mdrc
BUILDING KNOWLEDGE
TO IMPROVE SOCIAL POLICY

EXECUTIVE SUMMARY

May 2008

Helping Community College Students Cope with Financial Emergencies

Lessons from the Dreamkeepers and Angel Fund Emergency Financial Aid Programs

Christian Geckeler with Carrie Beach, Michael Pih, and Leo Yan

With their open admissions, convenient locations, and relatively modest costs, community colleges provide educational opportunities to millions of adults, especially low-income individuals, people of color, and first-generation students. Yet, nearly half of community college students drop out before receiving a credential. Among the problems that can lead students to leave school are financial emergencies caused by unexpected expenses, such as a car repair, a spike in gas prices, a rent increase, an eviction, or unanticipated textbook costs. Especially for low-income students, who may be on tight budgets or face family pressures, such emergencies can interrupt or end their education.

Lumina Foundation for Education provided grants to develop the Dreamkeepers Emergency Financial Aid Program and the Angel Fund Emergency Financial Aid Program to help students who might otherwise have to leave school. These programs were designed with three overarching goals: (1) to develop infrastructures at participating colleges for delivering emergency financial aid; (2) to learn whether the students who receive such aid stay enrolled in college; and (3) to promote long-term sustainability of the emergency aid programs.

Both the Dreamkeepers and Angel Fund programs are multiyear pilot projects administered, respectively, by Scholarship America and the American Indian College Fund. These intermediary organizations also provide technical and fundraising assistance to the colleges. Eleven community colleges are participating in Dreamkeepers; 26 Tribal Colleges and Universities (TCUs) are participating in Angel Fund. Each Dreamkeepers college receives up to $100,000 over three years; each TCU receives nearly $26,000 over five years. The colleges are responsible for designing the programs and raising additional funds to sustain them.

Lumina Foundation for Education asked MDRC to evaluate the design and implementation of both programs, to examine the role of the two intermediary organizations, to evaluate the sustainability of each program over the long term, and to describe the recipients of the awards and their outcomes. This final report expands on the findings from MDRC's interim report, published in February 2007,[1] and describes new findings from interviews, surveys, and focus groups conducted with the programs' administrators; interviews with the intermediary organizations; and quantitative data on aid recipients.

The Dreamkeepers and Angel Fund Colleges

The 11 Dreamkeepers colleges were selected to participate in the program because they serve large numbers of low-income students and students of color and they demonstrated a capacity to fulfill the goals of the program. The colleges are located in five states and in a variety of settings, including big cities, midsized cities, and small towns or rural areas. The majority of colleges are small: Eight serve an enrollment of fewer than 3,000 full-time equivalent (FTE) students, while three have FTE enrollment of between 12,000 and 18,000 students. Roughly two-thirds of the students at Dreamkeepers colleges are women. The colleges typically serve large numbers of black and Hispanic students, as the racial and ethnic composition of these schools largely reflects the communities they serve. At least half the students across the colleges receive some form of financial aid. At some colleges, as many as 90 percent of the students receive financial aid.

Because there is a high level of financial need among American Indian college students and limited educational attainment among the American Indian population, all 32 accredited Tribal Colleges and Universities (TCUs) in the United States were invited to participate in the Angel Fund program. The 26 TCUs that chose to participate are located in 10 states. Most colleges are located in rural areas, on or near reservations. The colleges are small, with FTE enrollment ranging from 30 to 1,309. American Indian students are the majority at all but one TCU, but a few TCUs also serve a large number of white, non-Hispanic students. Women make up the majority of the student population. Students attending the tribal colleges tend to be older than those at the Dreamkeepers colleges; a majority of students are age 25 or older at all but two TCUs. At 18 of the 26 participating TCUs, over 80 percent of the student body receives financial aid, and at seven of the TCUs, 100 percent of the student body receives aid.

Key Findings

The Dreamkeepers and the Angel Fund colleges enjoyed considerable flexibility in designing and administering their programs. Lumina and the intermediary organizations intentionally left the parameters open so that colleges could design programs that would be appropriate to their needs and local contexts. As a result, the programs varied considerably, but some key findings were common to colleges in both programs.

