

earnest

# The State of Financial Aid Offices 2021



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# Introduction

## About this Survey

In September of 2021, Earnest conducted a survey with n=531 Undergraduate students. This survey sought to learn about what's new in how students finance their education. Topics covered included:

- How undergraduates interact with their college's financial aid offices- common strengths and low-hanging opportunities
- How students learn about financial resources
- How students encounter and attempt to solve challenges in financing their education

This report dives into the most significant insights that emerged from the survey. If you have questions about the research, reach out to [Tim.Young@Earnest.com](mailto:Tim.Young@Earnest.com).

## About the participants

Participants met the following criteria:

- Between the ages of 18-22
- Must have federal student loans and/or private student loans (could also have scholarships, grants, and other sources of funding)
- Must currently be enrolled in a Title IV colleges and universities (non-profit institutions)

### Demographic overview

- The average student participant was approaching their 21st birthday
- 67.09% were female; 31.65% were male, and 1.27% identified as other

# Executive Summary

Many of the issues students have with their Financial Aid Offices arise directly from understaffing in departments, and are thus difficult to address without increased budgets. However, there are many opportunities for Financial Aid Offices to increase student satisfaction that involve easier fixes: low hanging fruit.

Amongst these are increasing access to self-service tools like FAQs and distributing resources to help students make better use of their Financial Aid Office, by clearly articulating how the office can help them.

Another addressable opportunity comes in the domain of communication; many students feel like their Financial Aid Office does not translate the processes of applying for aid and managing their financing in ways that they, the students, understand. This leaves them feeling confused and overwhelmed. Shifting communications to be in layman's terms can help address the hunger for more comprehensive, detailed, and clear information.

As members of Gen Z, college students have expectations of their Financial Aid Offices that reflect a lifetime of interactions with social media and smart technology. This leads to certain expectations that simply cannot be met by staffing, no matter the budget.

These include the desire for constant updates on the status of applications and financial aid awards, as well as ongoing notifications when new scholarships become available that they, specifically, are eligible for. These are services that only software can help meet.

In order to bridge the gap between expectations and reality, Financial Aid Offices can better articulate to students not only what they do, but how they operate. This could help students recalibrate their expectations.

In terms of issues for Financial Aid Offices that arise at least tangentially from budget shortfalls, staff attitude, office hours / accessibility, and response time are the primary issues that students identify as what they most wish were different.

Beyond the Financial Aid Office itself, this survey identified that financially savvy students are substantially more likely to be making in-school payments than their peers.

Students also identified that what was most important to them in a student loan lender was 'Good Customer Service', followed by 'A Positive Reputation', which both far outranked 'A Competitive Interest Rate'. However, this includes both students with only federal student loans, as well as students with private student loans.

For students with private student loans, the most important features in a lender are 1) A range of loan terms (how many years), followed by 2) Customer service, and 3) Competitive interest rate. This is what matters most to students with private student loans.



# Insights

## Student behavior

### Financial savviness

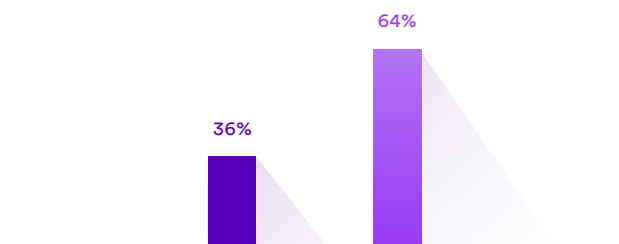
64% of students stated that they're more financially savvy than their peers.

When broken down by gender, we see that men are substantially more likely to identify as financially savvier than their peers than women are; 73% of men identify as more financially savvy than their peers, compared to just 61% of women.

This question is not a metric of actual financial savviness, but perceived financial savviness, which could also be interpreted as confidence.

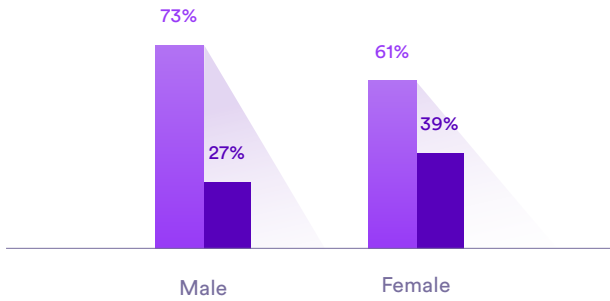
### Compared to your peers, which better describes you?

