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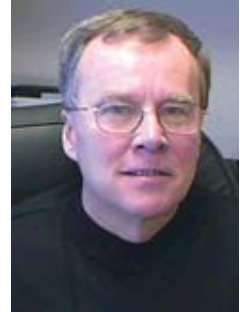
Insights

News and information for financial aid professionals.

Summer 2008

Dear Colleagues:

In our Fall 2007 issue, we outlined four factors that are explanatory of Iowa's high national ranking regarding student loan debt. Based on our analysis of available state data in comparison to national data, we identified those factors to be (1) rapid increases in the cost of attendance in Iowa, (2) lower adjusted gross incomes (AGI) for Iowa families, (3) higher college participation rates in Iowa, and (4) the decreasing purchasing power of state and federal student aid programs.



John Parker
Director, Community
Services and
Educational Research

Among other articles in this issue, you will find additional research and data reviews that we have completed pertaining to those factors and their relationship to student debt levels in Iowa, including:

- ▶ **A summary of a report by Thomas Mortenson, *College Participation Rates for Students from Low Income Families by State FY1993 to FY2006*.** Suffice it to say, the data from this report supports our previous conclusion that the proportion of "high need" students who attend college is over-represented in Iowa in comparison to the rest of the nation, which translates to higher student need levels for financial aid, including loans.

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- ▶ **Marc Hendel's research findings from his survey of Iowa Student Loan borrowers on their perceptions of the value of borrowing and the causes of Iowa's high student debt ranking.** Briefly stated, borrowers reported that debt is a problem in Iowa but they also felt the value of their education was worth taking on the debt. In addition, they pointed to the same causes of the high Iowa debt levels that were outlined in our aforementioned Fall 2007 report.
- ▶ **Highlights from a report by the Nelson A. Rockefeller Institute of Government regarding "utilization rankings" of community colleges by state.** The metrics outlined in this article place Iowa near the top of the national rankings for the variables discussed and again, as they relate to Iowa community colleges, help explain Iowa's current student debt level ranking.

I trust that these articles and the additional information regarding research tools, data resources and trivia included in this issue will be useful to you. Please feel free to provide me with your feedback and suggestions regarding the content of this or future editions.

Sincerely,



John Parker
Director,
Community Services and
Educational Research

Did you know?

- ▶ In a survey conducted in January 2008 among a representative sample of U.S. college students, the average number of calls made via cell phone to parents while classes were in session was seven times per week for females and five times per week for males.
- ▶ A March 2008 survey of 1,000 college students found that 64% held a valid U.S. passport – that is roughly twice the incidence of the general U.S. population.

Source: www.surveyyu.wordpress.com

False Implications That Are Plausible

By Marc Hendel, Iowa Student Loan Senior Research Analyst

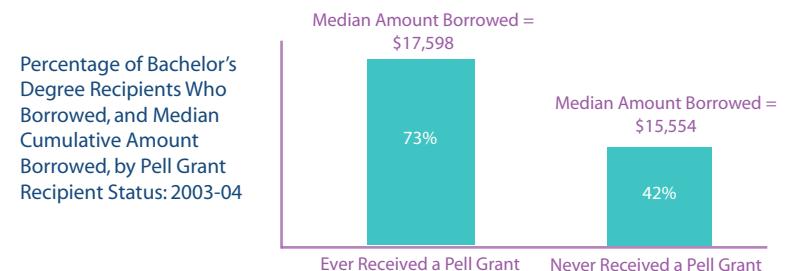
There are many ways to draw false conclusions from data. It is important to understand the design of a study before reaching any conclusions based on the data from the study. Two-time British Prime Minister Benjamin Disraeli is attributed with the quote, "There are three kinds of lies: lies, damned lies, and statistics."

The substance behind Disraeli's quote is that statistics don't need to be deliberately twisted in order to support false implications. There are many ways to take legitimate and correct statistics and apply them improperly. The most common manifestation of this type of bad logic happens when a conclusion reached by studying a particular population is generalized beyond the population represented by the sample. For example, Oscar Lewis coined the term "culture of poverty" in his book *The Children of Sanchez*. Lewis reached a conclusion that a "culture of poverty" exists worldwide based on his study of several small communities in Mexico. One can argue whether or not such a culture exists, but allowing the basis of the belief that such a culture does exist to rest on findings from his small study is questionable.