[1]Lande Ajose, Casey MacGregor, and Leo Yan. 2007. *Emergency Financial Aid for Community College Students: Implementation and Early Lessons for the Dreamkeepers and Angel Fund Programs, Interim Report* (New York: MDRC).

- **In their first two years, the Dreamkeepers and Angel Fund programs awarded over $845,000 in emergency financial aid to more than 2,400 students.**

Eleven Dreamkeepers colleges disbursed over 1,600 awards to more than 1,500 students, ranging in size from $11 to $2,286; the average award size increased from $299 in calendar year 2005 to $430 in calendar year 2006. Seventeen Angel Fund colleges in academic year 2005-2006 and 21 in academic year 2006-2007 disbursed almost 1,000 awards to nearly as many students. The awards ranged in size from $15 to $2,055; the average award size increased from $220 to $266 over this same period. This is a solid achievement for pilot projects after only two years, and the programs will help more students as they continue to operate in the years to come.

- **The majority of participating colleges offer grants, but a few offer loans or a combination of grants and loans.**

Some of the colleges that chose a grant structure were concerned that loans would burden students or their programs. Other colleges were unaware that offering loans was an option. The colleges that decided to offer loans often had these same concerns but took steps to make loans a worthwhile approach. They use emergency aid as an advance to students for other pending financial aid or instituted loan forgiveness programs based on hardship or tied to continued retention. Students and administrators at the Dreamkeepers colleges generally seemed pleased with the structure of the aid program at their institutions.

- **The colleges established a variety of eligibility criteria and application processes to make best use of limited funds and to ensure that they reach students with genuine need.**

Colleges in both programs established a range of eligibility criteria, such as academically based criteria (a minimum GPA or a minimum number of credits completed); a requirement that expenses fall into specified categories; documentation of the emergency (for example, a repair estimate, a receipt, or a police report); proof of financial need (completion of the Free Application for Federal Student Aid); or limits on the size of awards and/or the frequency with which a student could request them. They also put in place a variety of application procedures, including interviews with program staff, a written application, an essay by the student describing his or her need, and letters of recommendation.

- **The time colleges take to disburse aid once a student applies ranges from the same day to a few weeks. Some colleges issue payments directly to students; others make payments on students' behalf to a third party.**

Most colleges are able to make a decision on aid requests within one to five business days, and although a few colleges reported that they are able to deliver funds the same day a student submits an application, the majority of colleges disburse funds within one to five business days.

Colleges use cash, checks, or debit cards to disburse money to students, or pay funds on students' behalf to a third party.

- **Students typically requested funds for "housing" and "transportation" expenses and rarely for "medical" and "meal" expenses.**

Students at Dreamkeepers colleges most frequently requested money for "housing," closely followed by "transportation," "books," and "other." Students at the TCUs most often requested money for "transportation," followed less closely by "child care," "housing," and "utilities." It is notable that transportation was a significant concern at both sets of colleges, especially the TCUs, many of which are located in rural areas. For students who have to travel long distances to class, transportation-related expenses can pose a real barrier to attending college. Students at both sets of colleges infrequently requested funds for "meals" or "medical" expenses; some colleges suggested that students are able to turn to other forms of campus or community-based aid to meet these needs.

- **Women and African-American students were more likely than other students at Dreamkeepers colleges to receive emergency assistance.**

During the first program year, the percentage of women receiving emergency financial aid was greater than the percentage of women enrolled at seven Dreamkeepers colleges; by the second program year, this number increased to 10 colleges. The percentage of African-American aid recipients was greater than the percentage of African-American students enrolled at nine Dreamkeepers colleges during the first two years. The tendency of women and African-American students to receive a disproportionate amount of aid at Dreamkeepers colleges may reflect disproportionate levels of need. It may also reflect the reluctance of certain groups to step forward and ask for funds, a problem that could be exacerbated by the decision of many colleges to limit advertising of their programs. (Some Angel Fund colleges also limited publicity about their programs, but the TCUs did not record data on race and ethnicity, and no similar gender differences were found.) This decision not to widely advertise the aid programs was motivated by concerns, common to many colleges in both programs, that demand for aid would exceed the supply or that students without real emergencies would take advantage of the available funds. Colleges in both programs are beginning to relax these restrictions on outreach and to expand publicity about their programs, but it remains to be seen whether these policy changes in the Dreamkeepers colleges will affect the gender and racial composition of aid recipients.