- I am LESS savvy about finances than they are
- I am MORE savvy about finances than they are



## Compared to your peers, which better describes you?

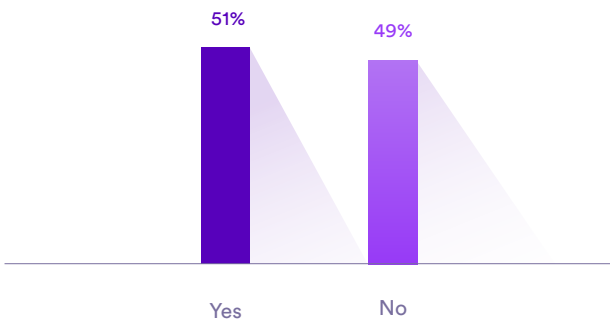
- I am MORE savvy about finances than they are
- I am LESS savvy about finances than they are



### In-school loan payments

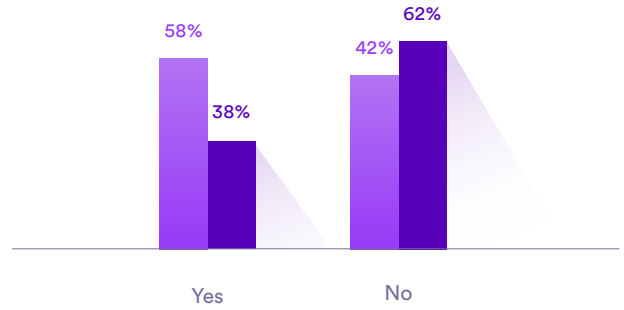
More than half (51%) of students with student loans are making student loan payments in college. If we break down this question by financial savviness, however, we see totally different results.

## Are you making student loan payments while in college?



## Are you making student loan payments while in college?

- I am MORE savvy about finances
- I am LESS savvy about finances

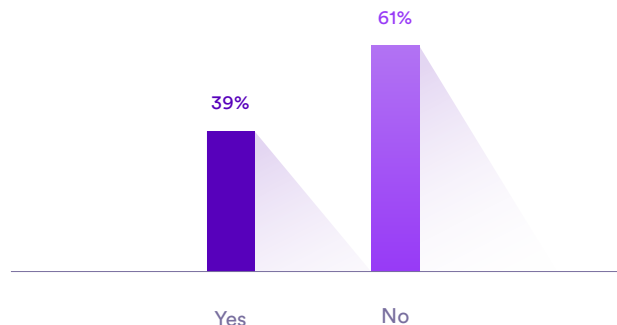


58% of students who self-identify as financially savvier than their peers are making student loan payments in college. That's 20% higher than among students who self-identify as less financially savvy than their peers.

In other words, students who self-identify as more financially savvy than their peers are substantially more likely to be making student loan payments while in school.

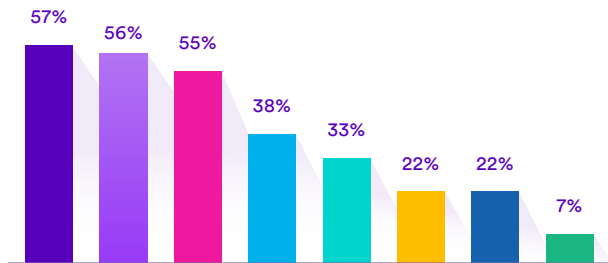
### Considering dropping out of school

## Are you considering putting your college education on hold or leaving college?



## Why have you considered putting your college education on hold or leaving college?

- Cost is too high
- Mental health challenges
- Difficulty paying for school
- Degree doesn't seem worth trouble/money
- I feel I don't belong
- I'm not sure what to major in
- Academics are too difficult
- other



The most common reason why students consider leaving college is the high cost, followed by mental health challenges. Difficulty finding ways to pay for school wraps up the top 3.

Among women, 'Mental health challenges' were the top response, slightly edging out 'The cost is too high'.

