



Who's in the Middle?

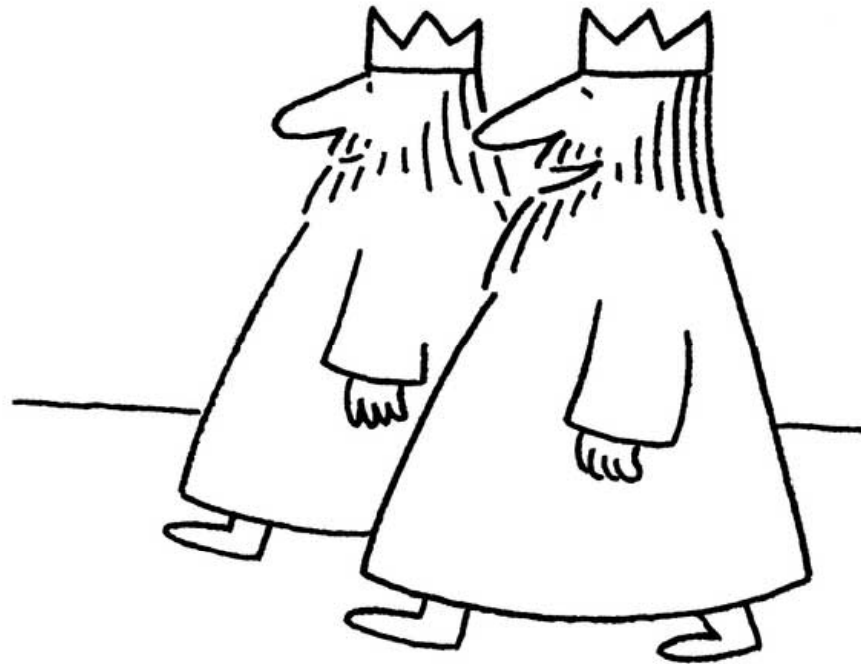
**College Board
National Forum
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Saint John's University**

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University of Michigan**

Who is the “Middle Class”?

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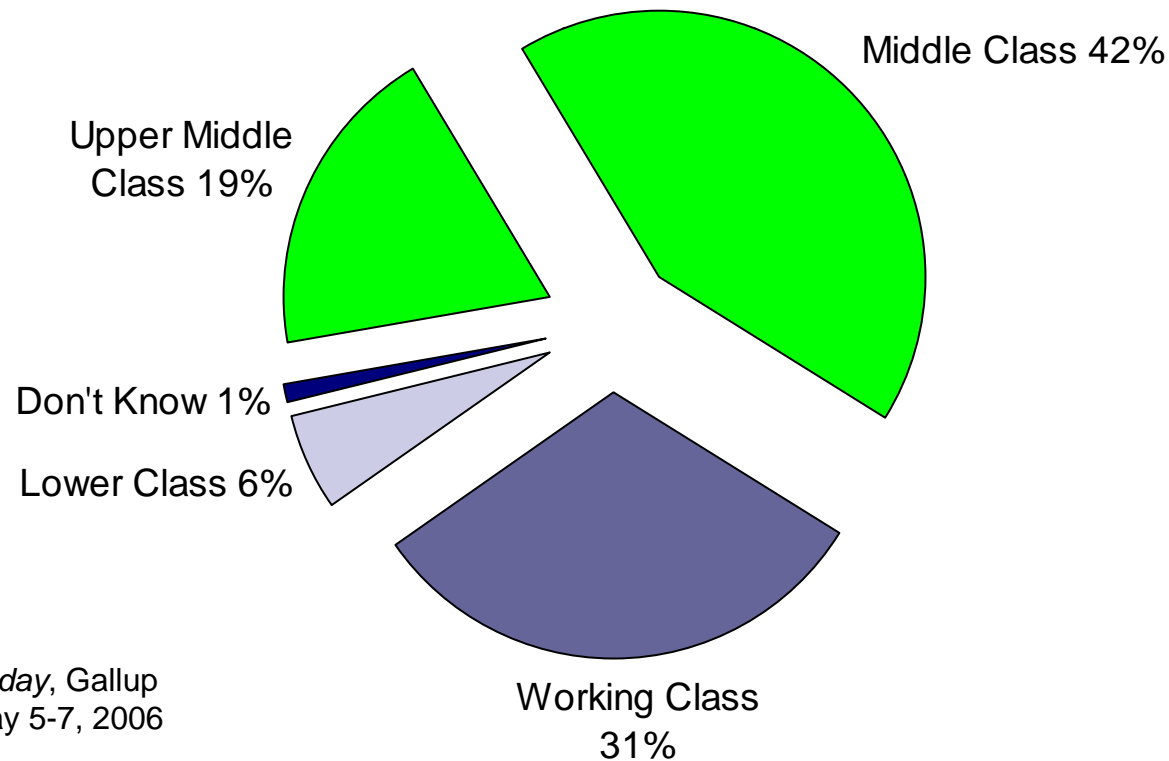


C. Barzotti

“I love the middle class, with their values and everything.”

