuses). MnSCU four-year universities provided an average of \$1,300 in institution grants to 29 percent of full-time, first-year students. Private four-year institutions in Minnesota provided an average of \$6,500 to 68 percent of full-time, first-year students. (Source: National Center for Education Statistics)

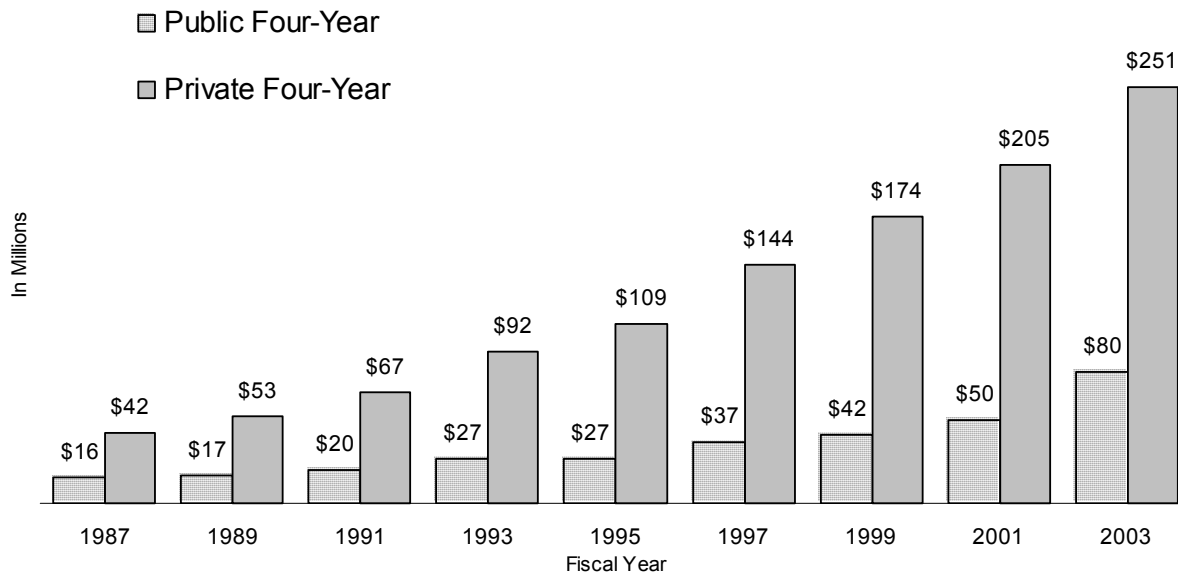
Institution , Private and Other Grants

	1987	1989	1991	1993	1995	1997	1999	2001	2003
MnSCU Two-Year	\$2.2	\$2.5	\$2.5	\$3.7	\$3.3	\$3.9	\$3.2	\$5.9	\$10.2
Private Two-Year	\$1.1	\$0.9	\$1.3	\$0.8	\$3.1	\$1.1	\$15	\$1.3	\$1.3
MnSCU Four-Year	\$4.2	\$3.8	\$6.9	\$9.5	\$7.4	\$9.9	\$10.7	\$14.3	\$20.4
Private Four -Year	\$42.2	\$52.9	\$66.8	\$92.3	\$108.5	\$144.5	\$174.0	\$204.8	\$251.3
University of MN	\$11.4	\$12.8	\$12.9	\$17.3	\$19.3	\$27.0	\$31.1	\$35.8	\$59.7
Total	\$61.1	\$72.9	\$90.5	\$123.5	\$141.6	\$186.4	\$220.5	\$262.1	\$343.0

Students attending 4-Year Institutions received 97% of institution, private and other grants.

Source: Minnesota Higher Education Services Office.

Much of the Increase in Institution and Private Grants Occurred at Private 4-Year Institutions



Source: Minnesota Higher Education Services Office

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 \$167 million to 76,500 undergraduates attending post-secondary institutions in Minnesota in 2003, a 49 percent increase from the \$112 million students received in 2001. The change from 61,500 recipients in 2001 to 76,500 recipients in 2003 was a 25 percent increase. One of the reasons for the increase in Pell Grants was the 21 percent increase in the maximum award from \$3,300 in 2001 to \$4,000 in 2003.