Notably, the average student selected 2.88 options. This shows how connected these issues are. One example of this: mental health challenges might lead to a student feeling like they don't belong, or vice versa.

### Priorities in features of a student loan lender

We asked students to evaluate the following features, and label each as 'Not important at all', 'Slightly important', 'Moderately important', 'Very important', or 'Extremely important'.

The following chart shows the average rankings from students, on a scale from 0 to 4, where 0 would be every student ranking that feature as 'Not important at all', and 4 would be every student ranking a feature as 'Extremely important'.

## How important are these features TO YOU in your student loan lender?

All students (federal and/or private loans)



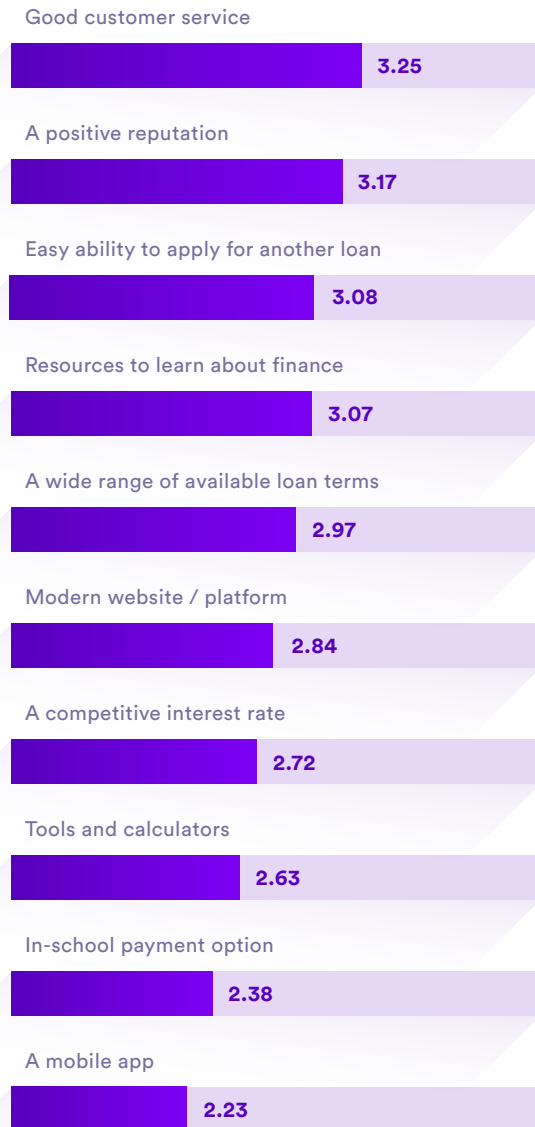
What's fascinating here is that 'A competitive interest rate' ranks all the way toward the bottom; the most important features, by far, are 'Good customer service' and 'A positive reputation'.

This is because this population is primarily people with federal student loans, and they assume that they're getting a competitive interest rate.



## How important are these features TO YOU in your student loan lender?

Students with federal loans only



Unsurprisingly, students with only federal loans have fewer questions of trust when it comes to their lender; here, 'Good customer service' outranks 'A positive reputation' by a wider margin than among all students.

## How important are these features TO YOU in your student loan lender?

Students with private student loans

(Changes in ranking compared to students with only federal loans)

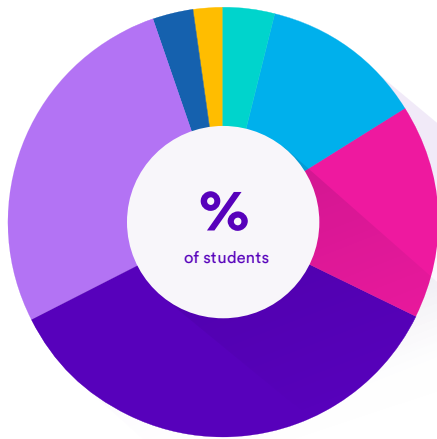


Here's where things drastically shift. For students with private loans, 'A competitive interest rate' jumps all the way up to 3rd, and 'A wide range of available loan terms' suddenly ranks first, above even 'Good customer service'.