Americans overwhelmingly describe themselves as Middle Class

Which name best describes your social class?



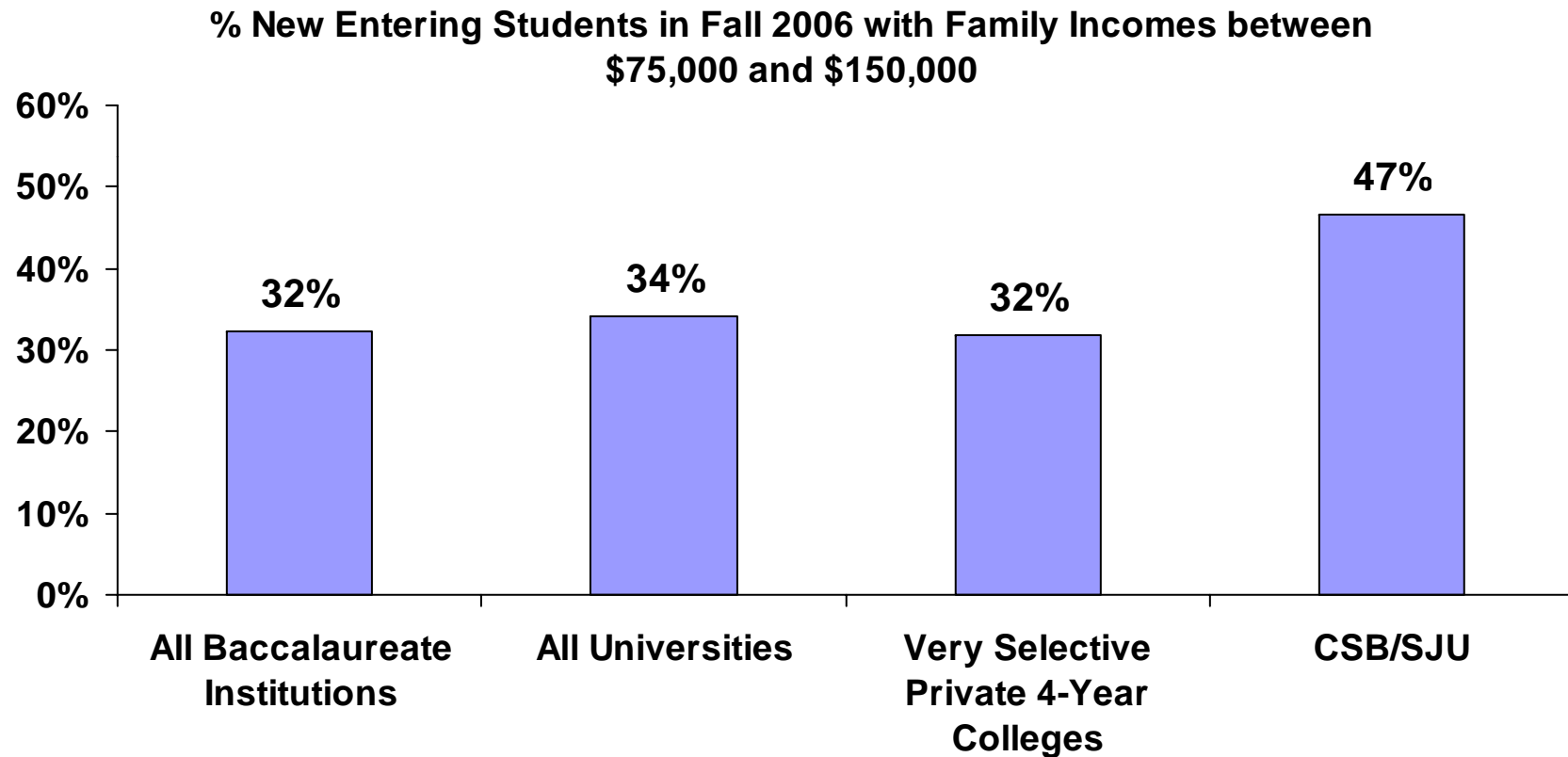
Source: *USA Today*, Gallup Organization, May 5-7, 2006



