As the cost of college increases, students and their families face tough decisions about how to pay for higher education. Data show that college enrollment increased by 28 percent between 2000 and 2016. Though the rate of increase has declined slightly over the last few years, projections for enrollment are still expected to increase over the coming decade. The rise in enrollment has been accompanied by an even steeper rise in the cost of attending college. Between 2000 and 2016, average total tuition, fees, and room and board charges for undergraduate degree-granting institutions increased by 47 percent. Although the explanation behind the increasing cost of college is a complicated one—a combination of lagging federal student aid, increasing enrollment, heightened institutional reliance on tuition, and decreasing state investment in higher education—the bottom line is clear: students and their families are forced to shoulder a greater share of the cost of college than ever before.

The U.S. Department of Education’s financial aid policies are built around the assumption that families can and will contribute financially to the cost of their children’s education. However, this assumption often does not match the reality of many students’ complicated family circumstances. Many students face the cost of college in the context of strained family relationships, family financial crises, or other types of crises (unemployment or health issues, for example). Further, the assumption that financial support only or even primarily flows downward from parent to student during college does not reflect the reality of many students’ lives.

Drawing on 65 in-depth in-person interviews with individuals who attended a range of higher education institutions, we uncover an enormous diversity in the flow of support within families that is not reflected in federal financial aid policy. For many of the individuals in our interview sample, the flow of support was bi-directional—both to and from the student. Many of the individuals in our sample were important sources of financial and nonfinancial support for their families. Others received no support from their families during college, though the federal financial aid system often assumed they did. And for others, while their families wanted to support them financially, the financial aid formula anticipated a contribution that was far in excess of what may be realistic for many students and families.

Our research highlights the ways that the federal financial aid system misunderstands common family dynamics, circumstances, and realities. The level of support between students and their families is a significant and understudied factor that can have a dramatic effect on the students’ ability to succeed in higher education. Focusing primarily on financial support, our findings highlight three themes: 1) regular cross-generational transfers of money, 2) the effect of unexpected family financial crises, and 3) an unrealistic expectation concerning family financial contributions.

The current regulatory structure around federal financial aid does not account for these nuanced realities. In fact, it assumes that each family can contribute to a child’s education in an amount that is set by a rigid, and often unrealistic, formula. Such an approach is at odds with the realities of students’ and their families’ financial lives, and it has negative repercussions for college affordability and college completion rates. These hit low-income and first-generation students the hardest.

This research brief begins with a broad overview of the current framework for federal financial aid, focusing on the Free Application for Federal Student Aid (FAFSA) and the Expected Family Contribution (EFC), a calculation used to determine the amount of federal financial aid a student receives. It then reviews some of the relevant research on college students and their families. Following this, it presents primary interview data to highlight the implications that a wide variety of family arrangements can have on students at three points in time: during the application period, while pursuing a degree, and during the loan repayment period. This brief concludes with a discussion of the key policy implications of these findings.
Current Regulatory Framework

The Free Application for Federal Student Aid (FAFSA) complies data to determine students' financial circumstances, their status as either dependent on or independent of their parents or guardians, and the amount that their family is expected to pay towards the cost of college. Students and their families must fill out the FAFSA each year, providing tax documents and information about family size and adjusted gross income. However, many researchers, policymakers, and practitioners agree that the FAFSA is overly complicated and deeply flawed. In fact, 25 percent of all families do not complete the FAFSA, with 28 percent of those families saying they did not know about it and another 19 percent of families saying they encountered glitches, didn’t have the information needed, felt it was too complicated, or did not have time to complete the form.

In light of these challenges, policy advocates have suggested shortening the form, pulling family data from the IRS (instead of requiring this duplication of effort), requiring students to submit the form only once instead of each year, and/or using prior-prior-year (PPY) data to give families advanced information about their expected contributions.

