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MISPERCEPTIONS OF COST, COMPLEXITY OF AID SYSTEM, KEEP LOW-INCOME STUDENTS OUT OF COLLEGE

New Pew Study Finds That College Degree is Best Way to Achieve Economic Mobility

WASHINGTON, D.C. —Many low-income students miss out on college because they don't know how much it actually costs or how to get access to billions of dollars in financial aid, according to a report released today by Pew's Economic Mobility Project.

This matters, say the report's authors, because postsecondary education is among the most important factors in determining whether a person achieves the American Dream of upward economic mobility. The report, *Promoting Economic Mobility by Increasing Postsecondary Education*, emphasizes that America is no longer a country where a high school diploma is the reliable gateway to getting a decent job and building a good life. It has become increasingly difficult to advance in society without some level of higher education.

“Although in many respects the American Dream is alive and well,” said John E. Morton, managing director of Economic Policy at The Pew Charitable Trusts, “the body of evidence tells us two important things: first, that the lowest rungs of the economic ladder in America are hardest to climb up from, and second, that a college education is the most effective asset people can possess to move ahead.”

The report, co-authored by Ron Haskins of the Brookings Institution, and Harry Holzer and Bob Lerman of the Urban Institute, finds that the extensive paperwork involved in applying for financial aid deters the lowest-income students from applying to college, and therefore from working their way out of their economic circumstances.

“The fact is that there just isn't good information out there for poor and minority families about their options for paying for college,” said Ron Haskins. He noted that students rarely pay the full published price of tuition, citing studies showing that on average a two-year public institution actually costs around \$100 per semester when all aid is taken into account. At four-year public and private schools, students spend thousands less on average than the schools' published tuition.

However, Haskins said, “Without knowledge about available aid, or how to access it, the sticker shock of rising published prices can scare many students off before they even apply.”

While college enrollment has increased exponentially in the last several decades, the enrollment and graduation rates of poor and low-income students remain significantly behind those of their middle- and upper-income peers. Eight in 10 children of parents in the top income quintile enroll in college, and 53 percent eventually graduate. By contrast, barely one-third of children in the bottom quintile attend college, with a mere 11 percent graduating. But when they do get a

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college degree, children of parents in the bottom quintile are four times more likely to move to the top of the income ladder as adults than those who do not complete college.

The report highlights the complex, cumbersome process of applying for federal financial aid, where students do not know whether they even qualify, much less how much they're going to get, until very late in the college decision-making process. This lack of timely information imposes a special burden on low-income families who may not have alternative means of paying for college, potentially leading to missed deadlines and lost opportunities. Government and the private sector together distributed a total of \$162.5 billion in aid to students in the 2007-2008 academic year, but the evidence shows that it may not have been targeted at the students who needed it most.

To enable all students to pursue the American Dream through a college education, the report presents a set of nonpartisan policy recommendations that includes:

- providing effective guidance for students on choosing and paying for college;
- improving students' K-12 academic achievement and preparation so that there is a greater likelihood of success for those who do attend college;
- helping students stay in college until they earn a degree; and
- clarifying the goals of federal post-secondary education policy and research to make college enrollment and graduation for students from low-income families a top priority.

The report is one of a series produced by the project on ways to enhance economic mobility in America. "Clearly this paper's findings demonstrate that the ability to craft policies that make college broadly accessible are at the same time politically realistic and critical to our national civic well-being," said Ianna Kachoris, manager of the Economic Mobility Project. "Our society is built on the promise that hard work and playing by the rules pay off. Leveling the playing field for people of all income levels to get a postsecondary education is one of the most important things we can do as a nation to help keep that promise."

To download the report, please visit:

http://economicmobility.org/assets/pdfs/PEW_EMP_POSTSECONDARY_ED.pdf

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By forging a broad and nonpartisan agreement on the facts, figures and trends related to mobility, the Economic Mobility Project hopes to focus public attention on this critically important issue and generate an active policy debate about how best to ensure that the American Dream is kept alive for generations that follow.

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