The Professional Middle Class

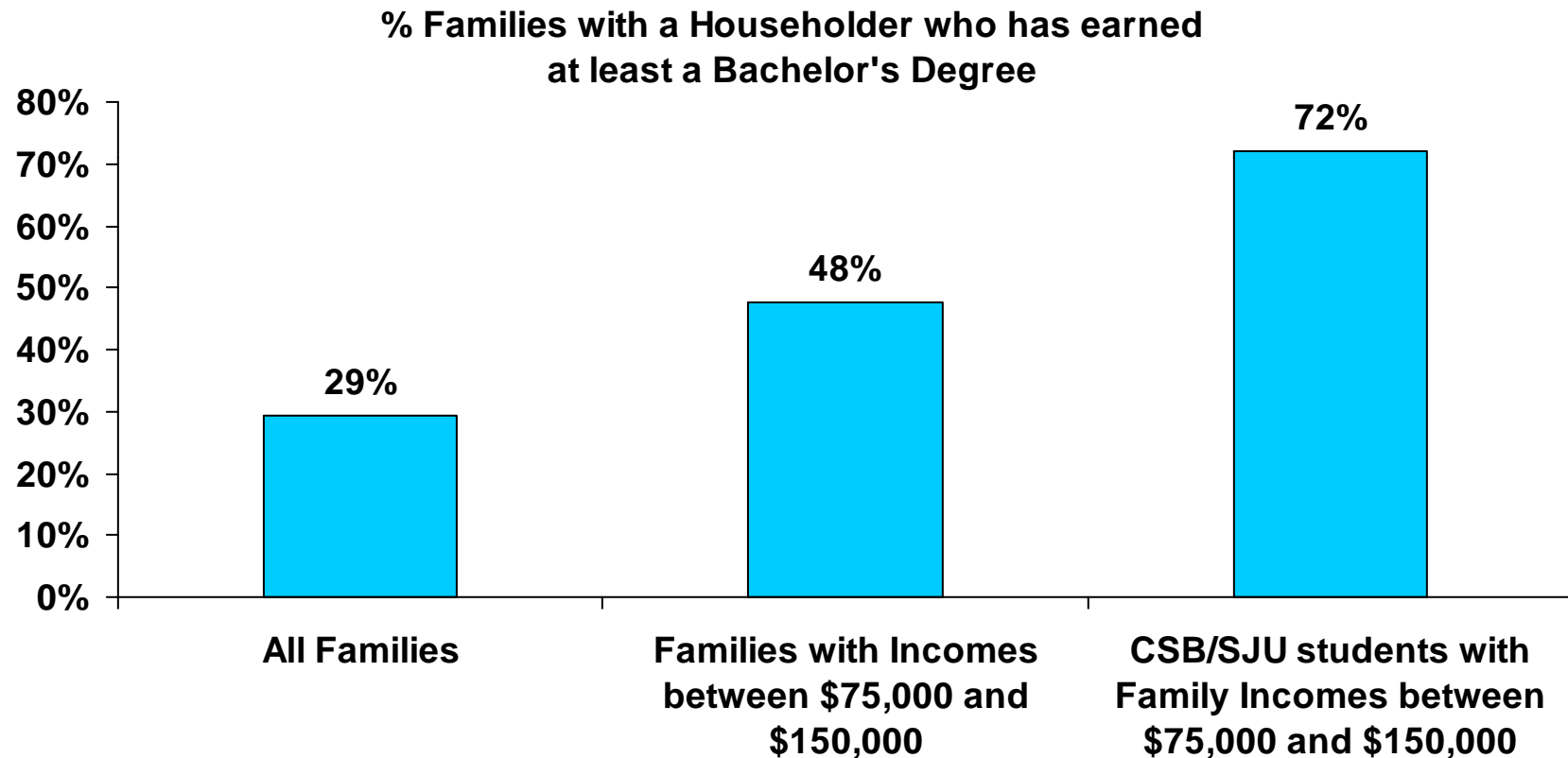
- Family incomes between \$70,000 and \$150,000
- Working in professional and managerial occupations
- Defines a social standard for lifestyle in America
- Most qualify for little or no need-based state or federal financial aid

Upper Middle Class students are well represented at four-year colleges nationally