Data from the FAFSA is used to determine each student’s expected family contribution (EFC), a measure of the family’s financial circumstance and the student’s financial need. The EFC is calculated as a percentage of a family’s total adjusted gross income, along with family size, number of children, and assets. In 2011-2012, 24 percent of dependent students - all coming from families with reported incomes under $30,000 - had an expected family contribution of $0. For students with families earning between $60,000 and $69,999, the median EFC is $6,800 per year, or around ten percent of total adjusted gross income.

Dependent status, a category that theoretically indicates a student’s financial reliance on their parents, is another marker that can impact the amount of aid a student is offered. As of 2012, 49 percent of students were classified as dependent, which means that their parents’ income determines their EFC, whether or not their parents actually intend to contribute. The federal student aid system does not take into account the willingness of parents to provide financial support, only their ability to do so. Researchers have found that the process to challenging dependent status is unlikely to yield a change for most students under age 24, regardless of their circumstances.

Although the EFC is not the amount of money that a family is obligated to pay for the student’s education, it is, as the name suggests, the amount that the federal student aid system expects that the student will have access to. Once it is calculated, it is used to determine which students are eligible for aid sources such as the Pell Grant, federal subsidized loans, and federal work-study. It is also used to determine eligibility for a host of institution- and state-specific need-based aid programs. Thus, the EFC is an important number that directs aid toward or away from a student.
This section offers findings from 65 in-depth interviews with individuals regarding financial aid, EFC, and financial and nonfinancial support to and from their families. It offers a look into the complexities of how individuals and families finance college, illuminating how money flows both to and from students, how family crises can derail financial plans, and how some families cannot or will not provide resources at the expected levels. The stories shared here support and corroborate some of the existing data on this topic and expand what is known about individual experiences paying for higher education.

1. REGULAR CROSS-GENERATIONAL FINANCIAL TRANSFERS

A main finding from our research was that money flows not just from families to college students, but also from students to their families. Some respondents recalled that, while they were students, their money functioned as a part of a shared fund within their households, particularly when they lived at home with their families. In some cases, individuals also helped run their households by doing chores, looking after siblings or other family members, buying groceries, cooking meals, or paying rent. Many had significant responsibilities to their families during school, both financial and otherwise, ranging from sporadic assistance to consistent support.

One respondent said:

“Occasionally I did give money [to parents], let them borrow money and they would pay it back.”

another reported,

“You know, occasionally they [parents] would be like, ‘Oh, actually, we have, like, $300 we have to get the brakes fixed,’ or something like that. And I would do that. But that was about it. Or I would buy groceries every once in a while, or put gas [in the car].”

In one fairly unusual case, an individual explained that

“My mother has schizoaffective disorder... I was back in [my hometown] frequently with doctors appointments, with filling out forms. I spent a lot of my college experience crying on a phone with my mother getting her through her moments of crazy. That was very present. That was very, very, very present... [And] with my mom, it’s very often financial. Her particular brand of torture is making you feel guilty about whatever you haven’t paid for, whatever she wants... Throughout college, it was those types of calls but some with more urgency or not. ‘My tire is flat, I’m going to need new tires. I can’t pay for it, your grandma can’t pay for it. What are you going to do?’ Loan money. Loan money back to mom.”

2. UNEXPECTED FAMILY FINANCIAL CRISIS

Some families experience financial crises that affect the student’s financial circumstances, including their ability to pay for their education. Bankruptcy, incarceration, and other significant financial shocks may prevent parents from financially supporting their students. Consistent with other research, our study revealed that in times of family crisis, students often assume higher levels of responsibility within their family of origin. Because crises can happen any time-between FAFSA submissions, for example—students’ official documentation can be completely divorced from the reality of their lives.

One borrower said:

“One thing that was actually really frustrating was my parents actually went through a bankruptcy during my junior year. Yes, in between my sophomore and junior year, and I went [to the Financial Aid office] and tried to talk about that and found out that there is no form where you can say bankruptcy, like where that’s included in trying to estimate your financial aid, because my dad had had a job the year previous, but I was like now he doesn’t. He lost his job, and then they went through bankruptcy, and they were like, ‘Oh, we don’t really consider that.’ I was like, ‘That’s kind of important.’