Other Federal Grants

Minnesota undergraduates received \$20 million in Supplemental Educational Opportunity Grants (SEOG) and \$8 million in other federal agency grants in 2003.

State Grants

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

Minnesota State Grant Program

About 72,400 undergraduates received \$133.6 million in Minnesota State Grants

in 2003. The number of recipients was up 11 percent from the 65,300 recipients in 2001. The dollar amount awarded was up 15 percent from \$115.8 million in Minnesota State Grants in 2001

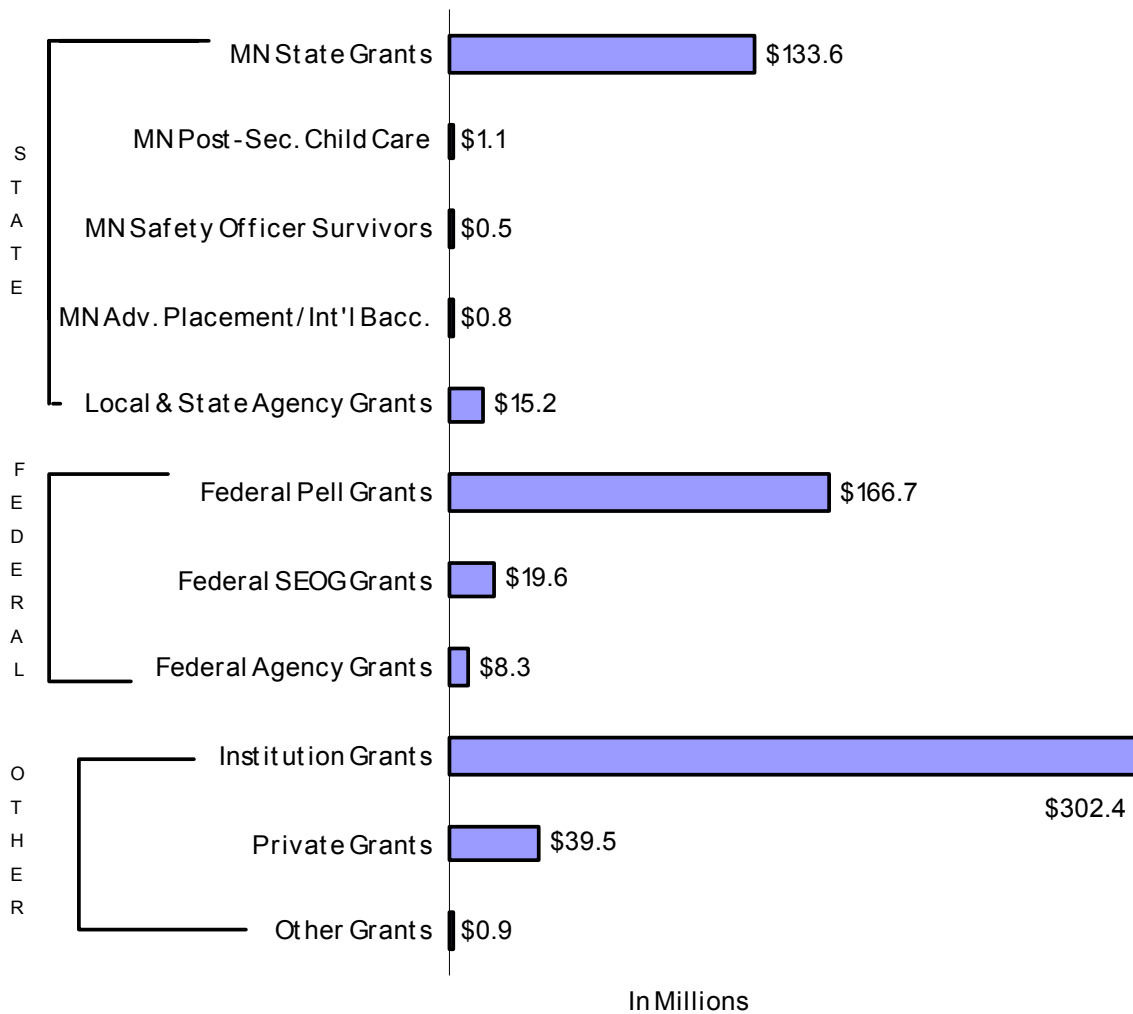
The number of recipients and amount of State Grant spending was affected by spending constraints the Services Office imposed on the Minnesota State Grant Program in January 2003 when it appeared demand for grants would exceed available funds.