Source: CIRP, 2007; CSB/SJU

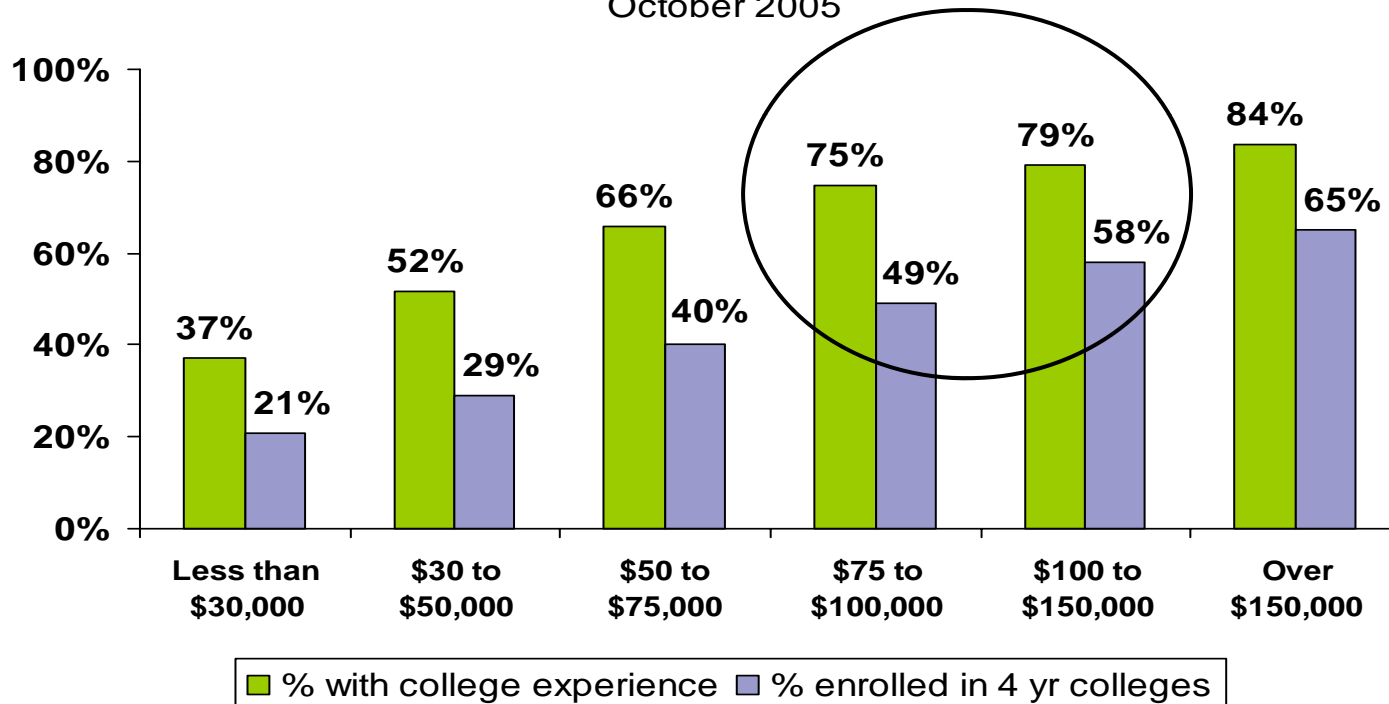
They are distinguished by high levels of educational attainment



Source: Current Population Survey, 2005; CSB/SJU

They send their children to college at very high rates

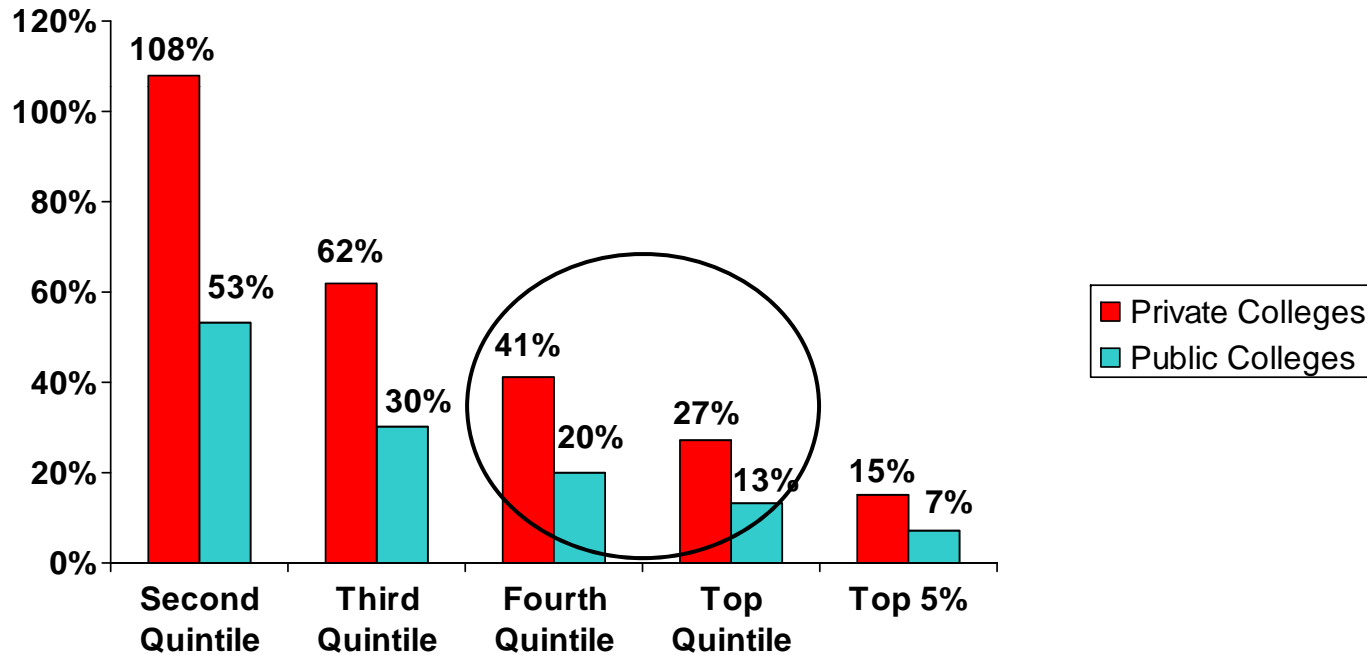
%18-24 Year Old Dependents Enrolled in College by Family Income, October 2005



