

Do Financial Aid Policies Unintentionally Punish the Poor, and What Can We Do About It?

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Important equity concerns exist regarding federal financial aid policy and its implementation in community college contexts because of procedural impediments and a *climate of penalty* imposed on students and financial aid staff. Aid policies do a disservice to this already underresourced higher education sector when the implementation, oversight, and policing of federal financial aid create overwhelming inefficiencies that can harm the success of students who need this aid most. Despite recent efforts to streamline the FAFSA (Free Application for Federal Student Aid), accessing and processing federal financial aid remains burdensome for many community college students who can face additional hurdles and fear, which in turn create stress for students and an increased workload for already understaffed institutions. Originally, the Pell grant program, a part of federal financial aid, was designed to assist students from low-income families by providing an equal opportunity to attend college relative to their peers from higher income families. However, as an increasing percentage of the cost of college attendance shifts to the student as state revenues decrease, the Pell grant program is in a perilous position. Increased operating costs and questions about its ability to effectively cover the costs of college place the program in a vulnerable position. Numerous proposals are trying to “fix” the program by improving small-scale efficiencies, but they pay little attention to broader, large-scale efforts to ensure the continued effectiveness of the program in facilitating college access (Baime & Mullin, 2011).

Students attending 2-year institutions are often considered nontraditional students. According to the College Board (2013), 36% of all Pell

grant recipients were attending public 2-year colleges in 2011–2012. About a quarter of all recipients at 2-year colleges were 31 years old and older, and 38% were independent students with their own dependents. Nearly 80% of recipients at 2-year colleges have family incomes of less than 150% of the federal poverty threshold, meaning that the average income for a family of four is \$35,775, so exploring how aid is accessed and used at these institutions is critical to understanding the role of federal financial aid in serving high-poverty student populations (Baime & Mullin, 2011). Questions of equity surrounding federal financial aid for community college students tend to focus on improving students' awareness and use of available financial aid (Advisory Committee on Student Financial Assistance, 2008). These efforts stem from the understanding that the receipt of federal financial aid, particularly need-based grants like the Pell grant program, positively affects student persistence (McKinney & Novak, 2013; Mendoza, Mendez, & Malcolm, 2009). Accordingly, federal financial aid reform has revolved around the streamlining and simplification of the FAFSA application process in an effort to increase the number of students submitting annual applications (Bettinger, Long, Oreopoulos, & Sanbonmatsu, 2012). Although these efforts are important, our research reveals an aspect of the process that has been neglected by both reformers and researchers: the excessive procedural demands community colleges face related to student aid eligibility and disbursement *after* the initial FAFSA application process.

In this chapter we argue that, despite intentions, the way federal financial aid policy, including the Pell grant program, is constructed and currently administered can have negative consequences for poor students and the institutions in which they are highly concentrated—community colleges. The policies and their implementation fuel what we call a *climate of penalty*, where various punitive measures are levied against students and dominate their experience of financial aid. Furthermore, we examine what happens with financial aid for community college students on an ongoing basis postenrollment. Using interviews and posts from a social media application, we consider the challenges that students experience in receiving their federal financial aid, including receiving funds in a timely fashion and understanding and navigating policies and procedures, and the potential that these policies and procedures have to aggravate inequity.

Schools App and Student Interviews

Schools App is a mobile/web-based social media platform designed for current and newly admitted students to interact with each other exclusively within their own college community. The application is Facebook based and internal to each college, for use only by invited students, staff, faculty, and administrators. By posting and commenting on the app, students create a community marked mainly by the asking of questions, the seeking and

offering of advice and information, and the sharing of interests and academic experiences. Some staff maintain a consistent presence on the app in order to answer questions, provide information, post, and observe posts. The various interactions that take place through the app make it a unique site of investigation, particularly because financial aid emerged as a frequent topic in student posts. We used the app to understand the climate and culture of financial aid at eight different community colleges across eight different states.

We examined data from two primary sources: (a) the text data collected from the “school feed” of the app since adoption of the application in fall 2011, and (b) data from interviews and focus groups conducted with nearly 800 students and staff members in 2012 and 2013. The schools in our sample had student populations receiving Pell from 21% at the most rural school to 48%. Interviews were analyzed using a grounded approach with open coding. All posts from 2011 through 2013 were analyzed by first generating word clouds to identify the most frequently used words then returning to the posts and using open coding to determine how and in what context the words were used. From multiple analyses of over 92,000 posts, we learned that financial aid was one of the most prominent topics on the app, despite the fact that the app was never intended for this purpose. As stated before, it was primarily intended to build community. Instead, students defined the app as a space to reach out for help with financial aid questions and dilemmas. The app data provided a window into how and when students had questions about the financial aid process or were experiencing challenges, and the interviews gave us an opportunity to learn more about the obstacles and frustrations financial aid seemed to pose, as well as students’ strategies for navigating them.