Other State Grants

Approximately 900 Minnesota undergraduates received \$1.1 million in Minnesota Post-Secondary Child Care Grants in 2003. The state appropriation for Minnesota Post-Secondary Child Care Grants in Year 2003 was \$4.7 million, but the Services Office transferred \$3.6 million of the appropriation to help cover a shortfall in the appropriation for the Minnesota State Grant Program. In 2001, 2,700 undergraduates received \$4.4 million in Minnesota Post-Secondary Child Care Grants.

In 2003, Minnesota undergraduates received \$53,000 in grants to the survivors of safety officers killed in the line of duty. 133 students received \$75,000 in grants through the Minnesota Advanced Placement and International Baccalaureate Grant (AP/IB) Program. (The AP/IB program has since been repealed.) Students received \$15.2 million in grants from other local and state agencies in 2003.

Grant Amounts by Program, 2003



Source: Minnesota Higher Education Services Office

Loans

Loans enabled students and their parents to defer paying \$844 million until after the student was no longer attending post-secondary education.

Student Loans

Students used loans from federal, state, post-secondary institution, private and other sources. Overall, the amount undergraduates borrowed increased by 40 percent from 2001 to 2003.

Federal Loans

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

Federal Stafford Loan Programs

The federally guaranteed Stafford Loan Programs are part of the Federal Family Education Loan (FFEL) family of programs. The federal government subsidized the interest if market rates exceeded the rate the student paid. The Federal Stafford Loan Program included subsidized and unsubsidized loans. Students who met a means test could borrow Subsidized Stafford Loans, and the federal government paid the interest on their loans while they were attending post-secondary education. Students who did not meet the means test could borrow Unsubsidized Stafford Loans, and lenders charged interest on the loans while the

student was attending post-secondary education.

Federal Stafford Loan Programs included:

- Federal Stafford Subsidized Loans
- Federal Stafford Unsubsidized Loans
- Federal Ford Direct Subsidized Loans
- Federal Ford Direct Stafford Unsubsidized Loans.

Federal Ford Direct Stafford Loans

Some post-secondary institutions chose to participate in the Direct Loan family of programs. Students obtained these loans at their post-secondary institutions. The federal government provided loan capital, rather than private lenders. Federal Ford Direct Stafford Loans also included subsidized and unsubsidized loans.

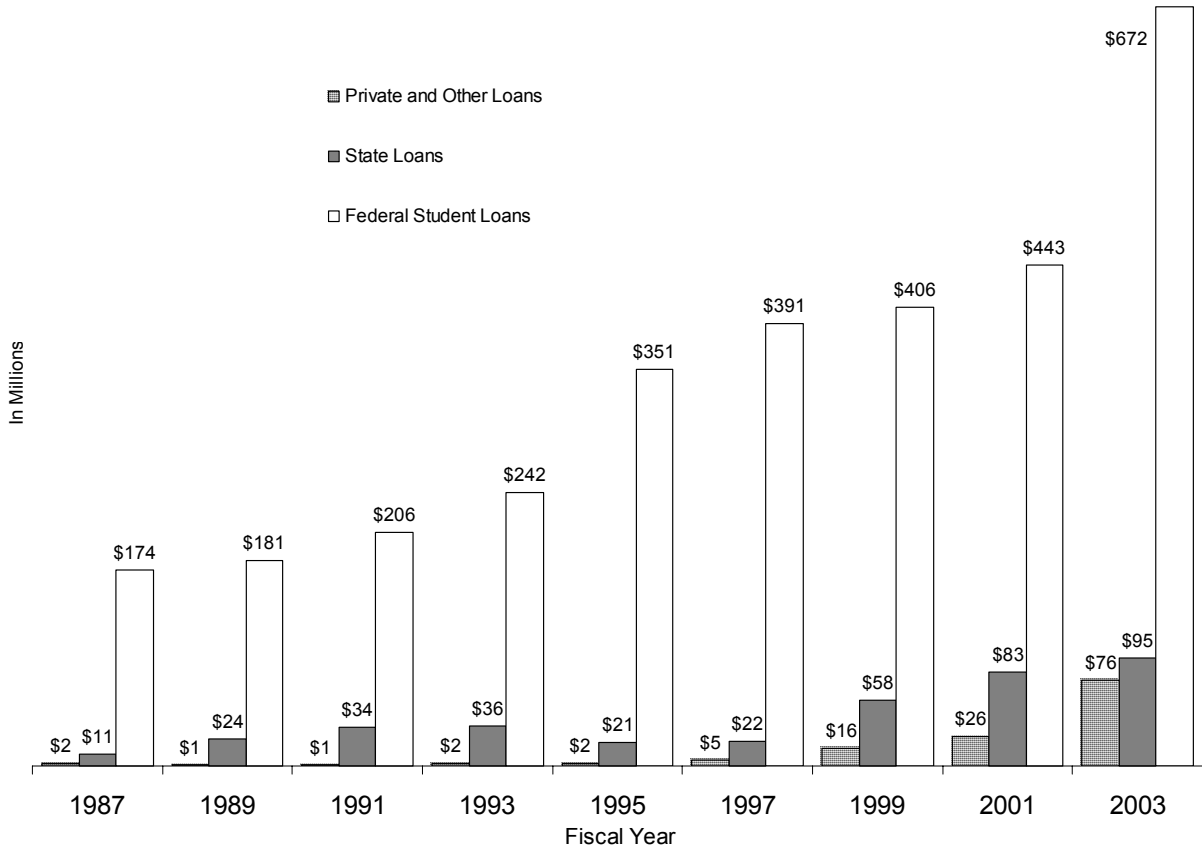
Increase in Federal Student Loan Borrowing