Source: US Census

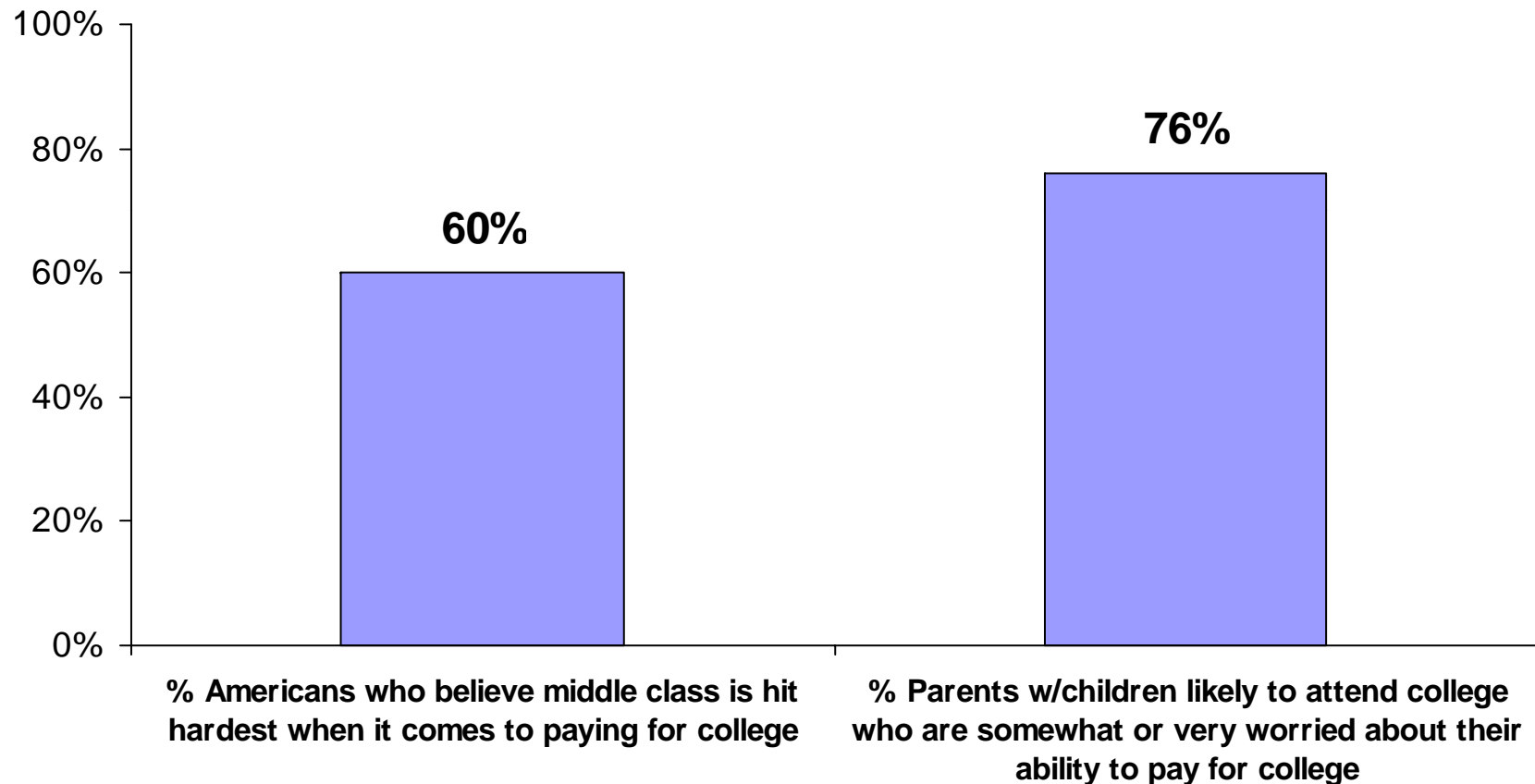
Cost matters to these families...