Financial Aid: The Student Experience

Student posts and comments on the app reveal the questions they have and the challenges they face relevant to federal financial aid. The app exchanges provide visible data on how students experience federal financial aid procedures and policies, exposing inequities that may otherwise go unnoticed but might be more prevalent for students clustered in community colleges, particularly students who do not fit the traditional mold. It is unfair to both community colleges and their students if federal policies foster practices that may be creating inequities. By examining the content of these social media exchanges and the experiences students shared in their interviews, we are able to better understand how federal financial aid might be having unintended consequences that work against the goal of equity. The purpose of federal financial aid policies is, presumably, to maximize program impact and minimize the waste of federal tax dollars. However, the associated policies and rules with federal financial aid create additional hoops and complications for students, which can ultimately penalize them and create

a punitive climate for those struggling to navigate requirements and procedures. As students engage in conversations about financial aid through interviews and posts on social media, the difficulties they encounter and stress they experience are illuminated. Federal financial aid policies that are intended to streamline services can create an atmosphere where students' strengths, efforts, and successes are unacknowledged while policing efforts are used to reduce or prevent aid infractions or identify those unworthy of aid. Through our research, we identified two main challenges that students face in accessing federal financial aid: delays in disbursement and procedural and eligibility issues.

Delays in Disbursement. First-year undergraduate students receiving their first federal loan must wait 30 days from the start of the semester to collect loan money as a stipulation of federal financial aid. At some institutions, students must wait 30 days for their Pell grant disbursement as well. Students posting on the app continuously question if and when they will receive their financial aid, particularly those waiting to receive a “refund” of their Pell grant after tuition is paid. The ambiguity of the federal financial aid process and disbursement dates causes strain on students who depend upon their aid for rent, transportation, and other living expenses. Thus, students who begin the semester without access to their “refund” money face scarcity and uncertainty, especially those who have reduced their income and work hours or who need to pay for childcare to successfully manage their college enrollment. Posts and exchanges on the app suggest that students experience the delay in disbursement as unnecessarily punitive, especially given that they are serious students struggling and sacrificing to attend college.

Some community colleges have instituted policies that purposely delay federal aid disbursement in order to prevent what college staff described in interviews as “Pell runners,” students who accept financial aid dollars but do not attend class for the rest of the semester in order to earn money. Although colleges generally experience a loss of students at the beginning of each semester, no systematic research has shown if or how many students are actually intentionally abusing the system. Moreover, ambiguity exists regarding the extent to which systemic forces that create challenges for students, such as poverty, influence students in their ability to persist in the beginning of the semester. However, it appears that federal financial aid policies, like the 30-day waiting period, are based on the unfounded assumption that students are widely abusing this privilege. This form of policing elicits complaints from students who experience stress from delayed disbursement. App posts reveal students feel that they are being punished for the actions of others because they cannot have ready access to their money to use it for what it is intended—books, materials, and college-relevant living expenses. In reality, community college students are penalized because their institutions serve a majority of students who, because of poverty and related environmental circumstances, are targeted as abusers of the system.

Delays in financial aid disbursement also occur for other reasons ranging from application errors to holdups in processing paperwork or money. Financial aid offices are often overwhelmed, with few staff members processing thousands of students. This is especially problematic when many students applying for and receiving federal financial aid at each college do not fit the traditional family structure for which financial aid policies were designed. At community college campuses where the financial aid office has a presence on the app, staff are able to communicate information about eligibility criteria, overrides, and delays or upcoming disbursement dates to students. The app enables staff and researchers to see what students experience as they voice their distress concerning if and when they will receive their financial aid. At several colleges, staff provide answers to questions directly on the app unless confidential information is involved, in which case staff often encourage students to e-mail or call them directly. These financial aid advisors and related staff are faced with extraordinary burdens in terms of student frustration and criticism due to delays experienced by students. However, these delays are typically not the fault of those working directly with students. They are a result of system design based on larger structural and policy inequities, and they produce a negative climate for both students and staff trying to adapt and maneuver, given the policies.