# Financial Aid Offices

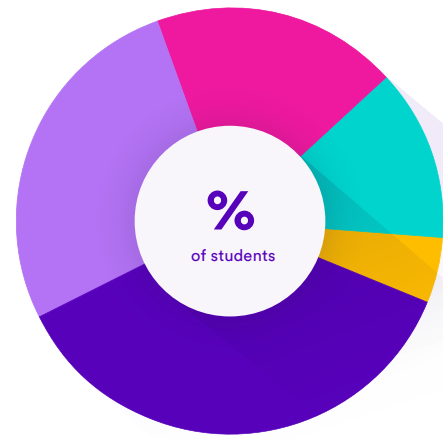
## How often do you interact with you school's financial aid office?

- 35% Once per semester
- 27% A few times per semester
- 16% Once per year
- 12% Once
- 4% Never
- 3% Once a month
- 2% More than once a month



## How helpful do you find your school's financial aid office?

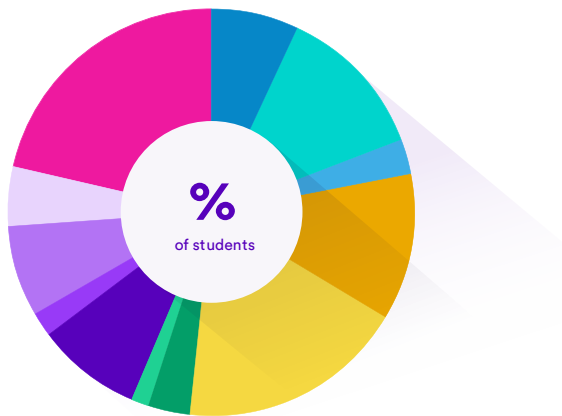
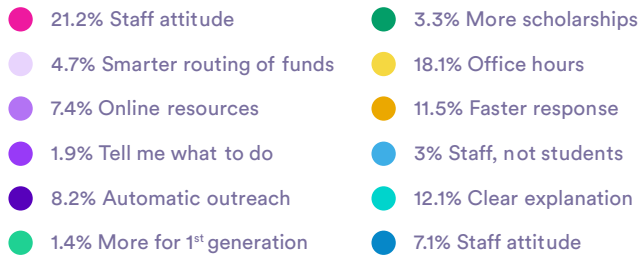
- 37% Pretty helpful
- 27% Somewhat helpful
- 19% A bit helpful
- 13% Incredibly helpful
- 5% Not helpful



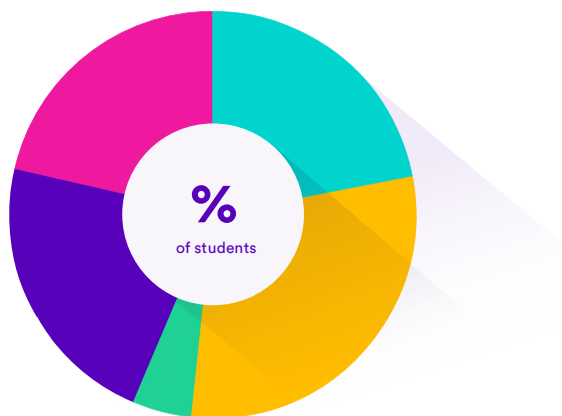
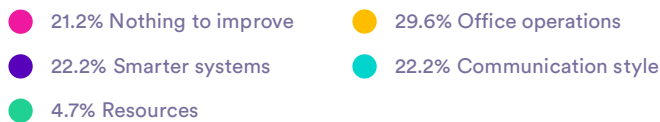
### Annual benchmarks

Every year, this survey will ask students the same questions on their interactions with their school's Financial Aid Offices. These questions represent the first year of that benchmarking effort to see how student perceptions of and interactions with their school's Financial Aid Offices change over time.

## What could your FAO do to be more useful?



## What could your FAO do to be more useful?



In an open-ended response question, we asked students what their college's Financial Aid Office could do to be more helpful for them. Students' responses fell broadly into 5 categories; Nothing to improve, Smarter systems & services, Expanding resources, Office operations, and Communication style.