- **At Dreamkeepers colleges, there were other notable differences between the characteristics of aid recipients and those of the larger student body.**

Dreamkeepers aid recipients were more likely than the general student population to be older students, first-year students, enrolled in a vocational field of study, parents of dependent children, and receiving other sources of financial aid. They were also more likely to be enrolled full time and to attempt and complete more credits. Overall, these traits suggest that Dreamkeepers aid recipients may be slightly more academically challenged and have a more vocational focus to their college careers than the general student population. They also suggest that these students may be more motivated or able to succeed, consistent with policies to restrict awards to those who meet certain academic eligibility criteria and to limit publicity about the program.

- **Program administrators — and student aid recipients themselves — felt that the aid helped the students remain in college. The data show that aid recipients reenrolled in college at rates comparable to the average on their campuses. Students have also benefited in other unplanned ways.**

Both student aid recipients and administrators report that these programs helped students stay in school, and the percentage of aid recipients who reenrolled in the term subsequent to receiving aid is roughly comparable to the average retention rate at these colleges. Aid recipients are also benefiting from these emergency financial aid programs by becoming better connected to on- and off-campus supportive services. Whether these positive outcomes are attributable to the program cannot be known for sure. There was no comparison group to judge what would have happened to students if they had not received emergency aid, and many colleges restricted aid to students who either showed signs of good academic standing or the initiative to step forward and seek out funds.

Challenges and Lessons Learned

The Dreamkeepers and the Angel Fund colleges faced several key challenges in designing and implementing their programs. Their experiences, and those of the intermediary organizations tasked with assisting them, offer lessons both for the participating institutions and for colleges interested in establishing similar aid programs.

- **Defining an emergency was difficult and time-consuming. Colleges should set aside time to design their programs and to make adjustments accordingly.**

A financial emergency is not always easy to define. A student whose house burned down would qualify for emergency aid, but what about more mundane situations, such as running out of bus fare or gas money? How should one assess a student's personal responsibility? Could the student have mitigated or prevented the financial crisis and did the student have the financial planning skills necessary to do so? Many college financial aid administrators view one of their roles as helping students learn to budget wisely but, at the same time, do not want students to drop out because they are a little short of money or because they lack basic financial management skills. Many administrators shared how defining an emergency required a long process of planning, discussion, and ultimately writing eligibility and application policies and procedures to guide staff. Colleges interested in instituting their own emergency financial aid program should be sure to set aside adequate planning time to grapple with this important design issue before putting a program into operation. They should also consider building in frequent review and assessment periods, especially during the program's first few terms in operation.

- **The participating colleges have struggled to create measures to safeguard funds yet distribute them fairly and efficiently. Colleges should strive for a balanced administrative structure that allows them to act as good stewards of the funds while not creating unintended barriers for students applying for aid.**

The issues related to program management, eligibility, and award determination have raised an interesting tension for emergency financial aid programs: What systems need to be in place to safeguard the money while allowing colleges to respond quickly to student need? On one hand, colleges want comprehensive structures with plenty of checks and balances so that they can act as good stewards of the funds. On the other hand, they want a program that allows them to meet students' needs with speed and flexibility. The administrative structures the colleges established reflect this range. Some colleges employ multiple high-level staff and administrators to oversee and review decisions of line staff through formal processes and procedures, while at other colleges, line staff make award decisions. While the procedures of many of the participating colleges fall between these two approaches, the colleges generally have leaned in a more conservative direction. Students' comments suggest that the process of applying for aid could sometimes be burdensome. The colleges should explore whether their application processes or review criteria create unintended barriers for students applying for aid.