In interviews and through app exchanges, students describe how delays in disbursement affect their academics, especially when they cannot readily purchase books and supplies necessary for class. Their inability to purchase materials leaves low-income students without the same resources as their peers, who can afford to pay for books and supplies out of pocket. Some community colleges in the study address this gap by providing students with a debit card to use prior to federal financial aid disbursement. The debit card allows students to purchase supplies, but they are unable to purchase anything outside of the campus bookstore (which is often the most expensive option), forcing students to spend more of their financial aid dollars on books than is necessary. As a result, some students begin the semester without books and supplies, hoping that their financial aid comes through soon. The app highlights student concerns about starting the semester without necessary supplies, fearing they will be unable to keep up with their classes without access to books and supplies required by instructors.

Procedural and Eligibility Issues. Community college students' divergence from the federally defined "dependent/independent" criteria for financial aid places them at a disadvantage in terms of eligibility. Students can request a change from dependent to independent status only if they can document extreme, unique, or unusual family circumstances such as abuse, neglect, or parental desertion. The burden of proof is on the student to document that their family form is "abnormal" in order to receive additional funding to finance their college attendance. As a result, busy community college aid officers become overburdened by cases with

special circumstances that must be considered on a case-by-case basis. This further stretches an already limited staff and further complicates the federal financial aid process for already financially struggling students.

Students receive federal financial aid proportional to their course load, with full-time students eligible to receive more money than those attending part time. App users occasionally express concern about their semester plans when they are not sure how much financial aid money to expect. Students who use federal financial aid for living expenses are especially vulnerable if their aid amount fluctuates from year to year. Students often must take their financial aid package into consideration when choosing what and how many classes to take, even if it is detrimental to their academic success or prolongs their enrollment. Many students do not withdraw from or drop classes in which they are doing poorly because they do not want to lose or waste their aid. This behavior can, in turn, have a negative effect on their grade point average (GPA), which influences their overall aid eligibility. Students not dependent on federal financial aid have the freedom to drop or withdraw from classes in which they are doing poorly without worrying whether dropping that class will affect their ability to pay for college. These students do not have to make choices between potentially sacrificing their GPA by remaining in classes in which they are not doing well and losing their means of paying for college.

Additionally, some students address the impact of the maximum time limit requirement on their eligibility. Federal financial aid, both through the disbursement of student loans and Pell grants, include “maximum eligibility” restrictions, which dictate the amount of funds one may receive over a lifetime and is “limited by federal law to be the equivalent of six years of Pell grant funding” (U.S. Department of Education, 2014). Students fear losing their aid if they do not pursue an efficient enough path through postsecondary education. This is particularly problematic for students who must first complete developmental coursework, those who attempt college at multiple institutions (some beginning at for-profits) before degree completion, and for those who transfer after accumulating more credit than will officially be accepted toward their 4-year degree program of choice. Because students dependent on financial aid often plan their lives and coursework around financial aid, the unpredictability of their award amount, their heavy reliance on full financial aid award, and their preoccupation with losing their aid can be problematic, increasing inequity by hindering a student’s ability to succeed.

Students receiving Pell grants must make Satisfactory Academic Progress (SAP) to remain Pell eligible. Guidelines set by each institution generally include requirements such as maintaining a 2.0 or above GPA, as well as completing a certain percentage of the classes a student enrolls in each semester as a measure of adequate progress. Many of the Pell grant recipients we interviewed dipped below a 2.0 at one time in their past academic history. Maintaining financial aid eligibility is a major source of

stress for community college students, who are among those most likely to be dealing with poverty, financial instability, and related life crises—all of which can, at any point, threaten their academic performance and, consequently, their ability to continue in college due to the loss of their financial aid eligibility. Many of the students we interviewed lived in fear of such peril or had suffered from loss of aid due to their academic struggles. Many had lost financial aid due to a low GPA (possibly initially caused by difficulties with financial aid) and were struggling to regain eligibility, whereas others were attempting to maintain the delicate balance between minimum credits they must take to be eligible for financial aid and becoming overloaded with coursework. Students who are unable to maintain a balance may end up sacrificing their financial aid eligibility. One semester where life interferes with school may mean financial aid eligibility probation or a temporary loss of their financial aid, further complicating their attempts to continue their education. Students feel pressure to continue taking and passing courses in which they are struggling in order to avoid financial aid penalties, even when life circumstances, such as family death, illness, or job loss, become overwhelming.