Borrowing by Minnesota undergraduates from federal loan programs increased by 52 percent from 2001 to 2003. The 52 percent increase compares to an increase of 9 percent from 1999 to 2001. One factor that may have contributed to the increase in federally guaranteed loans was the 10 to 29 percent increase in tuition and required fees. Another factor was the relatively low interest rate of 4.06 percent per year in 2003. (Interest rates on federally guaranteed loans were 5.99 percent in 2002 and 8.19 percent in 2001.)

In looking at the history of student borrowing since 1987, the increase from

1993 to 1995 was particularly notable. Changes in federal legislation in 1992 contributed to the increase in student borrowing by expanding eligibility and increasing borrowing limits. Many of the changes took effect in 1994.

Undergraduate Borrowing Continued to Increase



Borrowing from federal programs increased 52% from 2001 to 2003.

Borrowing from the Minnesota SELF program increased 15% from 2001 to 2003.

Borrowing through private and other loan programs tripled. It was \$25 million in 2001 and \$76 million in 2003.

Source: Minnesota Higher Education Services Office

Rate of Increase in Student Borrowing Was Greater Than Rate of Increase in Tuition and Personal Income

Overall student borrowing by undergraduates increased by 40 percent – faster than increases in tuition or personal income. The rate of increase in student borrowing was greater than the rate of increase in tuition and required fees from 2001 to 2003. Tuition and required fees increased by 29 percent at the University of Minnesota, 23 percent at MnSCU institutions, and 10 percent at private four-year institutions from 2001 to 2003. Personal income per capita increased 7 percent from 2000 to 2002.

The increase in borrowing is not new. Borrowing increased faster than tuition and personal income from 1987 to 2003. Undergraduate borrowing quadrupled from 1987 to 2003, while tuition at the University of Minnesota nearly tripled.

Tuition at Minnesota State Colleges and Universities doubled from 1987 to 2003. Personal income per capita doubled from 1987 to 2002.