### General observations

Many of the issues identified by students emerge directly from colleges' Financial Aid Offices' crunched budgets. In particular, the issues in the 'Office operations' section (Yellow) are a direct result of limited staff and budget resources; response time of emails and phone calls (11.5%), and office hours and general accessibility (18.1%) are both directly connected to budget.

So too are some of the issues in the 'Communication style' section (Blue). No doubt 'staff attitude' (7.1%) would be less of an area of improvement if Financial Aid Office staff themselves had more resources. Limited staff knowledge (3%) was mentioned by students most often in concert with student staff who could not adequately answer other students' questions.

### Smarter systems and services

Budget limitations constrain the capacity of some Financial Aid Offices to be more conventionally accessible; however, a lot of what students desire actually seems to acknowledge that limitation. Much of what students desire are smarter systems and assistance that does not require proportionately more staff.

### More online resources / FAQs

The 'More online resources / FAQs' bucket (7.4% of responses) mostly addresses the desire for accessible self-service information. In this bucket, students often commented on their desire to better understand what services their Financial Aid Office offered, how to use their Financial Aid Office, and a general desire for common answers to their questions.

Some example responses from within this bucket are below:

“Have detailed instructions and a better website”

“My college’s Financial Aid Office could post answers to common questions in order to minimize the volume of questions received and response time.”

“Provide more resources on how to improve financial literacy”

“Self-help applications for more reliable funding from Financial Aid Offices”

“The bills just appear in my inbox. I never really was given a great explanation of what resources are available in the Financial Aid Office.”

“They could give me a handbook of all the stuff I need to know.”

“offer more clear answers on the faq page”

One prevalent theme that emerged elsewhere in the responses (in the Communication style: Explain things clearly bucket) was how often students feel like Financial Aid Offices communicate in a way that’s hard to understand; many students leave meetings feeling like their officer did not put advice in a way the student could understand.

With that in mind, it’s no wonder students desire more clear communication in the form of online resources like FAQs and websites.

## Smarter routing of funding opportunities

Another common theme among students is a desire for more intelligent routing of scholarship, grant, and aid opportunities to students; in particular, students want to be reached out to quickly when a new opportunity arises for which they are eligible.

Without some kind of intelligent computerized system, such a desire would mean far more busywork for Financial Aid Offices. Gen Z generally expects the systems that they interact with to have the innate intelligence of social media, routing them the correct content when and as it becomes available.

The disconnect between the current state of automation within the Financial Aid Office space and the expectations of the Gen Z clients they serve poses a major challenge. How should these expectations be addressed by individual Financial Aid Offices?

Some sample answers provided by students in this bucket are below:

“If they were more open about which scholarships are available it would make life a lot easier as the current system makes you dig through loads of forms to find scholarships.”

“I might find it helpful if they could help pair us with scholarships that are eligible for and have a fair chance at getting.”

“send out emails when offers come in more often if I qualify for that application process.”

“Make a list of awards based on my eligibility that I can apply for”

“Assist in finding scholarships that fit”

## More frequent / automatic outreach

Unsurprisingly, the same theme of a desire for automation plays out in the bucket ‘More frequent / automatic outreach’ (8.2%). Here, students lament the lack of updates they receive on the status of their student financing.

Some example responses from the bucket include:

“i wish they would respond to emails quicker and keep you updated on the status of your applications more often”

“Reach out more often with deadlines and reminders for payments and class registration”

“Provide exact information about future semesters and help me be proactive.”

“Let me know the exact date that I’m going to get my tuition refund”

“Be explicitly clear when i am done with financial aid for the semester/year, calling me and informing me directly or through voicemail that i am officially “good to go””

Much of these responses connect to issues of opacity in the communication process-- students don’t know whether their FAOs have the answers to the current status of applications.

## Other

Within the bucket of 'Smarter systems and services', students also expressed a desire to not just be presented with options, but to be told specifically what to do (1.9%).

## Communication Style

As mentioned previously, limitations in Financial Aid Office budgets no doubt impact the amount of time and effort staff members can devote to individual students. Stressed and hurried staff who are already thinking about the next student coming through the door are, unsurprisingly, often not in the best position to provide quality client experience.

## Staff attitude

7.1% of student responses to the question 'What could your college's Financial Aid Office do to be more helpful to you?' were specifically about the attitude of the staff. Connecting back to the issue of constrained budgets, here is where limitations in funding and the issue of overworked staff become most strikingly apparent.