“‘It was like whenever they had filed their taxes for the year before, he lost his job the next month. So it had been almost a full year...and they were like, ‘Hey, we’re going through this process of applying for bankruptcy,’ and they were like, ‘Yeah, well, there’s not really a place where we can include that.’ I was kind of like, ‘But that’s a huge financial decision that’s not being factored in.’”
Another borrower explained that her mother was incarcerated in the middle of a semester one year. Because of this crisis in her family and the unwillingness or inability of the financial aid system to account for it, she was unable to continue with her higher education studies. She explained:

“It was a little hard to get ahold of the tax forms that I needed, just because of bad blood, and I don’t have access to their tax forms. I was at a point where I was trying to file for FAFSA to get into a new semester, and I couldn’t provide them with documentation. I went [to the Financial Aid office] and talked with a couple of different financial people at [my school]...

And they were looking at my case, and I was trying to figure out the best way to go about it, and they recommended that if I don’t have their backing, and I can’t get ahold of those forms, to go ahead and appeal to the board. I appealed through [my school] to be considered my own individual person, and I was 22 at the time.

I had police documents recording what had happened. I had letters from grandparents talking about it, and it wasn’t enough to get me pushed through the system. I was going to have to pay the full semester, and on top of that, I can’t really get a loan out only under my name, I need a cosigner. If I don’t have access to someone that, and I wasn’t going to ask my boyfriend or my older sibling to cosign for me, we’re already messy enough as it is, so I just didn’t go to school that semester, and I haven’t been back since.”

Even when families dedicate financial resources to education in advance (e.g., college accounts), circumstances can force families to tap into such dedicated education assets to smooth consumption or deal with unexpected events. Another individual explained:

“My dad had created three college accounts, one for me, my sister, and my little sister… It was supposed to have $25,000 in it for each of us. When in my junior year, this is when I started taking out a lot more [loan] money. I thought that money was there. I called my dad like, ‘Can you tell me how to access this account that you told us we had?’ He said, ‘Oh, son, I thought I told you…’ He had sold his company at the wrong time... He made no money. He ended up in financial trouble himself and had to clean out all three of our college accounts, but because of the shame of that kind of action...[he] didn’t tell any of us... [So,] I ended up taking out much more than I had planned for or wanted because I thought there was this other amount...”

3. UNREALISTIC EXPECTATIONS FOR FAMILY FINANCIAL CONTRIBUTIONS, INCLUDING LIMITED FAMILY SUPPORT

For some students and families, the EFC calculation simply does not align with or reflect the realities of their lives and their family relationships. First, it can overstate a family’s ability to contribute to the cost of higher education - over and above what many consider feasible. Many of our interviewees remarked that the EFC was unrealistic for their families. One student said:

“I don’t remember the numbers, but I remember being like ‘That’s way higher than what we can actually afford’.”

Another student mentioned that her parents gave her no financial support.

“Theoretically, they had a very high support level. But I also have disabled siblings that they support fully. So, it was a very different situation...[and the EFC] doesn’t even look at that.”

Second, some students lack supportive families and are unable to obtain necessary forms and documentation, including tax documents. One student could not access the tax forms he needed for FAFSA after he came out as gay; he was able to work around the conflict only with the help of his younger sister. Another borrower mentioned that the FAFSA

“was a challenge. My parents didn’t want to give me their [information], so I had to ask my sister to give me the copy of hers, when she was being a nurse at the time, for me to do mine without my parents knowing.”

This example also highlights how the EFC relies on the false assumption of universally stable and supportive family relationships. The reality for some individuals is that they may have deeply strained relationships with parents, making it nearly impossible to access the appropriate amount of aid through the rigid FAFSA process.

The disconnect between expected family contribution and actual family contribution is not limited to low-income families; where high-income families decline to financially support their children during college, those students cannot access full federal financial aid and can be forced to fend for themselves in the private market. For instance, one interviewee explained,

“It was always very well known that they weren’t going to support us through college, so even if they made more money, it did not affect us...There were a couple of times where they would throw me money if I was starving and needed food, but it was never like they were coming in to pay my tuition. When they started to earn more, it didn’t even matter for me.”