Another common misuse of data occurs when a cause-and-effect process is assumed when one does not exist. An example of this using data relevant to financial aid professionals can be seen in the graph below, which appeared in the American Council on Education (ACE) 2007 Status Report on the Pell Grant Program.

The authors did not attempt to draw any conclusions from the graph, which is appropriate as this was only a descriptive study. However, an untrained reader may reach the conclusion that taking out a Pell Grant causes more borrowing and more debt burden; they can argue that the graph clearly shows that this is the case.

In fact, that conclusion cannot be reached from this study. An exploratory study, complete with statistical models, would be necessary to draw any conclusion about the relationship between use of Pell Grants and debt. The ACE 2007 Status Report can be read in its entirety at www.acenet.edu.



Note: Debt figures include all federal student loans and exclude parent loans, private loans and all other nonfederal borrowing.
Source: U.S. Department of Education, National Center for Education Statistics. National Postsecondary Student Aid Study: 2003-2004.

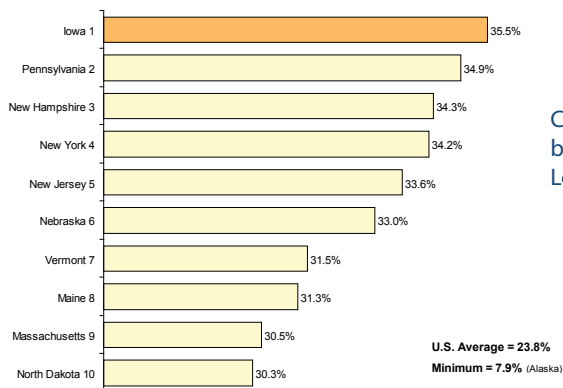
College Participation Rates for Students From Low-Income Families by State FY1993 to FY2006

- Postsecondary Education Opportunity, February 2008

One key research-supported finding is that Iowa has higher student debt than other states due to the high postsecondary participation rate in the state. Inclusive in that finding is the assumption that the proportion of “high need” students attending college in Iowa would be higher than other states. In his February 2008 newsletter, Tom Mortenson, a senior scholar at The Pell Institute for the Study of Opportunity in Higher Education, addressed low-income family college participation rates for the 50 states and the District of Columbia. Mortenson’s data seems to support that assumption.

In Mortenson’s report, the first point of interest to the state of Iowa is the graph below showing the college participation rates by state for students from low-income families for FY2006. Mortenson defines the college participation rate of interest as “the number of dependent Pell Grant recipients divided by the proportion of 4th to 9th graders nine years earlier who were approved for free or reduced price school lunches.” The national average for this measure is 23.8%; the national average rate of college participation from affluent families is much higher at 45.4%. Over the span of the current decade, the rate for low-income families has declined 3.8% while it has increased 6.2% for affluent families.

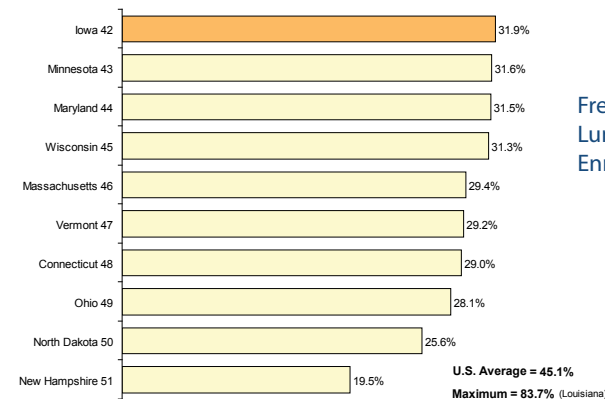
The graph below also illustrates that Iowa is No. 1 in the nation for this measure and ranked No. 1 in four of the last five years (from 2001 through 2005). In 2004, Iowa’s participation rate for low-income families reached its high for this time period at 43.7%. From 1993 to 2006, Iowa’s unweighted average rate was 36.1%, while the unweighted national average was 24.2%.



College Participation Rates by State for Students from Low-Income Families FY2006

Another interesting point related to the state of Iowa is the graph below showing the approval rates for free and reduced-price lunch for K-12 enrollment by state for FY2006. Students are eligible for free and reduced-price lunch programs if their family has an income that is below 185% of the poverty line.

