

# Financial Aid Trends During and Since the War on Poverty

by Valerie Raines

It has been 50 years since President Lyndon Johnson declared war on poverty in his 1964 State of the Union address. After watching that speech recently, I wanted to know how legislation passed during that time had affected college financial aid. And, by comparison, how financial aid is different for students today.

## How Did President Johnson's War on Poverty Affect Student Financial Aid?

In 1964, President Johnson declared a War on Poverty. Shortly thereafter, Congress passed the Economic Opportunity Act and the Higher Education Act, which created:

- Educational Opportunity Grants, to provide scholarships for low-income students
- College Work Study, to subsidize part-time employment for students
- Upward Bound, to help low-income students prepare for college entrance
- Talent Search, to identify and foster college success for gifted, low-income students
- Guaranteed student loans, to ease financial pressure on middle-income families.

Chart 1 shows the expansion of federal aid after the declaration of the War on Poverty. However, funding for anti-poverty programs that was greatly increased during the 1960s and 1970s was sharply cut during the 1980s and 1990s. Also, in the last few decades, loans grew from the smallest to the largest percentage of student aid.

Chart 2 shows the distribution of student aid in 2012–13. Loans continue to be the largest portion of aid, with expansions in education tax credits for middle-income

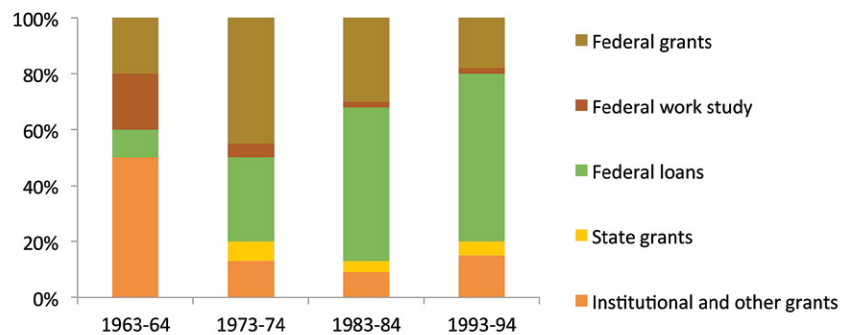
families and Pell grants for low-income students since the 1990s.

## How Do Today's Admission and Financial Aid Policies Impact Students?

Loans for students and parents are the largest type of student aid—including for low-income families. In addition, college costs have risen sharply, more students

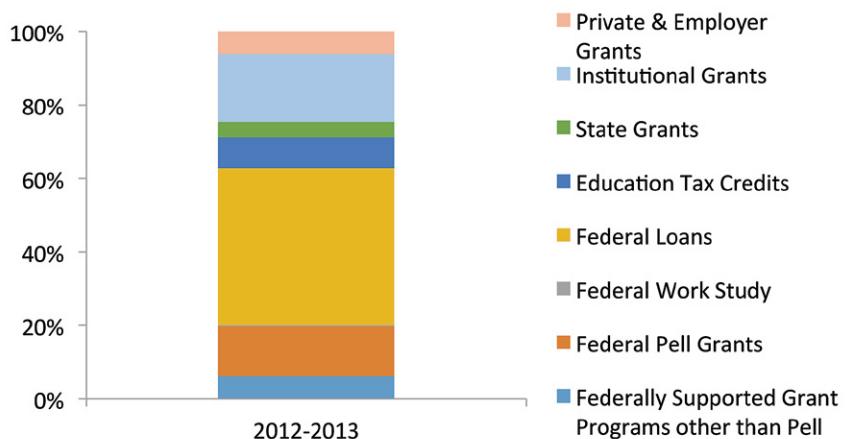
are eligible for aid and more institutions are serving as educational providers. This scenario means increasing competition for financial aid dollars. In the past five years, under President Barack Obama, increases in grant aid have primarily focused on students who are low-income and veterans.

**Chart 1. Composition of Aid to Postsecondary Students 1963–1964 to 1993–1994**



(Source: Trends in Student Aid 1985–1995, The College Board)

**Chart 2. Total Distribution of Student Aid by Source and Type 2012–2013**



(Source: Trends in Student Aid 2012–2013, The College Board)



Students may find themselves denied admission to colleges that are unable to provide sufficient aid for them to attend. Or, students may gain college admission, but be provided with insufficient aid—a gap between what they require and what they receive to enroll. Students with insufficient aid are at higher risk for not enrolling, being dissatisfied with their college experience and not graduating from college.

Merit scholarships are used by colleges to discount costs of attendance for talented students who might go elsewhere. For families facing the full price-tag of a college education, merit aid is attractive. However, awarding merit aid to well-educated students from higher net-worth families can erode available scholarships for low-income students.

Nearly 820,000 international students studied at colleges in the US during the 2012–13 academic year, according to the Institute for International Education. This is up seven percent over the previous year. By contrast, US students studying abroad increased by three percent in the 2012–13 academic year to 283,000. International students pay higher fees and have little or no access to US financial aid.

### My Family's Experiences with Financial Aid: Through the Years

In 1970, as a veteran who served during the Korean War period, my father earned an associate's degree with the support of the GI Bill.

I earned a bachelor's degree in 1982 with federal aid, including National Direct Student Loans and Supplemental Educational Opportunity Grants. My total undergraduate indebtedness was almost \$2,700, which had a six-year repayment schedule and monthly payments of \$60.

My son, a 2013 college graduate, was not eligible for federal grants or loans for low-income students, because education had positioned our family firmly in the middle class. However, his student loans totaled \$27,000 by graduation, and he faces a 10-year repayment schedule of about \$300 per month.

On the one hand, military service and the War on Poverty helped my family shift its economic status from lower to middle income. On the other hand, the heavy debt burden facing today's students, especially in a depressed economy, challenges their ability to live independently.

### How to Reduce Pressure on a Family's Finances

Below are five ways students can help reduce pressure on a family's finances:

1. Take college or college-level classes during high school and summers to earn credit toward your degree and increase your access to merit aid. Moreover, early college courses can result in earlier degree attainment and more time for international study or internships. These activities can strengthen success with graduate school and make you a stronger job candidate.
2. Apply well before the deadlines to colleges with strong graduation rates and good student/faculty ratios. Engage in pre-application activities months ahead of deadlines that include gathering supporting documents, getting professional advice with challenging or special issues, establishing accounts for online services, drafting essays, and requesting recommendations.
3. Expect to borrow, but look for colleges that can meet full (or nearly full) financial need of their students with low borrowing requirements, lean default rates and strong job placement programs. Prioritize subsidized loans over unsubsidized loans. Pay interest on loans while in college. Plan ahead for loan repayment, which begins six to nine months after graduation.
4. Embrace globalization, and consider attending college outside of the US. This strategy may provide an advantage with graduate study or job candidacy. High-quality Canadian colleges with lower costs than US colleges exist near major US cities like Boston, Buffalo, Detroit, and Seattle.
5. Stay on track to graduate! Students who earn degrees on-time can be in graduate school or advancing career goals earlier. A person with a college degree and a \$25,000 salary has a \$75,000 financial gain over spending an additional year at a private college or \$50,000 over spending an additional year at a public university.



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