- **Demand for emergency aid is less than the colleges initially feared. Colleges should maximize their opportunities to award aid by examining student need, implementing student selection policies in a flexible way, and advertising programs widely.**

The Dreamkeepers and Angel Fund colleges have put in place a wide range of policies to curb excessive demand and the potential for fraud or abuse, including caps on award sizes and amounts, academically based eligibility criteria, and limiting publicity about their programs. However, most of the participating colleges found that demand has not exceeded their supply of aid. In addition, both the Dreamkeepers colleges, especially, and the Angel Fund colleges underspent their available funds during the first two years in operation. The Dreamkeepers and the Angel Fund colleges, as well as other colleges that intend to institute emergency financial aid programs, should carefully consider their use of award limits and eligibility criteria, as well as their marketing practices. It is important to first assess the potential demand for emergency aid before instituting restrictive policies. If such policies are needed, they should be used judiciously — applied with flexibility, in the case of award limits, or consistent with other school policies, in the case of academic criteria. Finally, colleges should advertise their programs widely, in ways that all students can see, and take special care to make sure that underserved groups, including (on some campuses) Hispanics and males, are made aware that emergency aid exists.

- **Emergency aid is appealing to donors. Fundraising proved more challenging, however, for small, rural community colleges, such as the Angel Fund colleges.**

Both the Dreamkeepers and the Angel Fund colleges were required to raise funds in order to be eligible for the subsequent year's funds. All of the Dreamkeepers colleges and all but one of the Angel Fund colleges met or exceeded this requirement for the first two program years. Most Dreamkeepers colleges enlisted their college foundations to use existing funds; make direct appeals to college faculty and staff, local businesses, alumni, and friends of the college; or host fundraising events. Some colleges turned to other local sources and state funds. The TCUs relied largely on their tribal government funds, college general funds, or other local sources, and have thus far been successful in matching their funds. Nevertheless, most of the TCUs remain anxious about Years 3 through 5, when their requirement increases substantially, as they tend to be smaller, have either small college foundations or none at all, are located in economically depressed communities, and have little or no access to state funds. For similar institutions, fundraising may be particularly challenging, and foundations or intermediaries like Scholarship America or the American Indian College Fund may want to provide additional fundraising assistance.

- **Technical assistance and cross-college communication are valuable tools to help colleges develop and operate strong programs.**

Scholarship America and the American Indian College Fund have provided a range of programmatic and fundraising assistance to the participating colleges. In the first year of the program, they held conferences and workshops, distributed program and fundraising materials, and were available for support. During the second year, the intermediaries expanded their assistance, added site visits and guidance on better data collection, and stabilized earlier staffing turnover problems. Overall, administrators at Dreamkeepers and Angel Fund colleges have indicated that they are pleased with both the programmatic and the fundraising assistance provided by their respective intermediary organizations. The one area where both sets of colleges would like more assistance is in facilitating regular cross-college communication to help them learn from the lessons of other colleges that are implementing similar programs. Potential funders of such programs may wish to consider, or Scholarship America and the American Indian College Fund may wish to pursue, future funding to provide technical assistance to colleges that are interested in instituting emergency financial aid programs, including help in developing application and review procedures, marketing and outreach, conducting formative assessments and evaluations, staffing, fundraising, and facilitating cross-college communication.

- **Colleges should develop and use management information systems to help identify gaps in service and evaluate the effectiveness of their programs.**

The Dreamkeepers and Angel Fund colleges collected data for the intermediaries, but these data were often incomplete or inconsistently reported across colleges. Most Dreamkeepers and Angel Fund colleges would also likely benefit from further formative assessments of their programs, gathering feedback on the programs or more closely examining the data on aid recipients already collected. Two specific concerns that might be addressed with more data gathering and analysis include (1) understanding the level of need for emergency aid on their campuses and

(2) examining whether all demographic groups on campus are well served by the program. The colleges might also use these data to evaluate the effectiveness of their programs, important for its own sake, but especially for securing additional funds. Colleges that wish to start their own programs will also want to consider these lessons.