Recommendations for Action

Although the federal financial aid system was created with the idea of determining the financial need of recent high school graduates who are dependent on their parents and attend college full time, community college students are a diverse group and do not fit this model. Most community college students are considered “neo-traditional” (Long, 2010, p. 53), meaning that they are likely to delay enrollment after high school, work full time while enrolled, be financially independent, have dependents other than a spouse, receive public assistance, or be unemployed. Consequently, any recommendation for federal financial aid reform must consider this diversity and whether or not diverse institutions, like community colleges, are experiencing undue burdens because of this diversity.

Direct Subsidies. Therefore, our first policy recommendation is to consider direct federal or state subsidies to community colleges rather than continue a costly, labor-intensive process of federal financial aid through individual students, especially at extremely “poor” institutions (Shepard, 2014). This shift can reduce the time and money colleges spend in supervising and policing the process through which students apply for, secure, and resecure their aid each semester. Reform efforts such as “Tennessee Promise” enable students to attend community colleges for free for 2 years by providing state money for tuition and fees not covered by other scholarships or grant aid programs. Although this initiative still requires completion of the FAFSA, it eliminates some of the many problematic financial aid policy hurdles that students must navigate to attend college and remain enrolled. In his 2015 State of the Union Address, President Obama announced

an initiative called America's College Promise to provide two years of free community college. The idea has gained momentum in individual cities (Chicago, Philadelphia, Washington D.C.) and colleges (Harper College, Sinclair Community College), and in the states of Oregon, New York, Minnesota, and several other states proposing similar legislation. Goldrick-Rab and Kendall (2014) push the idea of such policy reforms beyond tuition coverage and make recommendations to increase the Pell grant amount to include coverage of books and supplies, plus opportunities for employment and a stipend. This overhaul would eliminate many of the challenges students and staff expressed in our research. Community college staff and administrators can begin informing state governments to move in the direction of such reforms.

Improved Information Dissemination. In the absence of such massive overhaul, our second recommendation focuses on immediate efforts to simply improve the dissemination of information to students. We emphasize social media as a particularly cost-effective tool to reach out to thousands of students instantly. In our research, we find students do respond to repetition and timely messages about general financial aid rules and processes via social media announcements. Relying on social media for generally applicable information can free time and resources for needed personalized one-on-one advising and counseling for students more directly about concrete and manageable strategies for receiving and maintaining their aid, both of which are necessities given the diversity of community college students. Although the app may have some negative consequences such as inaccurate information, as students with different experiences and contexts attempt to assist each other or angry and frustrated posts that produce a negative climate for staff, it provides an efficient way to communicate and a window into student experiences.

Better Data Collection. Given such available information, our third recommendation is for college leaders to support financial aid offices in developing data collection in a way that allows staff and leaders to make informed and better decisions to support their students, especially those in most financial need. This concretely means assessing the number and type of questions typically asked by students contacting or visiting the office, tracking the various ways information is distributed, its effectiveness, and the time it takes to respond to students. It also means using these data to test the assumptions of staff and administrators. For example, how many students enroll and then leave the institution after they receive federal financial aid? Institutions can rely on social media technology to systematically collect data on students and student experiences. Staff can learn more about areas of financial aid that students experience as problematic and possibly offer assistance through a channel that helps create transparent and time efficient dissemination of information.

More Flexible Disbursement. Our final recommendation is to consider disbursing Pell grant aid much earlier or at multiple times

throughout the semester, thus reducing risk and allowing students to buy their classroom supplies and materials on-time. Colleges that choose to instead disburse aid after classes start should consider providing students with a more flexible debit option during the 30-day period that moves beyond a simple bookstore credit. A more flexible approach would allow students to better maximize their resources by buying course materials elsewhere more cost effectively and/or dealing with other expenses.

Conclusion

Federal financial aid was designed to help students, but implementation of federal policy stipulations is often experienced as punitive by the diverse population of students receiving federal financial aid. Policy regulation and the related policing of aid and climate of penalty experienced by students may be producing inequities for community college students. This raises social justice concerns in an era in which college attainment is so crucial, particularly for students in poverty struggling to achieve a credential. We believe that our recommendations will begin to relieve some of the stress and frustration students experience as they navigate processes established by perhaps well-intended policies and regulations. Perhaps raised awareness and incremental change, at both the federal level and at individual institutions, will be the first steps toward a policy system that acknowledges and encourages the strengths of students seeking financial aid to continue their education, instead of policing and punishing them by creating a climate of penalty, unnecessary hurdles, and potential inequities.

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