This borrower added that “I’ve been burned by the system. My parents are wealthy, so I kept telling them, ‘Well, that’s what the government expects you to do. You’re wealthy, you should pay for this then. You have the money. It’s your responsibility, not mine. That’s what the world is saying, that you should be paying for this if you can.’ Didn’t get anywhere. That’s my story.”

However, because of her expected family contribution, this student was not eligible for enough federal financial aid to fill the gap and, instead, took out private loans to make ends meet.
Recent research shows that funds for higher education come from multiple sources, which frequently include some financial support from parents. A 2018 study of over 1,500 individuals (both parents and students) found that, on average, families spent $26,458 on college in 2017-2018.15 This study also found that parents’ income and savings covered 34 percent of college costs on average, student income and savings covered 13 percent, scholarships and grants covered 28 percent, and borrowing covered 24 percent (with parent borrowing covering 10 percent and student borrowing covered 14 percent).20 Overall, over half of families borrow to afford college.16 The same study found that in 23 percent of families, students contribute to the cost of college, but the parents do not.16

Families also report that paying for college is a major source of stress and tension. According to the same study, “29 percent of families said they were frequently or constantly stressed about education expenses, twice the rate of those who felt stressed about medical and housing expenses...Not knowing what the future holds, along with emotional tension, were triggers for this stress.”18

For many students, support goes both ways. There is a growing body of research focusing on the ways in which students, especially students of color, contribute to their families, both financially and otherwise.17 Recent research from the Wisconsin HOPE Lab estimated that 55 percent of all students contribute financially to their families.20 Other researchers have found that students of color (specifically, students from African-American and Latino families) contribute financially to their families at higher rates than White students.21

In large part, our data corroborate what researchers have learned about young adults from low-income families: many students both give and receive financial help from their families of origin out of a strong sense of obligation, reciprocity, and interdependence.22 Yet financial support of family members is not listed as an allowed use of federal financial aid, according to the Federal Student Aid Handbook.25 Sara Goldrick-Rab notes that, “Among the world’s large financial assistance programs, financial aid for higher education stands out for its explicit stance against remittances.”27

Some of these students even take on very significant roles within their families of origin while they are in college. This phenomenon, sometimes called “adultification” or “parentification,” describes young people who assume responsibilities that are normally reserved for adults. These students are studying for exams, working multiple jobs, and are also performing essential functions for their families.25

There is also evidence that adultification during college limits opportunities and engagement at school.26 Some researchers have theorized that this “engagement gap” exacerbates the persistent completion gap between students of color, particularly African-American and Latinx students, and White students.27

Study Methodology

This study, led by the Center for Community Capital (CCC) and generously supported by MetLife Foundation, used a mixed-methodology design to collect and analyze in-depth interviews and survey data alongside analysis of publicly available data from the National Post-Secondary Aid Study (NPSAS) to better understand the effect of student loans. The mixed-methods approach was necessary to provide insight into individual experiences without losing the context for that insight.

The CCC sample was limited to individuals who

a. used loans to finance portions of their higher education,

b. were not currently enrolled at a higher education institution at the time of the interview, and

c. were available to meet in person for an interview at selected locations.

We used a combination of three nonprobability sampling strategies—convenience, maximum variation, and snowball sampling—to recruit 65 participants from 10 cities in 6 states. Interview participants ranged in age from 19 to 58 years old and just over half (51%) were women. The sample also included individuals from diverse racial/ethnic groups, nearly half (46%) were first-generation students, and individuals represented a range of institution types and levels of degree completion.

Interview questions focused on the participant’s motivation for higher education and areas of study, the participant’s sources of information about how to pay for school, and the participant’s experiences with employment, housing, family obligations, and extracurricular activities while in school. Respondents were also asked to discuss their experiences repaying student loans, the effect of student loan debt on future financial decisions, and their advice to others who may be considering higher education.