2005-06 Midwestern Private and Public College Tuition, Fees, Room, and Board as a % of Family Income by Quintile



Source: US Census Bureau, CPS

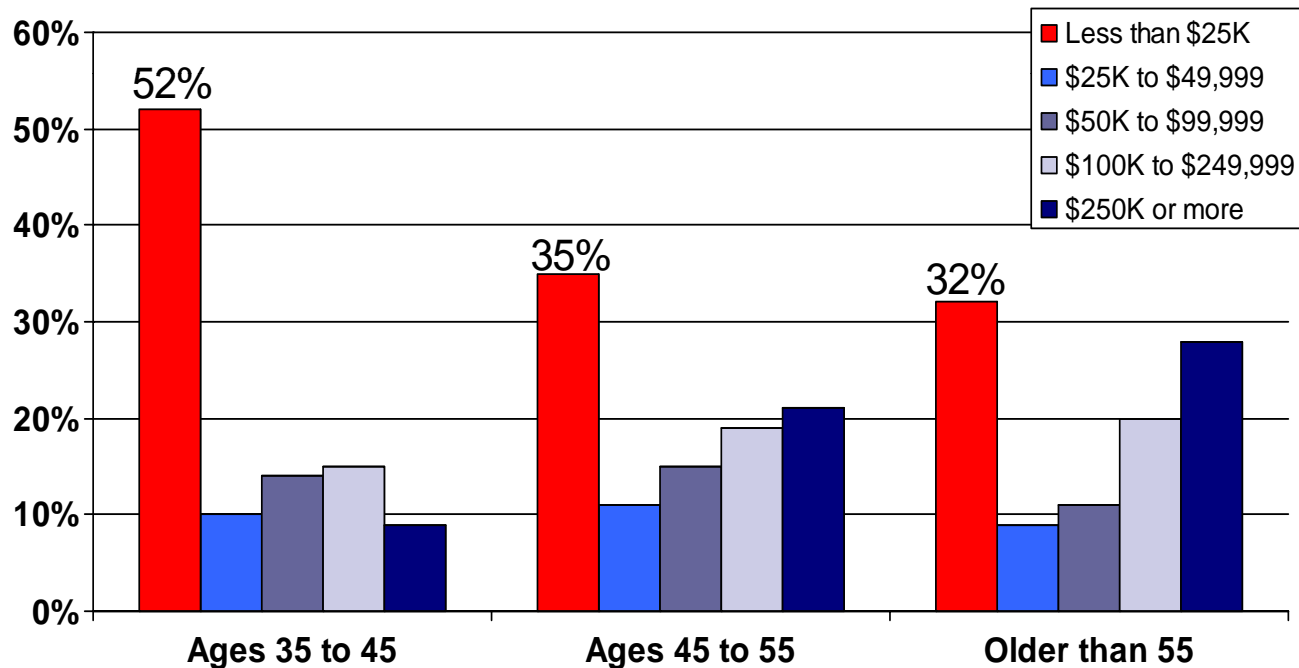
...and they are worried about how to finance their children's college education



