

# NEWSLETTER

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## EdFed Testimonials

**Charlene W. St. Paul, MN**  
says...

I recently did a consolidation for my son who is attending medical school. The representatives that I spoke with at EdFed were extremely helpful. They explained every step in the consolidation process in detail so that I had no questions. They were also very efficient in following up with me.

## LEGISLATION COULD SIMPLIFY FINANCIAL AID APPLICATION PROCESS

- CARINA ZARAGOZA

In a bipartisan effort, both Democrats and Republicans are calling for a simplification of the financial aid application process. Both parties last month voted in approval of a bill that would allow applicants to simply check a box on their tax returns. Certain information required for financial aid would then be directly sent to the Department of Education. This information would automatically answer questions found on the Free Application for Federal Student Aid (FAFSA).

The proposed legislation is so popular it is anticipated that the bill will be made into law later this year. Recent studies and reports are in part responsible for the move to simplify the financial aid application process. One such study was conducted by Susan Dynarski and Judith E. Scott-Clayton, economists at Harvard University. The study, *Complexity and Targeting in Federal Student Aid: A Quantitative Analysis*, finds that it takes 10 hours for families to complete the FAFSA. Having to use previous years' tax returns initially and then revising the application with the current year's tax return is part of the reason it takes so long.

These findings are in direct contradiction to the Department of Education's assertion that it takes families only one hour to complete and submit the FAFSA. The FAFSA is comprised of 127 questions, most of which ask about specifics of income.

Some critics of the proposed change, among them Dynarski and Scott-Clayton, indicate the new, streamlined method would allow some wealthy families to inappropriately collect financial aid. Others point out that the new method would not help the sector of the population that most needs financial aid. Lower-income families might not file their tax returns online, which is how the new check-box system would work. Thus, these families

would still have to use the traditional method of filling out and submitting the FAFSA. Plus, lower-income families may not file tax returns, so the check-box method would be of no use to them.

Further deliberation of the bill has not been scheduled.

Meanwhile, the recent trend of Ivy League schools completely restructuring their financial aid programs continues. Just this week Brown University joined the list by replacing loans with grants. Loans will be completely eliminated from financial aid packages for families earning less than \$100,000. Contributions of any amount will not be required from families earning less than \$60,000. Similar moves were recently made by Stanford University and Washington University in St. Louis.

### On the Net

U.S. News & World Report  
[www.usnews.com/articles/education/2008/02/21/making-it-easier-to-fill-out-college-financial-aid-forms.html](http://www.usnews.com/articles/education/2008/02/21/making-it-easier-to-fill-out-college-financial-aid-forms.html)

Financial Aid Study  
[www.nber.org/papers/w13801](http://www.nber.org/papers/w13801)

Brown University Revises Financial Aid Program  
[www.brown.edu/Administration/News\\_Bureau/2007-08/07-105.html](http://www.brown.edu/Administration/News_Bureau/2007-08/07-105.html)

Stanford University Revises Financial Aid Program  
[news-service.stanford.edu/news/2008/february20/finaid-022008.html](http://news-service.stanford.edu/news/2008/february20/finaid-022008.html)

Washington University Revises Financial Aid Program  
[record.wustl.edu/news/page/normal/11100.html](http://record.wustl.edu/news/page/normal/11100.html)

# NEWSLETTER

## HIGHER EDUCATION AND THE ECONOMIC MOBILITY GAP

- CARINA ZARAGOZA

A study released Tuesday, February 19, examines the correlation between earning a college degree and economic mobility. Among the findings: economic mobility has not changed significantly for children of poor or middle-class backgrounds. The researchers concluded that this could lead to a severe decline in opportunities for poor and even middle-class families in the future.

The study, *Getting Ahead or Losing Ground: Economic Mobility in America*, was compiled by scholars of the Brookings Institute in collaboration with the Pew Charitable Trusts. The study represents a comprehensive attempt to observe and track economic mobility between generations. The survey followed families from the 1960s. The study concluded that a college degree is essential to economic mobility, but background plays a large role.

Economic mobility, defined as the ability to climb up the income ladder, is difficult to achieve without a college degree. The study has found that individuals from certain economic and ethnic backgrounds are falling behind in earning college degrees, thus inhibiting their ability to increase their income. The gap between those higher on the income ladder and those lower on the income ladder will widen in the upcoming years, suggesting the economic mobility for these sectors of the population will deteriorate even further in the future.

The study's findings point to a stagnating development wherein those earning the least remain at the same level while those from upper-class families remain the highest earners. Children from the top fifth of income earners scored the highest in earning college degrees (53%). These numbers show that the top fifth of income earners in the country continue to move up the economic ladder and thus secure their places at the top. Conversely, the bottom fifth of income earners earn the fewest college degrees (11%). With nearly half of the bottom fifth of income earners not

receiving college degrees, a large percentage of these individuals and their families will remain in the bottom fifth of income earners.

The study found that part of the reason children from poor backgrounds do not earn college degrees is a lack of college advising. One of the authors of the study, Ron Haskins, is adamant that early outreach to children from poor backgrounds will greatly increase the percentage of college-degree earners, thus improving economic mobility. However, future studies and proposed policy implementations are still needed.

The study also includes a comparison to international trends, which finds, despite opinions otherwise, individuals in the United States have less economic mobility overall than those in other industrialized nations. An examination of wealth and economic mobility is conducted as well.

In addition to Ron Haskins, the report was authored by Julia B. Isaacs and Isabel V. Sawhill of the Brookings Institute. The entire report is available on the Economic Mobility Project website as well as the Brookings Institute website.

### On the Net

The New York Times  
[www.nytimes.com/2008/02/20/us/20mobility.html?\\_r=1&ef=education&oref=slogin](http://www.nytimes.com/2008/02/20/us/20mobility.html?_r=1&ef=education&oref=slogin)

Report on Economic Mobility  
[www.economicmobility.org/reports\\_and\\_research/mobility\\_in\\_america](http://www.economicmobility.org/reports_and_research/mobility_in_america)

The Brookings Institute  
[www.brookings.edu](http://www.brookings.edu)

# NEWSLETTER

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## NEWS IN BRIEF

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### **INDIAN HEALTH BILL TO INCLUDE COMMUNITY COLLEGE GRANT**

The Indian Health Improvement Act (S. 1200), currently being deliberated on the Senate floor, includes a provision that will create a grant program for community colleges. Grants of up to \$250,000 will be authorized by the bill. The grants are meant to establish health professions education programs within the community college system that will lead to degrees. In the past community colleges received some assistance from the Indian Health Improvement Act, but passage of the bill will likely secure funds on a regular basis.

### **CONGRESS URGED TO TAKE STUDENT LOAN ACTION**

Congress has been approached by lobbyists for lenders and colleges calling for action to stifle the downward trend of the student loan industry. Lenders and colleges claim the credit crunch may very well heavily impact the availability of loans. Students seeking loans in the

fall may find no funds available. Lobbyists cited the recent failure of auctions, a key source of student loan funding, as a major roadblock to the ability to offer new loans in the fall.

### **CONTROVERSIAL UPWARD BOUND EVALUATION SYSTEM ELIMINATED**

A controversial evaluation program implemented by the Department of Education has been eliminated. The evaluation program required officials who run Upward Bound chapters to recruit twice as many students, utilizing half of the essentially "non-admitted" as a control group to evaluate those actually admitted. Critics attacked the Department of Education, claiming the evaluation system turned those not admitted into "guinea pigs" and provided no assistance to students in need. Congressional opposition to the evaluation program pressured the Department of Education to abandon the system.