For more detailed information on the methods and data analysis, please see the separate Methodological Appendix available at https://communitycapital.unc.edu/
Obligations to family can provide connections that help students stay motivated, persist, and complete their degrees. Research has confirmed that social and emotional supports from families have a positive impact on students’ success in higher education. Specifically, research has shown that the level of support between students and their families can positively affect persistence and completion. For low-income students in particular, non-financial forms of support from parents have also proven important in promoting pursuit of higher education and in buffering against depression and anxiety.

Strained family relationships are more common than the federal student aid system acknowledges and can impact financial support regardless of income level. Much less is known from existing research about students who have strained relationships with families or students who may be estranging from one or both parents, cutting them off from both financial and nonfinancial support. As our data reveal, however, students may be cut off from financial support for several reasons. Parents could simply not have the means to contribute. The progressive structure of the expected family contribution policy is arguably designed to account for this, but it isn’t progressive enough to fully capture the reality and complexity of a family’s financial circumstances. In other cases, parents may simply not want to contribute. One study examined how parents make decisions about financing higher education for their children and found that cultural factors, more than financial means, determine parental aid to students. In other cases, students may be cut off from contact as a result of coming out as LGBTQ, may have abusive parents, parents in crisis, or may be estranged from parents for other reasons. In these cases, the federal financial aid system may still classify the students as dependents and, thus, will not recognize the true financial situation of the student. As Tressie McMillan Cottom writes in *Lower Ed*, tumultuous relationships with parents are, unfortunately, simply more typical than the system assumes.

Some students, including low-income, middle-income, and high-income, are not financially supported by their parents for a variety of reasons. For example, research has demonstrated that divorced and remarried parents contribute less than married parents do to their college-going children. Sara Goldrick-Rab’s research team has found that nine percent of students with EFCs greater than zero received no financial support from their families, and 23 percent reported that they received no tuition support specifically. In another study, Goldrick-Rab found that nine of fifty students received no financial support from their families because of estrangement.
Policymakers and researchers should reconsider the EFC and its foundational role in determining student need. It is time to rethink a system that assumes a unidirectional transfer from parents to students, that is not set up to accommodate family financial emergencies, that effectively punishes borrowers without strong family financial support systems, and that assumes a relatively high level of support from families with modest means.

Instead of scrapping the EFC altogether, policymakers should:

1. Consider a steeper progressive curve whereby middle-income families are expected to contribute more feasible amounts of money (for example, 5% instead of 10% of adjusted gross income for families making less than $60,000). Research evidence can potentially be used to guide the choice of cutoffs.

2. Incorporate a negative EFC to account for cases where the student is making financial contributions to parents could help reflect students’ obligations to their families of origin. A negative EFC would also help target Pell grants and supportive services to the neediest students.

3. Simplify and promote the availability of federal aid adjustments, or “professional judgments.” The process of appealing an EFC is cumbersome and most students are not aware that it is a possibility. Nevertheless, financial aid officers are able to make adjustments during the year and can adjust income information, dependency status, and even cost of attendance information if proper documentation is provided.

4. As other researchers have suggested, loosening the requirements for independent status would help students who are estranged from their families more accurately reflect their financial circumstances on the FAFSA.

More research is needed to understand how and in what ways the EFC calculation could accurately capture what a family can and will contribute in terms of financial support. Questions about family financial support in relation to the EFC and about student financial and nonfinancial contributions to families of origin should be added to national surveys in order to more fully understand the scope of this challenge.
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ABOUT THE CENTER FOR COMMUNITY CAPITAL

The Center for Community Capital (CCC) is a non-partisan, multi-disciplinary research center housed within the University of North Carolina at Chapel Hill, and is a leading center for research and policy analysis on the power of financial capital to transform households and communities in the United States. It is part of the University of North Carolina at Chapel Hill’s College of Arts and Sciences.

The center’s in-depth analyses help policymakers, advocates, and the private sector find sustainable ways to expand economic opportunity to more people, more effectively.

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