The national poverty line was set at \$21,027 for calendar year 2007 for a family of four with two children, according to the U.S. Census Bureau definition (www.census.gov/hhes/www/poverty/threshld/thresh07.html). This puts the cutoff for free and reduced-lunch at \$38,900 for such a family. Iowa is below the U.S. average on this measure at 31.9%, giving Iowa a rank of 42 out of 51. This means that Iowa does not have as large a proportion of low-income families as many other states.



Free and Reduced-Price School Lunch Approval Rates for K-12 Enrollment by State FY2006

Although the report does not draw conclusions about individual states, it is clear that while Iowa does not have as large a proportion of its population classified as low income by Mortenson’s definition, a larger proportion of them are attending college than any other state.

Putting these two factors together allows a reasonable conclusion to be drawn from the evidence presented in the report; that is, the proportion of low-income family members is over-represented in Iowa colleges compared to other colleges in the U.S. This, in turn, means that the need for financial aid including loan funds should be expected to be higher in Iowa because of the high college participation rate of low-income families.

Mortenson’s article can be read in its entirety at www.postsecondary.org.

What Do Student Loan Borrowers in Iowa Think About Their Student Debt?

By Marc Hendel, Iowa Student Loan Senior Research Analyst

There have been many stories in the news over the past year about student loan debt in the U.S. and in Iowa. Many of the stories that received attention in the media include expert commentary regarding the causes of high levels of student debt or contained interviews with students who find themselves trying to manage extreme levels of student loan debt. These stories tend to represent either specific cases representative of a small group of students or specific issues with certain lenders. As mentioned in the article on page 3, there is fault in generalizing cases specific to a small group to the general population.

There are numerous national studies about borrower perceptions of student debt. One of the most well known is *College on Credit: How Borrowers Perceive their Education Debt*, a study sponsored by Nellie Mae and authored by Sandy Baum and Marie O'Malley in 2003. An online version is available at www.nelliemae.com/library/nasls_2002.pdf. The study presents results of the 2002 National Student Loan Survey (NASLS) and includes a comparison to several previous NASLS studies.

National studies are useful and important, but it is also important to gather information at the state level. With that in mind, the Iowa Student Loan research team conducted a study of the perceptions of its borrowers regarding their student debt.

In March 2008, the Iowa Student Loan research team sent a survey to 5,000 randomly selected current Iowa Student Loan borrowers who were not in default at the time. Nine hundred eighty-five valid responses (19.7%) were returned by the published deadline, providing a large enough sample to be reasonably representative of the Iowa Student Loan borrower population.

Most respondents were no longer in school (73%) and most of those had received degrees (80%). This graduation rate is higher than the typically referenced rate of 60-70%, which may indicate a small bias toward those who graduated when calculating aggregate rates. When possible, calculations were made separately for the group receiving a degree and those who did not receive a degree.

One question on the survey asked, "Do you believe student loan debt for college students is a problem in Iowa?" Seventy-five percent (75%) of the respondents marked "yes" as their response choice. This perception is supported by recent studies that show Iowa's debt level is high when compared to the rest of the U.S.

Those who responded that they felt student debt was a problem in Iowa were asked, "Which of the following do you consider the main cause of the student loan debt problem in Iowa?" Along with the four choices listed in the table below, a choice of "other" was given with room to write in additional information. The results for those who responded by marking a single cause (n=528) are shown in the table below.

Main Cause of Debt	Frequency	Percent
Rapid Increase in College Tuition and Fees	331	62.7%
Average Family Incomes in Iowa Too Low	98	18.6%
Federal and State Financial Aid Not Keeping Up With College Costs	74	14.0%
Student Loan Lenders Making Borrowing Too Easy	25	4.7%

A total of 188 respondents inappropriately marked multiple causes and 47 marked "other." It is difficult to interpret the meaning of the results from those who marked multiple causes. Those who marked "other" most frequently wrote in comments about high interest rates and students borrowing more money than needed. However, it is clear that borrowers most often relate student loan debt to their costs of attending college.

Another interesting finding was captured through the responses to the following question: "Do you believe what comes from having a college education is worth the future payments that must be made on your student loans?" Eighty-three percent of the respondents indicated that they felt the experience was "worth it." In the Baum and O'Malley study mentioned earlier, 59% of respondents gave an affirmative answer to the following similar question: "Making loan payments is unpleasant but I know that the benefits of education loans are worth it."