Some examples are below:

"They should be kinder to me"

"They need to be more understanding."

"They could better their customer service skills. They are normally rude and have attitudes."

"They could actually try to care about the situations that you're in and seem less annoyed about questions that you ask."

"Spend more time, feels like they're always trying to get me outta there"

"Be more personal, they talk generally"

"Make an effort to actually care about your issues and not just brush you off because they are 'too busy'"

"Just be a little more understanding."

"Listen to me when I speak".

## Explain things clearly

One clear desire students have for their Financial Aid Office is to communicate more clearly-- more transparently, but more importantly, in language that students can readily understand. This bucket (12.1%) comprises the second largest overall area of improvement, outside of improved accessibility and office hours (18.1%). This illustrates just how prevalent a pain point unclear communication presents.

Many students feel that their Financial Aid Office does not successfully help students build the foundational knowledge necessary to navigate the processes of acquiring funding. This includes both financial literacy and understanding the long-term impact of loans.

Some examples of responses from this bucket are below:

"Explain everything in more detail so it is less confusing"

"Use language I understand and be more clear and direct when answering questions"

"Stop explaining things like I already know what they are talking about. I am there because I need help understanding because I do not know anything about it"

"More assistance with Fafsa: Comprehension and Filling Out"

"Make the loan applications less complicated and explain them better."

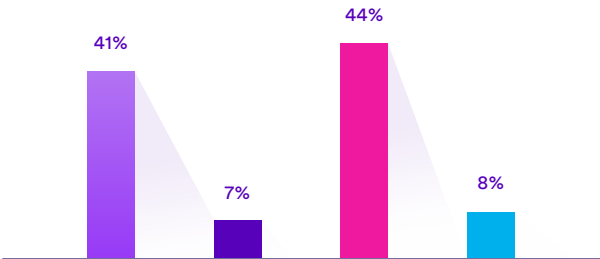
"I believe they could be more accessible. I would like it to be more easy to approach them compared to before. I would also like 'real talk' on loans."

"Breakdown the steps into layman's terms when it comes to applying"

"Explain what this will mean when I graduate."

# Do you want to be reached out to more, less, or the same amount?

- Less
- More
- Satisfied
- Don't care

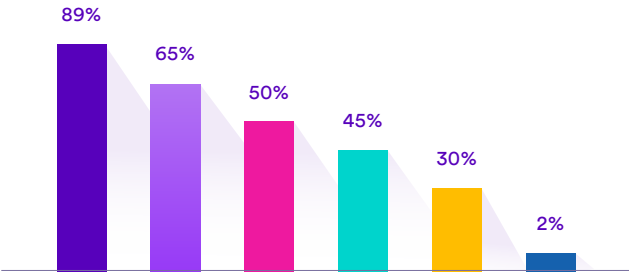


Almost as many students wish their FAO would reach to them more (41%) as are satisfied with how often their FAO reaches out to them (44%). From the previous questions, we've learned that the kind of outreach students desire more of are faster emails about scholarships / grants / aid that they're eligible for, and automated updates on the status of their existing financial aid awards and applications.

# Reference section

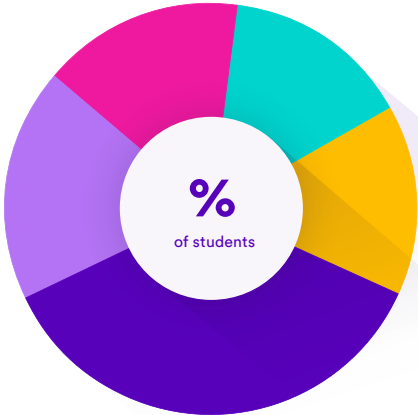
## What funding sources are you using to pay for college?

- Federal student loans
- Scholarships
- Grants
- Money from parents
- Private student loans
- Other



## How old are you?

- 32% 21
- 20% 22
- 17% 20
- 16% 19
- 16% 18



(Note: this question explores what percentage of students rely on which funding sources; in other words, 89% of students surveyed had federal student loans; this does not mean that 89% of the average student's funding came from student loans).

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