Source: Public Agenda, June 2007

On average, Americans don't save much

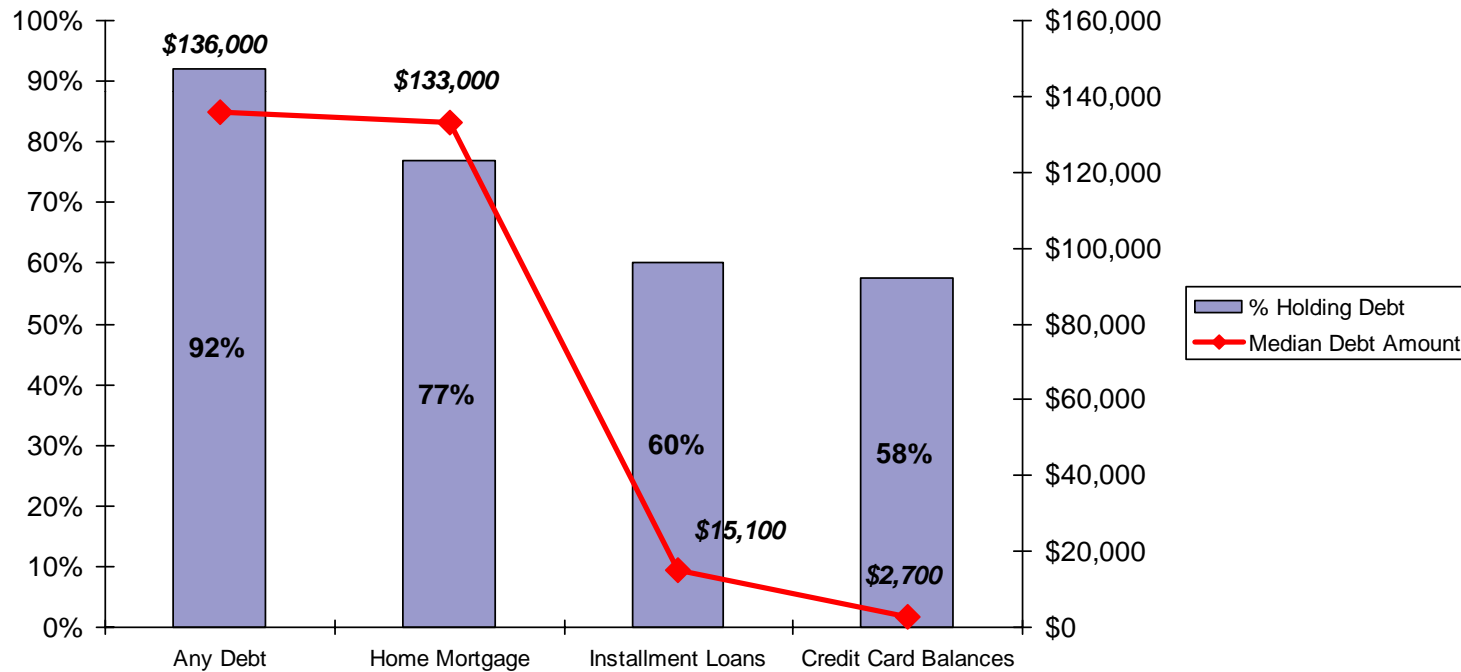
Reported Total Savings and Investment
(not including value of primary residence or defined benefit plans)



Source: Employee Benefit Research Institute and Mathew Greenwald & Assoc, 2007 Retirement Confidence Survey.

We are competing for resources that are already spent

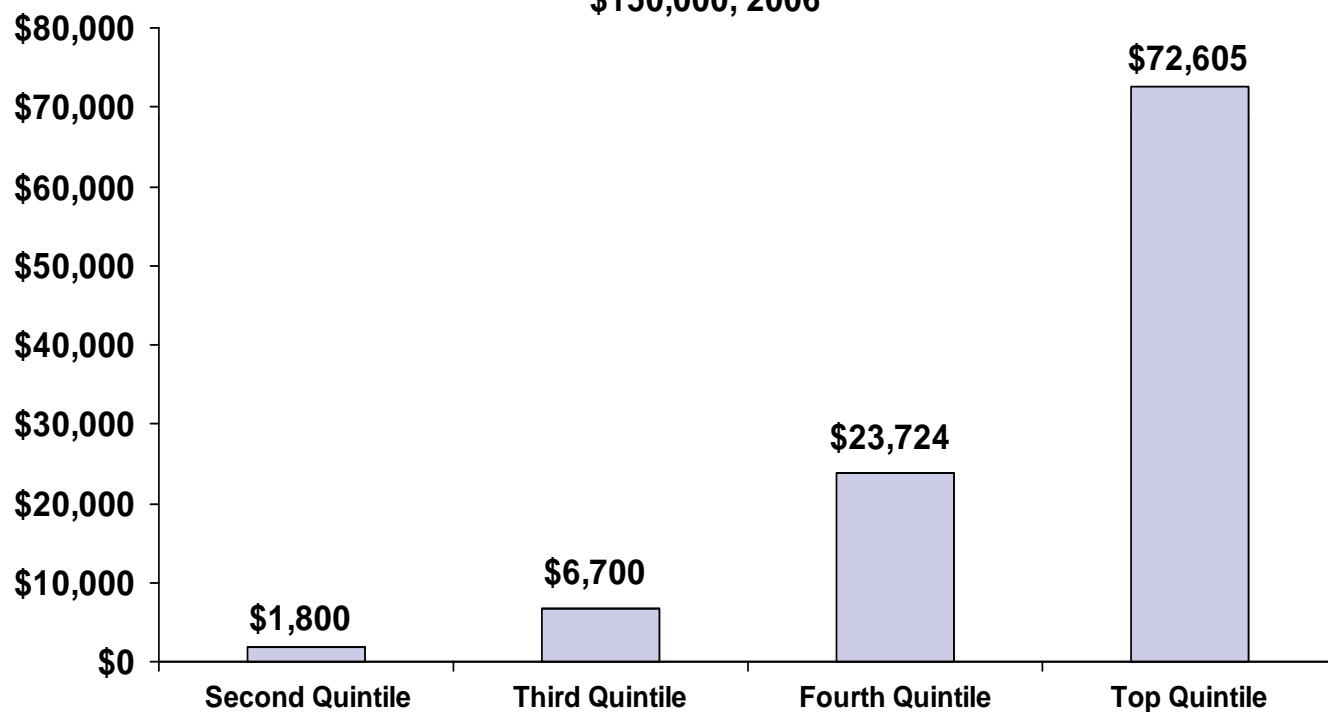
Debt Holdings Among Upper Middle Income Families, 2004



Source: Survey of Consumer Finance, Federal Reserve Board. Data represent families with incomes between \$89,300 and \$129,400 in 2004.