A standard statistical test for the difference of two proportions shows that the rates are statistically different at the $p < 0.001$ level – Iowa Student Loan borrowers' perceptions differ greatly from the respondents in the national survey. The generally accepted explanation for this is the anecdotal evidence that Iowans tend to view postsecondary education as what economists call an "inelastic" quantity. This means that the typical inverse relationship between price and demand does not apply. Because Iowans see value in postsecondary education, they are willing to pay practically anything to get it.

The responses to the question on the value of the educational experience were cross-tabbed with two other characteristics that provided additional insight. First, the results were cross-tabbed with the degree status of the respondents who were no longer in school. Not surprisingly, 83% of those with a degree indicated that the future loan payments were "worth it."

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More interesting, however, is the fact that 72% of those who did not receive a degree indicated that the future loan payments were “worth it” – still significantly different than the results of the national study (which consisted of a mixture of degree statuses) at the $p < 0.01$ level.

The final cross-tab looked at the responses to the value question and the question about whether or not Iowa has a student loan debt problem. Of those who answered both questions ($n=961$), 94% who said student debt is **not** a problem also said the future loan payments were “worth it” while 80% who said student debt **is** a problem also believed the future loan payments were “worth it.” This brings the student debt problem down to a personal level – Iowa Student Loan borrowers believe that student debt in Iowa is too high, but feel that the debt they have accumulated was “worth it.” This presents a different perspective than what one might hear in the local or national news media.

Tools and Resources

The National Center for Education Statistics – Education Statistics Quarterly

The National Center for Education Statistics (NCES), located within the U.S. Department of Education and the Institute of Education Sciences, is the primary federal entity for collecting and analyzing data related to education. Their Web site is www.nces.ed.gov.

Because of their mission, NCES collects, analyzes and publishes a great deal of information on education. There are a variety of portals on the Internet that provide access to the data collected by NCES. One useful site is the home page for the NCES publication *Education Statistics Quarterly* (<http://nces.ed.gov/programs/quarterly/index.asp>). The most recently published volume available online is Volume 7 from January 2006. The Web site has a search function that allows users to search for topics of interest. On the main page, links to broad topics, such as postsecondary education, are available.

Papers included under postsecondary education for Volume 7 include a report that looks at characteristics and outcomes of students who delay entry into college; a paper on the incidence, persistence, attainment and time-to-degree for students who attend multiple institutions; and a report that examines gender differences in undergraduate participation and completion rates and changes in rates over time.

The site is also an excellent resource for locating summarized information on financial aid estimates, graduation and persistence rates, and studies by gender or race/ethnicity.

The States and Their Community Colleges – The Nelson A. Rockefeller Institute of Government, May 2008

The Nelson A. Rockefeller Institute of Government is the public policy research arm of the State University of New York. Institute analysts recently gathered community college data from a variety of sources for all 50 states, including the National Center for Education Statistics (NCES) and the American Association of Community Colleges. The result is a brief report, *The States and Their Community Colleges*, which ranked the states on five aspects of community college utilization within each state:

The five aspects of community college utilization ranked by the report are:

1. Community colleges' share of all higher education enrollments in a state.
2. The share of a state's total population ages 18 and over enrolled full- or part-time in a community college.
3. The share of a state's total population aged 18 and over represented by full-time equivalent registration in community colleges.
4. The five-year growth rate in community college enrollment.
5. The amount by which growth in community college enrollments is outpacing (or lagging) the growth in public four-year college enrollments.

As part of the third metric, the tuition burden in each state (the proportion of tuition compared to median family income in the state) is also reported.

Iowa is one of only four states that is above the national average on all five of the above metrics and is the only state above the national average on the six metrics when the tuition burden is included. This convergence of events makes Iowa unique in the nation in terms of the financial aid needs of its population. Iowa's measures, rank and the national average are presented in the table below.

Iowa's Values and Ranks on the Six Measures of Community College Utilization

Metric	Iowa	Iowa Rank	National Average
Share of Enrollment	30.60%	13	27.70%
Population Enrolled	3.58%	8	2.77%
FTEs in Population	2.36%	6	1.64%
Tuition Burden*	4.60%	12	3.60%
Five-year Growth Rate	+17.60%	16	+11.50%
Growth – Points Ahead or Behind Four-year Schools	+20.5	5	-1.0

*The national average for this metric is the average of the states, not the national average.

