



A Brief Look at ... Transfer Students and Financial Aid

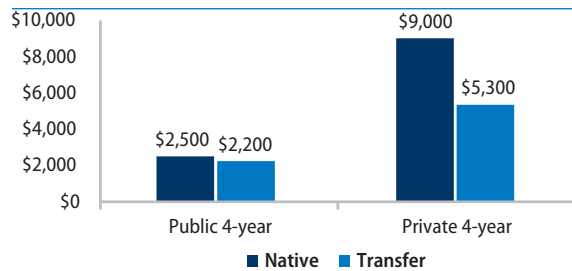
DECEMBER 2012

Many of today's undergraduate students choose to begin their college careers at a community college to save money, with the intent to transfer to a four-year university and obtain a bachelor's degree. The tuition and fees at a community college are much lower than at a four-year university; further, the cost of living can be much less expensive for a community college student who chooses to live at home with parents. How do these community college "transfer" students fare compared to their "native" peers when it comes to financial aid? Baccalaureate and Beyond (B&B) longitudinal data were used to analyze the financial story of students who graduated during the 2007–2008 academic year (AY).

The data used in this paper were filtered to include only students whose dependent or independent income was *at or below the median* of all students in the B&B database, which was \$88,836 for dependent students and \$25,457 for independent students. The population of the B&B database is a nationally representative sample of students who graduated with a bachelor's degree in AY 2007–2008. By analyzing the data of students at or below the median national income, one is more likely to capture the transfer students who started at a community college because they intended to spend less money on their college education

than they would have had they started at a four-year university. We use the term "native" to refer to a student who started his or her undergraduate career at a four-year university and the term "transfer" to refer to a student who started at a two-year college, then subsequently transferred to a four-year university.

Median Institutional Aid Awarded to U.S. Four-year Undergraduates in AY 2007–2008, by Sector



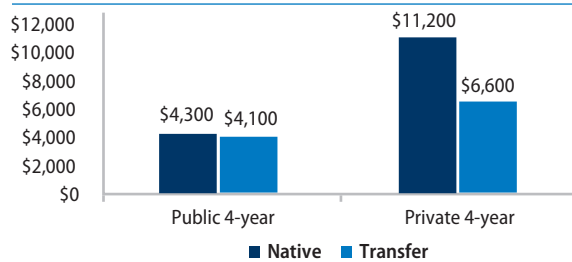
Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

STUDENT AID BY SECTOR

The median institutional aid award in AY 2007–2008 was higher for students who were native to the four-year sector than for students who transferred from the two-year sector to the four-year sector. Native public four-year university students had a slightly higher median aid award than peer transfer students. At private four-year universities, there was a significant difference between the amount of institutional aid awarded to native and transfer students. Native students received a median of nearly \$4,000 more than transfer students.

Transfer students were awarded less in grants of any kind in both the public and private four-year sectors in AY 2007–2008. The median overall grant aid awarded to native and transfer students was nearly the same in the public sector, but in the private sector transfer students received \$4,600 less overall grant aid than native students.

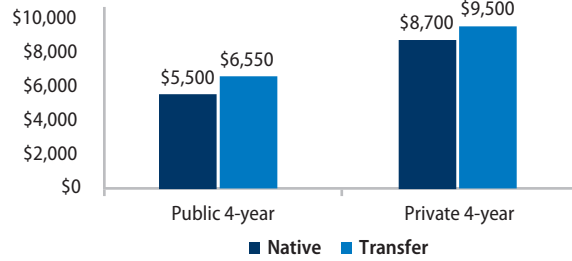
Median Overall Grant Aid Awarded to U.S. Four-year Undergraduates in AY 2007–2008, by Sector



Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

Transfer students in their final year of school borrowed more money than their native peers in AY 2007–2008. Public university transfer students borrowed about \$1,000 more than native students, and private university transfer students borrowed a median of \$800 more than native students. Less grant money awarded likely contributed to higher borrowing levels for transfer students when compared to native students, although other considerations were also likely factors.