Even among upper middle income students, savings often are shockingly low

Family Cash Savings (Checking + Non-Retirement Investments) for CSB/SJU FAFSA Filers whose incomes were between \$70,000 and \$150,000, 2006




Source: Reflects checking, saving, and investments for all students who filed a FAFSA. Dollar amounts indicate lower limit for each quintile.




Why does any of this matter??

- **The Upper Middle Class has a large and loud political voice**
- **State and federal tax law and financial aid changes have not improved their perception of college affordability**
- **Demographic trends suggest an expensive and looming two-front battle**




The Expected Family Contribution From the Middle Class

- Education Savings and Asset (excludes home and pension savings) Protection Allowance = \$38,100 to \$48,700 (40-50)
- Business/Farm Net Worth Adjustment =
\$1-\$105K – 40% of net worth of business/farm
\$105-\$320K - \$42,000+50% over \$105K
\$320-\$535K - \$149,500+60% over \$320K
>\$535K - \$278.5K=100% over \$535K
X asset conversion rate of .12



The Expected Family Contribution From the Middle Class

- Income after all taxes and \$3200 work allowance is subject to assessment less -
- Income Protection Allowance
 - Family of 4 w/1 in college = \$23,070
 - Family of 5 w/1 in college = \$27,220
- Add income and (12%) of remaining assets and assess at \$7,334 plus 47% of the amount over \$27,100



Meeting the Need of the Middle Class – What Are the Problems?

- Lifestyles make it difficult to see their incomes in a national perspective
- Inability or unwillingness to save
- Resources are already spent elsewhere
- Want the very best (most expensive) college education
- Students have never been told no



Meeting the Need of the Middle Class

■ Resources

□ Federal Perkins Loan

- Very limited resources
- Proposed elimination of the program

□ Federal Work-Study

- Very limited resources
- Parents/students don't want to work



Resources, continued

- Federal Stafford/Direct Loan
 - Subsidized vs. Unsubsidized
 - Slight increase annual loan limits for freshmen and sophomores only
 - No increase in undergraduate aggregate of \$23,000; average indebtedness approaching this amount
- Private Loans
 - Require a credit-worthy co-signer
 - Higher interest rates
 - Limited repayment options




Resources, continued

■ Institutional Funds

- Often very limited resource to middle income families
- More often directed to the lowest income students

■ Foundations/Private Donors

- Merit a criteria
- May not be a four-year award
- Students often do not apply



Profile of the Average Institutional Grant Recipient at the University of Michigan – 2005-06

- Income \$53,611
- Household Size 3.96
- Number in College 1.57
- Assets of parents \$30,133
- Expected Family Contribution (EFC) for an 8-month academic year - \$5,169
- Most families do not have \$20,000 over 4 years.

Unmet Need of the Middle Class

Average Cost and Financial Aid - Public

COA	\$16,357
EFC	5,169
Gross Need	\$11,188
Pell Grant	0
FSEOG	0
State Grant	500
Work Study	1,447
Perkins Loan	2,166
Stafford Loan	3,500

Unmet need \$ 3,575

Most figures from College Board's Trends In Pricing and Financial Aid Publications; Stafford loan amount maximum for current sophomores, freshmen in 06-07.



Unmet Need of the Middle Class

Average Cost and Financial Aid – Private

COA	\$33,301
EFC	5,169
Gross Need	\$28,132
Pell Grant	0
FSEOG	0
State Grant	500
Institutional Grant	9,300
Work Study	1,447
Perkins Loan	2,166
Stafford Loan	3,500
Unmet need	\$11,219



Packaging Middle Class Students at the University of Michigan 07-08

COA	\$21,657
Avg. EFC	5,169
Gross Need	\$16,488
Pell Grant	\$ 0
FSEOG	0
State Grant	1,300
Michigan Promise	1,000
M-Pact Award	500
Michigan Grant	6,231
FWS	2,500
Perkins Loan	500
Direct Loan	3,500
Unmet Need	\$ 0



Challenges

- Families' unrealistic expectations
- Increase in the Pell Grant comes after 5 years without an increase.
- Flat or declining federal allocations for FWS and FSEOG
- No capital contribution for Perkins loans in 3 years
- Flat or small increases in state grants
- Shifting state funds to merit awards
- Foundation funds go to the best students



Questions?

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