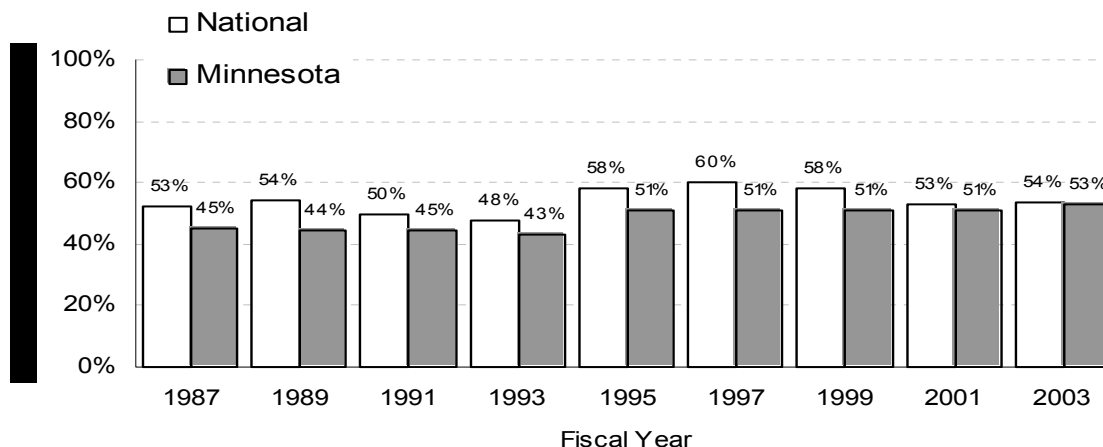
Increase in Loans Was Greater in Minnesota than National Increase

The increase in total borrowing by Minnesota undergraduates from 2001 to 2003 was larger than the increase in student borrowing nationally. Between 2001 and 2003, student borrowing increased by 40 percent in Minnesota compared to 30 percent nationally.

Loans as a Portion of the Package of Grants and Loans

For Minnesota undergraduates, student loans were 53 percent the total of grants and loans in 2003, compared to 54 percent nationally.

Nationally and in Minnesota, Loans Were a Similar Portion of the Total of Grants and Loans in 2003



Source: Minnesota Higher Education Services Office

Other Federal Student Loans

Minnesota undergraduates borrowed \$30 million in Federal Perkins Loans and \$1 million in federal agency loans in 2003.

State Loan Program

Minnesota operates one state loan program, the Student Educational Loan Fund (SELF) Program.

Student Educational Loan Fund (SELF) Program

About 27,000 undergraduates attending Minnesota institutions borrowed \$95 million from the SELF Program in 2003 – an 11 percent increase in the number of borrowers and a 15 percent increase in the amount borrowed from 2001 to 2003. The amount of SELF borrowing in 2003 was more than 9 times the amount borrowed in 1987.

Loans from Post-Secondary Institutions

Institution loans were loans funded by capital controlled by post-secondary institutions. Undergraduates borrowed about \$1 million in institution loans in 2003.

Loans Made by Private and Other Lenders

Undergraduates borrowed \$76 million in private loans in 2003, three times more

than the \$25.5 million borrowed in 2001. While the increase in private loans from 2001 to 2003 was rapid, private loans represented only 10 percent of the total amount undergraduates at Minnesota institutions borrowed in 2003.