Median Loan Aid Awarded to U.S. Four-year Undergraduates in AY 2007–2008, by Sector



Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

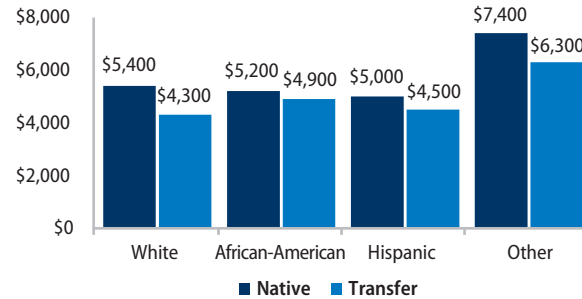
STUDENT AID BY RACE/ETHNICITY

Students who were native to the four-year sector received more institutional aid than transfer students during AY 2007–2008, regardless of race or ethnicity. Transfer students received a median institutional award that was between \$1,700 and \$3,300 less than native students. African-American students had the smallest gap, with a median award of \$4,400 for native students and \$2,700 for transfer students. Hispanic students had the largest gap, with median awards of \$4,700 for native students and \$1,400 for transfer students.

Native students of all races and ethnicities received more in grant aid than transfer students during their senior year. White students who transferred had the lowest median grant award for transfer students of \$4,300 and White students who were native received the second highest median grant of \$5,400. Students with a race or ethnicity other than White, African-American, or Hispanic were awarded the most grant aid whether they were native students (\$7,400) or transfer students (\$6,300).

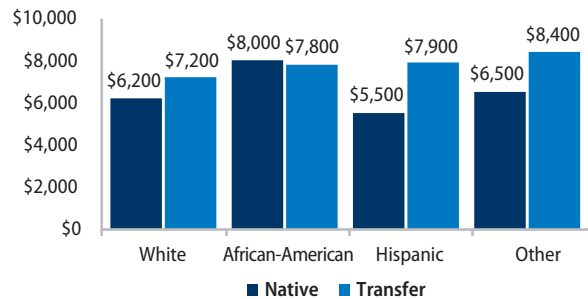
The median student loan debt of a transfer student in AY 2007–2008 was at or above that of a native student for every racial or ethnic group except for African-Americans, whose median debt amounts among the two groups were nearly identical. Hispanic transfer students borrowed a median of \$2,400 more than Hispanic native students, the largest difference of any race or ethnicity.

Median Grant Aid of U.S. Four-year Undergraduates in AY 2007–2008, by Race/Ethnicity



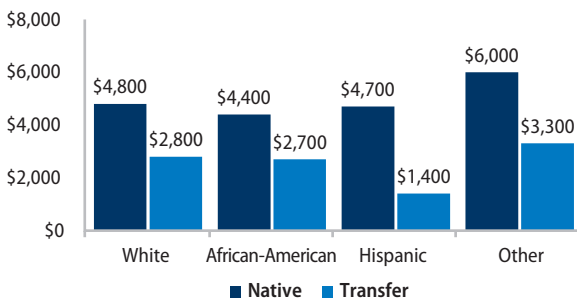
Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

Median Loan Aid of U.S. Four-year Undergraduates in AY 2007–2008, by Race/Ethnicity



Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

Median Institutional Aid Awarded to U.S. Four-year Undergraduates in AY 2007–2008, by Race/Ethnicity



Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

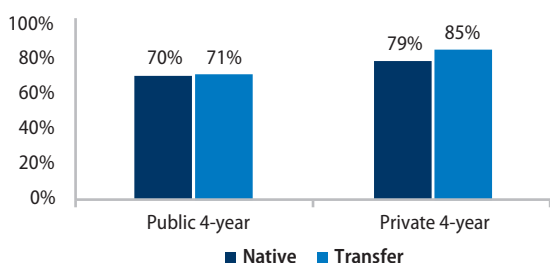
CUMULATIVE DEBT BY SECTOR

In the public four-year sector, students who transferred from a community college were about as likely to borrow a student loan as their native peers, 71 percent versus 70 percent. In the private four-year sector, 85 percent of transfer students borrowed compared with 79 percent of native students. Most transfer students were not able to avoid borrowing by starting at a community college.