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As part of their conclusions, the authors introduce tuition figures into the mix. They found that across the U.S., correlation between enrollment and tuition was only 0.342. Iowa, however, has the ninth-highest rank (before aid) for tuition at \$3,139 per year (compared to the U.S. average of \$2,017). The community college tuition in Iowa represents 52% of the four-year public college tuition in Iowa, much higher than the U.S. average of 35%.

The authors state clearly that their metrics do not, in and of themselves, tell the whole story. They note, for example, that high enrollments do not translate to high graduation rates. Also, the economic conditions and population trends in a state may help explain some of the variation seen in the data. The authors use the results of their report to propose several possible topics for future studies. They encourage further research that explains the observed differences.

The Rockefeller Institute of Government's report can be read in its entirety at www.rockinst.org.

Noel-Levitz Data Reports

Noel-Levitz, a well-known consulting firm specializing in enrollment management, produces several annual reports based on large surveys of college students.

One of its reports is the *2007 National Student Satisfaction and Priorities Report*. The report is based on the firm's proprietary satisfaction survey and indices. Noel-Levitz publishes the report as an executive summary and four sections are based on sector. They recommend reading the executive summary and then downloading the section appropriate for the reader's institution. Only 16 Iowa schools participate in the survey, but the survey was completed by more than 622,000 students at more than 800 four-year and two-year public and private institutions across North America in 2007. These numbers give some reassurance of the generalizability of the results.

High-level results from the report include:

- ▶ Greater satisfaction among students at community colleges than other institutions.
- ▶ The variation of satisfaction based on whether the institution was the first, second or third choice of the student.
- ▶ Much lower levels of satisfaction among African American and Asian American students attending four-year institutions.
- ▶ Higher levels of satisfaction among female students than male students across all institution types.
- ▶ Lower satisfaction from students attending institutions in the East.

Students attending four-year public and private schools in the Midwest region showed the highest levels of satisfaction and likelihood to re-enroll if they had a chance to repeat their education. The rates for these two measures for Midwest community colleges were a close second to the Southern region.

Differences in satisfaction were noted when breaking down the population by current grade point average (higher grade point average was correlated with higher satisfaction), gender (females were generally more satisfied as mentioned above, except at two-year career and private schools where they were the same as males) and by region (Eastern, Southern, Midwestern and Western).

Other reports available on the Noel-Levitz Web site include a 2008 report on attitudes of freshmen that includes a supplement on the attitudes of incoming adult learners. The study found that adult learners were more deeply committed to their studies and were more likely to have occupational goals clearly in mind than their traditional peers. Adult learners are harder to retain, making the supplement an additionally beneficial resource.

The findings listed in the report on adult learners include:

- ▶ More than three-quarters of incoming adult learners (77%) indicated they study hard "even for courses I don't like," compared to just over half (56%) of traditional-age students.
- ▶ More than half of incoming adult learners (57%) expected to work at a full- or part-time job more than 20 hours a week while attending classes, compared to less than a quarter (21%) of traditional-age students.
- ▶ Many more incoming adult learners (67%) than traditional-age students (45%) indicated they enjoyed reading.
- ▶ One-third of incoming adult learners (35%) indicated interest in learning about campus clubs and social organizations, compared to more than half (57%) of traditional-age students.
- ▶ Close to half of incoming adult learners (45%) indicated they had financial problems that are "very distracting and troublesome" compared to approximately a quarter (27%) of traditional-age students.

Reports that give insight into the attitudes of students can prove to be very valuable when working with them in a financial aid setting.

The Noel-Levitz report on national student satisfaction and priorities can be read in its entirety at www.noellevitz.com.



Did you know?

- ▶ Most individual instant ramen noodles are 65 centimeters long – about 2.6 times longer than the average piece of spaghetti. The total length of the average 79 noodles in a single package is approximately 51 meters.
- ▶ In 2005, the U.S. ranked fourth in the world for instant ramen noodle consumption at 3.9 billion packets.



Editor's note: We could not locate data giving the proportion of U.S. college students who consume ramen noodles some time during their college career, but we assume it is close to 100%.

Source: www.instantramen.or.jp/english



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