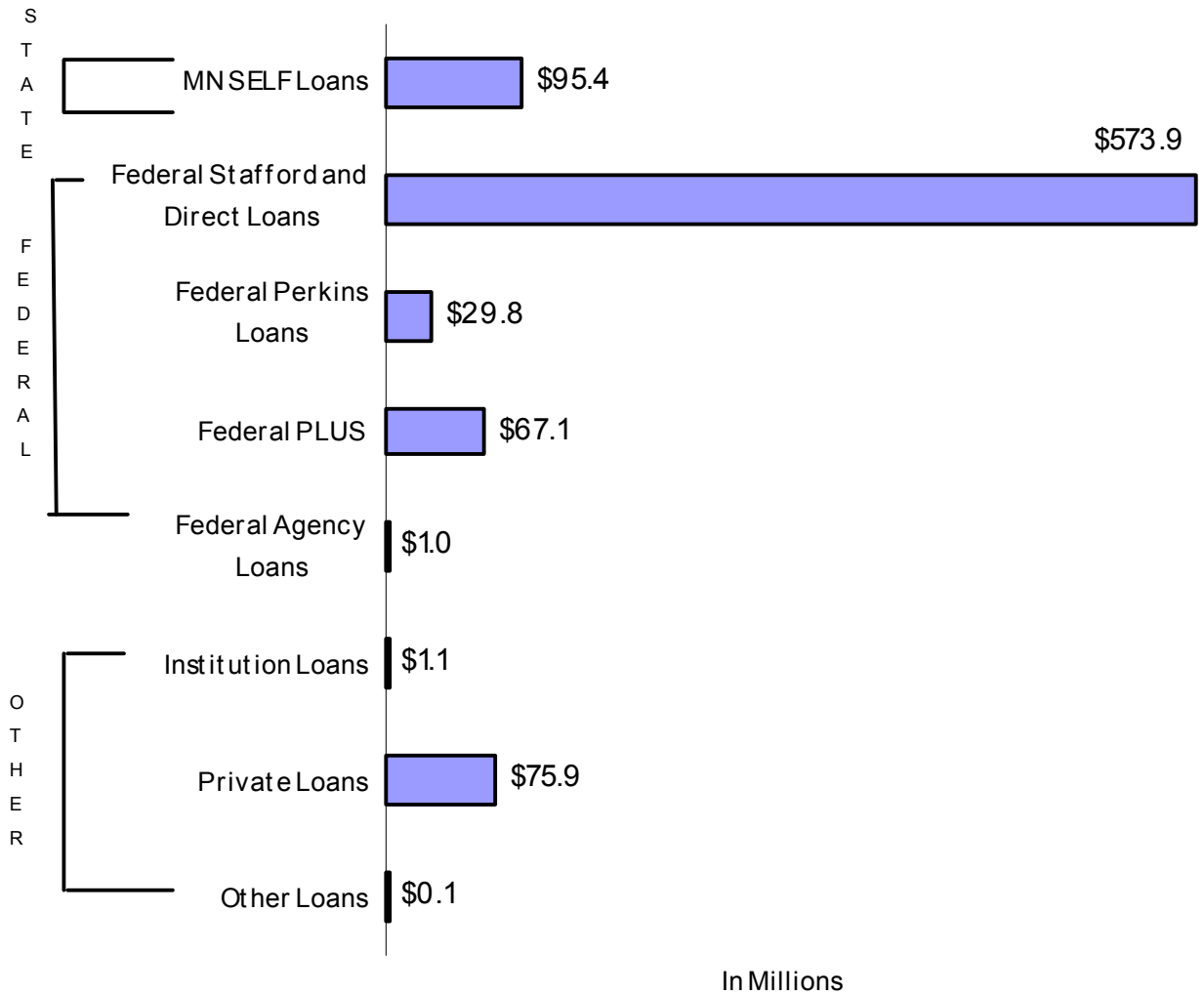
Loans from “other sources” are loans that do not fit one of the categories identified above. Undergraduates borrowed about \$133,000 in loans from other sources in 2003, compared to about \$293,000 in 2001.

Parent Loans (PLUS)

The Federal Parent Loan for Undergraduate Students (PLUS) Program is designed for parents of undergraduate students. Parents of undergraduates attending Minnesota institutions borrowed \$67 million in PLUS loans in 2003, an increase of 31 percent in the amount borrowed from 2001. The number of families that borrowed PLUS loans increased by 14 percent, from 8,700 families in 2001 to 9,900 families in 2003. Parent borrowing in the PLUS program was one-tenth of the amount of undergraduate borrowing from federal student loan programs.

The amount of loans secured by second mortgages, lines of credit or other loans to parents is not known.

Loan Amounts by Program, 2003



Source: Minnesota Higher Education Services Office

Earnings from Federal and State Work-Study Jobs

Students earned income to pay for attending post-secondary education through work study jobs, campus jobs and off-campus jobs.

Work Study

Work-study jobs were arranged by post-secondary institutions with subsidies from the federal or state government. Most work-study positions were sponsored by institutions, but a small percentage of positions were with non-profit agencies and other off-campus employers. About 17,500 students earned \$24 million in federal work-study jobs in 2003.

State Work-Study – In 2003, no students received earnings under the Minnesota State Work Study Program — the entire State Work Study appropriation was transferred to help cover a shortfall in the Minnesota State Grant Program. (In 2002, approximately 12,000 students earned \$17.8 million in state work-study jobs.)

Other 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.

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

Additional Information

Additional information, including information about financial aid awarded by each post-secondary institution, can be obtained in the *Report of the Financial Aid Awarded Survey, Fiscal Year 2003*. The report is available from the Higher Education Services Office upon request and on the Internet <http://www.mheso.state.mn.us/mPg.cfm?pageID=1336>

and at:
<http://www.mheso.state.mn.us/sPages/FAA.cfm>