For those who borrowed, the median cumulative student loan debt of both transfer students and native students at public

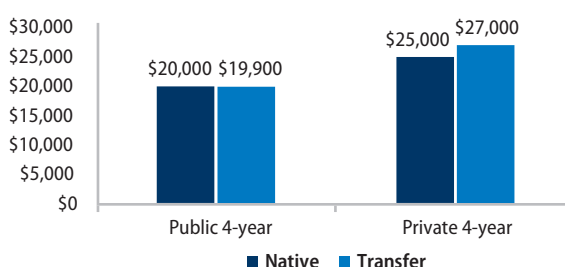
four-year universities was about \$20,000. In the private four-year sector, the median cumulative loan amount borrowed by transfer students was about \$27,000, compared to about \$25,000 for native students. In both sectors, most students borrowed, regardless of where they started their undergraduate career, and the median amounts borrowed by each student group did not vary widely. Even with cheaper costs at two-year colleges, transfer students still needed to borrow just as much as, or more than, native students in total for their undergraduate education.

U.S. Four-year Undergraduates Who Borrowed any Student Loan through Graduation in AY 2007–2008, by Sector



Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

U.S. Four-year Undergraduates' Median Cumulative Loan Debt through AY 2007–2008, by Sector



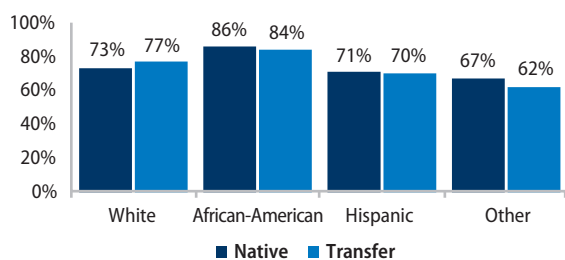
Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

CUMULATIVE DEBT BY RACE/ETHNICITY

Most undergraduate students borrowed loans at some point, regardless of where they began their college studies or with which race or ethnicity they identify. African-American students were the most likely to borrow, with 86 percent of native students and 84 percent of transfer students borrowing. Students who were not White, African-American, or Hispanic were the least likely to borrow, at 67 percent for native students and 62 percent for transfer students. In all racial or ethnic categories except White, native students were slightly more likely to borrow than transfer students.

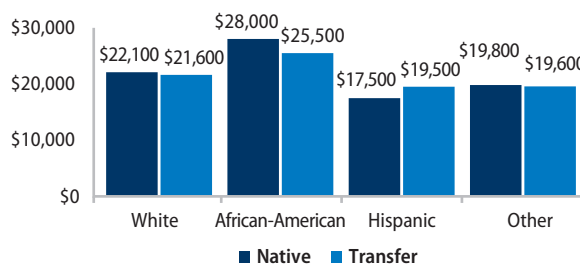
For each racial or ethnic group, the cumulative student debt is nearly the same for native and transfer students. African-American students had the highest median debt, at \$28,000 for native students and \$25,500 for transfer students. Hispanic students had the smallest median debt over the course of their undergraduate studies, at \$17,500 for native students and \$19,500 for transfer students.

U.S. Four-year Undergraduates Who Borrowed any Student Loan through Graduation in AY 2007–2008, by Race/Ethnicity



Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

U.S. Four-year Undergraduates Median Cumulative Loan Debt through AY 2007–2008, by Race/Ethnicity



Source: U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.

DISCUSSION

Students who started at a two-year college and graduated from a four-year university borrow as often and as much as students who started at the four-year university. Savings from the time spent at a lower-cost community college often vanish as transfer students borrow more than native students during their final years. Transfer students receive less grant money than native students, especially at a four-year private university, likely contributing to an increase in borrowing to make up the difference. Universities may be able to help transfer students by providing them more grant and institutional aid.

Some financial advisors recommend that bachelor's degree-seeking students start at a community college and transfer to a university in order to keep college costs down. Unfortunately, as described in this paper, transfer students borrow as often and as much as native students by the end of their undergraduate career. Additionally, according to a 2009 National Center for Education Statistics study, only about one third of community college students who intend to transfer to a university actually end up doing so within three years. Encouraging the community college path to a bachelor's degree may end up creating a significant barrier for some students, but without the benefit of lower debt for those who transfer successfully.

SOURCES

U.S. Department of Education, National Center for Education Statistics, *Baccalaureate and Beyond Longitudinal Study 2009* (<http://nces.ed.gov/surveys/b&b/>)

U.S. Department of Education, National Center for Education Statistics, *On Track to Complete? A Taxonomy of Beginning Community College Students and Their Outcomes 3 Years After Enrolling: 2003-04 Through 2006*, July 2009 (<http://nces.ed.gov/pubs2009/2009152.pdf>)

ADDITIONAL TG PUBLIC POLICY PUBLICATIONS

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